MCLEAN AFFILIATES, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

MCLEAN AFFILIATES, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
McLean Affiliates, Inc.

Opinion

We have audited the financial statements of McLean Affiliates, Inc., which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of McLean Affiliates, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of McLean Affiliates, Inc. as of September 30, 2022 were audited by other auditors whose report dated January 11, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of McLean Affiliates, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about McLean Affiliates, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Marcum LLP

Hartford, CT
December 21, 2023

MCLEAN AFFILIATES, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2023 AND 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 2,387,140	$ 9,974,796
Accounts receivable, net of allowance of $364,402 in 2023 and $269,754 in 2022	1,651,378	1,704,679
Due from related party	--	126,696
Prepaid expenses and other current assets	705,643	612,011
Total Current Assets	4,744,161	12,418,182
Investments	13,991,698	12,486,546
Assets Whose Use is Limited	5,224,764	16,080,334
Charitable Remainder Trust, net	799,438	761,552
Property and Equipment		
Land	29,950	29,950
Land improvements	3,933,611	3,597,786
Buildings	95,393,972	92,748,150
Fixed equipment	14,708,753	14,147,358
Movable equipment	5,534,001	5,081,512
Construction in progress	730,350	1,062,842
	120,330,637	116,667,598
Less accumulated depreciation	39,897,966	35,167,638
Total Property and Equipment	80,432,671	81,499,960
Total Assets	$ 105,192,732	$ 123,246,574

The accompanying notes are an integral part of these financial statements.

MCLEAN AFFILIATES, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2023 AND 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Current portion of bonds payable	$ --	$ 8,300,000
Accounts payable	2,063,730	2,481,001
Entrance fee refunds payable	4,887	459,137
Accrued salaries, wages, payroll taxes and other	1,285,570	1,265,276
Accrued expenses	362,538	358,397
Contract liabilities	230,472	316,791
Due to related party	455,018	--
Deposits held for residents	757,368	958,890
Total Current Liabilities	5,159,583	14,139,492
Refundable Entrance Fees, net of current portion	11,134,438	9,588,885
Contract Liabilities from Nonrefundable Entrance Fees	16,650,448	14,939,056
Noncurrent Liabilities		
Bonds payable, net	51,191,244	56,926,187
Other Liabilities	44,570	50,584
Total Liabilities	84,180,283	95,644,204
Net Assets		
Without donor restrictions	13,820,133	20,974,037
With donor restrictions	7,192,316	6,628,333
Total Net Assets	21,012,449	27,602,370
Total Liabilities and Net Assets	$ 105,192,732	$ 123,246,574

The accompanying notes are an integral part of these financial statements.

MCLEAN AFFILIATES, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Revenues and Other Support		
Without Donor Restrictions		
Resident service fee revenue	$ 29,208,830	$ 25,977,433
Contributions received from related entities	334,000	380,439
Grant revenue	--	673,193
Contributions	217,700	410,078
Other revenues	372,771	554,993
Net assets released from restrictions	305,989	161,651
Total Revenues and Other Support Without Donor Restrictions	30,439,290	28,157,787
Expenses		
Salaries and wages	16,459,345	15,670,690
Employee benefits	3,636,318	3,503,776
Other expenses	11,282,914	8,778,839
Interest	2,662,102	738,828
Depreciation and amortization	4,784,691	3,037,299
Total Expenses	38,825,370	31,729,432
Loss from Operations	(8,386,080)	(3,571,645)
Other Income		
Other income and expense	40,086	40,086
Interest and dividend income	590,395	233,181
Total Other Income	630,481	273,267
Change in Net Unrealized Gain (Loss) on Investments	601,695	(1,801,407)
Deficit of Revenues Over Expenses	(7,153,904)	(5,099,785)
Changes in Net Assets Without Donor Restrictions	(7,153,904)	(5,099,785)
Changes in Net Assets With Donor Restrictions		
Interest and dividend income	127,775	102,148
Change in net unrealized gain (loss) on investments	485,863	(1,149,849)
Change in net realized gains on investments	--	81,510
Change in value of charitable remainder trust	37,886	(131,420)
Contributions	218,448	263,675
Net assets released from restrictions	(305,989)	(161,651)
Total Changes in Net Assets with Donor Restrictions	563,983	(995,587)
Change in Net Assets	(6,589,921)	(6,095,372)
Net Assets - Beginning of year	27,602,370	33,697,742
Net Assets - End of year	$ 21,012,449	$ 27,602,370

The accompanying notes are an integral part of these financial statements.

MCLEAN AFFILIATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Services				Supporting Services			
	Health Services	Community Based Services	Independent Living	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 10,316,985	$ 3,108,238	$ 1,653,426	$ 15,078,649	$ 1,317,860	$ 62,836	$ 1,380,696	$ 16,459,345
Employee benefits	2,279,300	686,694	365,287	3,331,281	291,154	13,883	305,037	3,636,318
Depreciation and amortization	1,638,940	76,850	2,999,395	4,715,185	61,278	8,228	69,506	4,784,691
Professional and contract services	1,560,182	428,984	685,323	2,674,489	222,264	10,482	232,746	2,907,235
Dining food and supply	1,560,775	--	1,171,938	2,732,713	--	--	--	2,732,713
Other supplies and expenses	996,609	826,980	670,488	2,494,077	111,872	156,555	268,427	2,762,504
Utilities	624,075	29,230	683,193	1,336,498	56,074	3,129	59,203	1,395,701
Interest	--	--	2,662,102	2,662,102	--	--	--	2,662,102
Provider tax	413,842	--	--	413,842	--	--	--	413,842
Property tax	--	--	750,588	750,588	--	--	--	750,588
Insurance	--	--	--	--	195,266	--	195,266	195,266
Bad debts	119,994	5,071	--	125,065	--	--	--	125,065
Total expenses	$ 19,510,702	$ 5,162,047	$ 11,641,740	$ 36,314,489	$ 2,255,768	$ 255,113	$ 2,510,881	$ 38,825,370

The accompanying notes are an integral part of these financial statements.

MCLEAN AFFILIATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services				Supporting Services			
	Health Services	Community Based Services	Independent Living	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 10,060,437	$ 3,070,260	$ 1,089,291	$ 14,219,988	$ 1,377,485	$ 73,217	$ 1,450,702	$ 15,670,690
Employee benefits	2,248,032	688,607	243,027	3,179,666	307,763	16,347	324,110	3,503,776
Depreciation and amortization	1,514,268	71,004	1,387,806	2,973,078	56,619	7,602	64,221	3,037,299
Professional and contract services	1,077,927	844,044	324,714	2,246,685	205,492	4,654	210,146	2,456,831
Dining food and supply	1,260,887	--	628,571	1,889,458	--	--	--	1,889,458
Other supplies and expenses	1,040,410	383,706	465,894	1,890,010	115,515	72,645	188,160	2,078,170
Utilities	434,083	33,911	312,618	780,612	47,558	2,175	49,733	830,345
Interest	--	--	738,828	738,828	--	--	--	738,828
Provider tax	420,169	--	--	420,169	--	--	--	420,169
Independent living expansion marketing	--	--	418,462	418,462	--	--	--	418,462
Property tax	--	--	399,123	399,123	--	--	--	399,123
Insurance	--	--	85,678	85,678	167,914	--	167,914	253,592
Bad debts	33,425	(736)	--	32,689	--	--	--	32,689
Total expenses	$ 18,089,638	$ 5,090,796	$ 6,094,012	$ 29,274,446	$ 2,278,346	$ 176,640	$ 2,454,986	$ 31,729,432

The accompanying notes are an integral part of these financial statements.

MCLEAN AFFILIATES, INC.

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (6,589,921)	$ (6,095,372)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Proceeds from entrance fees	6,688,710	17,859,204
Refunds of entrance fees and entrance fees payable	(2,269,650)	(2,115,997)
Amortization of entrance fees	(1,616,365)	(686,334)
Amortization of bond premium	(55,086)	(55,086)
Depreciation and amortization	4,784,691	3,037,299
Provision for bad debts	125,065	32,689
Change in value of charitable remainder trust	(37,886)	131,420
Change in unrealized (gain) loss on investments	(1,087,558)	2,951,256
Changes in operating assets and liabilities:		
Accounts receivable	(71,764)	(272,576)
Due to/from related party	581,714	(98,352)
Prepaid expenses and other current assets	(93,632)	(268,719)
Accounts payable	(639,504)	(3,578,530)
Accrued salaries, wages, payroll taxes and other	20,294	(309,103)
Accrued expenses	4,141	(98,105)
Contract liabilities	(86,319)	(69,819)
Deposits held for residents	(201,522)	(1,070,106)
Net Cash (Used In) Provided by Operating Activities	(544,592)	9,293,769
Cash Flows from Investing Activities		
Purchases of investments, net	(417,594)	(604,518)
Sales of assets whose use is limited, net	2,896,748	30,883,997
Purchases of property and equipment	(3,456,040)	(29,678,159)
Net Cash (Used In) Provided by Investing Activities	(976,886)	601,320
Cash Flows from Financing Activities		
Payments on bonds payable	(14,025,000)	--
Net Cash Used in Financing Activities	(14,025,000)	--
Net Change in Cash, Cash Equivalents and Restricted Cash	(15,546,478)	9,895,089
Cash, Cash Equivalents, and Restricted Cash - Beginning	22,161,744	12,266,655
Cash, Cash Equivalents, and Restricted Cash - End	$ 6,615,266	$ 22,161,744

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

McLean Affiliates, Inc. (McLean) was incorporated as a nonprofit entity on October 1, 2008 as a subsidiary of the McLean Fund (the Fund), a trust created by the last will of George P. McLean. Prior to this incorporation, McLean operated as a unit of the Fund. The subsidiaries of the Fund include McLean and the McLean Game Refuge (the Refuge). The Refuge is not included in these statements.

McLean operates as a Life Plan Community (formally known as a Continuing Care Retirement Community) and a long-term care facility located in Simsbury, Connecticut. McLean opened The Goodrich, a new 55 unit apartment building, in July of 2022. Along with apartments, this building includes dining, fitness space, and a performing arts center. This new building also includes underground parking. As of September 30, 2023, McLean has 89 Medicaid and Medicare certified skilled nursing beds, 71 assisted living units, 3 residential care home beds, 103 independent living apartments, 13 independent living villas, and 15 independent living cottages.

McLean provides a full range of services, including physical therapy, occupational therapy, and speech therapy. The average occupancy for McLean was 80% and 77% for 2023 and 2022, respectively. In addition, McLean provides home care, hospice, adult day care, and Meals on Wheels services to residents of Simsbury and surrounding towns.

Overall occupancy levels at McLean for the years ended September 30, 2023 and 2022 are as follows:

	2023	2022
Skilled nursing care	77%	76%
Assisted living	59%	63%
Independent living - apartments (Burkholder)	83%	83%
Independent living - apartments (Goodrich)	99%	71%
Independent living - villas	94%	99%
Independent living - cottages	67%	72%

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

In order to ensure observance of limitations and restrictions placed on the use of the resources available to McLean, the accounts are maintained on the accrual basis of accounting and, accordingly, the accounts of McLean are reported in the following net asset categories.

Net Assets Without Donor Restrictions - Net assets without donor restrictions represent resources that may be expended at the direction of the board of directors. Additionally, the board of directors designates a portion of net assets without donor restrictions which represents the investments held at year-end.

Net Assets With Donor Restrictions -These assets represent resources that have donor-imposed restrictions as to purpose or time of expenditure. When the purpose or timing restrictions have been met, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions as of September 30, 2023 and 2022 are restricted for time, capital projects, and other resident assistance purposes. Details of net assets with donor restrictions are included in Note 11.

EXCESS (DEFICIT) OF REVENUES OVER EXPENSES

The statements of activities and changes in net assets without donor restrictions include excess (deficit) of revenues over expenses. This is the performance indicator for McLean. Changes in net assets which are excluded from this operating measure, consistent with industry practice, include assets acquired using contributions which by donor restriction were to be used for purposes of acquiring such assets.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable. However, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

McLean considers all short-term, highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. McLean maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. McLean believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash equivalents are comprised of money market funds. Money market funds are not insured by the Federal Deposit Insurance Corporation (FDIC) and are not a risk-free investment. Money market funds invest in a variety of instruments including mortgage- backed and asset-backed securities. Although a money market fund seeks to preserve its one dollar per share value, it is possible that a money market fund's value can decrease below one dollar per share.

ACCOUNTS RECEIVABLE

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, McLean analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate an appropriate allowance for doubtful accounts and provision for bad debts based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments are reported at fair value. 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. See Note 6 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the accompanying statements of financial position with realized and unrealized gains and losses on these investments included in the accompanying statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets restricted under state of Connecticut law governing Life Plan Community entrance fee escrow arrangements and assets set aside for operating Life Plan Community escrow and reserve funds.

CHARITABLE REMAINDER TRUST

Charitable remainder trust consists of assets irrevocably transferred for the benefit of McLean and other beneficiaries. Revocable charitable remainder trust agreements are not recorded as contributions unless enforceable by law. Irrevocable charitable remainder trusts are recorded as contributions at fair value when the assets are received or when McLean is notified of the existence of the agreement. The accounting treatment varies depending upon the type of the agreement created and whether McLean or a third party is the trustee.

McLean is the beneficiary of irrevocable charitable remainder trusts which are managed by third-party trustees. A charitable remainder trust provides for the payment of distributions to the granter or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for McLean's use.

The trusts are carried at the net fair value of the underlying investments less the estimated liability to the designated beneficiary. The portion of the trust attributable to the present value of the future benefits to be received by McLean is recognized in the statement of activities and changes in net assets as a contribution with donor restrictions in the period the trust is established.

BOND ISSUANCE COSTS

Bond issuance costs are fees and other costs incurred in obtaining financing that are amortized on a straight-line basis over the term of the related debt. Bond issuance costs are presented as a direct deduction of the carrying amount of the debt. Amortization of bond issuance costs is included in interest expense.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Routine maintenance, repairs, renewals and replacement costs are charged against income. Expenditures in excess of $2,000 that materially increase values, change capacities or extend useful lives are capitalized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in other income in the statements of activities and changes in net assets.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	5 to 30 years
Buildings	10 to 40 years
Fixed equipment	5 to 25 years
Movable equipment	5 to 20 years

Depreciation expense totaled $4,730,631 and $2,989,239 for the years ended September 30, 2023 and 2022, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

McLean reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered impaired, the long-lived assets are then written down to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. Management believes no impairments have occurred and, therefore, no write-downs of the assets were necessary for the years ended September 30, 2023 and 2022.

ASSET RETIREMENT OBLIGATION

McLean accounts for any conditional asset retirement obligations in accordance with the provisions of U.S. GAAP. U.S. GAAP requires that an entity recognize a liability for the fair value of conditional asset retirement obligations if the fair value of the liability can be reasonably estimated. The fair value of a liability for conditional asset retirement obligations must be recognized when incurred, generally upon acquisition, construction or development, or through the normal operation of the asset. McLean conducted a review of its facilities to determine if there are any assets that give rise to the obligation to perform asset retirement activity, which may not be within its control, such as the remediation or removal of asbestos containing materials.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSET RETIREMENT OBLIGATION (CONTINUED)

McLean has certain items in its buildings that it believes may result in asset retirement costs. McLean currently has no plans to renovate the areas that contain these items or remove these items from service. However, McLean has determined what it believes to be a reasonable settlement date to retire these items in the event that such retirement is not within their control. The initial estimated current cost associated with the retirement of these items was determined to be $51,000 and was recorded as an asset retirement obligation in other liabilities on the accompanying statements of financial position. For each of the years ended September 30, 2023 and 2022, the estimated current cost accreted amounted to $2,916 and has been reflected in the statements of activities and changes in net assets.

REVENUE RECOGNITION

McLean recognizes revenue at an amount that reflects the consideration to which McLean expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) McLean satisfies a performance obligation

See Note 5 for details on how the above five-step process is applied to the McLean's contracts with customers.

CONTRIBUTIONS

Contributions are defined as voluntary, nonreciprocal transfers. Contributions without donor restrictions are recognized as support when received or pledged, if applicable. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of such assets. When a 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 reported in the accompanying statements of activities and changes in net assets as Net Assets Released from Restrictions due to satisfaction of restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER REVENUES

Other revenues consist of charges for additional resident meals, guest meals, cable television, beauty salon services and other miscellaneous charges to residents.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses not listed below are assigned on a functional basis directly.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Time and effort
Employee benefits	Time and effort
Depreciation	Square footage
Utilities	Square footage

INCOME TAXES

McLean is a nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC.

McLean accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has analyzed the tax positions taken and has concluded that as of September 30, 2023 and 2022, there are no tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. McLean is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated subsequent events through December 21, 2023, which represents the date the financial statements were available to be issued.

NOTE 3 - COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID) to be a global pandemic. For the year ended September 30, 2022, McLean incurred costs related to the pandemic response and some of these costs were eligible for recovery during fiscal 2022 under various federal grants and state programs.

During the year ended September 30, 2022, McLean received $673,193 in grant proceeds through the Provider Relief Program (PRF) and Coronavirus Relief Fund (CRF) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and various other community grants. Under the PRF grant, McLean is required to use the grant proceeds to cover certain expenditures or lost health care revenues that occurred due to the COVID pandemic. During the year ended September 30, 2022, McLean recognized the amounts received as grant revenue on the statement of activities and changes in net assets, for qualifying expenses incurred through that date.

NOTE 4 - CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

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

	2023	2022
Cash and cash equivalents	$ 2,387,140	$ 9,974,796
Restricted cash included in assets whose use is limited	4,228,126	12,186,948
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 6,615,266	$ 22,161,744

NOTE 4 - CASH, CASH EQUIVALENTS, AND RESTRICTED CASH (CONTINUED)

Restricted cash included in assets whose use is limited includes amounts pledged as collateral for long-term financing arrangements as contractually required by a lender. The restriction will lapse when the related long-term debt is paid off.

NOTE 5 - REVENUES FROM CONTRACTS WITH CUSTOMERS

Resident revenue and health center patient revenue is reported at the amount that reflects the consideration McLean expects to receive in exchange for the services provided. These amounts are due from residents, patients or third-party payors (including health insurers and government payors). Performance obligations are determined based on the nature of the services provided. Resident revenue and health center patient revenue are recognized as performance obligations are satisfied. McLean recognizes revenue in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* (ASC 606).

PERFORMANCE OBLIGATIONS

At contract inception, McLean assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, McLean considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. McLean determines that the following distinct goods and services represent separate performance obligations:

- Health Center Services
- Assisted Living Services
- Independent Living Services
- Home Care Services.

McLean satisfies its performance obligations for health center services and assisted living services upon completion of each day's service or as ancillary services are provided. Patients receive care and room and board on a per diem basis and can also receive various ancillary services. Residents are charged a daily fee for bed stay and services provided and fees for ancillary services performed, which are payable upon receipt. Private room charges are due one month in advance.

McLean satisfies its performance obligations for independent living services over time as benefits are transferred to the resident. McLean charges separately for the different levels of care available to its residents. Charges are based on monthly rates. If the resident needs/desires a different level of care, that is covered under a separate contract at a separate rate.

NOTE 5 - REVENUES FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

PERFORMANCE OBLIGATIONS (CONTINUED)

Because a McLean resident has the ability to move out and discontinue paying the monthly service fee at any time, the resident agreement is viewed as a monthly contract with an option to renew. Payment terms for the independent living entrance fee are a fixed amount paid at the time the contract is signed and the resident takes occupancy. The entrance fee can be refundable or nonrefundable depending on the contract type the resident selects. The nonrefundable portion of the entrance fee is recorded as a contract liability and amortized over the estimated actuarial life of the resident, which is re-evaluated on an annual basis. Refundable entrance fees paid by residents are recorded as a liability and are not amortized. The monthly service fee is set at the time of the contract signing and is fixed except for annual inflationary increases.

McLean satisfies its performance obligations for home care services upon completion of each session of service provided. Medicare pays McLean a predetermined base payment for each patient that is adjusted for the health condition and care needs of the beneficiary. The payment covers a 30-day episode of care and the payment is received at the close of the 30-day episode. Once an episode is approved by Medicare, payment is expected for the services provided.

McLean satisfies its performance obligations for outpatient services upon completion of each service provided.

Performance obligations are determined based on the nature of the services provided by McLean. Revenue for performance obligations satisfied over time is recognized based on the estimated realizable amount earned for services provided. McLean believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

TRANSACTION PRICE

McLean determines the transaction price based on standard charges for room and board and services provided, reduced by contractual adjustments provided to applicable third-party payors or discounts provided to uninsured patients in accordance with McLean's policy. McLean determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. McLean determines its estimate of implicit price concessions based on its historical collection experience with this class of patients. Independent living monthly service fees are subject to annual inflationary increases.

NOTE 5 - REVENUES FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

TRANSACTION PRICE (CONTINUED)

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare - Certain health center services are paid at prospectively determined rates based on clinical, diagnostic and other factors.

Medicaid - Reimbursements for Medicaid services are generally paid at determined rates on a per diem basis.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined daily rates or discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge McLean's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon McLean. In addition, the contracts McLean has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and McLean's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, as new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

NOTE 5 - REVENUES FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

TRANSACTION PRICE (CONTINUED)

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

McLean has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies.
- Length of the patient's service or episode of care.
- Line of business that provided the service.

The difference between the opening and closing balances of the McLean's contract liabilities primarily result from the timing difference between McLean's performance and nonrefundable entrance fees received and/or amortized during the period.

Other revenues represent revenue from services from amenities and convenience services provided to residents and guests. This revenue is recognized on a daily basis upon the provision of the respective service.

In conjunction with ASC 606, certain marketing expenses related to advertising new independent living units are now expensed. Marketing costs related to independent living expansion of $418,462 were expensed during the year ended September 30, 2022.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that McLean has the ability to access at the measurement date.

Level 2 - Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and McLean has the ability to redeem the asset or liability in the near term subsequent to the measurement date.

Level 3 - Unobservable inputs are used to measure the fair value to the extent that observable inputs are not available, and McLean does not have the ability to redeem the asset or liability in the near term subsequent to the measurement date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following is a description of the valuation methodologies and investment strategies used for financial instruments measured at fair value:

Fixed Income

Fixed income investments are valued using quoted market prices in an active market in which the securities are traded.

Equity

Equity funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

Charitable Remainder Trust

Fair value inputs used for charitable remainder trusts are based on the estimated present value of the future payment to McLean, which is considered to be the fair value of the assets held in trust less estimated future payments to the designated beneficiaries.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while McLean believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no changes in the methodologies used at September 30, 2023 and 2022. The following is a summary of the source of fair value measurements for assets and liabilities that are measured at fair value as of September 30, 2023 and 2022:

	2023			
	Fair Value Measurements Using			
Description	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Fixed income investments	$ 5,492,675	$ --	$ --	$ 5,492,675
Equity investments	8,499,023	--	--	8,499,023
Total investments	13,991,698	--	--	13,991,698
Assets whose use is limited				
Fixed income investments	996,638	--	--	996,638
Charitable remainder trust	--	799,438	--	799,438
Total assets measured at fair value	$ 14,988,336	$ 799,438	$ --	$ 15,787,774

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

	2022			
	Fair Value Measurements Using			
Description	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Fixed income investments	$ 5,664,988	$ --	$ --	$ 5,664,988
Equity investments	6,821,558	--	--	6,821,558
Total investments	12,486,546	--	--	12,486,546
Assets whose use is limited				
Fixed income investments	3,893,386	--	--	3,893,386
Charitable remainder trust	--	761,552	--	761,552
Total assets measured at fair value	$ 16,379,932	$ 761,552	$ --	$ 17,141,484

NOTE 7 - BONDS PAYABLE

Bonds payable, net at September 30, 2023 and 2022 consisted of the following:

	2023	2022
State of Connecticut Health and Educational Facilities Authority Series 2020A bonds, dated July 1, 2020, $50,820,000 original principal amount, plus original issue premium of $1,917,312, maturing at various times through January 2055, with interest payable semi-annually on January 1 and July 1 of each year beginning January 1, 2021 at 5.00% interest rate.	$ 50,820,000	$ 50,820,000

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2023	2022
State of Connecticut Health and Educational Facility Authority Series 2020B-1 bonds, dated July 1, 2020, \$5,725,000 original principal amount, maturing January 2024, with interest payable semi-annually on January 1 and July 1 of each year beginning January 1, 2021 at 3.25% interest rate.	\$ --	\$ 5,725,000
State of Connecticut Health and Educational Facility Authority series 2020B-2 bonds, dated July 1, 2020, \$8,300,000 original principal amount, maturing January 2023, with interest payable semi-annually on January 1 and July 1 of each year beginning January 1, 2021 at 2.75% interest rate.	--	8,300,000
	50,820,000	64,845,000
Less, current portion	--	(8,300,000)
Plus, unamortized bond premium	1,752,052	1,807,139
Less, unamortized bond issuance costs	(1,380,808)	(1,425,952)
Bonds payable, net	\$ 51,191,244	\$ 56,926,187

Annual principal installments (due January 1) on the bonds required under the loan agreement are as follows:

For the Years Ending September 30,	
2024	\$ --
2025	675,000
2026	705,000
2027	740,000
2028	780,000
Thereafter	47,920,000
	\$ 50,820,000

NOTE 7 - BONDS PAYABLE (CONTINUED)

McLean, under provisions of the bond agreements, has certain covenants. McLean is required to meet certain sales requirement and a days cash on hand liquidity calculation until occupancy is stable. The days cash on hand calculation includes assets in the Special Additions and Contingency Fund held by the McLean Fund. McLean is required to meet occupancy and historical debt service coverage requirements starting the first full fiscal year following stable occupancy. Stabilized occupancy was established in October 2022; therefore, the debt service coverage ratio requirements will begin for the fiscal year ending September 30, 2024. In the opinion of management, McLean is in compliance with its covenants at September 30, 2023.

Interest related to this obligation amounted to $2,662,102 and $2,920,198 for the years ended September 30, 2023 and 2022, respectively. During the year ended September 30, 2022 $2,181,370 of interest was capitalized during the period of construction.

NOTE 8 - NET RESIDENT SERVICE REVENUES

The following tables summarize net resident service revenues for the years ended September 30, 2023 and 2022:

	2023				
	Medicare	Medicaid	Private	Other Third-Party Payors	Total
Long-term care	$ 210,074	$ 3,683,345	$ 3,880,443	$ 130,311	$ 7,904,173
Post-acute care	2,007,804	--	392,493	883,724	3,284,021
Home health services	3,328,485	396,950	23,528	247,813	3,996,776
Independent living	--	--	8,643,237	--	8,643,237
Assisted living	--	122,877	4,697,217	--	4,820,094
Outpatient services	543,854	--	16,675	--	560,529
	$ 6,090,217	$ 4,203,172	$ 17,653,593	$ 1,261,848	$ 29,208,830

NOTE 8 - NET RESIDENT SERVICE REVENUES (CONTINUED)

	2022				
	Medicare	Medicaid	Private	Other Third-Party Payors	Total
Long-term care	$ 169,564	$ 3,430,010	$ 4,564,565	$ 12,852	$ 8,176,991
Post-acute care	1,944,720	--	324,478	772,550	3,041,748
Home health services	3,638,475	360,254	53,484	96,957	4,149,170
Independent living	--	--	5,118,298	--	5,118,298
Assisted living	--	107,874	4,780,096	--	4,887,970
Outpatient services	589,131	--	14,125	--	603,256
	$ 6,341,890	$ 3,898,138	$ 14,855,046	$ 882,359	$ 25,977,433

McLean has agreements with third-party payors that provide for payments to McLean at amounts different from established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare

Inpatient long-term care services rendered to Medicare program beneficiaries are paid based upon a per-diem prospective payment rate. Home care services rendered to Medicare program beneficiaries are paid based upon a 60-day episodic prospective payment rate.

Medicaid

Inpatient long-term care services rendered to Medicaid program beneficiaries are paid based upon a per-diem cost-based payment rate, which is subject to state audit adjustments. Home care services rendered to Medicaid program beneficiaries are paid based upon a per-visit or per-hour payment rate.

Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements and adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. Management believes that all applicable government reimbursement principles have been properly applied and that no material adjustments will occur as a result of an audit.

NOTE 8 - NET RESIDENT SERVICE REVENUES (CONTINUED)

During 2023 and 2022, approximately 21% and 24%, respectively, of net patient revenue was received under the Medicare program. During 2023 and 2022, 14% and 15%, respectively, of net patient service revenue was received under the Medicaid program. Significant concentrations of net patient receivables are 53% Medicare and 17% Medicaid as of September 30, 2023, and 42% Medicare and 17% Medicaid as of September 30, 2022.

NOTE 9 - ASSETS WHOSE USE IS LIMITED

Under Connecticut state law, McLean is required to maintain certain reserve funds as follows:

Operation and Maintenance Account

McLean is required to maintain one month's budgeted operating expenses in this account.

Entry Fee Proceeds Account

McLean is required to deposit all entrance fees into the entry fee proceeds account as received. Upon the later of the expiration of the applicable statutory rights of the purchaser to rescind (30 days) or the date of occupancy, the balance in the account is available for operations.

Debt and Bond Reserve Funds

McLean is required to maintain funds as collateral for the CHEFA bonds related to the Independent Living Expansion project. Funds consist of Money Market funds and Bond funds.

The reserve funds are all included within assets whose use is limited on the statements of financial position.

NOTE 10 - LIFE PLAN COMMUNITY ENTRY FEES AND OBLIGATIONS TO PROVIDE FUTURE BENEFITS

Certain McLean residents are provided living accommodations and other facilities and services in exchange for payment of entrance fees and monthly service charges. Residents can choose from refundable and nonrefundable agreements.

Under the terms of nonrefundable agreements, entrance fees are not refundable to residents who reside independently at McLean for more than 50 months. A resident who leaves prior to 50 months under this agreement is refunded a portion of their entrance fee, which declines approximately 2% per month for each month the unit was occupied. These entrance fees are recorded as contract liabilities upon receipt and amortized on a straight- line basis into revenue over the remaining estimated life expectancy of the individual resident. Upon termination of the agreement, the amount of any unamortized, nonrefundable entrance fee is recorded as revenue.

Under the terms of refundable agreements, portions of the entrance fees are fully refundable at a designated percentage. The entire amount of this designated refundable percentage is recorded as refundable entry fees on the statements of financial position. The remaining nonrefundable portion of the entrance fees is accounted for and amortized in line with the nonrefundable agreements. Entrance fee refunds due under these agreements but not paid as of year-end are recorded as current liabilities.

Based upon McLean's existing fee structure and management's expectation that future monthly service charges will be reflective of related operating costs, McLean is not required to record a liability for its obligation to provide future services and facilities to current residents. Based upon management's projections, McLean does not believe such a liability on its Life Plan Community contracts exists at this time.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets are available for the following purposes as of September 30, 2023 and 2022:

	2023	2022
Restricted in perpetuity		
Sorenson	$ 3,453,970	$ 3,419,920
Foundation funds	321,917	321,917
Total restricted in perpetuity	3,775,887	3,741,837
Time restricted		
Charitable remainder trust, net	799,438	761,552
Use restricted		
Capital projects	219,683	172,767
Sorenson Media Center	1,701,499	1,123,409
Health Care Services and other	695,809	828,768
Total Other Net Assets with Donor Restrictions	3,416,429	2,886,496
Total Net Assets with Donor Restrictions	$ 7,192,316	$ 6,628,333

During the years ended September 30, 2023 and 2022 there were releases of $238,220 and $96,492, respectively, for the Sorenson Media Center and $67,769 and $65,159, respectively, for health care services and other.

McLean’s endowment consists of several individual funds established for a variety of purposes. Those funds consist of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Mclean has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, McLean classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

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

The primary long-term management objective for McLean's endowment funds is to maintain the permanent nature of each endowment fund, while providing a predictable, stable, and constant stream of earnings. Consistent with that objective, the primary investment goal is to earn annual interest and dividends.

Spending policy will be at the discretion of the Board of Directors of McLean as determined by the governing documents for the various restricted funds that make up the portfolio and applicable federal and state laws.

Changes in endowment funds for the years ending September 30, 2023 and 2022 are as follows:

	Sorenson	Foundation Funds	Total
Endowment net assets, October 1, 2021	$ 4,490,583	$ 400,320	$ 4,890,903
Investment income and net depreciation	(856,270)	(78,500)	(934,770)
Contributions	28,950	--	28,950
Endowment net assets, September 30, 2022	3,663,263	321,820	3,985,083
Investment income and net appreciation	544,041	50,146	594,187
Contributions	34,050	--	34,050
Appropriation for expenditure	--	(24,090)	(24,090)
	$ 4,241,354	$ 347,876	$ 4,589,230

NOTE 12 - EMPLOYEE BENEFIT PLAN

McLean sponsors a 401(k) retirement savings plan (the Plan) for its employees. The Plan is a defined contribution plan covering all salaried and hourly employees of McLean who elect to participate and have been scheduled to work 1,000 hours a year and have reached 20 years of age. Participants may contribute up to the Internal Revenue Service salary deferral limits. McLean contributes to the Plan on behalf of its qualified employees based on their wages once the employee has completed one year of service as defined.

McLean contributed $1,006,567 and $965,823 to the Plan for the years ended September 30, 2023 and 2022, respectively.

NOTE 13 - HEALTH CARE INDUSTRY

REGULATORY ENVIRONMENT

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that McLean is in compliance with fraud and abuse regulations as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Fund is an entity that holds investment assets used to support the subsidiaries of the Fund. The Fund provides McLean with contributions for programs that McLean provides. These contributions amounted to $344,000 for the years ended September 30, 2023 and 2022, and have been recorded within contributions received from related entities in the statements of activities and changes in net assets.

NOTE 14 - RELATED PARTY TRANSACTIONS (CONTINUED)

During fiscal year ended September 30, 2023, the Fund received a donation of $750,000. This donation was deposited into the McLean bank account pending distribution to one of the Fund's investment accounts. McLean also paid expenses on behalf of the Fund during the year ended September 30, 2023 in the amount of $224,134. As a result, the net amount due to the Fund at September 30, 2023 was $525,866. Additionally, during the year ended September 30, 2023, McLean paid expenses on behalf of the McLean Game Refuge of $70,848, which are owed to McLean as of September 30, 2023. Consequently, the net liability to related parties as of September 30, 2023, amounted to $455,018. Amounts due to McLean from the McLean Game Refuge at September 30, 2022 was $126,696.

NOTE 15 - CONTRACT LIABILITIES AND ASSETS

McLean recognizes contract liabilities and assets in relation to its long-term care and assisted living businesses. In addition, McLean recognizes contract liabilities and assets under its home health Medicare prospective payment system. The opening and closing balances of McLean's contract liabilities and assets were as follows:

	Contract Liabilities	Contract Assets
Balance as of September 30, 2021	$ 5,725,630	$ 1,464,792
Balance as of September 30, 2022	$ 15,255,847	$ 1,704,679
Balance as of September 30, 2023	$ 16,880,920	$ 1,651,378

NOTE 16 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As of September 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure were as follows:

	2023	2022
Cash and cash equivalents	$ 2,387,140	$ 9,974,796
Accounts receivable, net of allowance	1,651,378	1,704,679
Investments	13,991,698	12,486,546
Total financial assets available within one year	18,030,216	24,166,021
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors due to purpose	3,416,429	2,886,496
Restricted investments	4,736,874	4,113,276
Total financial assets unavailable within one year	8,153,303	6,999,772
Total financial assets available to management for general expenditure within one year	$ 9,876,913	$ 17,166,249

LIQUIDITY MANAGEMENT

McLean maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As of September 30, 2023 and 2022 McLean has board-designated investments of $9,254,824 and $8,373,270, respectively. The board-designated investments are for the purposes of supporting program and operating needs while also providing growth and a reserve against financial hardship. With approval of the board, these funds could be drawn upon in the event of financial distress or an immediate liquidity need.

NOTE 17 - ADDITIONAL CASH FLOW INFORMATION

NONCASH INVESTING ACTIVITIES

During the years ended September 30, 2023 and 2022, McLean had purchases of property and equipment of $222,234 and $401,324, respectively, accrued for within accounts payable at year-end.

NOTE 18 - CONTINGENCIES

McLean is occasionally party to asserted and unasserted claims arising from the course of operations. Management is of the opinion that the outcome of any such claims will not have a material impact on McLean's financial position or results of operations or cash flows.