# Presbyterian Senior Living Services, Inc.

Consolidated Financial Statements

December 31, 2020 and 2019

## Certification of Chief Executive and Chief Financial Officers

We are responsible for the consolidated financial statements of Presbyterian Senior Living Services, Inc., as of December 31, 2020 and 2019, and attest that they are accurate, complete and fairly presented.

The accuracy and completeness of financial information depends on our systems, process and most importantly our integrity. Our commitment to integrity is reflected in the code of conduct that the leadership of Presbyterian Senior Living has established as the standard for the entire organization. We believe that this commitment, our processes and internal controls produce financial information that can be trusted.

Consolidated financial statements report our financial position and results using numbers and prescribed rules. They also include a significant amount of information that is required by financial reporting standards. We believe these consolidated financial statements disclose information that is important to create a complete picture of our stewardship of financial resources.

Consolidated financial statements alone can never reflect the breadth and depth of our stewardship of this ministry. They do not report on our most significant assets, our employees and volunteers. They also do not reflect our most important stewardship role: our commitment to provide Christian understanding and compassion to those seniors entrusted to our care. We believe that we continue to successfully fulfill the financial and nonfinancial aspects of our mission, extending a proud tradition of ministry that has served older persons guided by the life and teachings of Jesus for the past 114 years.

Finally, we believe in openly and honestly sharing information. Please feel free to contact either of us if you have questions on any part of this report, or if we can be of further assistance in understanding Presbyterian Senior Living's mission.

Jim Bernardo
Chief Executive Officer
Presbyterian Senior Living

Dyan McAlister
Chief Financial Officer
Presbyterian Senior Living

# Independent Auditor's Report

The Board of Directors
Presbyterian Senior Living Services, Inc.

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Presbyterian Senior Living Services, Inc. (the Corporation) which comprise the consolidated statements of financial position as of December 31, 2020, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the year 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 audit. We conducted our audit 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 of 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 entities' 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 entities' 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.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Presbyterian Senior Living Services, Inc. as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Prior Year Consolidated Financial Statements**

The consolidated financial statements as of and for the year ended December 31, 2019 were audited by other auditors whose report dated April 13, 2020, expressed an unmodified opinion on those statements.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 12, 2021

## Presbyterian Senior Living Services, Inc.

Consolidated Statements of Financial Position
December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,472,762 | $ 537,221 |
| Investments | 1,730,791 | 1,474,774 |
| Restricted deposits and funded reserves | 1,798,120 | 1,733,591 |
| Accounts receivable, net | 909,248 | 1,164,724 |
| Assets whose use is limited | 4,154,919 | 778,682 |
| Other assets | 311,800 | 364,958 |
| Property and equipment, net | 26,251,649 | 27,428,298 |
| Total assets | $ 36,629,289 | $ 33,482,248 |
| **Liabilities and Net Assets (Deficit)** | | |
| Accounts payable | $ 466,467 | $ 760,670 |
| Accrued expenses | 596,623 | 519,201 |
| Resident deposits | 89,000 | 65,267 |
| Entrance fees payable | 13,655,486 | 14,777,610 |
| Other liabilities | 63,966 | 129,194 |
| Cares act funding liabilities | 378,227 | - |
| Long-term debt | 14,623,314 | 11,467,176 |
| Due to affiliated entity | 24,402,329 | 22,967,668 |
| Deferred revenues from entrance fees | 4,290,732 | 4,425,872 |
| Total liabilities | 58,566,144 | 55,112,658 |
| **Net Assets (Deficit)** | | |
| Without donor restrictions | (22,677,021) | (22,356,178) |
| With donor restrictions | 740,166 | 725,768 |
| Total net assets (deficit) | (21,936,855) | (21,630,410) |
| Total liabilities and net assets (deficit) | $ 36,629,289 | $ 33,482,248 |

*See notes to consolidated financial statements*

| | 2020 | 2019 |
|---|---|---|
| **Net Assets Without Donor Restrictions** | | |
| Revenues, gains and other support: | | |
| Resident services: | | |
| Resident services | $ 12,710,637 | $ 14,203,978 |
| Amortization of entrance fees | 945,811 | 869,859 |
| Total resident services | 13,656,448 | 15,073,837 |
| Contributions, gifts, grants and bequests | 1,011,652 | 3,047 |
| Revenues from provider relief funds | 488,522 | - |
| Net assets released from restrictions | 44,293 | 6,518 |
| Total operating revenues and other support | 15,200,915 | 15,083,402 |
| Expenses: | | |
| Nursing services | 2,502,348 | 2,504,737 |
| Rehabilitation | 715,575 | 707,066 |
| Recreation and special services | 382,365 | 420,597 |
| Pharmacy | 67,881 | 101,451 |
| Social services | 72,787 | 71,166 |
| Physician services | 25,000 | 25,000 |
| Food Services | 2,164,413 | 2,139,128 |
| Building operations and maintenance | 2,595,101 | 2,568,184 |
| Housekeeping | 328,278 | 360,250 |
| Laundry and linen | 58,452 | 63,979 |
| Management and general | 2,501,952 | 1,939,901 |
| Employee benefits | 589,524 | 555,262 |
| Interest | 577,405 | 519,723 |
| Depreciation | 2,276,474 | 2,241,480 |
| Fundraising | 44,456 | 52,884 |
| Total expenses before nonrecurring expenses | 14,902,011 | 14,270,808 |
| Non-recurring expenses, COVID-19 | 866,349 | - |
| Operating (loss) income | (567,445) | 812,594 |
| Other income (loss): | | |
| Investment income, net of investment expense | 55,776 | 113,030 |
| Realized (loss) gain on investments | (55,083) | 17,526 |
| Unrealized gain on investments | 245,909 | 428,608 |
| Total other income | 246,602 | 559,164 |
| Revenues (less than) in excess of expenses | (320,843) | 1,371,758 |

*See notes to consolidated financial statements*

| | 2020 | 2019 |
|---|---|---|
| **Net Assets With Donor Restrictions** | | |
| Contributions, gifts, grants and bequests | $ 30,390 | $ 29,478 |
| Investment income, net of investment expense | 28,301 | 26,553 |
| Net assets released from restrictions | (44,293) | (6,518) |
| Increase in net assets with donor restrictions | 14,398 | 49,513 |
| Change in net deficit | (306,445) | 1,421,271 |
| **Net Assets (Deficit), Beginning** | (21,630,410) | (23,051,681) |
| **Net Assets (Deficit), Ending** | $ (21,936,855) | $ (21,630,410) |

*See notes to consolidated financial statements*

## Presbyterian Senior Living Services, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| (Decrease) increase in net deficit | $ (306,445) | $ 1,421,271 |
| Adjustments to reconcile (decrease) increase in net deficit to net cash provided by operating activities: | | |
| Depreciation | 2,276,474 | 2,241,480 |
| Proceeds from non-refundable entrance fees and deposits | 882,236 | 855,502 |
| Amortization of entrance fees | (945,811) | (869,859) |
| Provision for doubtful collections | 150,863 | 4,548 |
| Unrealized gain on investments | (245,909) | (428,608) |
| Realized loss (gain) on investments | 55,083 | (17,526) |
| Amortization of deferred financing costs | 21,905 | 16,146 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (173,309) | (107,116) |
| Entrance fees receivable | 277,922 | (282,196) |
| Other assets | 53,158 | (45,410) |
| Accounts payable | (294,203) | (270,194) |
| Accrued expenses | 77,422 | 31,040 |
| Other liabilities | (65,228) | (14,086) |
| Cares act funding liabilities | 378,227 | - |
| Net cash provided by operating activities | 2,142,385 | 2,534,992 |
| **Cash Flows From Investing Activities** | | |
| Acquisition of property and equipment | (1,099,825) | (1,577,422) |
| Purchases of investments | (5,340,602) | (2,158,534) |
| Proceeds from sale of investments | 5,220,285 | 1,359,445 |
| Net cash used in investing activities | (1,220,142) | (2,376,511) |
| **Cash Flows From Financing Activities** | | |
| Refunds of entrance fees and deposits | (2,493,364) | (2,230,837) |
| Proceeds from refundable entrance fees and deposits | 1,323,408 | 2,824,805 |
| Principal payments on long-term debt | (796,664) | (702,256) |
| Proceeds from issuance of debt | 4,000,000 | - |
| Financing costs incurred | (69,103) | - |
| Change in due to affiliated entity | 1,434,661 | (322,856) |
| Net cash provided by (used in) financing activities | 3,398,938 | (431,144) |
| Net change in cash, cash equivalents and restricted cash | 4,321,181 | (272,663) |
| **Cash, Cash Equivalents and Restricted Cash, Beginning** | 661,966 | 934,629 |
| **Cash, Cash Equivalents and Restricted Cash, Ending** | $ 4,983,147 | $ 661,966 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Interest paid | $ 553,457 | $ 504,868 |
| **Reconciliation of Cash, Cash Equivalents and Restricted Cash** | | |
| Cash and cash equivalents | $ 1,472,762 | $ 537,221 |
| Cash included in assets whose use is limited | 3,510,385 | 124,745 |
| Total cash, cash equivalents and restricted cash | $ 4,983,147 | $ 661,966 |

*See notes to consolidated financial statements*

## 1. General Information

Presbyterian Senior Living Services, Inc. (an affiliate of PHI, doing business as Presbyterian Senior Living) (the Corporation) is a not-for-profit corporation, which operates Glen Meadows Retirement Community Inc., a Continuing Care Retirement Community, (the Community) located in Glen Arm, Maryland, which provides housing, health care and other related services to the elderly. The Glen Meadows Foundation (the Foundation) was established for the exclusive benefit of the Community and certain assets held by the Corporation are designated for the Foundation. The Corporation and Foundation are governed by independent Boards of Directors, who are elected by the Board of Trustees of PHI, doing business as Presbyterian Senior Living, the Corporation's parent organization.

The Community contains 112 independent living cottages, 89 independent living apartments, 36 assisted living units and a 31-bed skilled nursing facility. The Community covers approximately 60 acres of the 483-acre site owned by the Corporation.

The Corporation was formed on July 1, 1999, whereby all operations of Presbyterian Senior Services, Inc. (PSSI) were transferred to Presbyterian Senior Living Services, Inc. and Glen Meadows Retirement Community, Inc. PSSI's corporate existence was discontinued. Under this structure, the property, plant and certain equipment of PSSI were transferred to Glen Meadows Retirement Community, Inc., and the operations, other assets and all liabilities of PSSI were transferred to the Corporation, which is a fully controlled subsidiary of Presbyterian Senior Living, located in Dillsburg, Pennsylvania.

## 2. Summary of Significant Accounting Policies

### Basis of Consolidation and Accounting

The consolidated financial statements of the Corporation include the financial position and operations of the Community and the Foundation. These consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. All material intercompany transactions have been eliminated.

### Income Taxes

The Corporation and its subsidiaries are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and have been recognized as tax exempt under Section 501(a) of the IRC.

### Use of 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

The Corporation considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents, for the purposes of the consolidated statements of financial position and cash flows, except for those included in investments or assets whose use is limited. The Corporation's cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 per bank. At times during 2020 and 2019, the Corporation's cash balances may have exceeded the FDIC coverage. The Corporation has not experienced any loss in these accounts.

Restricted cash included in restricted deposits and funded reserves on the consolidated statements of financial position represents the cash portion of amounts required to be set aside by the Maryland Department of Aging to maintain and fund an operating reserve as discussed in Note 5. Restricted cash in assets whose use is limited represents cash held for the Glen Meadows Foundation.

### Investments and Investment Risk

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated statements of financial position 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 investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the balance sheets could change materially in the near term.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues (less than) in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

### Accounts Receivable, Net

The Corporation assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and accounts are deemed impaired.

Included in accounts receivable, net are entrance fee receivables. Entrance fee receivables are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

### Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves are measured at fair value and is a portion of the investment portfolio allocable to this purpose in the consolidated statements of financial position and include the Maryland Department of Aging Operating Reserve.

### Assets Whose Use is Limited

Assets whose use is limited are measured at fair value on the consolidated statements of financial position and include assets restricted by donors for capital improvements, charity care and scholarships.

### Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value on the date of donation. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets for property and equipment. The Corporation's policy is to capitalize items in excess of $3,000 or for a group of items that are the same or similar in nature or function as a group totaling $3,000 or more and benefits more than one year.

Depreciable lives are determined as follows:

| | |
|---|---|
| Land improvements | 15-25 years |
| Buildings and improvements | 10-40 years |
| Departmental equipment, furniture and fixtures | 10-25 years |
| Vehicles | 5 years |

### Deferred Financing Costs

The Corporation has deferred the costs incurred for obtaining the proceeds of the Corporation's long-term debt. These costs are being amortized over the life of the related debt agreement using the straight-line method, which approximates the effective interest method. Amortization expense is expected to be $26,018 for each of the next five years. Unamortized deferred financing costs are a direct deductions from the associated long-term debt included on consolidated statements of financial position and associated amortization expense is included as a component of interest expense on the consolidated statements of operations and changes in net assets (deficit).

### Resident Deposits

Entrance fees and waiting list deposits received from prospective residents prior to occupancy under Residence and Care Agreements are included in resident deposits on the consolidated statements of financial position. These deposits are transferred to deferred revenue upon occupancy of the related independent living units.

### Deferred Revenue from Entrance Fees, Entrance Fees Payable and Amortization of Entrance Fees

Residents entering the Community execute a Residence and Care Agreement, which requires payment of an entrance fee, based on the unit to be occupied. Ten percent of the entrance fee, as approved by the Maryland Department of Aging, is due upon execution of the agreement and the remainder is due upon occupancy. For the 100 percent refundable contracts, entrance fees are refundable in full upon termination of the agreement and subsequent reoccupancy of the unit. These entrance fees are not being amortized into revenue and are reflected as a liability in entrance fees payable on the consolidated statements of financial position. The Community also offers a 50 percent and a 75 percent nonrefundable contract.

The nonrefundable portion of the fees is amortized to revenue over the estimated life expectancy of each resident using the straight-line method, which approximates the period of time that services under the resident agreements are expected to be transferred to residents and the Corporation's performance obligation to the residents is satisfied, and is classified as deferred revenue from entrance fees on the consolidated statements of financial position.

The portion of the guaranteed fee refundable upon reoccupancy is not being amortized and is reflected as a liability in entrance fees payable on the consolidated statements of financial position. The agreements provide for potential death or termination refunds of the nonrefundable portion if reoccupancy occurs before the contractual amortization is completed in accordance with the terms of the agreements. The remaining amount of unamortized, nonrefundable entrance fees is recorded as revenue upon surrender of the independent living unit. The gross contractual refund obligations under existing resident agreements was $13,655,486 at December 31, 2020.

### Net Assets (Deficit)

Net assets, revenues, gains and other losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions.

**Net Assets With Donor Restrictions** - Net assets available for use subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose to which the donation is restricted is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets (deficit) as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restriction in the accompanying consolidated financial statements.

The Corporation reports noncash gifts as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporation expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of independent living, assisted living, and health center revenue streams, which are primarily derived from providing housing, skilled nursing, personal care, and independent living services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Corporation has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Corporation considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, personal care, and independent living revenues are recognized on a daily or month-to-month basis as services are rendered. Net resident service revenues includes revenues from therapy services, other services such as housekeeping, laundry, transportation and other revenues from residents are considered one performance obligation which is satisfied over time as services are rendered. Revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to the resident in a retail setting (for example, pharmaceuticals and medical equipment), and the Corporation does not believe it is required to provide additional goods or services related to that sale.

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears.

The Corporation receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. The Corporation's agreements with third-party payors provide for payments at amounts different from established rates. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Corporation estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payors follows:

- **Medicaid:** Nursing services provided to Medicaid beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical diagnosis and other factors, and the reimbursement methodology is subject to various limitations and adjustments. The Corporation's existence in Maryland exposes it to the risk of changes in Medicaid reimbursement in this state.

- **Medicare:** Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments.
  The determination of these rates is partially based on the Corporation's clinical assessment of its residents. The Corporation is required to clinically assess its residents at predetermined time periods throughout the year which are subject to review and adjustment by the Medicare program.

- **Other:** Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates based upon contractual obligations (i.e. the terms/rates agreed upon in the respective contracts).

**Revenues From Provider Relief Funds**

Revenues from provider relief funds include amounts received from federal and state funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues are recognized when barriers are substantially met which, occurs when the Corporation complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Corporation received $418,028 in 2020 related to this funding. In accordance with the terms and conditions, the Corporation could apply the funding first against eligible expenses, and then against lost revenues. The Corporation's methodology for calculating lost revenues was the difference between 2020 budgeted and 2020 actual revenue. Additionally, the Corporation received $70,493 in funding from the Provider Relief Fund for COVID-19 testing.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these consolidated financial statements were available to be issued. In addition, it's unknown whether there will be further developments in regulatory guidance.

The Corporation has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the CARES Act and Act 24 as of December 31, 2020 of $488,521, which were recognized and included in revenues from provider relief funds in the accompanying statement of operations and changes in net assets for the year ended December 31, 2020.

**Paycheck Protection Program and Subsequent Event**

In April 2020, the Corporation received proceeds in the amount of $1,000,900 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities.

The Corporation initially recorded the funds as a refundable advance. The Corporation met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness in June of 2020. Legal release was received during November of 2020, therefore, the Corporation recorded forgiveness revenue of the full principal amount within contributions, gifts, grants and bequests on the consolidated statements of operations and changes in net assets.

Compliance with the terms and conditions of the funding received above is subject to future government review and interpretation as well as significant regulatory action for noncompliance. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan or repaid in full and to provide that documentation to the SBA upon request. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with the terms and conditions, and it is not possible to determine the impact (if any) on the Corporation.

As a part of the Consolidated Appropriations Act, 2021, stimulus package passed in December of 2020, the SBA opened a second round of Paycheck Protection Program funding. The Corporation met the requirements to file for a second round and the application was submitted on January 13, 2021. The application was approved and funded by the SBA on January 27, 2021 for $1,169,009.

**Medicare Advance Payments**

The CARES Act also included provisions to expand the Centers for Medicare and Medicaid Services Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In April 2020, the Corporation received $378,227 in payments under this program. Repayments of the advances to the government is scheduled to begin one year after receipt of the advances and end 29 months later, at which time the advances are required to be repaid in full or any remaining outstanding amounts will be subject to interest at 4 percent. The Corporation expects to begin repaying the Medicare advances during 2021. The repayments are expected to occur automatically through a partial reduction in Medicare payments due to the Corporation for services rendered to Medicare program beneficiaries. The Corporation expects services rendered during the recoupment period to be sufficient to offset the payments received. The amount is included in cares act funding liabilities in the accompanying consolidated statement of financial position as of December 31, 2020.

### Charity Care

Charity care is measured based on the Corporation's direct and indirect costs of providing charity care services. If the Corporation's costs cannot be specifically attributed to services provided to charity care patients, the Corporation uses reasonable techniques to estimate these costs.

The Corporation's policy is to provide services without charge, or at amounts less than its established rates, to residents who meet the certain need-based criteria. These criteria consider resident income and expenses, financial resources, state and federal government requirements, and other sources of payment for services which may be provided. The Corporation also receives donations and income from permanently restricted trusts and investments designated to the needs of its residents under this policy.

Amounts the Corporation provided and received for resident financial support are as follows for the years ended December 31:

| | 2020 | 2019 |
|---|---|---|
| Charity care provided at the estimated cost thereof, net of amounts received from residents and third-party payors | $ 707,390 | $ 484,724 |
| Additional benevolent care provided at amounts less than pre-established charges for private pay services | 709,558 | 751,888 |
| Giving and income designated for resident financial support | 10,631 | 2,417 |

### Advertising

Advertising costs are expensed in the years incurred. Total advertising expense for the years ended December 31, 2020 and 2019, amounted to $27,879 and $15,346, respectively.

### Contributed Services

Contributed services are reflected in the accompanying consolidated financial statements at their estimated fair value at the date of receipt to the extent they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Corporation. No amounts have been included in the accompanying consolidated financial statements as amounts are not material.

### Performance Indicator

The Corporation measures the performance of its operations using the consolidated statements of operations and changes in net assets (deficit), which includes a performance indicator of operations labeled as "revenues (less than) in excess of expenses."

### Reclassifications

Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the presentation of 2020.

### Subsequent Events

The Corporation has evaluated subsequent events through April 12, 2021, which is the date the consolidated financial statements were available to be issued.

## 3. Net Resident Service Revenues

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors which include the following:

- Payors (Medicare, Medicaid, managed or other insurance) have different reimbursement and payment methodologies
- Length of the resident's stay or service
- Method of reimbursement (fee-for-service or capitation)
- Corporation's line of business that provided the service (skilled nursing, assisted living, independent living, and outpatient)

The composition of resident service revenue by payor and level of care for the years ended December 31:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Independent Living | Assisted Living | Health Center | Outpatient | Other | Total |
| Private pay | $ 6,797,981 | $ 2,636,529 | $ 837,983 | $ 55,761 | $ - | $ 10,328,254 |
| Medicare | 327,471 | 258,640 | 667,561 | - | - | 1,253,672 |
| Medicaid | - | - | 957,398 | - | - | 957,398 |
| Other | - | - | 99,033 | 13,037 | 59,243 | 171,313 |
| Amortization of nonrefundable entrance fees | 546,719 | 399,092 | - | - | - | 945,811 |
| Total | $ 7,672,171 | $ 3,294,261 | $ 2,561,975 | $ 68,798 | $ 59,243 | $ 13,656,448 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Independent Living | Assisted Living | Health Center | Outpatient | Other | Total |
| Private pay | $ 6,814,845 | $ 2,883,985 | $ 1,433,106 | $ 19,446 | $ - | $ 11,151,382 |
| Medicare | 345,643 | 145,838 | 1,115,848 | - | - | 1,607,329 |
| Medicaid | - | - | 1,119,831 | - | - | 1,119,831 |
| Other | 1,075 | - | 234,142 | 18,721 | 71,498 | 325,436 |
| Amortization of nonrefundable entrance fees | 554,457 | 315,402 | - | - | - | 869,859 |
| Total | $ 7,716,020 | $ 3,345,225 | $ 3,902,927 | $ 38,167 | $ 71,498 | $ 15,073,837 |

Revenues from Medicare and Medicaid represent approximately 16 percent and 18 percent of consolidated revenues for 2020 and 2019, respectively. Medicare and Medicaid receivables represent approximately 43 percent and 28 percent of consolidated accounts receivable as of December 31, 2019 and 2018, respectively.

## 4. Investments, Assets Whose Use is Limited and Fair Value Measurements

The composition of investments and assets whose use is limited as of December 31 is as follows:

| | 2020 | 2019 |
|---|---|---|
| Cash | $ 3,397,923 | $ - |
| Money market funds | 112,461 | 124,745 |
| Marketable equity securities | 517,144 | 502,466 |
| Mutual funds: | | |
| Equity | 1,441,322 | 1,900,261 |
| Fixed income | 2,214,980 | 1,459,575 |
| Total investments and assets whose use is limited | 7,683,830 | 3,987,047 |
| Less: | | |
| Restricted deposits and funded reserves (Note 5) | (1,798,120) | (1,733,591) |
| Assets whose use is limited: | | |
| Designated for renovations and charity care | (756,996) | (778,682) |
| Project fund | (3,397,923) | - |
| Total investments | $ 1,730,791 | $ 1,474,774 |

### Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

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

Money market funds are valued based on the carrying amount which approximates fair value due to the short-term nature of these instruments.

Marketable equity securities and mutual funds are valued at fair value based on quoted market prices in active markets.

The investments and assets whose use is limited included in the above table are measured at fair value and considered Level 1 financial instruments. Cash is presented in the tables above in the total line to reconcile total assets whose use is limited and investments to the consolidated statements of financial position.

## 5. Restricted Deposits and Funded Reserves

The Corporation is required by the Maryland Department of Aging to maintain and fund an operating reserve based on the Corporation's operating expenses for the most recent fiscal year, excluding depreciation and amortization. Annual contributions to the operating reserve equaling at least 15 percent of the calculated reserve amount are required. As of December 31, 2020 and 2019, the operating reserve fund balance was $1,798,120 and $1,733,591, respectively, representing cumulative contributions and earnings in satisfaction of the minimum operating reserve amount. No additional contributions are anticipated to be made based on the following computations:

| | |
|---|---|
| Total 2019 operating expenses | $ 14,245,094 |
| Less: | |
| Depreciation | (2,241,480) |
| Amortization | (16,146) |
| Total expenses subject to operating reserve (A) | 11,987,468 |
| Operating reserve requirement - 15% of (A) | 1,798,120 |
| Operating reserve fund as of December 31, 2020 | $ 1,798,120 |
| Total 2018 operating expenses | $ 13,733,941 |
| Less: | |
| Depreciation | (2,160,519) |
| Amortization | (16,146) |
| Total expenses subject to operating reserve (A) | 11,557,276 |
| Operating reserve requirement - 15% of (A) | 1,733,591 |
| Operating reserve fund as of December 31, 2019 | $ 1,733,591 |

As of December 31, 2020, the Corporation has $1,730,791 of investments available, which could be used to fund future reserve requirements.

## 6. Liquidity

The Corporation's financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position comprise the following:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 1,472,762 | $ 537,221 |
| Investments | 1,730,791 | 1,474,774 |
| Accounts receivable, net | 909,248 | 1,164,724 |
| Total | $ 4,112,801 | $ 3,176,719 |

As a part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in short-term investments.

## 7. Related-Party Transactions

Presbyterian Senior Living provides the Corporation with various management and administrative services including a full-time licensed administrator who is responsible for the Community's operation, a full-time bookkeeper and a human resources employee. The Corporation incurred fees under the arrangement of $1,389,264 and $1,237,142 for the years ended 2020 and 2019, respectively. This fee is classified as general and administrative expenses on the consolidated statements of operations and changes in net assets (deficit).

As of December 31, 2020 and 2019, the amounts payable to Presbyterian Senior Living were $24,402,329 and $22,967,668, respectively and is included in due to affiliated entity on the consolidated statements of financial position. The amounts due are subordinate to principal and interest payments on the Corporation's long-term indebtedness. The parent has pledged continued support and has the financial ability to provide continued support to the Corporation if needed.

Prelude Systems, Inc. (Prelude) is a joint venture between Presbyterian Senior Living and Diakon Lutheran Social Ministries (Diakon). Prelude is an information technology services organization with a wide range of programs designed to support the information systems needs of Presbyterian Senior Living and Diakon as well as other health care and community service organizations. During 2020 and 2019, the Corporation incurred expenses related to Prelude of $93,845 and $82,524, respectively, for information services provided by Prelude, of which $3,443 and $3,917 is included in accounts payable as of December 31, 2020 and 2019, respectively.

## 8. Property and Equipment

A summary of property and equipment and accumulated depreciation as of December 31 is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated Depreciation** | **Cost** | **Accumulated Depreciation** |
| Land | $ 14,182,370 | $ - | $ 14,182,370 | $ - |
| Land and improvements | 3,111,886 | 2,741,802 | 3,111,886 | 2,631,012 |
| Building and improvements | 46,730,681 | 35,773,197 | 45,470,368 | 33,691,454 |
| Departmental equipment, furniture and fixtures | 2,930,701 | 2,674,747 | 2,917,401 | 2,605,165 |
| Vehicles | 255,993 | 255,993 | 255,993 | 255,993 |
| Construction in progress | 485,757 | - | 673,904 | - |
| | $ 67,697,388 | 41,445,739 | $ 66,611,922 | 39,183,624 |
| Net book value | | $ 26,251,649 | | $ 27,428,298 |

Land consists of 455 acres, of which 60 acres are utilized for the Community. The remaining land may be available for future expansion.

## 9. Long-Term Debt

Long-term debt as of December 31 consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Term loan, principal and interest are payable in equal monthly installments of $100,483, interest is fixed at 4.15% through April 2022. In May 2022, the interest rate will reset to LIBOR plus 2.75%. Principal balloon payment and interest outstanding are due in April 2027. | $ 10,853,241 | $ 11,584,236 |
| Term loan, principal and interest are payable in equal monthly installments of $23,935, interest is fixed at 3.80% through April 2027. Principal balloon payment and interest outstanding are due in April 2027. | 3,934,331 | - |
| Less deferred financing costs | (164,258) | (117,060) |
| Total long-term debt | $ 14,623,314 | $ 11,467,176 |

The above obligations are subject to various covenants, which include the achievement of certain pre-established financial indicators.

Maturities for the five years subsequent to December 31, 2020, and thereafter are as follows:

| | |
|---|---|
| Years ending December 31: | |
| 2021 | $ 902,035 |
| 2022 | 940,214 |
| 2023 | 980,010 |
| 2024 | 1,020,125 |
| 2025 | 1,064,675 |
| Thereafter | 9,880,513 |
| Total | $ 14,787,572 |

## 10. Medical Malpractice Claims Coverage

The Corporation maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the consolidated financial statements.

## 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

| | 2020 | 2019 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Caring community | $ 19,509 | $ 6,183 |
| Community enhancement | 8,073 | 25,561 |
| Subject to the passage of time: | | |
| Contributions receivable | 4,500 | 1,500 |
| Endowments: | | |
| Subject to appropriation and expenditure when a specified event occurs: | | |
| Restricted by donors for: | | |
| Educational Scholarship | 2,606 | 991 |
| Benevolent care and capital improvements | 287,338 | 284,743 |
| Subject to endowment spending policy and appropriation: | | |
| Educational Scholarship | 51,383 | 51,383 |
| Benevolent care and capital improvements | 366,757 | 355,407 |
| | $ 740,166 | $ 725,768 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

| | 2020 | 2019 |
|---|---|---|
| Expiration of time restrictions | $ - | $ 4,500 |
| Satisfaction of purpose restrictions: | | |
| Community enhancement | 20,203 | - |
| Restricted-purpose spending-rate distributions and appropriations: | | |
| Educational Scholarship | 500 | 2,018 |
| Capital improvements | 23,590 | - |
| Total | $ 44,293 | $ 6,518 |

## 12. Endowment

The endowments consist of donor-restricted funds established for a variety of purposes supporting the Corporation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Trustees of the Corporation has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence described in state laws. Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Corporation considers the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The following schedule represents endowment net asset composition by type of fund and changes in endowment net assets for the years ended December 31, 2020 and 2019.

| | With Donor Restrictions | |
|---|---|---|
| | 2020 | 2019 |
| Endowment net assets, beginning of year | $ 692,524 | $ 643,470 |
| Investment income | 28,300 | 26,553 |
| Contributions | 11,350 | 24,519 |
| Appropriation of endowment assets for expenditures | (24,090) | (2,018) |
| Endowment net assets, end of year | $ 708,084 | $ 692,524 |

Amounts to be held in perpetuity totaled $418,784 and $407,434 for the years ended December 31, 2020 and 2019, respectively.

### Funds With Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Corporation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as net assets without donor restrictions. The Corporation's policy states that should a fund fall below the original principal balance the Corporation would curtail spending in the fund until it returned to its original principal balance. There were no such deficiencies reported as of December 31, 2020 or 2019.

### Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a composite of public market indexes based on the mix of investments held, while assuming a moderate level of investment risk. The Corporation's goal is that its endowment funds, over time, to provide an average rate of return of approximately the consumer price index plus the investment spending percentage plus one percent annually. Actual returns in any given year may vary from this amount.

### Strategies Employed for Achieving Objectives

The Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Corporation has a total return policy for calculating the amounts available for distribution each year. It is a percent of its endowment fund's average fair value over the prior three calendar year ends. This percentage per the policy was up to 4.0 percent for 2020 and 2019. Actual distributions are for specific projects approved by the Board of Directors. If the total return amount exceeds the actual earnings of the endowment funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, then from the accumulated net capital gains of endowment funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the fund balance. In establishing this policy, the Corporation considered the long-term expected return on its endowment assets. Accordingly, over the long term, the Corporation intends that the current spending policy will allow its endowment funds to grow at an average of inflation plus one percent annually. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## 13. Retirement Plan

The Corporation participates in the defined-contribution retirement plan of Presbyterian Senior Living. This plan covers all employees who have completed one year of service and have reached the age of 21. Vesting occurs after three years of service. Contributions to the plan are at the discretion of the Board of Trustees of Presbyterian Senior Living, and employees have the ability to direct how their contributions are invested. For the years ended December 31, 2020 and 2019, retirement plan expense totaled approximately $50,370 and $72,048, respectively.

## 14. Functionalized Expenses

The consolidated statements of operations and changes in net assets (deficit) report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis. Benefits and payroll taxes are allocated on the basis of total wages. Information technology and insurance are allocated on direct cost, and management fees are allocated based on the home office direct costs.

The costs of providing services and supporting activities are as follows for the years ended December 31, 2020 and 2019:

| | 2020 | | | |
|---|---|---|---|---|
| | **Resident Services** | **General and Administrative** | **Fundraising and Development** | **Total** |
| Salaries and wages | $ 4,794,054 | $ 142,419 | $ - | $ 4,936,473 |
| Employee benefits and other employee costs | 601,760 | 40,769 | - | 642,529 |
| Payroll taxes | 353,837 | 10,512 | - | 364,349 |
| Professional services | 582,035 | 101,676 | - | 683,711 |
| Management services | 441,369 | 903,438 | 44,456 | 1,389,263 |
| Legal fees | - | 44,004 | - | 44,004 |
| Advertising and promotion | 27,879 | - | - | 27,879 |
| Office expenses | 682,338 | 239,689 | - | 922,027 |
| Information technology | 83,297 | 10,548 | - | 93,845 |
| Occupancy | 1,006,846 | 9,209 | - | 1,016,055 |
| Travel | 6,133 | 1,451 | - | 7,584 |
| Conferences and meetings | 1,459 | 1,185 | - | 2,644 |
| Interest | 512,504 | 64,900 | - | 577,404 |
| Insurance | 187,209 | 1,092 | - | 188,301 |
| Training and development | - | 6,835 | - | 6,835 |
| Depreciation and amortization | 2,263,271 | 13,204 | - | 2,276,475 |
| Bad debt | - | 150,831 | - | 150,831 |
| Pharmacy | 67,881 | - | - | 67,881 |
| Medical supplies | 372,314 | - | - | 372,314 |
| Therapy services | 705,829 | - | - | 705,829 |
| Dietary services | 268,529 | - | - | 268,529 |
| Food, beverages and supplies | 854,690 | - | - | 854,690 |
| Maintenance and repairs | 163,819 | 5,089 | - | 168,908 |
| Total cost of services provided | $ 13,977,053 | $ 1,746,851 | $ 44,456 | $ 15,768,360 |

| | 2019 | | | |
|---|---|---|---|---|
| | **Resident Services** | **General and Administrative** | **Fundraising and Development** | **Total** |
| Salaries and wages | $ 4,553,771 | $ 65,570 | $ - | $ 4,619,341 |
| Employee benefits and other employee costs | 584,197 | 9,695 | - | 593,892 |
| Payroll taxes | 340,424 | 4,902 | - | 345,326 |
| Professional services | 599,930 | 66,960 | - | 666,890 |
| Management services | 386,607 | 801,173 | 49,362 | 1,237,142 |
| Legal fees | 83 | (24,742) | - | (24,659) |
| Advertising and promotion | 15,346 | - | - | 15,346 |
| Office expenses | 228,063 | 227,516 | - | 455,579 |
| Information technology | 74,519 | 7,675 | 330 | 82,524 |
| Occupancy | 991,479 | 10,530 | - | 1,002,009 |
| Travel | 10,788 | 4,337 | - | 15,125 |
| Conferences and meetings | 5,911 | 1,188 | - | 7,099 |
| Interest | 469,310 | 48,334 | 2,079 | 519,723 |
| Insurance | 155,786 | 909 | - | 156,695 |
| Training and development | - | 8,761 | - | 8,761 |
| Depreciation and amortization | 2,228,480 | 13,000 | - | 2,241,480 |
| Bad debt | - | 4,548 | - | 4,548 |
| Pharmacy | 101,451 | - | - | 101,451 |
| Medical supplies | 115,847 | - | - | 115,847 |
| Therapy services | 693,810 | - | - | 693,810 |
| Dietary services | 286,883 | - | - | 286,883 |
| Food, beverages and supplies | 916,098 | - | - | 916,098 |
| Maintenance and repairs | 204,947 | 4,951 | - | 209,898 |
| Total cost of services provided | $ 12,963,730 | $ 1,255,307 | $ 51,771 | $ 14,270,808 |

## 15. Commitments and Contingencies

### Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance.

### Litigation

The Corporation is involved in several legal proceedings arising from its activities in the health care industry. Although it is not possible to presently determine the final outcome of these matters, management believes the aggregate liability, if any, resulting from such proceedings will not have a material adverse effect on the Corporation's assets, liabilities, net assets, operations or cash flows.

**COVID-19**

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The Corporation's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were available to be issued. COVID-19 may impact various parts of the Corporation's 2021 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.