

**GOOD SHEPHERD-FAIRVIEW FOUNDATION, INC.  
D/B/A GOOD SHEPHERD COMMUNITIES FOUNDATION**

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

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

May 13, 2019

To the Board of Directors of  
Good Shepherd-Fairview Foundation, Inc. d/b/a  
Good Shepherd Communities Foundation:

We have audited the accompanying financial statements of Good Shepherd-Fairview Foundation, Inc. d/b/a Good Shepherd Communities Foundation (a nonprofit organization), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and changes 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 Good Shepherd-Fairview Foundation, Inc. d/b/a Good Shepherd Communities Foundation, 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.

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## **INDEPENDENT AUDITOR'S REPORT**

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### **Change in Accounting Principle**

As described in Note 2 to the financial statements, Good Shepherd-Fairview Foundation, Inc. d/b/a Good Shepherd Communities Foundation 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.

**GOOD SHEPHERD-FAIRVIEW FOUNDATION, INC.  
D/B/A GOOD SHEPHERD COMMUNITIES FOUNDATION**

**BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017**

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	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,150	\$ 41,118
Contributions receivable	116	5,836
	<u>18,266</u>	<u>46,954</u>
Total current assets	<u>18,266</u>	<u>46,954</u>
PROPERTY AND EQUIPMENT, net	<u>-</u>	<u>267</u>
OTHER ASSETS:		
Investments	223,201	721,937
Assets whose use is limited	1,547,386	1,609,962
Beneficial interest in remainder trust	130,007	132,231
	<u>1,900,594</u>	<u>2,464,130</u>
Total other assets	<u>1,900,594</u>	<u>2,464,130</u>
Total assets	<u>\$ 1,918,860</u>	<u>\$ 2,511,351</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Due to related parties	\$ 191,208	\$ 420,237
LONG-TERM LIABILITIES:		
Gift annuity liability	16,685	36,580
	<u>207,893</u>	<u>456,817</u>
Total liabilities	<u>207,893</u>	<u>456,817</u>
NET ASSETS:		
Without donor restrictions	33,574	312,341
With donor restrictions	1,677,393	1,742,193
Total net assets	<u>1,710,967</u>	<u>2,054,534</u>
Total liabilities and net assets	<u>\$ 1,918,860</u>	<u>\$ 2,511,351</u>

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

**GOOD SHEPHERD-FAIRVIEW FOUNDATION, INC.  
D/B/A GOOD SHEPHERD COMMUNITIES FOUNDATION**

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

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING SUPPORT AND REVENUE:</b>						
Investment income (loss), net	\$ (97,803)	\$ (4,292)	\$ (102,095)	\$ 70,876	\$ 213,907	\$ 284,783
Contributions, donations and bequests	466,027	31,858	497,885	134,934	33,392	168,326
Net assets released from restrictions	90,142	(90,142)	-	89,492	(89,492)	-
Total operating support and revenue	458,366	(62,576)	395,790	295,302	157,807	453,109
<b>OPERATING EXPENSES:</b>						
Program	486,527	-	486,527	317,024	-	317,024
Management and general	137,445	-	137,445	209,466	-	209,466
Fundraising	113,161	-	113,161	169,336	-	169,336
Total operating expenses	737,133	-	737,133	695,826	-	695,826
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(278,767)</b>	<b>(62,576)</b>	<b>(341,343)</b>	<b>(400,524)</b>	<b>157,807</b>	<b>(242,717)</b>
<b>NON-OPERATING REVENUE (EXPENSE):</b>						
Change in value of beneficial interest in remainder trust	-	(2,224)	(2,224)	-	56,223	56,223
Total non-operating revenue (expense)	-	(2,224)	(2,224)	-	56,223	56,223
<b>CHANGE IN NET ASSETS</b>	<b>(278,767)</b>	<b>(64,800)</b>	<b>(343,567)</b>	<b>(400,524)</b>	<b>214,030</b>	<b>(186,494)</b>
<b>NET ASSETS - beginning of year</b>	<b>312,341</b>	<b>1,742,193</b>	<b>2,054,534</b>	<b>712,865</b>	<b>1,528,163</b>	<b>2,241,028</b>
<b>NET ASSETS - end of year</b>	<b>\$ 33,574</b>	<b>\$ 1,677,393</b>	<b>\$ 1,710,967</b>	<b>\$ 312,341</b>	<b>\$ 1,742,193</b>	<b>\$ 2,054,534</b>

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

**GOOD SHEPHERD-FAIRVIEW FOUNDATION, INC.**

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

	2018				2017			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
OPERATING EXPENSES:								
Grants to affiliates	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ 243,589	\$ -	\$ -	\$ 243,589
Management services - related party	15,877	114,408	6,354	136,639	27,044	194,871	10,822	232,737
Administration and general services	-	22,770	106,807	129,577	-	13,528	158,514	172,042
Community scholarships and grants	20,650	-	-	20,650	46,391	-	-	46,391
Depreciation	-	267	-	267	-	1,067	-	1,067
Total operating expenses	<u>\$ 486,527</u>	<u>\$ 137,445</u>	<u>\$ 113,161</u>	<u>\$ 737,133</u>	<u>\$ 317,024</u>	<u>\$ 209,466</u>	<u>\$ 169,336</u>	<u>\$ 695,826</u>

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

**GOOD SHEPHERD-FAIRVIEW FOUNDATION, INC.  
D/B/A GOOD SHEPHERD COMMUNITIES FOUNDATION**

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

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (343,567)	\$ (186,494)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	267	1,067
Net realized and unrealized (gains) losses	155,595	(271,736)
Change in value of beneficial interest in remainder trust	2,224	(56,223)
Changes in:		
Contributions receivable	5,720	174,654
Due to related parties	<u>(229,029)</u>	<u>309,059</u>
Net cash flow from operating activities	<u>(408,790)</u>	<u>(29,673)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,858,046)	(277,617)
Sale of investments	3,218,705	334,721
Net change in assets whose use is limited	<u>45,058</u>	<u>(58,626)</u>
Net cash flow from investing activities	<u>405,717</u>	<u>(1,522)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net change in gift annuity liability	<u>(19,895)</u>	<u>32,882</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,968)	1,687
CASH AND CASH EQUIVALENTS - beginning of year	<u>41,118</u>	<u>39,431</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 18,150</u>	<u>\$ 41,118</u>

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

**GOOD SHEPHERD-FAIRVIEW FOUNDATION, INC.  
D/B/A GOOD SHEPHERD COMMUNITIES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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**1. SCOPE OF BUSINESS**

Good Shepherd-Fairview Foundation, Inc. d/b/a Good Shepherd Communities Foundation (the Foundation) is a not-for-profit corporation affiliated with its parent company, FGS, Inc. d/b/a Good Shepherd Communities (the Company), Good Shepherd-Fairview Home, Inc. (the Home), Good Shepherd Village at Endwell, Inc. (the Village), Chase Housing Corporation, Chase Memorial Nursing Home Company, Inc. d/b/a ChaseHealth Rehab and Residential Care (Chase Health), Chase Housing Corporation, and Chase Memorial Community Center, Inc. (the Center). The Foundation provides financial and other support for these affiliates, and provides community-wide services and facilities to enhance the life of the elderly. The governing board of the Foundation parallels the governing board of the Company plus resident representation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Foundation's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America (GAAP). Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Change in value of beneficial interest in remainder trust is reported below operating results. The Foundation 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 Foundation.

- **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 Foundation pursuant to those stipulations, or remain in perpetuity.

Most net assets with donor restrictions that are held in perpetuity are held for the Living Care Fund, a fund to provide support for residents in the adult care facility of the Home that may need financial assistance. Contributions to the Living Care Endowment Fund are net assets with donor restrictions held in perpetuity. Contributions to the Living Care Annual Appeal Fund are net assets with donor restrictions subject to purpose restrictions. The Foundation also maintains a \$100,000 contribution with donor restrictions from a donor, the income of which is to be used for the maintenance and support of residents of the Home but not for the use of construction or repairs of buildings. Income on the funds is recorded as income with donor restrictions and is released from restriction as residents' needs arise or as appropriated by the Board.



## 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 Foundation'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 Foundation's liquidity and availability of resources (Note 3); and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Foundation'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 Foundation maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits. The Foundation 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.

### **Contributions Receivable**

Contributions are recognized when the donor makes a promise to give to the Foundation. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Foundation uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance considered necessary as of 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. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset of three (3) years. It is the Foundation'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.

### **Investments and Assets Whose Use is Limited**

Investments and assets whose use is limited are stated at fair market value based on quoted market prices in an active market. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$8,532 and \$12,859 for the years ended December 31, 2018 and 2017, respectively, and have been netted against investment income (loss) in the accompanying statements of operations and changes in net assets.

The Foundation's investments and assets whose use is limited are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the balance sheets are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the balance sheets could change materially in the near term.

### **Charitable Gift Annuities**

The Foundation has a program to receive contributions under charitable gift annuities. The Foundation has segregated these assets as separate and distinct funds, independent from other funds and not to be applied to payment of the debts and obligations of the Foundation or any other purpose other than annuity benefits specified in the agreements. These assets are included in investments in the accompanying balance sheets. In addition, this portfolio of assets meets all requirements concerning permissible investments and mandated reserves as required by law. The Foundation agrees to pay a stated return annually to the beneficiaries as long as they live, at which time the remaining assets are available for the use of the Foundation without donor restrictions. Assets received are recorded at fair value on the date of the agreement. A liability equal to the present value of the future distributions is recorded. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The difference between the fair value of the assets received and the liability to the donor was recognized as contributions without donor restrictions.

### **Beneficial Interest in Remainder Trust**

The Foundation is the beneficiary of a charitable remainder trust, which is administered by a third party. Under the remainder trust arrangement, the donor established and funded the trust, and specified distributions to be made to designated beneficiaries over the term of the trust. Upon death of the beneficiaries, the Foundation will receive a fixed percentage of the assets remaining in the trust funds, as outlined in the trust agreement. The contribution received by the Foundation is the unconditional right to receive the remainder interest of the trust funds and is equal to the difference between the cash or investments held in the trust fund and the present value of the estimated future payments to be distributed to the designated beneficiaries. This has been recorded as contribution revenue with donor restrictions, until the funds are received. Subsequent changes in fair value are recorded as a change in value of beneficial interest in remainder trust in net asset with donor restrictions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Income Taxes**

The Foundation 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 Foundation's tax-exempt purpose may be subject to taxation as unrelated business income. The Foundation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

### **Contributions**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets and without donor restrictions if they are received without donor stipulations. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as income of net assets without donor restrictions.

### **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 management services - related party and administration and general services. Management services - related party is allocated based on cost studies and/or actual amounts incurred at the Company. Administration and general services expenses are allocated based on direct charges.

### **Reclassifications**

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 change in net assets as originally reported.

### 3. LIQUIDITY

The Foundation is primarily supported by cash flows from its operating activities. In the event that cash flows from operating activities are not sufficient to cover the needs of the Foundation, it would liquidate investments without donor restrictions. The Foundation's strategy is 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 expenses, which are, on average approximately \$61,000.

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

Financial assets at December 31, 2018*	\$ 1,918,860
Less: Financial assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Charitable gift annuity	(212,644)
Beneficial interest in remainder trust	(130,007)
Unappropriated earnings on endowment funds	(236,276)
Living Care Fund	(850,373)
Investment perpetually held for maintenance and support of the Home	(100,000)
Investments designated for support and operation of the Home	<u>(360,737)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 28,823</u>

*\*Total assets, less nonfinancial assets (property and equipment, net)*

### 4. FAIR VALUE MEASUREMENTS

ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

#### 4. FAIR VALUE MEASUREMENTS (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds - valued at daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded (Level 1).

Cash and cash equivalents, common stocks, and U.S. treasury notes - valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

Beneficial interest in remainder trust - valued based on the Foundation's interest in the fair value of the underlying assets, which approximates the present value of estimated future cash flows to be received from the trust (Level 3).

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

Assets measured at fair value are summarized below:

	<u>Assets at Fair Value as of December 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 148,699	\$ -	\$ -	\$ 148,699
Mutual funds:				
Fixed income	184,505	-	-	184,505
Foreign large blend	17,271	-	-	17,271
Foreign large growth	42,682	-	-	42,682
Large blend	397,506	-	-	397,506
Large growth	238,913	-	-	238,913
Large value	186,514	-	-	186,514
Medium blend	18,061	-	-	18,061
Medium growth	233,398	-	-	233,398
Medium value	160,135	-	-	160,135
Moderate allocation	<u>142,903</u>	-	-	<u>142,903</u>
Total mutual funds	<u>1,621,888</u>	-	-	<u>1,621,888</u>
Beneficial interest in remainder trust	-	-	<u>130,007</u>	<u>130,007</u>
Total assets at fair value	<u>\$ 1,770,587</u>	<u>\$ -</u>	<u>\$ 130,007</u>	<u>\$ 1,900,594</u>

#### 4. FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 128,002	\$ -	\$ -	\$ 128,002
Mutual funds:				
Real estate	34,994	-	-	34,994
Foreign large blend	78,629	-	-	78,629
Moderate allocation	853,776	-	-	853,776
Fixed income	258,009	-	-	258,009
Total mutual funds	1,225,408	-	-	1,225,408
Common stocks:				
Energy	29,929	-	-	29,929
Materials	15,935	-	-	15,935
Industrials	60,989	-	-	60,989
Consumer discretionary	93,115	-	-	93,115
Consumer staples	56,549	-	-	56,549
Healthcare	159,844	-	-	159,844
Financials	50,892	-	-	50,892
Technology	151,705	-	-	151,705
Total common stocks	618,958	-	-	618,958
U.S. treasury notes	359,531	-	-	359,531
Beneficial interest in remainder trust	-	-	132,231	132,231
Total assets at fair value	\$ 2,331,899	\$ -	\$ 132,231	\$ 2,464,130

#### Remainder Trust

The valuation technique used to measure the fair value of the beneficial interest in remainder trust, the significant unobservable inputs, and the ranges of those inputs follows.

Date	Fair Value	Principle Valuation Technique	Unobservable Inputs	Range of Significant Input Values
December 31, 2018	\$ 130,007	Discounted cash flow	Discount rate Life expectancy	3.60% 15 years
December 31, 2017	\$ 132,231	Discounted cash flow	Discount rate Life expectancy	2.60% 15 years

#### 4. FAIR VALUE MEASUREMENTS (Continued)

##### Remainder Trust (Continued)

The Foundation assesses the fair value measurements used for investments, including those for Level 3 investments. Annually, the Foundation determines if the current valuation techniques used in the fair value measurements are still appropriate.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Foundation's beneficial interest in remainder trust as of December 31:

	<u>2018</u>	<u>2017</u>
Beneficial interest in remainder trust - beginning	\$ 132,231	\$ 76,008
Purchases/contributions	25,000	50,000
Sales/withdrawals	(22,740)	(19,056)
Valuation gain (loss)	<u>(4,484)</u>	<u>25,279</u>
Beneficial interest in remainder trust - ending	<u>\$ 130,007</u>	<u>\$ 132,231</u>

#### 5. ENDOWMENT FUND

##### Interpretation of Relevant Law

The Board of the Foundation has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as endowment (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Endowment funds remain classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, (7) the Foundation's investment policies, and (8) alternatives to expenditure of the endowment fund.

## 5. ENDOWMENT FUND (Continued)

### Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while also maintaining the purchasing power of these endowment assets over the long-term.

Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and fixed income securities in an allocation within the threshold of 30% to 70% of each type of security. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

### Spending Policy

The Foundation's spending policy calculates, annually, the amount of money to be distributed from the endowed fund for grant making purposes.

### Composition

Endowment net asset composition by type of fund was as follows as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds	\$ _____ -	\$ 674,169	\$ 674,169
Total endowment funds	\$ _____ -	\$ 674,169	\$ 674,169

Endowment net asset composition by type of fund was as follows as of December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds	\$ _____ -	\$ 696,009	\$ 696,009
Total endowment funds	\$ _____ -	\$ 696,009	\$ 696,009



## 5. ENDOWMENT FUND (Continued)

### Composition (Continued)

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning	\$ -	\$ 696,009	\$ 696,009
Investment income	-	10,662	10,662
Net depreciation	-	(32,502)	(32,502)
	<u>-</u>	<u>(32,502)</u>	<u>(32,502)</u>
Endowment net assets - ending	<u>\$ -</u>	<u>\$ 674,169</u>	<u>\$ 674,169</u>

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning	\$ -	\$ 605,945	\$ 605,945
Investment income	-	2,254	2,254
Net appreciation	-	87,810	87,810
	<u>-</u>	<u>87,810</u>	<u>87,810</u>
Endowment net assets - ending	<u>\$ -</u>	<u>\$ 696,009</u>	<u>\$ 696,009</u>

## 6. NATURE, PURPOSE AND AMOUNT OF RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Net assets with donor restrictions that can be satisfied by action of the Foundation or the passage of time:		
Unappropriated earnings on endowment funds	\$ 236,276	\$ 258,116
Living Care Annual Appeal Fund	512,480	553,216
Beneficial interest in remainder trust	130,007	132,231
Support and operations of the Home	<u>360,737</u>	<u>360,737</u>
Total net assets with donor restrictions that can be satisfied by action of the Foundation or the passage of time	<u>1,239,500</u>	<u>1,304,300</u>
Net assets restricted by donor perpetually:		
Living Care Fund	337,893	337,893
Maintenance and support of residents of the Home	<u>100,000</u>	<u>100,000</u>
Total net assets restricted by donor perpetually	<u>437,893</u>	<u>437,893</u>
Total net assets with donor restrictions	<u>\$ 1,677,393</u>	<u>\$ 1,742,193</u>

Net assets were released from restriction for program expenditures.

## 7. RELATED PARTY TRANSACTIONS

Related party transactions consisted of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Grants to the Home:		
Living care fund donations	\$ 122,000	\$ 122,000
Home care development grant	-	61,589
DASNY grant	250,000	-
Grants to Chase Health:		
Capital and equipment	20,000	-
Employee recognition	8,000	-
Grants to the Company:		
Scholarships, tuition and continuing education	-	10,000
Employee recognition	<u>50,000</u>	<u>50,000</u>
Total grants to affiliates	<u>\$ 450,000</u>	<u>\$ 243,589</u>

### Management Services

The Company provides certain operating and administrative services to the Foundation. The costs of these services are based on an allocation and totaled \$136,639 and \$232,737 for the years ended December 31, 2018 and 2017, respectively. The Home is acting as the intermediary between the Company and the Foundation for processing payments for these operating and administrative services.

Beginning in 2018, the Foundation paid the Village rent expense related to its use of the Village's facilities. Total rent expense was \$8,800 in 2018 and is included in operating expenses in the statements of operations and changes in net assets.

Balances resulting from the above transactions, which are included in due to related parties in the accompanying balance sheets, consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
The Home	\$ (25,511)	\$ (309,105)
The Village	(156,321)	(148,428)
The Company	-	37,296
Chase Health	<u>(9,376)</u>	<u>-</u>
Total	<u>\$ (191,208)</u>	<u>\$ (420,237)</u>

## 8. SUBSEQUENT EVENTS

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