FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES
AND SUBSIDIARIES

Consolidated 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
FGS, Inc. d/b/a Good Shepherd Communities and Subsidiaries:

We have audited the accompanying consolidated financial statements of FGS, Inc. d/b/a Good Shepherd Communities and Subsidiaries (nonprofit organizations), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations and changes in net deficit, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of Chase Housing Corporation, whose statements reflect total assets of $1,136,561 (1.5%) and $1,159,966 (1.5%) of consolidated total assets at December 31, 2018 and 2017, respectively, and total revenues of $168,750 (0.5%) and $145,689 (0.5%) of consolidated total revenues for the years ended December 31, 2018 and 2017, respectively. Those statements were audited by the component auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Chase Housing Corporation, is based solely on the report of the component auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FGS, Inc. d/b/a Good Shepherd Communities and Subsidiaries as of December 31, 2018 and 2017, and the changes in their net deficit and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As described in Note 2 to the consolidated financial statements, FGS, Inc. d/b/a Good Shepherd Communities and Subsidiaries implemented Accounting Standards Update 2016-14, and the effects have been included in these consolidated financial statements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information in schedules I to IV is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Bonadio & Co., LLP

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,565,128	$ 8,715,792
Accounts receivable, net of allowance for doubtful accounts of $569,701 for 2018 and 2017.	2,898,098	3,453,723
Contributions receivable	116	71,878
Due from third-party payors	8,452	-
Prepaid expenses and other current assets	288,788	278,161
Total current assets	13,760,582	12,519,554
PROPERTY AND EQUIPMENT, net	51,143,376	53,331,190
OTHER ASSETS:		
Investments	436,993	880,924
Assets whose use is limited	8,283,089	8,488,406
Intangible assets, net of accumulated amortization of $274,280 and $244,628, respectively	1,946,619	1,976,271
Due from third-party payors	77,860	66,466
Beneficial interest in remainder trust	130,007	132,231
Total other assets	10,874,568	11,544,298
Total assets	$ 75,778,526	$ 77,395,042
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES:		
Debt - current portion	$ 1,929,137	$ 1,996,193
Accounts payable and accrued expenses	1,697,030	2,927,079
Refundable residency fees	1,087,505	-
Deposits on unoccupied units	210,287	325,350
Other current liabilities	182,439	265,957
Total current liabilities	5,106,398	5,514,579
LONG-TERM LIABILITIES:		
Deferred residency fee revenue	1,590,871	1,668,812
Refundable residency fees	27,187,675	28,449,536
Debt, net	44,672,251	46,175,506
Other long-term liabilities	194,201	162,237
Resident deposits	119,748	105,954
Total long-term liabilities	73,764,746	76,562,045
Total liabilities	78,871,144	82,076,624
NET ASSETS (DEFICIT):		
Without donor restrictions	(4,821,476)	(6,472,849)
With donor restrictions	1,728,858	1,791,267
Total net assets (deficit)	(3,092,618)	(4,681,582)
Total liabilities and net assets (deficit)	$ 75,778,526	$ 77,395,042

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

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
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
OPERATING REVENUE:						
Healthcare resident service revenue, net	$ 24,525,051	$ -	$ 24,525,051	$ 23,367,261	$ -	$ 23,367,261
Independent living unit monthly service fees	6,812,166	-	6,812,166	6,716,443	-	6,716,443
Other operating revenue	975,623	-	975,623	816,411	-	816,411
Total operating revenue	32,312,840	-	32,312,840	30,900,115	-	30,900,115
OPERATING EXPENSES:						
Program	21,216,354	-	21,216,354	20,795,810	-	20,795,810
Management and general	9,982,973	-	9,982,973	10,154,780	-	10,154,780
Fundraising	209,268	-	209,268	284,240	-	284,240
Total operating expenses	31,408,595	-	31,408,595	31,234,830	-	31,234,830
INCOME (LOSS) FROM OPERATIONS	904,245	-	904,245	(334,715)	-	(334,715)
NON-OPERATING REVENUES (EXPENSES):						
Contribution income	496,699	35,222	531,921	158,512	36,173	194,685
Grant revenue	122,732	-	122,732	336,755	-	336,755
Community scholarships and grants	(20,650)	-	(20,650)	(46,391)	-	(46,391)
Investment income (loss), net	(92,426)	(4,292)	(96,718)	155,423	213,907	369,330
Change in beneficial interest in remainder trust	-	(2,224)	(2,224)	-	56,223	56,223
Property expenses	(17,163)	-	(17,163)	(17,320)	-	(17,320)
Loss on disposal of assets	(4,540)	-	(4,540)	(35,141)	-	(35,141)
Miscellaneous income	171,361	-	171,361	55,612	-	55,612
Total non-operating revenues	656,013	28,706	684,719	607,450	306,303	913,753
EXCESS OF REVENUES OVER EXPENSES	1,560,258	28,706	1,588,964	272,735	306,303	579,038
CONTRIBUTION DUE TO ACQUISITION	-	-	-	3,981,275	-	3,981,275
NET ASSETS RELEASED FROM RESTRICTIONS	96,958	(96,958)	-	103,131	(103,131)	-
CHANGE IN NET ASSETS (DEFICIT)	1,657,216	(68,252)	1,588,964	4,357,141	203,172	4,560,313
NET ASSETS (DEFICIT) - beginning of year	(6,472,849)	1,791,267	(4,681,582)	(10,829,990)	1,588,095	(9,241,895)
NET ASSETS (DEFICIT) - end of year	$ (4,815,633)	$ 1,723,015	$ (3,092,618)	$ (6,472,849)	$ 1,791,267	$ (4,681,582)

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

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

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

	2018				2017			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
OPERATING EXPENSES:								
Salaries	$ 10,914,022	$ 2,253,858	$ 94,315	$ 13,262,195	$ 10,567,192	$ 2,215,690	$ 109,792	$ 12,892,674
Supplies, services and other	7,083,154	1,691,727	106,807	8,881,688	6,992,674	1,652,355	158,514	8,803,543
Interest expense	8,179	1,515,195	-	1,523,374	6,833	1,540,890	-	1,547,723
Depreciation	64,026	2,635,691	-	2,699,717	49,027	2,754,455	-	2,803,482
Employees benefits	1,642,407	1,714,761	8,146	3,365,314	1,638,732	1,805,892	15,934	3,460,558
Professional fees	18,013	27,525	-	45,538	14,478	42,895	-	57,373
Contract employment - nursing	157,653	-	-	157,653	325,788	-	-	325,788
Cash receipts assessment	800,988	-	-	800,988	688,318	-	-	688,318
Property expense	-	144,216	-	144,216	-	142,603	-	142,603
Bad debt expense	527,912	-	-	527,912	512,768	-	-	512,768
Total operating expenses	$ 21,216,354	$ 9,982,973	$ 209,268	$ 31,408,595	$ 20,795,810	$ 10,154,780	$ 284,240	$ 31,234,830
NON-OPERATING EXPENSES:								
Community scholarships and grants	$ 20,650	$ -	$ -	$ 20,650	$ 46,391	$ -	$ -	$ 46,391
Property expenses	-	17,163	-	17,163	-	17,320	-	17,320
Total non-operating expenses	$ 20,650	$ 17,163	$ -	$ 37,813	$ 46,391	$ 17,320	$ -	$ 63,711

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

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

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

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net deficit	$ 1,588,964	$ 4,560,313
Adjustments to reconcile change in net deficit to net cash flow from operating activities:		
Depreciation and amortization	2,729,369	2,833,134
Amortization of debt issuance costs	55,714	57,206
Loss on disposal of assets	4,540	35,141
Bad debt expense	527,912	512,768
Earned residency fees	(349,642)	(385,132)
In kind contribution	(25,980)	-
Net realized and unrealized (gains) losses on assets whose use is limited and investments	188,936	(320,091)
Change in value of beneficial interest in remainder trust	2,224	(56,223)
Contribution due to acqusition	-	(3,981,275)
Changes in:		
Accounts receivable	27,713	(1,559,209)
Contributions receivable	71,762	459,237
Residency fee receivable	-	179,999
Prepaid expenses and other current assets	(10,627)	7,095
Due from third-party payors	(19,846)	(66,466)
Accounts payable and accrued expenses	(1,230,049)	963,573
Other current liabilities	(83,518)	(49,259)
Receipt of residency fees (10%)	289,856	346,010
Other long-term liabilities	31,964	35,006
Net cash flow from operating activities	3,799,292	3,571,827
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in assets whose use is limited	113,447	(948,780)
Purchases of property and equipment	(490,463)	(260,769)
Cash and equivalents received as part of acquisition	-	614,722
Purchase of investments	(2,858,046)	(277,617)
Sale of investments	3,218,705	334,721
Net cash flow from investing activities	(16,357)	(537,723)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	-	100,000
Payments on lines of credit	(9,539)	(11,866)
Principal payments on serial bonds and debt	(1,616,487)	(1,626,116)
Refund of residency fees	(2,801,211)	(3,040,296)
Receipt of residency fees (90%)	2,608,701	3,114,090
Change in deposits on unoccupied units	(115,063)	70,000
Net cash flow from financing activities	(1,933,599)	(1,394,188)
CHANGE IN CASH AND CASH EQUIVALENTS	1,849,336	1,639,916
CASH AND CASH EQUIVALENTS - beginning of year	8,715,792	7,075,876
CASH AND CASH EQUIVALENTS - end of year	$ 10,565,128	$ 8,715,792

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

1. SCOPE OF BUSINESS

FGS, Inc. d/b/a Good Shepherd Communities (the Company) is the sole member of Good Shepherd-Fairview Home, Inc. (the Home), Good Shepherd-Fairview Foundation, Inc. d/b/a Good Shepherd Communities Foundation (the Foundation), Good Shepherd Village at Endwell, Inc. (the Village), Chase Memorial Nursing Home Company, Inc. d/b/a ChaseHealth Rehab and Residential Care (ChaseHealth), Chase Memorial Community Center, Inc. (the Center), and Chase Housing Corporation (Chase Housing). The purpose of the Company is to plan, coordinate, support, and monitor the development of comprehensive community-wide services and facilities to enhance the life of the elderly through its subsidiaries. The reporting entity is collectively referred to as the "Organizations" throughout the notes to the consolidated financial statements.

The Home operates a multi-level retirement community consisting of a 54-bed nursing facility, plus 2 beds for respite care, a 35-bed adult care facility, a 32-bed adult care assisted living program, and 40 independent living apartments located in Binghamton, New York. Its primary purpose is to provide suitable housing and health care for the elderly.

The Village provides suitable housing and health care for the elderly as a fee-for-service continuing care retirement community. The Village consists of 74 cottages, 80 independent living apartments, a healthcare center consisting of 32 adult care facility beds (16 adult care and 16 adult care dementia) and 32 skilled nursing beds.

The Foundation provides financial and other support for these affiliates, and provides community-wide services and facilities to enhance the life of the elderly.

ChaseHealth operates an eighty-bed skilled nursing facility in New Berlin, New York.

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.

Chase Housing provides subsidized housing for senior citizens and other qualified individuals. The rental project is located in New Berlin, New York and consists of 32 units.

All material intercompany transactions and balances have been eliminated in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The Organizations' consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. The Organizations use 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 Home.

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

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 Organizations' consolidated 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 Organizations' 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 consolidated financial statements. There is no effect on total net assets or changes in net assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated statements of cash flows, cash and cash equivalents exclude amounts maintained in investment portfolios. The Organizations maintain cash and cash equivalents at financial institutions which periodically may exceed federally insured limits. The Organizations have 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 and Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organizations analyze their past history and identify trends for each of their major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to residents who have third-party coverage, the Organizations analyze contractually due amounts and provide an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay residents (which includes both residents without insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organizations record a provision for bad debts when it appears residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between resident and patient billings and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Organizations have maintained their allowance for doubtful accounts for self-pay residents as of December 31, 2018. The Organizations do not maintain a material allowance for doubtful accounts from third-party payors, nor did they have significant write-offs from third-party payors.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organizations. 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 Organizations use 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 or acquired as part of a business combination, less accumulated depreciation. Certain property and equipment was valued at fair value at the date ChaseHealth, the Center, and Chase Housing obtained the Company as the new sole member. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets, which range from three (3) to forty (40) years. It is the Organizations' 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 Organizations assess their 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 Organizations did not record any impairment charges.

Investments
The Organizations' investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated 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 consolidated balance sheets could change materially in the near term.

Investment Valuation and Income Recognition
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. Dividends are measured or recorded based on the ex-dividend date. Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to $10,779 and $14,916 for the years ended December 31, 2018 and 2017, respectively, and have been netted against investment income (loss) in the accompanying consolidated statements of operations and changes in net deficit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Whose Use is Limited

Assets whose use is limited consist of the following:

- **Advanced Training Initiative**
  Funds received through the Advanced Training Initiative grant that have yet to be expended for their intended purpose. At December 31, 2018 and 2017, cash restricted for the Advanced Training Initiative was $44,609 and $44,785, respectively.

- **Apartment Escrow**
  Apartment escrow represents security deposits held by the Home for the residents in the independent living apartments. At December 31, 2018 and 2017, apartment escrows were $65,522 and $62,645, respectively.

- **Board Designated Assets**
  The Board of Directors has designated monies for the purchase of property and equipment. At December 31, 2018 and 2017, board designated assets were $216,192 and $227,985, respectively.

- **Collateral Account**
  The collateral account of the Village shall be maintained at an amount equal to $787,500. Investment income earned on the collateral account is to be transferred to the operating account to pay debt service on the Series 2015 bond. At December 31, 2018 and 2017, the collateral account met this requirement.

- **Debt Service Reserve Fund**
  The debt service reserve fund of the Village was funded at closing from bond proceeds in an amount equal to the annual debt service reserve requirements for the bonds as defined in the bond documents. At December 31, 2018 and 2017, the debt service reserve fund related to the Series 2015 bond was $1,544,302 and $1,543,139, respectively.

- **Deposits on Unoccupied Units**
  Deposits on unoccupied units are held in escrow until the unit at the Village is occupied, at which time the funds are released for operations. At December 31, 2018 and 2017, deposits on unoccupied units were $210,287 and $325,350, respectively.

- **Entrance Fees Fund**
  The entrance fees fund was funded by residency fees received from residents of the Village. The Village may retain residency fees received subsequent to the funding of other project fund accounts. At December 31, 2018 and 2017, the entrance fees fund was $3,677,571 and $3,675,493, respectively.

- **Funds Held in Trust by Others**
  Funds held in trust by others represent certain contributions from donors that are required to be held in trust by a third party. Income earned from such funds may be used for the maintenance and support of the Home but cannot be used for any construction or repairs of buildings. At December 31, 2018 and 2017, funds held in trust by others were $91,824 and $295,049, respectively.

- **Life Focus Alternative Program**
  The Life Focus Alternative program provides funds for the care of plants and animals at ChaseHealth. At December 31, 2018 and 2017, cash restricted for the Life Focus Alternative program was $5,603 and $8,666, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Whose Use is Limited (Continued)

- **Living Care Fund**
  The Living Care Fund includes donations and investment earnings and was created for the sole purpose of providing support for residents in the Home's adult care facility that may need financial assistance. At December 31, 2018 and 2017, the balance in the Living Care Fund was $1,455,562 and $1,314,913, respectively.

- **Replacement Reserve**
  Reserve accounts are maintained as prescribed by Chase Housing's regulatory agreement. Disbursement from the reserves require prior approval from the USDA-RD. At December 31, 2018 and 2017, the balance in the replacement reserve was $39,028 and $33,185, respectively.

- **Resident Funds Held in Trust**
  The Organizations act as a custodian for resident funds. These funds are expended at the direction of its nursing facility residents for personal items. At December 31, 2018 and 2017, resident funds held in trust were $54,226 and $43,309, respectively.

- **Restricted Cash**
  Restricted cash represent funds received through a grant that have yet to be expended for their intended purpose. At December 31, 2018 and 2017, restricted cash was $84,029 and $121,781, respectively.

- **Sunshine Fund Program**
  The Sunshine Fund program provides the funding for special activities primarily for the benefit of residents, and occasionally including staff members. At December 31, 2018 and 2017, cash restricted for the Sunshine Fund Program was $4,720 and $2,704, respectively.

- **Investments With Donor Restrictions**
  Investments with donor restrictions represent funds donated for resident activities. At December 31, 2018 and 2017, investments with donor restrictions were $2,114 and $1,902, respectively.

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 consolidated 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 as an other current liability on the consolidated balance sheets. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Intangible Assets

Intangible assets consist of deferred marketing costs representing direct response advertising and related costs incurred in connection with the initial marketing of the Village and are amortized using the straight-line method over a period of 35 years. Estimated annual amortization expense for deferred marketing costs for each of the next five years is $29,652.

Intangible assets also consist of bed licenses on Chase Health that have been determined to have an indefinite life. Generally accepted accounting principles require that the unamortized value of indefinite life intangible assets be evaluated annually, or more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists. The evaluation determines whether the amount reflected on the consolidated balance sheets as an asset has been impaired - that is, whether the asset's carrying value exceeds the fair value. Quantitative evaluations of indefinite life intangible assets may be avoided if qualitative assessments indicate a greater than fifty percent likelihood that the carrying value of the asset exceeds its fair value. In management's opinion, there has been no impairment to the value of the recorded indefinite life intangible asset during the years ended December 31, 2018 and 2017.

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 term of the debt and is netted with debt. Amortization totaled $55,714 and $57,206 for the years ended December 31, 2018 and 2017, respectively, and is included as a component of interest expense on the consolidated statements of functional expenses.

Revenue Recognition

Healthcare resident service revenue is reported at estimated net realizable amounts from residents, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to changes in case mix indexes and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. It is not possible to determine the extent of additional liability (or receivable) resulting from governmental audits conducted in subsequent years.

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Healthcare resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from payor sources, is as follows:

	2018		2017	
Self-pay	$ 12,875,963	53%	$ 12,221,676	53%
Medicaid	5,804,567	24%	5,941,809	25%
Medicare	4,432,479	18%	4,035,040	17%
Other	1,412,042	5%	1,168,736	5%
Healthcare resident service revenue	$ 24,525,051	100%	$ 23,367,261	100%

The Village provides residents with services from independent living cottages or apartments to assisted living and skilled nursing care. As a condition precedent to providing these services, the Village enters into a residency agreement with each prospective resident which sets forth the responsibilities of both parties. For the right to occupy and use the living accommodations and receive the services of the Village, each resident is required to pay a residency fee and a monthly service fee based on the size and type of unit and the number of occupants.

Residency fees are due in two installments. Ten percent (10%) of the residency fee is due when the residency agreement is signed, while the remainder is due prior to occupancy. Ninety percent (90%) of the residency fee is fully refundable and is accounted for as a liability. The remaining ten percent (10%) of the residency fee is accounted for as deferred residency fee revenue and is amortized to income using the straight-line method over the estimated life of each resident. The period of amortization is adjusted annually based on the actuarially estimated remaining life expectancy of each resident.

Monthly service fees are billed in advance and are recognized as income in the month they are earned.

As of December 31, 2018 and 2017, the Village had a net deficit of approximately $13.8 million and $14.9 million, respectively, and refundable residency fees of approximately $28.3 million and $28.4 million, respectively, for the years then ended. While not amortized to income, refundable residency fee deposits act as a component of the Village's permanent capitalization, as refunds to current residents are normally funded by residency fee deposits of new residents entering the community.

Universal Settlement

New York State (the "State") and Residential Health Care Facilities statewide have entered into a settlement agreement ("Universal Settlement") to resolve outstanding appeals and pending litigation for rate years prior to January 1, 2012 (the "Rate Period"). Significant terms of the settlement include:

- Facilities forfeit their right to appeal or litigate any rate matters during the Rate Period, except those that were specifically excluded.

- The Office of the Medicaid Inspector General has agreed to waive the right to audit the rates for the Rate Period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Universal Settlement (Continued)
As part of the Universal Settlement, the State established a pool of funds to be awarded to the facilities. The amount is expected to be paid in five installments over the next four to five years. The Home was awarded $264,000, the Village was awarded $288,000, and ChaseHealth was awarded $245,000. The Organizations recognized revenue of $159,355 for the both of the years ended December 31, 2018 and 2017, respectively, related to this arrangement. The recognized amounts represent four years of authorized Universal Settlement payments by the State. Additional revenue related to Universal Settlement is expected to be recognized as the cash is received.

New York State Cash Receipt Assessment
In April 2002, the State of New York approved a 6% assessment on nursing facilities' cash receipts, with the exception of Medicare cash receipts, to provide funding for workforce recruitment and retention awards authorized pursuant to Chapter 1 and subsequently amended by Chapter 82 of the Laws of 2002. Effective April 2011, April 2012, and November 2012, the State of New York implemented changes on assessment for nursing facilities' cash receipts to 7.2%, 7.0%, and 6.8%, respectively.

A significant portion of this assessment is reimbursed to the Organizations, at varying rates depending on payor, and is included in net healthcare resident service revenue. Total assessment expense for the years ended December 31, 2018 and 2017 was $800,988 and $688,318, respectively, and is included in operating expenses in the accompanying consolidated statements of operations and changes in net deficit.

Excess of Revenues Over Expenses
The consolidated statements of operations and changes in net deficit include excess of revenues over expenses. Included in excess of revenues over expenses are realized and unrealized gains and losses on investments, dividends, interest, and other similar investment income.

Income Taxes
The Organizations are 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 Organizations' tax exempt purpose may be subject to taxation as unrelated business income. The Organizations have also been classified by the Internal Revenue Service as entities that are not private foundations.

Contributions
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets and support 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

The Home obtained grant awards under the New York Vital Access/Safety Net Provider Program (the Program) to be used to improve the financial status and viability of ChaseHealth. The Program was established to support healthcare services for fragile, elderly, and low income populations by providing more effective services that meet community needs. The Program is regularly evaluated by the Department of Health regarding performance against financial, operational, and quality metric goals established during the application process. The total amount awarded was $1,065,000 that is entirely passed through the Home and recorded as contribution income (expense), net in the consolidated statements of operations and changes in net deficit. The Home recorded grant income and corresponding contribution expense of $87,708 and $315,001 for the years ended December 31, 2018 and 2017, respectively. The Organizations received $753,334 and $599,584 of the total funds as of December 31, 2018 and 2017, respectively, and the Home has recorded grants receivable of $- and $66,042, and contributions payable of $84,029 and $187,823 as of December 31, 2018 and 2017, respectively. ChaseHealth recorded contribution income of $87,708 and $315,001 for the years ended December 31, 2018 and 2017, respectively.

Allocation of Certain Expenses

The consolidated 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 salaries, supplies and other, interest expense, depreciation and amortization, employee benefits, and professional fees all of which are allocated based on direct charges.

Reclassification

Certain reclassifications have been made to the consolidated 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 Organizations are primarily supported by cash flows from its operating activities. The Organizations have a policy to structure their financial assets to be available as their 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 $2,302,000.

As more fully described in Note 8, the Organizations also have committed lines of credit in the amount of $325,000, which it could draw upon in the event of an unanticipated liquidity need. The amount borrowed on the lines of credit as of December 31, 2018 was $282,624. Part of the Organizations' ability to meet their cash needs is dependent on timely collection of their accounts receivable. In addition, in the event that cash flows from operating activities are not sufficient to cover the needs of the Organizations, it would liquidate investments without donor restrictions.

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

Financial assets at December 31, 2018*	$ 22,387,864
Less: Financial assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Assets whose use is limited	(8,268,810)
Charitable gift annuity	(212,644)
Beneficial interest in remainder trust	(130,007)
Board designated assets	(216,192)
Financial assets available to meet cash needs for general expenditures within one year	$ 13,560,211

**Total assets, less nonfinancial assets (property and equipment, prepaid expenses, and intangible assets)*

4. ACQUISITION

ChaseHealth, the Center, and Chase Housing were acquired by the Company on August 3, 2017. The Company was appointed as the sole member of ChaseHealth, the Center, and Chase Housing and acquired ChaseHealth, the Center, and Chase Housing because the mission of all three organizations alighted with that of the Company. The Company recognized a gain on bargain purchase of $3,751,391 due to the increase in value of property and equipment to fair value along with recording an intangible asset of $1,183,084 for bed licenses in accordance with ASC 805-50-50 *Business Combinations*.

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

	Book Value	Fair Market Value	Contribution Due To Acquisition
Current assets	$ 1,746,607	$ 1,746,607	$ -
Building and improvements	3,496,628	3,736,900	240,272
Furniture and equipment	1,087,029	102,875	(984,154)
Land improvements	30,739	-	(30,739)
Vehicles	66,850	-	(66,850)
Land	24,115	24,115	-
Subtotal	4,705,361	3,863,890	(841,471)
Less, accumulated depreciation	(3,639,662)	-	3,639,662
Property and equipment, net	1,065,699	3,863,890	2,798,191
Intangible asset - bed licenses	-	1,183,084	1,183,084
Other assets	211,987	211,987	-
Current liabilities	759,373	759,373	-
Long-term liabilities	196,013	196,013	-
Total	$ 2,068,907	$ 6,050,182	$ 3,981,275

Fair Value Considerations

The fair value of ChaseHealth was estimated by applying the discounted cash flow method. The fair value of the Center and Chase Housing 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 ChaseHealth, the Center, and Chase Housing.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Buildings and improvements	$ 62,073,442	$ 61,996,622
Furniture and equipment	11,647,387	13,041,962
Land improvements	8,071,639	7,996,329
Vehicles	2,027,850	317,811
Sub-total	83,820,318	83,352,724
Less: Accumulated depreciation	(34,140,873)	(31,485,465)
Sub-total	49,679,445	51,867,259
Land	1,463,931	1,463,931
Property and equipment, net	$ 51,143,376	$ 53,331,190

Depreciation expense was $2,699,717 and $2,803,482 for the years ended December 31, 2018 and 2017, respectively.

Non-operating land, land improvements, and buildings with net book values of $263,663 and $263,873 at December 31, 2018 and 2017, respectively, are included in property and equipment.

6. 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.

6. 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 Organizations 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 Organizations' 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 Organizations believe their 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:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 6,882,002	$ -	$ -	$ 6,882,002
Mutual funds:				
Fixed income	203,139	-	-	203,139
Foreign large blend	17,271	-	-	17,271
Foreign large growth	42,682	-	-	42,682
Government bonds	4,559	-	-	4,559
Large blend	397,506	-	-	397,506
Large growth	431,912	-	-	431,912
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	142,903	-	-	142,903
Total mutual funds	1,838,080	-	-	1,838,080
Beneficial interest in remainder trust	-	-	130,007	130,007
Total assets at fair value	$ 8,720,082	$ -	$ 130,007	$ 8,850,089

6. FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 6,937,448	$ -	$ -	$ 6,937,448
Mutual funds				
Large growth	204,450	-	-	204,450
Real estate	34,994	-	-	34,994
Foreign large blend	78,629	-	-	78,629
Moderate allocation	853,776	-	-	853,776
Fixed income	277,013	-	-	277,013
Government bonds	4,531	-	-	4,531
Total mutual funds	1,453,393	-	-	1,453,393
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	$ 9,369,330	$ -	$ 132,231	$ 9,501,561

Remainder Trust
The valuation technique used to measure the fair value of the charitable 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	3.60%
			Life expectancy	15 years

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

6. 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:

	2018	2017
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)	(4,484)	25,279
Beneficial interest in remainder trust - ending	$ 130,007	$ 132,231

7. 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 restriction 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.

Investment Return Objectives, Risk Parameters, and Strategies

The Organizations have 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.

7. ENDOWMENT FUND (Continued)

Spending Policy
The Organizations' 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:

	Without Donor Restrictions	With Donor Restrictions	Total
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:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	$ -	$ 696,009	$ 696,009
Total endowment funds	$ -	$ 696,009	$ 696,009

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)
Endowment net assets - ending	$ -	$ 674,169	$ 674,169

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
Endowment net assets - ending	$ -	$ 696,009	$ 696,009

8. DEBT

Debt consisted of the following at December 31:

	2018	2017
Construction loan with total draws of $4,940,000. Beginning January 2015, 12 monthly consecutive principal payments of $5,000 plus interest of 4.5%. Beginning January 2016, 48 monthly consecutive payments of $31,429 with interest at 4.5%. Beginning January 2020, 59 monthly consecutive payments shall be in an amount that will fully amortize principal balance by December 2034 with interest at the Five Year Federal Home Loan Bank of New York Fixed-Rate Advance Indicator, adjusted every five years beginning December 2020, plus 2.75%, and a final payment in December 2024. Collateralized by real property, building, rents, and personal property.	$ 4,433,247	$ 4,603,893
Promissory note due December 2021, payable in monthly installments of $2,596, including principal and interest at 5.25%.	86,304	112,187
Loan paid in full.	-	5,603
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
Series 2015 bond due in May 2040, with interest at 2.70%. Secured by the property located at 32 Village Drive, Endwell, NY. The bonds are further collateralized by an assignment of residency agreements and of service agreements and permits.	42,615,000	44,005,000
Working capital line of credit, with a maximum borrowing capacity of $250,000. Advances bear interest at a rate based on changes in prime lending rate (5.25% and 5.00% for the years ended December 31, 2018 and 2017, respectively). The line of credit is unsecured.	250,000	250,000
Line of credit with a maximum borrowing capacity of $75,000. Advances bear interest at a rate of 5.50% and 5.25% for the years ended December 31, 2018 and 2017, respectively.	32,624	42,163

8. DEBT (Continued)

A 50-year loan of $597,000 dated April 1978 due monthly with an interest rate of 8.25%, payable through March 2028 secured by property. Annual payments are reduced by an interest subsidy making the actual annual payments $15,192	134,616	148,387
Total debt	47,640,400	49,266,426
Less: Unamortized debt issuance costs	(1,039,012)	(1,094,727)
Debt net of unamortized debt issuance costs	46,601,388	48,171,699
Less: Current portion	(1,929,137)	(1,996,193)
Long-term portion	$ 44,672,251	$ 46,175,506

The terms of the serial bonds require the Village to maintain financial covenants, including debt service coverage and liquidity covenants. At December 31, 2018 and 2017, the Village was in compliance with the required covenants.

Total debt service for the bond for the years succeeding December 31, 2018, is projected as follows:

	Principal	Interest	Total
2019	$ 1,410,000	$ 1,133,201	$ 2,543,201
2020	1,440,000	1,094,783	2,534,783
2021	1,530,000	1,055,228	2,585,228
2022	1,525,000	1,013,513	2,538,513
2023	1,590,000	971,775	2,561,775
2024-2028	8,595,000	4,185,836	12,780,836
2029-2033	9,815,000	2,946,094	12,761,094
2034-2038	11,245,000	1,527,604	12,772,604
2039-2040	5,465,000	127,257	5,592,257
Total	$ 42,615,000	$ 14,055,291	$ 56,670,291

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

2019	$ 519,137
2020	245,545
2021	258,782
2022	238,825
2023	245,733
Thereafter	3,517,378
Total	$ 5,025,400

The Company has fully guaranteed the construction loan in connection with the renovations being undertaken at the Home.

8. DEBT (Continued)

The terms of the loan require the Home to maintain financial covenants, including minimum tangible net worth and a debt service coverage ratio. As of December 31, 2018, the Home was in compliance with both financial covenants. As of December 31, 2017, the Home was in compliance with the minimum tangible net worth calculation and received a waiver for compliance with the debt service coverage ratio covenant.

ChaseHealth has a line of credit that require the facility to maintain financial covenants, including a debt service coverage ratio. As of December 31, 2018, ChaseHealth was in compliance with the required covenant. As of December 31, 2017, ChaseHealth received a waiver for compliance with its covenant.

9. NATURE, PURPOSE, AND AMOUNT OF RESTRICTIONS ON NET ASSETS

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

	2018	2017
Net assets with donor restrictions that can be satisfied by action of the Organizations 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	360,737	360,737
Replacement reserve	39,028	33,185
Resident activities at the Home	2,114	1,902
Capital campaign	-	2,617
Life Focus Alternative program	5,603	8,666
Sunshine Fund program	4,720	2,704
Total net assets with donor restrictions that can be satisfied by action of the Organizations or the passage of time	1,290,965	1,353,374
Net assets restricted by donor perpetually:		
Living Care Fund	337,893	337,893
Maintenance and support of residents of the Home	100,000	100,000
Total net assets restricted by donor perpetually	437,893	437,893
Total net assets with donor restrictions	$ 1,728,858	$ 1,791,267

The Home's board of directors has chosen to place the following designations on net assets (deficit) without donor restrictions at December 31:

	2018	2017
Board designated assets	$ 216,192	$ 227,985
Undesignated	(5,037,668)	(6,700,834)
Total net deficit without donor restrictions	$ (4,821,476)	$ (6,472,849)

Net assets were released from restriction for program expenditures.

10. POST EMPLOYMENT PLANS

403(b) Plan

The Company, Home, Village and Foundation provide retirement benefits to substantially all of their full-time employees through a 403(b) defined contribution retirement plan. The Organizations contribute a percentage of eligible wages annually to employees who meet minimum age and service requirements. The percentage of eligible wages contributed ranges from 2% to 5.634%. Benefit expense was $275,444 and $250,561 for the years ended December 31, 2018 and 2017, respectively.

401(k) Plan

ChaseHealth provides retirement benefits to substantially all of its employees who are twenty years of age and have worked 1,000 or more hours through a flexible 401(k) profit sharing benefit plan. Qualified employees may make elective deferrals to the Plan pursuant to salary deferral agreements. ChaseHealth may make a discretionary profit sharing contribution. Covered employees are entitled to distributions beginning at normal retirement age (age sixty five) equal to their vested portion of employer benefit contributions. Participants become partially vested after one year with full vesting after five years of service. Benefit expense was $15,982 and $32,245 for the years ended December 31, 2018 and 2017, respectively.

Effective December 31, 2018 the 401(k) profit sharing benefit plan was amended to freeze and terminate. No further contributions are permitted or made under the plan with respect to plan compensation earned on or after December 31, 2018.

457(b) Plan

The Organizations established a retirement plan for a select group of management personnel to defer certain amounts of compensation for the purpose of providing retirement benefits that is designed in accordance Section 457(b) of the Internal Revenue Code. The participant is responsible for making investment selections within his designated account. The funds remain assets of the Organizations until such time as the participant withdraws the funds in accordance with plan provisions. Assets held for this plan were $213,792 and $158,987 at December 31, 2018 and 2017, respectively, and are included in investments on the consolidated balance sheets. The liability is being recognized at present value over the term of service required by the participant which totaled $174,370 and $130,777 as of December 31, 2018 and 2017, respectively, and is included in other long-term liabilities on the consolidated balance sheets.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Cash paid during the year for:		
Interest	$ 1,440,669	$ 1,462,256
Noncash investing and financing transaction:		
Assets increased in value due to acquisition	$ -	$ 2,798,191
Intangible asset recorded due to acquisition	$ -	$ 1,183,084
Transfer of assets whose use is limited to investments	$ -	$ 129,587

12. WORKERS' COMPENSATION

The Home was a member of the Healthcare of New York Workers' Compensation Trust (HONY Trust), a group self-insured trust, from 2004 to 2009. The HONY Trust ceased writing insurance in 2011 and is being allowed to operate in run off by the State of New York Workers' Compensation Board. Members in the HONY Trust are joint and severally liable for open claims during years of membership. The Home's premiums are subject to retrospective adjustment until such time as all open claims for 2004 to 2009 are closed. The Home was assessed $188,761 during 2013. In June 2014 the Home began a 5-year repayment plan paying $3,146 per month. The Home has accrued $31,460 and $59,774 at December 31, 2018 and 2017, respectively.

13. SUBSEQUENT EVENT

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

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Good Shepherd Communities	Good Shepherd-Fairview Home, Inc.	Good Shepherd Communities Foundation	Good Shepherd Village at Endwell, Inc.	Chase Memorial Nursing Home, Inc.	Chase Memorial Community Center, Inc.	Chase Housing Corporation	Eliminating Entries	Consolidated Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 7,500	$ 43,423	$ 18,150	$ 9,908,258	$ 372,603	$ 187,978	$ 27,216	$ -	$ 10,565,128
Accounts receivable, net	-	1,108,700	-	419,128	1,341,095	26,865	2,310	-	2,898,098
Contributions receivable	-	-	116	-	84,029	-	-	(84,029)	116
Due from third-party payors	-	-	-	8,452		-	-	-	8,452
Prepaid expenses and other current assets	9,298	97,421	-	159,796	20,823	-	1,450	-	288,788
Total current assets	16,798	1,249,544	18,266	10,495,634	1,818,550	214,843	30,976	(84,029)	13,760,582
PROPERTY AND EQUIPMENT, net	1,013	6,254,659	-	41,091,828	2,090,898	650,300	1,054,678	-	51,143,376
OTHER ASSETS:									
Due from related parties	451,731	607,030	-	-	-	118,288	-	(1,177,049)	-
Investments	213,792	-	223,201	-	-	-	-	-	436,993
Assets whose use is limited	-	380,523	1,547,386	6,222,147	82,126	-	50,907	-	8,283,089
Intangible assets, net	-	-	-	763,535	1,183,084	-	-	-	1,946,619
Due from third-party payors	-	-	-	-	77,860	-	-	-	77,860
Beneficial interest in remainder trust	-	-	130,007	-	-	-	-	-	130,007
Beneficial interest in net assets of Foundation	-	1,677,393	-	-	-	-	-	(1,677,393)	-
Total other assets	665,523	2,664,946	1,900,594	6,985,682	1,343,070	118,288	50,907	(2,854,442)	10,874,568
Total assets	$ 683,334	$ 10,169,149	$ 1,918,860	$ 58,573,144	$ 5,252,518	$ 983,431	$ 1,136,561	$ (2,938,471)	$ 75,778,526

(Continued)

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - BALANCE SHEETS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Good Shepherd Communities	Good Shepherd-Fairview Home, Inc.	Good Shepherd Communities Foundation	Good Shepherd Village at Endwell, Inc.	Chase Memorial Nursing Home, Inc.	Chase Memorial Community Center, Inc.	Chase Housing Corporation	Eliminating Entries	Consolidated Total
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES:									
Debt - current portion	$ 27,275	$ 428,592	$ -	$ 1,410,000	$ 32,624	$ 16,737	$ 13,909	$ -	$ 1,929,137
Accounts payable and accrued expenses	157,407	639,144	-	446,336	447,691	4,291	2,161	-	1,697,030
Refundable residency fees	-	-	-	1,087,505	-	-	-	-	1,087,505
Deposits on unoccupied units	-	-	-	210,287	-	-	-	-	210,287
Contribution payable	-	84,029	-	-	-	-	-	(84,029)	-
Other current liabilities	-	92,784	-	44,870	44,785	-	-	-	182,439
Due to related parties	-	-	191,208	171,204	814,637	-	-	(1,177,049)	-
Total current liabilities	184,682	1,244,549	191,208	3,370,202	1,339,737	21,028	16,070	(1,261,078)	5,106,398
LONG-TERM LIABILITIES:									
Deferred residency fee revenue	-	-	-	1,590,871	-	-	-	-	1,590,871
Refundable residency fees	-	-	-	27,187,675	-	-	-	-	27,187,675
Debt, net	59,029	4,204,447	-	40,216,196	-	71,872	120,707	-	44,672,251
Other long term liabilities	174,370	3,146	16,685	-	-	-	-	-	194,201
Resident deposits	-	78,188	-	2,487	27,194	-	11,879	-	119,748
Total long-term liabilities	233,399	4,285,781	16,685	68,997,229	27,194	71,872	132,586	-	73,764,746
Total liabilities	418,081	5,530,330	207,893	72,367,431	1,366,931	92,900	148,656	(1,261,078)	78,871,144
NET ASSETS (DEFICIT):									
Without donor restrictions	265,253	2,959,312	33,574	(13,794,287)	3,875,264	890,531	948,877	-	(4,821,476)
With donor restrictions	-	1,679,507	1,677,393	-	10,323	-	39,028	(1,677,393)	1,728,858
Total net assets (deficit)	265,253	4,638,819	1,710,967	(13,794,287)	3,885,587	890,531	987,905	(1,677,393)	(3,092,618)
Total liabilities and net assets (deficit)	$ 683,334	$ 10,169,149	$ 1,918,860	$ 58,573,144	$ 5,252,518	$ 983,431	$ 1,136,561	$ (2,938,471)	$ 75,778,526

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Good Shepherd Communities	Good Shepherd-Fairview Home, Inc.	Good Shepherd Communities Foundation	Good Shepherd Village at Endwell, Inc.	Chase Memorial Nursing Home, Inc.	Chase Memorial Community Center, Inc.	Chase Housing Corporation	Eliminating Entries	Consolidated Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 7,500	$ 294,525	$ 41,118	$ 8,230,675	$ 62,368	$ 39,120	$ 40,486	$ -	$ 8,715,792
Accounts receivable, net	-	1,529,808	-	661,633	1,247,535	13,050	1,697	-	3,453,723
Contributions receivable	-	66,042	5,836	-	187,823	-	-	(187,823)	71,878
Prepaid expenses and other current assets	8,928	89,647	-	151,616	26,511	-	1,459	-	278,161
Total current assets	16,428	1,980,022	46,954	9,043,924	1,524,237	52,170	43,642	(187,823)	12,519,554
PROPERTY AND EQUIPMENT, net	1,217	6,882,199	267	42,598,806	2,104,093	673,009	1,071,599	-	53,331,190
OTHER ASSETS:									
Due from related parties	351,372	328,216	-	271,540	-	144,595	-	(1,095,723)	-
Investments	158,987	-	721,937	-	-	-	-	-	880,924
Assets whose use is limited	-	419,614	1,609,962	6,334,216	79,889	-	44,725	-	8,488,406
Intangible assets, net	-	-	-	793,187	1,183,084	-	-	-	1,976,271
Due from third-party payors	-	-	-	-	66,466	-	-	-	66,466
Beneficial interest in remainder trust	-	-	132,231	-	-	-	-	-	132,231
Beneficial interest in net assets of Foundation	-	1,742,193	-	-	-	-	-	(1,742,193)	-
Total other assets	510,359	2,490,023	2,464,130	7,398,943	1,329,439	144,595	44,725	(2,837,916)	11,544,298
Total assets	$ 528,004	$ 11,352,244	$ 2,511,351	$ 59,041,673	$ 4,957,769	$ 869,774	$ 1,159,966	$ (3,025,739)	$ 77,395,042

(Continued)

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - BALANCE SHEETS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Good Shepherd Communities	Good Shepherd-Fairview Home, Inc.	Good Shepherd Communities Foundation	Good Shepherd Village at Endwell, Inc.	Chase Memorial Nursing Home, Inc.	Chase Memorial Community Center, Inc.	Chase Housing Corporation	Eliminating Entries	Consolidated Total
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES:									
Debt - current portion	$ 25,883	$ 420,646	$ -	$ 1,390,000	$ 47,766	$ 98,127	$ 13,771	$ -	$ 1,996,193
Accounts payable and accrued expenses	177,657	1,615,488	-	505,481	614,096	10,940	3,417	-	2,927,079
Deposits on unoccupied units	-	-	-	325,350	-	-	-	-	325,350
Contribution payable	-	187,823	-	-	-	-	-	(187,823)	-
Other current liabilities	-	116,196	36,580	68,396	44,785	-	-	-	265,957
Due to related parties	-	-	420,237	-	675,486	-	-	(1,095,723)	-
Total current liabilities	203,540	2,340,153	456,817	2,289,227	1,382,133	109,067	17,188	(1,283,546)	5,514,579
LONG-TERM LIABILITIES:									
Deferred residency fee revenue	-	-	-	1,668,812	-	-	-	-	1,668,812
Refundable residency fees	-	-	-	28,449,536	-	-	-	-	28,449,536
Debt, net	86,304	4,374,671	-	41,579,915	-	-	134,616	-	46,175,506
Other long-term liabilities	130,777	31,460	-	-	-	-	-	-	162,237
Resident deposits	-	67,946	-	2,734	23,734	-	11,540	-	105,954
Total long-term liabilities	217,081	4,474,077	-	71,700,997	23,734	-	146,156	-	76,562,045
Total liabilities	420,621	6,814,230	456,817	73,990,224	1,405,867	109,067	163,344	(1,283,546)	82,076,624
NET ASSETS (DEFICIT):									
Without donor restrictions	107,383	2,793,919	312,341	(14,948,551)	3,537,915	760,707	963,437	-	(6,472,849)
With donor restrictions	-	1,744,095	1,742,193	-	13,987	-	33,185	(1,742,193)	1,791,267
Total net assets (deficit)	107,383	4,538,014	2,054,534	(14,948,551)	3,551,902	760,707	996,622	(1,742,193)	(4,681,582)
Total liabilities and net assets (deficit)	$ 528,004	$ 11,352,244	$ 2,511,351	$ 59,041,673	$ 4,957,769	$ 869,774	$ 1,159,966	$ (3,025,739)	$ 77,395,042

The accompanying notes are an integral part of these schedules.

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Good Shepherd Communities	Good Shepherd-Fairview Home, Inc.	Good Shepherd Communities Foundation	Good Shepherd Village at Endwell, Inc.	Chase Memorial Nursing Home, Inc.	Chase Memorial Community Center, Inc.	Chase Housing Corporation	Eliminating Entries	Consolidated Total
OPERATING REVENUES:									
Healthcare resident service revenue, net	$ -	$ 10,322,619	$ -	$ 7,946,786	$ 6,255,646	$ -	$ -	$ -	$ 24,525,051
Independent living unit monthly service fees	-	878,921	-	5,798,595	-	-	134,650	-	6,812,166
Management services revenue - related party	2,245,145	-	-	-	-	-	-	(2,245,145)	-
Other operating revenue	-	332,597	-	349,642	12,433	246,851	34,100	-	975,623
Total operating revenue	2,245,145	11,534,137	-	14,095,023	6,268,079	246,851	168,750	(2,245,145)	32,312,840
OPERATING EXPENSES:									
Program	255,911	8,700,283	15,877	7,700,552	4,673,649	54,541	134,276	(318,735)	21,216,354
Management and general	1,763,707	3,087,350	137,445	5,305,117	1,570,590	62,486	42,984	(1,986,706)	9,982,973
Fundraising	102,461	-	113,161	-	-	-	-	(6,354)	209,268
Total operating expenses	2,122,079	11,787,633	266,483	13,005,669	6,244,239	117,027	177,260	(2,311,795)	31,408,595
INCOME (LOSS) FROM OPERATIONS	123,066	(253,496)	(266,483)	1,089,354	23,840	129,824	(8,510)	66,650	904,245
NON-OPERATING REVENUES (EXPENSES):									
Contribution income (expense), net	-	(57,036)	466,027	-	87,708	-	-	-	496,699
Grants (to) from affiliates	50,000	372,000	(450,000)	-	28,000	-	-	-	-
Grant revenue	-	87,708	-	15,400	19,624	-	-	-	122,732
Community scholarships and grants	-	-	(20,650)	-	-	-	-	-	(20,650)
Investment income (loss), net	(15,196)	(3,737)	(97,803)	24,310	-	-	-	-	(92,426)
Rental income	-	41,450	-	25,200	-	-	-	(66,650)	-
Property expenses	-	(17,163)	-	-	-	-	-	-	(17,163)
Loss on disposal of assets	-	(4,333)	-	-	-	-	(207)	-	(4,540)
Miscellaneous income	-	-	-	-	171,361	-	-	-	171,361
Total non-operating revenues (expense)	34,804	418,889	(102,426)	64,910	306,693	-	(207)	(66,650)	656,013
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUES)	157,870	165,393	(368,909)	1,154,264	330,533	129,824	(8,717)	-	1,560,258
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	90,142	-	6,816	-	-	-	96,958
CHANGE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	$ 157,870	$ 165,393	$ (278,767)	$ 1,154,264	$ 337,349	$ 129,824	$ (8,717)	$ -	$ 1,657,216

(Continued)

Schedule III

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Good Shepherd Communities	Good Shepherd-Fairview Home, Inc.	Good Shepherd Communities Foundation	Good Shepherd Village at Endwell, Inc.	Chase Memorial Nursing Home, Inc.	Chase Memorial Community Center, Inc.	Chase Housing Corporation	Eliminating Entries	Consolidated Total
NET ASSETS WITH DONOR RESTRICTIONS:									
Change in beneficial interest in net assets of Foundation	$ -	$ (64,800)	$ -	$ -	$ -	$ -	$ -	$ 64,800	$ -
Investment income, net	-	-	(4,292)	-	-	-	-	-	(4,292)
Net assets released from restrictions	-	-	(90,142)	-	(6,816)	-	-	-	(96,958)
Change in beneficial interest in remainder trust	-	-	(2,224)	-	-	-	-	-	(2,224)
Contributions	-	212	31,858	-	3,152	-	-	-	35,222
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	-	(64,588)	(64,800)	-	(3,664)	-	-	64,800	(68,252)
CHANGE IN NET ASSETS (DEFICIT)	157,870	100,805	(343,567)	1,154,264	333,685	129,824	(8,717)	64,800	1,588,964
NET ASSETS (DEFICIT) - beginning of year	107,383	4,538,014	2,054,534	(14,948,551)	3,551,902	760,707	996,622	(1,742,193)	(4,681,582)
NET ASSETS (DEFICIT) - end of year	$ 265,253	$ 4,638,819	$ 1,710,967	$ (13,794,287)	$ 3,885,587	$ 890,531	$ 987,905	$ (1,677,393)	$ (3,092,618)

The accompanying notes are an integral part of these schedules.

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Good Shepherd Communities	Good Shepherd-Fairview Home, Inc.	Good Shepherd Communities Foundation	Good Shepherd Village at Endwell, Inc.	Chase Memorial Nursing Home, Inc.	Chase Memorial Community Center, Inc.	Chase Housing Corporation	Eliminating Entries	Consolidated Total
OPERATING REVENUES:									
Healthcare resident service revenue, net	$ -	$ 9,889,544	$ -	$ 7,990,382	$ 5,487,335	$ -	$ -	$ -	$ 23,367,261
Independent living unit monthly service fees	-	821,570	-	5,755,910	-	-	138,963	-	6,716,443
Management services revenue - related party	2,147,878	-	-	-	-	-	-	(2,147,878)	-
Other operating revenue	-	246,784	-	385,132	10,083	167,686	6,726	-	816,411
Total operating revenue	2,147,878	10,957,898	-	14,131,424	5,497,418	167,686	145,689	(2,147,878)	30,900,115
OPERATING EXPENSES:									
Program	203,918	8,610,774	27,044	6,967,996	5,043,106	57,755	117,040	(231,823)	20,795,810
Management and general	1,701,121	3,078,593	209,466	5,378,676	1,573,912	76,835	41,410	(1,905,233)	10,154,780
Fundraising	125,726	-	169,336	-	-	-	-	(10,822)	284,240
Total operating expenses	2,030,765	11,689,367	405,846	12,346,672	6,617,018	134,590	158,450	(2,147,878)	31,234,830
INCOME (LOSS) FROM OPERATIONS	117,113	(731,469)	(405,846)	1,784,752	(1,119,600)	33,096	(12,761)	-	(334,715)
NON-OPERATING REVENUES (EXPENSES):									
Contribution income (expense), net	4,316	(298,069)	134,934	-	315,586	1,745	-	-	158,512
Grants (to) from affiliates	60,000	183,589	(243,589)	-	-	-	-	-	-
Grant revenue	-	315,001	-	6,427	15,327	-	-	-	336,755
Community scholarships and grants	-	-	(46,391)	-	-	-	-	-	(46,391)
Investment income, net	9,768	53,229	70,876	21,550	-	-	-	-	155,423
Property expenses	-	(17,320)	-	-	-	-	-	-	(17,320)
Loss on disposal of assets	-	(35,141)	-	-	-	-	-	-	(35,141)
Miscellaneous income	-	-	-	-	55,612	-	-	-	55,612
Total non-operating revenues (expense)	74,084	201,289	(84,170)	27,977	386,525	1,745	-	-	607,450
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVNUES)	191,197	(530,180)	(490,016)	1,812,729	(733,075)	34,841	(12,761)	-	272,735
CONTRIBUTION DUE TO ACQUISITION	-	-	-	-	2,710,134	295,063	976,078	-	3,981,275
NET ASSETS RELEASED FROM RESTRICTIONS	-	440	89,492	-	13,199	-	-	-	103,131
CHANGE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	$ 191,197	$ (529,740)	$ (400,524)	$ 1,812,729	$ 1,990,258	$ 329,904	$ 963,317	$ -	$ 4,357,141

(Continued)

FGS, INC.
D/B/A GOOD SHEPHERD COMMUNITIES AND SUBSIDIARIES

CONSOLIDATING SUPPLEMENTARY SCHEDULE - STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Good Shepherd Communities	Good Shepherd-Fairview Home, Inc.	Good Shepherd Communities Foundation	Good Shepherd Village at Endwell, Inc.	Chase Memorial Nursing Home, Inc.	Chase Memorial Community Center, Inc.	Chase Housing Corporation	Eliminating Entries	Consolidated Total
NET ASSETS WITH DONOR RESTRICTIONS:									
Change in beneficial interest in net assets of Foundation	$ -	$ 214,030	$ -	$ -	$ -	$ -	$ -	$ (214,030)	$ -
Investment income, net	-	-	213,907	-	-	-	-	-	213,907
Net assets released from restrictions	-	(440)	(89,492)	-	(13,199)	-	-	-	(103,131)
Change in beneficial interest in remainder trust	-	-	56,223	-	-	-	-	-	56,223
Contributions	-	-	33,392	-	2,781	-	-	-	36,173
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	-	213,590	214,030	-	(10,418)	-	-	(214,030)	203,172
CHANGE IN NET ASSETS (DEFICIT)	191,197	(316,150)	(186,494)	1,812,729	1,979,840	329,904	963,317	(214,030)	4,560,313
NET ASSETS (DEFICIT) - beginning of year	(83,814)	4,854,164	2,241,028	(16,761,280)	1,572,062	430,803	33,305	(1,528,163)	(9,241,895)
NET ASSETS (DEFICIT) - end of year	$ 107,383	$ 4,538,014	$ 2,054,534	$ (14,948,551)	$ 3,551,902	$ 760,707	$ 996,622	$ (1,742,193)	$ (4,681,582)

The accompanying notes are an integral part of these schedules.