GOOD SHEPHERD VILLAGE AT ENDWELL, INC.

Financial Statements as of
December 31, 2019 and 2018
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 6, 2020

To the Board of Directors of
Good Shepherd Village at Endwell, Inc.:

We have audited the accompanying financial statements of Good Shepherd Village at Endwell, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and change in net deficit, 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 Village at Endwell, Inc., as of December 31, 2019 and 2018, and the changes in its net deficit 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 Principles

As described in Note 2 to the financial statements, Good Shepherd Village at Endwell, Inc. implemented Accounting Standards Updates (ASU) 2014-09, *Revenue from Contracts with Customers* and ASU 2018-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* as of January 1, 2019, and the effects have been included in these financial statements. Our opinion is not modified with respect to these matters.

Bonadio & Co., LLP

GOOD SHEPHERD VILLAGE AT ENDWELL, INC.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,683,462	$ 9,908,258
Accounts receivable, net of allowance for doubtful accounts of $115,300 and $109,641, respectively	569,287	419,128
Residency fee receivable	25,000	-
Due from third party payors	30,553	8,452
Note receivable - related party - current	66,172	-
Prepaid expenses and other current assets	127,943	159,796
Total current assets	9,502,417	10,495,634
PROPERTY AND EQUIPMENT, net	39,861,725	41,091,828
OTHER ASSETS:		
Due from related parties, net	64,530	-
Assets whose use is limited	7,964,723	6,222,147
Note receivable - related party, net of current portion	1,833,828	-
Intangible assets, net of accumulated amortization of $303,392 and $274,280, respectively	733,883	763,535
Total other assets	10,596,964	6,985,682
Total assets	$ 59,961,106	$ 58,573,144
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES:		
Debt, current portion	$ 1,440,000	$ 1,410,000
Accounts payable and accrued expenses	601,915	446,336
Deferred rent revenue	33,691	44,870
Refundable residency fees, current portion	1,025,573	1,087,505
Due to related parties, net	-	171,204
Deposits on unoccupied units	272,593	210,287
Total current liabilities	3,373,772	3,370,202
LONG-TERM LIABILITIES:		
Deferred residency fee revenue	1,693,688	1,590,871
Refundable residency fees, net of current portion	28,505,647	27,187,675
Debt, net	38,798,802	40,216,196
Resident deposits	1,781	2,487
Total long-term liabilities	68,999,918	68,997,229
Total liabilities	72,373,690	72,367,431
NET DEFICIT WITHOUT DONOR RESTRICTIONS	(12,412,584)	(13,794,287)
Total liabilities and net deficit	$ 59,961,106	$ 58,573,144

The accompanying notes are an integral part of these statements.

GOOD SHEPHERD VILLAGE AT ENDWELL, INC.

STATEMENTS OF OPERATIONS AND CHANGE IN NET DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
RESIDENT SERVICES REVENUES:		
Independent living unit monthly service fees	$ 5,984,754	$ 5,798,595
Healthcare resident service revenue	7,951,019	7,946,786
Earned residency fees	383,730	349,642
Total resident services revenues	14,319,503	14,095,023
OPERATING EXPENSES:		
Program	7,695,997	7,700,552
Management and general	5,325,551	5,305,117
Total operating expenses	13,021,548	13,005,669
INCOME FROM OPERATIONS	1,297,955	1,089,354
NON-OPERATING REVENUE:		
Grants from the Foundation	25,304	-
Grant income	-	15,400
Rental income	33,670	25,200
Interest income	24,774	24,310
Total non-operating revenue	83,748	64,910
CHANGE IN NET DEFICIT	1,381,703	1,154,264
NET DEFICIT - beginning of year	(13,794,287)	(14,948,551)
NET DEFICIT - end of year	$ (12,412,584)	$ (13,794,287)

The accompanying notes are an integral part of these statements.

GOOD SHEPHERD VILLAGE AT ENDWELL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Program	Management and General	Total	Program	Management and General	Total
OPERATING EXPENSES:						
Salaries	$ 3,857,983	$ 397,147	$ 4,255,130	$ 3,710,162	$ 363,234	$ 4,073,396
Supplies and other	2,703,352	365,820	3,069,172	2,667,109	444,206	3,111,315
Interest expense	-	1,191,866	1,191,866	-	1,254,123	1,254,123
Depreciation	-	1,734,458	1,734,458	-	1,784,161	1,784,161
Employee benefits	570,042	360,607	930,649	584,772	419,140	1,003,912
Professional fees	3,975	36,822	40,797	18,013	22,955	40,968
Management services - related party	108,022	1,063,579	1,171,601	110,892	843,430	954,322
Cash receipts assessment	277,696	-	277,696	251,511	-	251,511
Property expense	-	145,600	145,600	-	144,216	144,216
Amortization	-	29,652	29,652	-	29,652	29,652
Bad debt expense	82,539	-	82,539	282,000	-	282,000
Contract employment - nursing	92,388	-	92,388	76,093	-	76,093
Total operating expenses	$ 7,695,997	$ 5,325,551	$ 13,021,548	$ 7,700,552	$ 5,305,117	$ 13,005,669

The accompanying notes are an integral part of these statements.

GOOD SHEPHERD VILLAGE AT ENDWELL, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net deficit	$ 1,381,703	$ 1,154,264
Adjustments to reconcile change in net deficit to net cash flow from operating activities:		
Depreciation	1,734,458	1,784,161
Amortization	29,652	29,652
Bad debt expense	82,539	282,000
Earned residency fees	(383,730)	(349,642)
Debt issuance costs incurred	(23,674)	-
Amortization of debt issuance costs	46,280	46,280
Changes in:		
Accounts receivable	(232,698)	(39,495)
Residency fee receivable	(25,000)	-
Due from third party payors	(22,101)	4,420
Prepaid expenses and other current assets	31,853	(21,052)
Accounts payable and accrued expenses	155,579	(59,145)
Deferred rent revenue	(11,179)	(23,526)
Due to related parties	(235,734)	442,744
Security deposits	(706)	(247)
Receipt of residency fees (10%)	506,547	289,856
Net cash flow from operating activities	3,033,789	3,540,270
CASH FLOW FROM INVESTING ACTIVITIES:		
Issuance of related party long term note	(1,900,000)	-
Purchases of property and equipment	(504,355)	(277,183)
Net cash flow from investing activities	(2,404,355)	(277,183)
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payments on serial bonds	(1,410,000)	(1,390,000)
Refund of residency fees	(3,322,886)	(2,801,211)
Receipt of residency fees (90%)	4,558,926	2,608,701
Change in deposits on unoccupied units	62,306	(115,063)
Net cash flow from financing activities	(111,654)	(1,697,573)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	517,780	1,565,514
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - beginning of year	16,130,405	14,564,891
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - end of year	$ 16,648,185	$ 16,130,405

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

1. SCOPE OF BUSINESS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Village's 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 Village's income from operations includes all revenue and expenses without donor restrictions. Grant income, rental income and interest income are reported outside of operating results. The Village 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 Village.

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

There were no donor restrictions on the use of net assets as of and for the years ended December 31, 2019 and 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and has subsequently issued supplemental and/or clarifying ASUs (collectively "ASC 606"). ASC 606 outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry-specific guidance. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASC 606 revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The Village implemented ASC 606 for the year ending December 31, 2019, using a modified retrospective application. There was no effect on total net assets or changes in net assets.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The standard requires entities to include restricted cash and equivalents with cash and cash equivalents when reconciling the beginning and end of year total amounts presented on the statement of cash flows. The Village has adopted the guidance retrospectively to each period presented. Retrospective application resulted in a $247 decrease to net cash flow from operating activities and a $111,822 decrease to net cash flow from investing activities as of and for the year ending December 31, 2018. The beginning and ending of year cash, cash equivalents, and restricted cash increased by $6,334,216 and $6,222,147, respectively, for 2018.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. For the purposes of the statements of cash flows, cash and cash equivalents exclude amounts maintained in investment portfolios. The Village maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits. The Village 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.

Note Receivable – Related Party

Loans are stated at unpaid principal balances, less an allowance for loan losses. Management periodically evaluates the loan for collectability based on inherent collection risks and adverse situations that may affect the borrower's ability to repay. Loans for which no contractual payments have been received for a period of time are considered delinquent. After all collection efforts are exhausted, any amounts deemed uncollectible based upon an assessment of the debtor's financial condition are written off. As of December 31, 2019, management determined that an allowance is not necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair market value, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets, which range from three (3) to forty (40) years. It is the Village'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 Village 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 2019 and 2018, the Village did not record any impairment charges.

Assets Whose Use is Limited

Assets whose use is limited are held in cash and cash equivalents and consist of the following.

Collateral Account

The collateral account 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, 2019 and 2018, this requirement had been met.

Debt Service Reserve Fund

The debt service reserve fund 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, 2019 and 2018, the debt service reserve fund related to the Series 2015 bond was $1,545,476 and $1,544,302, 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, 2019 and 2018, deposits on unoccupied units were $272,593 and $210,287, respectively.

Entrance Fees Fund

The entrance fees fund is 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, 2019 and 2018, the entrance fees fund was $5,357,373 and $3,677,571, respectively.

Residents Funds Held in Trust

The Village 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, 2019 and 2018, the resident funds held in trust were $1,781 and $2,487, respectively.

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 community 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 bond. Amortization totaled $46,280 for both of the years ended December 31, 2019 and 2018, and is included as a component of interest expense on the statements of functional expenses.

Revenue Recognition, Receivables and Third Party Payor Settlements

Resident service revenue related to room and board is recognized in the amounts to which the Village expects to be entitled, and this transaction price (the daily rate) is allocated to the bundled service. Each resident pays a daily rate based on their resident admission agreement and their insurance coverage under a third-party payor agreement, if applicable. The performance obligation is satisfied as the benefit of the services are consumed and resident service revenue is recorded.

Revenue for other physician and ancillary services is recognized in the amounts to which the Village expects to be entitled, and this transaction price (the fee) is allocated to the distinct services. Each resident pays a fee for these services based on the fee schedules established by the Village and their insurance coverage under a third-party payor agreement, if applicable. The performance obligation is satisfied as the benefit of the services are consumed and resident service revenue is recorded.

The Village determines the transaction price based on established charges for services provided, reduced by contractual adjustments provided to third-party payors. The Village has agreements with third-party payors which provide for reimbursement at amounts different from its established charges. A summary of the basis of reimbursement with significant third-party payors follows:

- Medicaid - The New York State Medicaid program provides for per diem reimbursement to nursing homes with certain provisions for retroactive adjustment due to changes in the intensity of care provided to residents, as well as for adjustments resulting from audits by the payor. The per diem rate is modified for intensity of care provided to residents.

- Medicare - The Medicare program provides for per diem reimbursement to nursing homes using the federal rate for services rendered to residents with certain provisions for retroactive adjustment due to changes in the intensity of care provided to residents, as well as for adjustments resulting from audits by the payor. The per diem rate is modified for intensity of care provided to residents.

The Village expects to collect established charges, less contractual adjustments. The Village performs an assessment of a resident’s ability to pay for the services provided prior to admission to the Village. Based on this, the Village determined that there are no implicit price concessions provided to residents.

Because performance obligations for room and board are met on a daily basis, there are no daily fees allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Performance obligations for physician and other ancillary revenue are services that are provided and consumed at a point in time, not over time, and therefore these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition, Receivables and Third Party Payor Settlements (Continued)

Resident service revenue is charged and collected on a monthly basis. Amounts that remain uncollected at the end of the month are recorded as resident accounts receivable. The allowance for doubtful accounts is estimated by management based on periodic reviews of the collectability of specific accounts receivable considering historical experience and prevailing economic conditions. Accounts receivable are written off when they are determined to be uncollectible.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing the Medicaid and Medicare programs 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)
Healthcare resident service revenue, net of contractual allowances and discounts, recognized in the period from payor sources, is as follows:

	2019	2018
Self-pay	$ 6,460,325	$ 6,555,564
Medicaid	598,894	547,207
Medicare	669,402	787,997
Other	222,398	56,018
Healthcare resident service revenue	$ 7,951,019	$ 7,946,786

As of December 31, 2019 and 2018, the Village had a net deficit of approximately $12.4 million and $13.8 million, respectively, and refundable residency fees of approximately $29.6 million and $28.3 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 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").

As part of the Universal Settlement, the State established a pool of funds to be awarded to the facilities. The amount was paid in five installments and totaled $288,000. The Village recognized revenue of $57,539 for both of the years ended December 31, 2019 and 2018 related to this arrangement. As of December 31, 2019, the Village has been paid in full.

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 Village, at varying rates depending on payor, and is included in healthcare resident service revenue. Total assessment expense for the years ended December 31, 2019 and 2018 was $277,696 and $251,511, respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of 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. Management services - related party is allocated based on cost studies and/or actual amounts incurred at the Company. Salaries, supplies and other, employee benefits, and professional fees are directly charged.

3. LIQUIDITY

The Village is primarily supported by cash flows from its operating activities. The Village 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 expenses which are, on average, approximately $918,000 and $897,000, respectively, for 2019 and 2018. Part of the Village's ability to meet its cash needs is dependent on timely collection of its accounts receivable.

The Village's financial assets available to meet cash needs for general expenditure as of December 31 were as follows:

	2019	2018
Financial assets at December 31*	$ 19,237,555	$ 16,557,985
Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Collateral account	(787,500)	(787,500)
Debt service reserve fund	(1,545,476)	(1,544,302)
Deposits on unoccupied units	(272,593)	(210,287)
Entrance fee fund	(5,357,373)	(3,677,571)
Resident funds held in trust	(1,781)	(2,487)
Related party loan receivable – non current portion	(1,833,828)	-
Financial assets available to meet cash needs for general expenditures within one year	$ 9,439,004	$ 10,335,838

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

4. SUPPLEMENTAL CASH FLOW INFORMATION

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows as of December 31:

	2019	2018
Cash and cash equivalents	$ 8,683,462	$ 9,908,258
Assets whose use is limited	7,964,723	6,222,147
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 16,648,185	$ 16,130,405

Additional supplemental disclosure of cash flow information is as follows:

Cash paid during the year for interest	$ 1,145,667	$ 1,217,571

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2019	2018
Buildings and improvements	$ 47,315,623	$ 47,275,357
Furniture and equipment	1,198,880	1,069,743
Land improvements	7,015,773	6,763,103
Vehicles	1,981,324	1,915,066
Construction in process	16,027	-
	57,527,627	57,023,269
Less: Accumulated depreciation	(18,636,185)	(16,901,724)
	38,891,442	40,121,545
Land	970,283	970,283
Property and equipment, net	$ 39,861,725	$ 41,091,828

6. DEBT

Debt consisted of the following at December 31:

	2019	2018
Series 2015 bonds 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.	$ 41,205,000	$ 42,615,000
Less: Unamortized debt issuance costs	(966,198)	(988,804)
Long term debt - net of unamortized debt issuance costs	40,238,802	41,626,196
Less: Current portion	(1,440,000)	(1,410,000)
Long-term portion	$ 38,798,802	$ 40,216,196

The terms of the serial bonds require the Village to maintain financial covenants, including debt service coverage and liquidity covenants. At December 31, 2019 and 2018, the Village was in compliance with the required covenants.

Total debt service for the years succeeding December 31, 2019, is projected as follows:

	Principal	Interest	Total
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	1,610,000	928,384	2,538,384
2025-2029	8,820,000	3,950,958	12,770,958
2030-2034	10,105,000	2,677,725	12,782,725
2035-2039	12,545,000	1,215,776	13,760,776
2040	2,040,000	13,947	2,053,947
Total	$ 41,205,000	$ 12,922,089	$ 54,127,089

7. EMPLOYEE BENEFIT PLAN

The Village provides retirement benefits to substantially all of its full-time employees through a 403(b) defined contribution retirement plan. In 2019 the Village made a matching contribution of eligible wages to employees participating in the plan who meet minimum age and service requirements. The matching contribution is capped at a maximum percentage based on years of service which ranges from 2% to 5.634%. In 2018 the Village contributed a percentage of eligible wages to all employees who met certain minimum age and service requirements. The percentage of eligible wages contributed ranges from 2% to 5.634%. Benefit expense was $29,647 and $76,549 for the years ended December 31, 2019 and 2018, respectively.

8. RELATED PARTY TRANSACTIONS

Management Services

The Company provides certain operating and administrative services to the Village. The costs of these services are based on an allocation and totaled $1,171,601 and $954,322 for the years ended December 31, 2019 and 2018, respectively. The Home is acting as the intermediary between the Company and the Village for processing payments for these operating and administrative services.

The Foundation and Company pay the Village rent expense related to its use of the Village's facilities. Total rental income was $33,670 and $25,200 in 2019 and 2018, respectively, and is included in non-operating revenue 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:

	2019	2018
The Home	$ 1,574	$ (201,214)
The Company	(106,145)	(127,106)
The Foundation	169,101	156,321
ChaseHealth	-	795
Total	$ 64,530	$ (171,204)

Related Party Note Receivable

The Home borrowed $1,900,000 from the Village in November 2019 to pay off the balance of a construction loan. The related party mortgage note receivable is due in monthly payments of $10,301, including principal and interest of 2.75% through January 2040. The interest rate is adjustable every five years not to exceed 200 point increase. The note is secured by the property of the Home. The balance of the note receivable is $1,900,000 and $- at December 31, 2019 and 2018, respectively.

Annual maturities of note receivable for the five years succeeding December 31, 2019 are as follows:

2020	$ 66,172
2021	74,113
2022	76,177
2023	78,299
2024	80,479
Thereafter	1,524,760
Total	$ 1,900,000

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 6, 2020, which is the date the financial statements were available to be issued.

Revised Case Mix Methodology
On January 29, 2020, New York State Register released proposed rules revising the case mix methodology used to reimburse nursing homes for patient care. The Department of Health proposes to change the case mix acuity process for all nursing homes. This would impact case mix for rate periods beginning July 1, 2019 and forward. The revised methodology will use all Medicaid-only case mix data submitted to CMS applicable to the August 2018 - March 2019 period. Based on the budget “Scorecard” approved by the NYS Legislature, the department expects that the gross Medicaid impact to all New York State nursing homes will be $246 million from this revised methodology. The NYS budget which includes this revision has not yet been approved. In addition, long term care associations and some facilities initiated a lawsuit to both prevent the implementation of the methodology and have the methodology itself overturned. A statewide injunction was granted preventing the implementation of this case mix methodology for all nursing facilities in New York State. The litigation is ongoing.

1% Across-the-Board Cut
On December 31, 2019, New York State Register released a public notice that the Department of Health proposes to amend Title XIX (Medicaid) State Plan for institutional, non-institutional and long term care services to comply with proposed statutory budget provisions. Effective for dates of service on or after January 1, 2020, through March 31, 2020, and each State Fiscal Year thereafter, all non-exempt Department of Health state funds Medicaid payments will be uniformly reduced by 1.0%. The estimated annual net aggregate decrease in gross Medicaid expenditures attributable to this initiative contained in the budget for State Fiscal Year 2019-20 is ($124,000,000) and ($496,000,000) for each State Fiscal Year thereafter. This statute has not yet been approved and finalized.

COVID-19
The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable.

Paycheck Protection Program
In April 2020, the Village applied for and received notification of approval to borrow approximately $840,000 from a bank under the terms of the United States Small Business Administration’s Paycheck Protection Program (PPP). This loan, when closed, will bear interest at 1.0% and have a term of two years. Under the terms of PPP, some or all of this loan balance may be forgiven if the Village spends the loan proceeds on certain specific expenses, primarily payroll, during the eight weeks starting on the loan closing date. At this time, it is uncertain how much of this loan may be forgiven.