CHASE MEMORIAL COMMUNITY CENTER, INC.

Financial Statements as of
December 31, 2018 and 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 13, 2019

To the Board of Directors of
Chase Memorial Community Center, Inc.:

We have audited the accompanying financial statements of Chase Memorial Community Center, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chase Memorial Community Center, Inc. as of December 31, 2018 and 2017, 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.

171 Sully's Trail
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Change in Accounting Principle
As described in Note 2 to the financial statements, Chase Memorial Community Center, Inc. implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Bonadio & Co., LLP

CHASE MEMORIAL COMMUNITY CENTER, INC.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 187,978	$ 39,120
Accounts receivable	26,865	13,050
Total current assets	214,843	52,170
PROPERTY AND EQUIPMENT, net	650,300	673,009
OTHER ASSETS:		
Due from related parties	118,288	144,595
Total assets	$ 983,431	$ 869,774
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Debt - current portion	$ 16,737	$ 98,127
Accounts payable	4,291	10,940
Total current liabilities	21,028	109,067
LONG-TERM LIABILITIES:		
Debt - net	71,872	-
Total liabilities	92,900	109,067
NET ASSETS WITHOUT DONOR RESTRICTIONS	890,531	760,707
Total liabilities and net assets	$ 983,431	$ 869,774

The accompanying notes are an integral part of these statements.

CHASE MEMORIAL COMMUNITY CENTER, INC.

STATEMENTS OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES AND GAINS:		
Rental income	$ 240,272	$ 167,186
Contributions	-	1,745
Other income	6,579	500
Total operating revenues and gains	246,851	169,431
OPERATING EXPENSES:		
Program	54,541	57,755
Management and general	62,486	76,835
Total operating expenses	117,027	134,590
CHANGE IN NET ASSETS	129,824	34,841
NET ASSETS - beginning of year	760,707	430,803
CHANGE IN NET ASSETS FOR PUSHDOWN ACCOUNTING	-	295,063
NET ASSETS - end of year	$ 890,531	$ 760,707

The accompanying notes are an integral part of these statements.

CHASE MEMORIAL COMMUNITY CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Program	Management and General	Total	Program	Management and General	Total
OPERATING EXPENSES:						
Contracted services	$ 10,018	$ -	$ 10,018	$ 20,053	$ -	$ 20,053
Depreciation	-	25,171	25,171	-	32,243	32,243
Insurance	-	16,608	16,608	-	16,088	16,088
Interest	-	6,524	6,524	-	8,117	8,117
Payments in lieu of taxes	-	-	-	-	58	58
Professional fees	-	4,570	4,570	-	12,885	12,885
Repairs, maintenance and supplies	3,466	9,613	13,079	-	7,444	7,444
Utilities	41,057	-	41,057	37,702	-	37,702
Total operating expenses	$ 54,541	$ 62,486	$ 117,027	$ 57,755	$ 76,835	$ 134,590

The accompanying notes are an integral part of these statements.

CHASE MEMORIAL COMMUNITY CENTER, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 129,824	$ 34,841
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	25,171	32,243
Amortization of debt issuance costs	1,066	2,558
Changes in:		
Accounts receivable	(13,815)	(13,050)
Due from related parties	26,307	(64,700)
Accounts payable	(6,649)	5,731
Net cash flow from operating activities	161,904	(2,377)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,462)	(55,204)
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payments on debt	(10,584)	(15,208)
CHANGE IN CASH AND CASH EQUIVALENTS	148,858	(72,789)
CASH AND CASH EQUIVALENTS - beginning of year	39,120	111,909
CASH AND CASH EQUIVALENTS - end of year	$ 187,978	$ 39,120

The accompanying notes are an integral part of these statements.

1. SCOPE OF BUSINESS

Chase Memorial Community Center, Inc. (the Center) leases premises in the New Berlin, New York area to health care providers, public health services, New York State departments and bureaus, and others in order to further agencies and services which will emphasize the needs and concerns of elderly and disabled persons.

The Center is a subsidiary of FGS, Inc. d/b/a Good Shepherd Communities (the Company), and is affiliated with Good Shepherd-Fairview Home, Inc. (the Home), Good Shepherd Village at Endwell, Inc. (the Village), Good Shepherd-Fairview Foundation, Inc. d/b/a Good Shepherd Communities Foundation (the Foundation), Chase Memorial Nursing Home Company, Inc. d/b/a ChaseHealth Rehab and Residential Care (ChaseHealth), and Chase Housing Corporation.

The Center is affiliated with New Berlin Day Care Services, Inc. and New Berlin Family Practice, Inc. The Board has voted and is in the process of dissolving New Berlin Day Care Services, Inc. and New Berlin Family Practice, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The Center's financial statements are prepared on the accrual basis of accounting. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. The Center uses the following classifications of net assets:

- **Net Assets Without Donor Restrictions**
  Net assets that are not subject to donor imposed stipulations utilized to carry out the general activities and operations of the Center.

- **Net Assets With Donor Restrictions**
  Net assets that are subject to donor imposed stipulations. These stipulations may expire by the passage of time, be fulfilled or removed by actions of the Center pursuant to those stipulations, or remain in perpetuity.

There were no restrictions on the use of net assets as of and for the years ended December 31, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities.

ASU 2016-14 includes many changes affecting the presentation and accounting for the Center's financial statements, including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding the Center's liquidity and availability of resources (Note 3); and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Center's fiscal year ending December 31, 2018 and was applied retrospectively with the exception of the disclosures regarding liquidity and availability of resources, which are presented for the current year only. The effects of this ASU have been included in these financial statements. There is no effect on total net assets or changes in net assets.

Estimates
The preparation of financial statements in accordance 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. For the purposes of the statements of cash flows, cash and cash equivalents exclude amounts maintained in investment portfolios. The Center maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Accounts Receivable
The Center accounts for its accounts receivable at the outstanding principal balance, adjusted for an allowance for doubtful accounts, if applicable. The Center estimates its allowance for doubtful accounts and bad debts based on management's assessment of the collectability of receivables, and prior experience. It is the Center's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management deems all accounts to be fully collectible; therefore no allowance for doubtful accounts exists at both December 31, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair market value, if donated, less accumulated depreciation. Certain property and equipment was valued at fair value at the date the Center obtained a new sole member, in accordance with pushdown accounting (See Note 4). Depreciation is computed using the straight-line method over estimated useful lives of the respective assets, which range from five (5) to forty (40) years. It is the Center's policy to capitalize all assets with a cost of $500 or greater and an estimated useful life of three or more years. Maintenance and repairs are charged to expense. The cost of property and equipment retired or otherwise disposed of and related accumulated depreciation is removed from the accounts.

Long-Lived Assets

The Center assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable by comparing the expected undiscounted future cash flows of the assets with the respective carrying amounts as of the date of assessment. Should aggregate expected future cash flows be less than the carrying value, an impairment would be recognized, measured as the difference between the carrying value and the fair value of the asset. During 2018 and 2017, the Center did not record any impairment charges.

Income Taxes

The Center is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose may be subject to taxation as unrelated business income. The Center has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Debt Issuance Costs

Debt issuance costs, which represent the cost of obtaining certain financing, are being amortized on the straight-line method, which approximates the effective interest method, over the 10-year term of the loan. Amortization totaled $1,371 and $2,558 for the years ended December 31, 2018 and 2017, respectively, and is included as a component of interest expense on the statements of functional expenses.

Revenue Recognition

The Center derives its revenues from the rental of its properties to various tenants and charges for those tenant's share of maintenance, utilities, and other costs of operation.

Allocation of Certain Expenses

The statements of functional expenses present expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. These expenses include repairs, maintenance and supplies which are allocated based on direct charges.

Reclassification

Certain reclassifications have been made to the financial statements for the year ended December 31, 2017. These reclassifications are for comparative purposes only and have no effect on changes in net assets as originally reported.

3. LIQUIDITY

The Center is primarily supported by cash flows from its operating activities. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The goal is to maintain financial assets on hand to meet 30 days of normal operating expense, which are, on average, approximately $6,400. Part of the Center's ability to meet its cash needs is dependent on timely collection of its accounts receivable.

The Center's financial assets available to meet cash needs for general expenditure within one year of December 31, 2018 are:

Cash and cash equivalents	$ 187,978
Accounts receivable	26,865
Due from related parties	118,288
Financial assets available to meet cash needs for general expenditures within one year	$ 333,131

4. ACQUISITION

The Center was acquired by the Company on August 3, 2017. The Company was appointed as the sole member of the Center. The Company recognized a gain on bargain purchase of $216,639 due to the increase in value of its property and equipment to fair value in accordance with ASC 805-50-50 *Business Combinations*. The Center has elected to apply pushdown accounting to its individual financial statements for the year ended December 31, 2017. This election required the Center to record the change in fair value through unrestricted net assets.

The Center recognized the following change in net assets in its financial statements on the date of acquisition:

	Book Value	Fair Market Value	Difference
Building and improvements	$ 741,930	$ 593,000	$ (148,930)
Furniture and equipment	134,402	78,424	(55,978)
Land	12,000	12,000	-
Subtotal	888,332	683,424	(204,908)
Less, accumulated depreciation	(499,971)	-	499,971
Property and equipment, net	$ 388,361	$ 683,424	$ 295,063

Fair Value Considerations

The fair value of the Center was estimated by applying the income capitalization method. Information for comparable transactions was derived from publicly available information. Management believes that this information was appropriate for use in its evaluation of the Center.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Building	$ 593,000	$ 593,000
Furniture and equipment	80,886	78,424
	673,886	671,424
Less: Accumulated depreciation	(35,586)	(10,415)
	638,300	661,009
Land	12,000	12,000
Property and equipment, net	$ 650,300	$ 673,009

Depreciation expense was $25,171 and $32,243 for the years ended December 31, 2018 and 2017, respectively.

6. DEBT

Debt consisted of the following at December 31:

	2018	2017
Mortgage loan held with NBT Bank. Originally due June 2018, payable in monthly installments of $1,731, including interest at 5.10%. Terms were renegotiated during 2018. Due August 2023, payable in monthly installments of $1,771, including interest at 5.5%. Remaining balance due at maturity. Collateralized by property or assignment of rent.	$ 88,609	$ 99,193
Less: Unamortized mortgage acquisition costs	-	(1,066)
Debt net of unamortized mortgage acquisition costs	88,609	98,127
Less: Current portion	(16,737)	(98,127)
Long-term portion	$ 71,872	$ -

Annual maturities of debt for the five years succeeding December 31, 2018 are as follows:

2019	$ 16,737
2020	16,383
2021	18,705
2022	19,778
2023	17,006
Total	$ 88,609

7. LEASE INCOME

The Center leases one of its properties to New York State Office of People with Developmental Disabilities (OPWDD) with a term expiring on February 28, 2019 with an auto-renewal of five years. Rental income for this lease for the years ended December 31, 2018 and 2017 was $150,605 and $162,186, respectively, which represented approximately 66% and 97% of rental income as of 2018 and 2017, respectively. The lease calls for payment of $12,550 per month. Also included in rental income is the tenant's share of maintenance, utilities, and other costs of operation based upon the square footage allocated to the tenant.

The Center leases another of its properties to Opportunities for Chenango, Inc. The lease calls for payment of $500 per month and expired on October 31, 2018. A new lease with Opportunities for Chenango, Inc. was signed in 2018 which calls for payment of $600 per month and expires on October 31, 2019.

Future minimum lease payments receivable for the two properties for the years succeeding December 31, 2018 are as follows:

2019	$ 161,681
2020	158,136
2021	158,136
2022	158,136
2023	158,136
Thereafter	26,356
Total minimum lease payments receivable	$ 820,581

8. RELATED PARTY TRANSACTIONS

Amounts due from related party consisted of $118,288 and $144,595 as of December 31, 2018 and 2017, respectively, due from ChaseHealth. The amounts are non-interest bearing, unsecured obligations with no defined repayment terms.

9. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Cash paid during the year for:		
Interest	$ 5,153	$ 5,559
Non-cash financing and investing activities:		
Assets increased in value due to pushdown accounting	$ -	$ 295,063

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 13, 2019, which is the date the financial statements were available to be issued.