GOOD SHEPHERD-FAIRVIEW HOME, INC.

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

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

April 26, 2019

To the Board of Directors of
Good Shepherd-Fairview Home, Inc.:

We have audited the accompanying financial statements of Good Shepherd-Fairview Home, Inc. (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 Home, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Change in Accounting Principle

As described in Note 2 to the financial statements, Good Shepherd-Fairview Home, Inc. implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Bonadio & Co., LLP

GOOD SHEPHERD-FAIRVIEW HOME, INC.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 43,423	$ 294,525
Accounts receivable - net of allowance for doubtful accounts of $165,060 for 2018 and 2017	1,108,700	1,529,808
Grants receivable	-	66,042
Prepaid expenses and other current assets	97,421	89,647
Total current assets	1,249,544	1,980,022
PROPERTY AND EQUIPMENT, net	6,254,659	6,882,199
OTHER ASSETS:		
Due from related parties, net	607,030	328,216
Assets whose use is limited	380,523	419,614
Beneficial interest in net assets of Foundation	1,677,393	1,742,193
Total other assets	2,664,946	2,490,023
Total assets	$ 10,169,149	$ 11,352,244
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of credit	$ 250,000	$ 250,000
Debt - current portion	178,592	170,646
Accounts payable	369,943	933,448
Accrued expenses	269,201	682,040
Deferred revenue	49,777	56,915
Workers' compensation insurance liability - current portion	28,314	28,314
Contribution payable	84,029	187,823
Due to third-party payors	14,693	30,967
Total current liabilities	1,244,549	2,340,153
LONG-TERM LIABILITIES:		
Debt, net	4,204,447	4,374,671
Workers' compensation insurance liability, net of current portion	3,146	31,460
Resident deposits	78,188	67,946
Total long-term liabilities	4,285,781	4,474,077
Total liabilities	5,530,330	6,814,230
NET ASSETS:		
Without donor restrictions	2,959,312	2,793,919
With donor restrictions	1,679,507	1,744,095
Total net assets	4,638,819	4,538,014
Total liabilities and net assets	$ 10,169,149	$ 11,352,244

The accompanying notes are an integral part of these statements.

GOOD SHEPHERD-FAIRVIEW HOME, INC.

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
OPERATING REVENUE:						
Healthcare resident service revenue, net	$ 10,322,619	$ -	$ 10,322,619	$ 9,889,544	$ -	$ 9,889,544
Independent living unit monthly service fees	878,921	-	878,921	821,570	-	821,570
Resident service revenue, net	11,201,540	-	11,201,540	10,711,114	-	10,711,114
Other operating revenue	332,597	-	332,597	246,784	-	246,784
Total operating revenue	11,534,137	-	11,534,137	10,957,898	-	10,957,898
OPERATING EXPENSES:						
Program	8,700,283	-	8,700,283	8,610,774	-	8,610,774
Management and general	3,087,350	-	3,087,350	3,078,593	-	3,078,593
Total operating expenses	11,787,633	-	11,787,633	11,689,367	-	11,689,367
LOSS FROM OPERATIONS	(253,496)	-	(253,496)	(731,469)	-	(731,469)
NON-OPERATING REVENUE (EXPENSE):						
Grants from related parties	372,000	-	372,000	183,589	-	183,589
Rental income	41,450	-	41,450	-	-	-
Investment income (loss), net	(3,737)	-	(3,737)	53,229	-	53,229
Contribution income	30,672	212	30,884	16,932	-	16,932
Grant income	87,708	-	87,708	315,001	-	315,001
Contribution expense	(87,708)	-	(87,708)	(315,001)	-	(315,001)
Loss on disposal of assets	(4,333)	-	(4,333)	(35,141)	-	(35,141)
Property expenses	(17,163)	-	(17,163)	(17,320)	-	(17,320)
Change in beneficial interest in net assets of Foundation	-	(64,800)	(64,800)	-	214,030	214,030
Total non-operating revenue (expense)	418,889	(64,588)	354,301	201,289	214,030	415,319
EXCESS OF EXPENSES OVER REVENUES	165,393	(64,588)	100,805	(530,180)	214,030	(316,150)
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	-	440	(440)	-
CHANGE IN NET ASSETS	165,393	(64,588)	100,805	(529,740)	213,590	(316,150)
NET ASSETS - beginning of year	2,793,919	1,744,095	4,538,014	3,323,659	1,530,505	4,854,164
NET ASSETS - end of year	$ 2,959,312	$ 1,679,507	$ 4,638,819	$ 2,793,919	$ 1,744,095	$ 4,538,014

The accompanying notes are an integral part of these statements.

GOOD SHEPHERD-FAIRVIEW HOME, INC.

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

	2018			2017		
	Program	Management and General	Total	Program	Management and General	Total
OPERATING EXPENSES:						
Salaries	$ 4,521,115	$ 413,618	$ 4,934,733	$ 4,368,802	$ 484,570	$ 4,853,372
Supplies, services and other	2,697,694	521,344	3,219,038	2,767,900	367,334	3,135,234
Employee benefits	831,957	472,701	1,304,658	866,902	502,445	1,369,347
Management services - related party	90,541	688,643	779,184	77,782	744,441	822,223
Depreciation	-	768,180	768,180	-	768,802	768,802
Bad debt expense	243,068	-	243,068	91,777	-	91,777
Cash receipts assessment	234,348	-	234,348	226,609	-	226,609
Interest	-	222,864	222,864	-	211,001	211,001
Contract employment - nursing	81,560	-	81,560	211,002	-	211,002
Total operating expenses	$ 8,700,283	$ 3,087,350	$ 11,787,633	$ 8,610,774	$ 3,078,593	$ 11,689,367

The accompanying notes are an integral part of these statements.

GOOD SHEPHERD-FAIRVIEW HOME, INC.

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

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 100,805	$ (316,150)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	768,180	768,802
Amortization of debt issuance costs	8,368	8,368
Bad debt expense	243,068	91,777
Loss on disposal of assets	4,333	35,141
Net realized and unrealized (gains) losses on assets whose use is limited	13,147	(41,360)
Change in beneficial interest in net assets of Foundation	64,800	(214,030)
Changes in:		
Accounts receivable	178,040	(367,430)
Grants receivable	66,042	284,583
Prepaid expenses and other current assets	(7,774)	1,424
Due to/due from related parties	(278,814)	(361,092)
Accounts payable	(563,505)	415,327
Accrued expenses	(412,839)	268,693
Deferred revenue	(7,138)	(33,872)
Contribution payable	(103,794)	(186,216)
Due to third-party payors	(16,274)	29,013
Net cash flow from operating activities	56,645	382,978
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in assets whose use is limited	36,186	(99,529)
Purchases of property and equipment	(144,973)	(154,177)
Net cash flow from investing activities	(108,787)	(253,706)
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings on line of credit	-	100,000
Principal payments on debt	(170,646)	(163,288)
Capital lease payments	-	(41,551)
Payments on workers' compensation insurance liability	(28,314)	(31,460)
Net cash flow from financing activities	(198,960)	(136,299)
CHANGE IN CASH AND CASH EQUIVALENTS	(251,102)	(7,027)
CASH AND CASH EQUIVALENTS - beginning of year	294,525	301,552
CASH AND CASH EQUIVALENTS - end of year	$ 43,423	$ 294,525

The accompanying notes are an integral part of these statements.

1. SCOPE OF BUSINESS

The Good Shepherd-Fairview Home, Inc. (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 Home is a subsidiary of FGS, Inc. d/b/a Good Shepherd Communities (the Company) and is affiliated with Good Shepherd-Fairview Foundation, Inc. d/b/a Good Shepherd Communities Foundation (the Foundation), 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), and Chase Memorial Community Center, Inc. (the Center). The governing board of the Home is a mirror of the governing board of the Company.

Pursuant to ASC 958-20-25, the Home and the Foundation are financially interrelated organizations. Accordingly, the Home is required to recognize its interest in the net assets of the Foundation and adjust that interest for its share of the change in net assets of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The Home’s financial statements are prepared on the accrual basis of accounting. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. The Home 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 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 Home pursuant to those stipulations, or remain in perpetuity.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Home analyzes its past history and identifies trends for each of its 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 Home analyzes contractually due amounts and provides 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 Home records 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.

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 estimated useful lives of the respective assets, which range from three (3) to forty (40) years. It is the Home's policy to capitalize all assets with a cost of $500 or greater and an estimated useful life of three or more years. Maintenance and repairs are charged to expense. The cost of property and equipment retired or otherwise disposed of and related accumulated depreciation is removed from the accounts.

Long-Lived Assets

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

Assets Whose Use is Limited

Assets whose use is limited consist of the following:

- **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.

- **Resident Funds Held in Trust**
  The Home acts 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 $12,666 and $5,301, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Whose Use is Limited (Continued)

- **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.

- **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.

Investment Valuation and Income Recognition

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 $1,436 and $1,497 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.

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 loan and is netted with debt. Amortization totaled $8,368 for both of the years ended December 31, 2018 and 2017, and is included as a component of interest expense on the statements of functional expenses.

Revenue Recognition

The Home’s 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 payer sources, is as follows:

	2018	2017
Self-pay	$ 4,974,320	$ 4,467,269
Medicaid	1,726,941	1,980,171
Medicare	2,677,769	2,709,789
Other	943,589	732,315
Healthcare resident service revenue, net	$ 10,322,619	$ 9,889,544

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.

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 Home recognized revenue of $52,889 for both of the years ended December 31, 2018 and 2017 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 Home, 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 $234,348 and $226,609, respectively, and is included in operating expenses in the accompanying statements of operations and changes in net assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Home 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 Home's tax-exempt purpose may be subject to taxation as unrelated business income. The Home 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 at 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 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.

The Home acquired 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 grant income and contribution expense in the statements of operations and changes in net assets. The Home recorded grant income of $87,708 and $315,001 and corresponding contribution expense of $87,708 and $315,001 for the years ended December 31, 2018 and 2017, respectively. The Home received $753,334 and $599,584 of the total funds as of December 31, 2018 and 2017, respectively, and 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.

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 salaries, supplies and other, employee benefits, and management services – related party. Management services - related party is allocated based on cost studies and/or actual amounts incurred at the Company. Salaries, supplies and other, and employee benefits are allocated based on direct charges.

Reclassification

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

3. LIQUIDITY

The Home is primarily supported by cash flows from its operating activities. The Home has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The goal is to maintain financial assets on hand to meet 30 days of normal operating expense, which are, on average, approximately $886,000. Part of the Home's ability to meet its cash needs is dependent on timely collection of its accounts receivable.

As more fully described in Note 6, the Home also has a committed line of credit in the amount of $250,000, which it could draw upon in the event of an unanticipated liquidity need. The amount borrowed on the line of credit as of December 31, 2018 was $250,000. Further, the Home maintains a beneficial interest in the net assets of the Foundation of which undesignated amounts can be requested from the Foundation through board approval and utilized for general expenditures.

The Home'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*	$ 3,817,069
Less: Financial assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Beneficial interest in the Foundation (Note 7)	
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	(360,737)
Apartment escrow	(65,522)
Resident funds held in trust	(12,666)
Restricted cash	(84,029)
Investments with donor restrictions	(2,114)
Board imposed restrictions:	
Board designated assets	(216,192)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,759,153

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

Investments designated for support and operation of the Home held through the beneficial interest in the Foundation could be accessed and used for general expenditures within one year of December 31, 2018 through board approval.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Buildings and improvements	$ 10,281,520	$ 10,261,525
Furniture and equipment	10,259,879	10,210,489
Land improvements	1,308,536	1,290,241
Vehicles	112,781	96,929
	21,962,716	21,859,184
Less: Accumulated depreciation	(16,177,590)	(15,446,518)
	5,785,126	6,412,666
Land	469,533	469,533
Property and equipment, net	$ 6,254,659	$ 6,882,199

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.

5. 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.

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

Cash and cash equivalents and mutual funds - valued at daily closing price as reported by the fund. Mutual funds held by the Home 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 cash and cash equivalents and mutual funds held by the Home are deemed to be actively traded (Level 1).

5. FAIR VALUE MEASUREMENTS (Continued)

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 Home 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:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 164,331	$ -	$ -	$ 164,331
Mutual funds:				
Large growth	192,999	-	-	192,999
Fixed income	18,634	-	-	18,634
Government bonds	4,559	-	-	4,559
Total mutual funds	216,192	-	-	216,192
Total assets at fair value	$ 380,523	$ -	$ -	$ 380,523

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 191,629	$ -	$ -	$ 191,629
Mutual funds:				
Large growth	204,450	-	-	204,450
Fixed income	19,004	-	-	19,004
Government bonds	4,531	-	-	4,531
Total mutual funds	227,985	-	-	227,985
Total assets at fair value	$ 419,614	$ -	$ -	$ 419,614

6. 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
Less: Unamortized debt issuance costs	(50,208)	(58,576)
Long term debt, net of unamortized debt issuance costs	4,383,039	4,545,317
Less: Current portion	(178,592)	(170,646)
Long-term portion	$ 4,204,447	$ 4,374,671

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

2019	$ 178,592
2020	186,371
2021	195,600
2022	204,714
2023	214,251
Thereafter	3,453,719
Total	$ 4,433,247

Debt Covenants
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 and 2017, the Home was in compliance with both the minimum tangible net worth calculation and the debt service coverage ratio covenant.

Financing Arrangement
The Home has available an unsecured $250,000 line of credit at December 31, 2018 and 2017, payable on demand, with a variable interest rate based on changes in the Wall Street Journal Prime Base Lending Rate, which is renewed annually with approval. As of December 31, 2018 and 2017, the interest rate was 5.25% and 5.00%, respectively, and amounts outstanding on the line of credit were $250,000 for both years.

7. 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 Home or the passage of time:		
Beneficial interest in net assets of Foundation	$ 1,239,500	$ 1,304,300
Resident activities	2,114	1,902
Total net assets with donor restrictions that can be satisfied by action of the Home or the passage of time	1,241,614	1,306,202
Net assets restricted by donor perpetually:		
Beneficial interest in net assets of Foundation	437,893	437,893
Total net assets with donor restrictions	$ 1,679,507	$ 1,744,095

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

	2018	2017
Board designated assets	$ 216,192	$ 227,985
Undesignated	2,743,120	2,565,934
Total net assets without donor restrictions	$ 2,959,312	$ 2,793,919

Net assets were released from restriction related to the following purposes during the years ended December 31:

	2018	2017
Resident activities	$ -	$ 440

8. EMPLOYEE BENEFIT PLAN

The Home provides retirement benefits to substantially all of its full-time employees through a 403(b) defined contribution retirement plan. The Home contributes 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 $141,084 and $124,188 for the years ended December 31, 2018 and 2017, respectively.

9. RELATED PARTY TRANSACTIONS

In addition to contributions noted in Note 2, related party transactions consisted of the following for the years ended December 31:

	2018	2017
Grants from the Foundation:	$ 122,000	$ 122,000
Home care development grant	-	61,589
DASNY grant	250,000	-
Total grants from the Foundation	$ 372,000	$ 183,589

The Company has fully guaranteed the construction loan referred to in Note 6 in connection with the renovations being undertaken at the Home.

Management Services
The Company provides certain operating and administrative services to the Home. The costs of these services are based on an allocation and totaled $779,184 and $822,223 for the years ended December 31, 2018 and 2017, respectively. The Home is acting as the intermediary between the Company and related parties for processing payments for these operating and administrative services.

Beginning in 2018, the Company paid the Home rent expense related to its use of the Home's facilities. Total rental income was $41,450 in 2018 and is included in non-operating revenue (expense) in the statements of operations and changes in net assets.

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

	2018	2017
The Village	$ 201,214	$ (44,083)
The Foundation	25,511	309,105
The Company	(293,775)	(305,989)
Chase Health	673,980	369,183
The Center	100	-
Total	$ 607,030	$ 328,216

10. 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.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Cash paid during the year for:		
Interest	$ 214,496	$ 202,633

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 26, 2019, which is the date the financial statements were available to be issued.