<u>DISCLOSURE STATEMENT</u>

UNDER PENNSYLVANIA ACT 82

CHURCH OF GOD HOME, INC

A CONTINUING CARE RETIREMENT COMMUNITY

LOCATED AT:
801 NORTH HANOVER STREET
CARLISLE, PENNSYLVANIA 17013
PHONE: (717) 249-5322

EFFECTIVE DATE OF DISCLOSURE STATEMENT: DECEMBER 2019

This Disclosure Statement is not a contract and the Provider reserves all rights to amend, revise, update and otherwise change the Disclosure Statement at any time, in accordance with applicable laws.

The issuance of a Certificate of Authority does not constitute approval, recommendation or endorsement of the facility by the Pennsylvania Insurance Department, nor is it evidence of, nor does it attest to, the accuracy or

DISCLOSURE STATEMENT
TABLE OF CONTENTS

SUMMARY

1. <u>The Facility:</u>
   Church of God Home, Inc.
   801 N. Hanover Street
   Carlisle, PA 17013

2. <u>Licensed Provider</u>
   Church of God Home, Inc.
   801 North Hanover Street
   Carlisle, PA 17013

3. <u>Person to Be Contacted to Discuss Admission</u>
   Tosha Welker, Admissions
   801 North Hanover Street
   Carlisle, PA 17013
   (717) 249-5322

4. <u>Description of Property</u>
   The Church of God Home, Inc. is located on 5.1 acres in a suburban area, within the city limits of Carlisle, PA. Licensed nursing care, personal care and some independent living units are located in a primarily one-story building. The Creekside Apartments are on a grade that overlooks the LeTort Creek. The congregate facility, LeTort Manor, is located in three stories, attached to the nursing home.

5. <u>Age Requirements for LeTort Manor</u>
   The minimum age is 62. There is no minimum age for spouses of residents who are 62 or older, or for handicapped or disabled persons.

6. <u>Affiliations with Religious, Fraternal, Charitable & Non-Profit Organizations</u>
   The Eastern Regional Conference of the Churches of God, General Conference (Conference)
   The Forever Caring Fund of the Eastern Regional Conference of the Churches of God
   The Orchards at Marsh Run
   StoneRidge Retirement Living Communities, Inc. (name change from New Dawn Christian Community Services, Inc) (Effective January 1, 2014)
   StoneRidge Retirement Living (Effective January 1, 2014)
   Schoolyard Square (Effective August 1, 2014)
   Countryside Christian Community (Effective July 1, 2020)

7. <u>Current Resident Population</u>
   The total house population as of December 31, 2019 was 172. Independent Living had 43 residents; the 129 remaining residents were in nursing and personal care.

8. <u>Entrance and Monthly Fees</u>

One bedroom unit	Ranges
Entry Fee	$63,000 to $109,000
Monthly Fee	$1,101 to $1,211 single occupancy
	$1,484 to $1,615 double occupancy

RESPONSES TO SECTION 7 OF PENNSYLVANIA ACT 82
NOTE: Item numbers correspond to paragraphs
of PA Act 82, Section 7, which sets the
requirements for this disclosure statement.

1. Church of God Home, Inc. is a not-for-profit Pennsylvania Corporation. Church of God Home is qualified for exemption from federal taxes under Section 501(c)(3) of the Internal Revenue Code.

2. The governing board is comprised of individuals who have backgrounds appropriate to their roles and responsibilities. These are all the people who meet the definition in Section 7 (a) (2) of the Act. A listing of the Board of Trustees is attached as **EXHIBIT "A"**.

3. This item requires a listing of the following information for those named in Item 2:

   (A) The CEO has 28 years in the long-term care industry.

   (B) StoneRidge Retirement Living Communities, Inc. provides and bills management services to Church of
   God Home, Inc. under contract.

   (C) Description of certain types of criminal, civil, or administrative charges, convictions, injunctions, or suspensions of licenses: NONE.

4. Church of God Home, Inc. is governed by a Board of Trustees which, effective January 1, 2014, are elected by StoneRidge Retirement Living Communities, Inc., a 501(C)(3) Pennsylvania nonprofit corporation and the sole member of Church of God Home, Inc. Board Members are elected by StoneRidge Retirement Living Communities, Inc. through its Board of Trustees at the annual meeting. The term is for three years and members may be reelected for one additional three year terms. After an absence of one year, they are eligible for reelection.

   Church of God Home, Inc. is affiliated with The Orchards at Marsh Run, a 501(C)(3) Pennsylvania nonprofit corporation. StoneRidge Retirement Living Communities, Inc. is also the sole member of The Orchards at Marsh Run.

   Effective January 1, 2014 Church of God Home, Inc. is affiliated with StoneRidge Retirement Living, a 501(C)(3) Pennsylvania nonprofit corporation. Effective August 1, 2014, Church of God Home, Inc. is affiliated with Schoolyard Square, a 501(C)(3) Pennsylvania nonprofit corporation. . Effective July 1, 2020, Church of God Home, Inc. is affiliated with Countryside Christian Community, a 501(C)(3) Pennsylvania nonprofit corporation. StoneRidge Retirement Living Communities, Inc. is the sole member of StoneRidge Retirement Living and Schoolyard Square. See Note 1 of the Audited Financial Statements (Exhibit E) for additional affiliations.

   Church of God Home, Inc is affiliated with The Forever Caring Fund ("FCF") of the Eastern Regional Conference of the Churches of God ("Conference"), a Pennsylvania nonprofit organization, which was created in the 1980's to receive and provide financial support to the COGH and other affiliated entities that serve the elderly population.

   Neither the Church of God, the Conference, StoneRidge Retirement Living, Schoolyard Square, Countryside Christian Community nor any other affiliate of the Church of God Home, Inc or any other person or entity is responsible for the liabilities of the Church of God Home, Inc or the fulfillment of its contractual obligations.

   Church of God Home, Inc. is exempt from the payment of federal income tax under Section 501(c)(3) of the Internal Revenue Code and is also exempt for the payment of Pennsylvania capital stock and corporate income taxes.

5. Church of God Home, Inc. is located on 5.1 acres in a suburban area within the city limits of Carlisle, PA and North Middleton Township (3.3 acres are the nursing facility and 1.8 acres are LeTort Manor).

Licensed nursing care, personal care and independent living units are located in a primarily one-story building. Creekside Apartments are on a grade that overlooks LeTort Creek. The congregate facility, LeTort Manor, is located in three stories and is attached to the nursing home. Church of God Home, Inc. includes the Creekside Apartments consisting of 4 efficiencies and 10 one bedroom apartments. 10 of the Creekside units are independent living rental units and 4 units are personal care apartments. There are 109 long-term care nursing beds and 33 personal care beds. LeTort Manor has 36, one bedroom apartments. The Creekside Apartments occupied by independent living are market rent, and LeTort Manor apartments are leased with an entrance fee arrangement or rental agreement.

The nursing facility is located at 801 North Hanover Street, Carlisle, PA 17013.
LeTort Manor's address is 825 North Hanover Street, Carlisle, PA 17013 and it is attached to the Nursing Facility.

6. List of Services

A list of services that are included in the basic contract is attached a **EXHIBIT "B"**

7. Church of God Home, Inc charges a one-time entrance fee for our entrance fee model, due upon occupancy, with a monthly service fee assessed thereafter. Entrance fees and monthly fees charged to residents are set forth in the attached **EXHIBIT "C"**.

Monthly fees and fees for services not included in the basic agreement may be adjusted from time to time as the cost of providing services changes. These adjustments, under normal circumstances, will be announced December 1, and become effective January 1. Fees for nursing and personal care services are attached as **EXHIBIT "D"**.

8. Church of God Home, Inc. has established reserves to cover 10% of total operating expenses excluding depreciation. **Refer to the 2019 audited financial statements.**

To pay these obligations, Church of God Home, Inc. has established reserves, which on December 31, 2019 were $116,285.

None of these funds are in the general fund checking account. They are deposited in stocks, bonds, CD's, money market funds and mutual funds

9. Financial Statements

Attached as **EXHIBIT "E"** are the certified financial statements of Church of God Home, Inc., including

(i) Balance sheet as of the end of the most recent fiscal year.
(ii) Income statement as of the end of the most recent fiscal year.

EXHIBIT "A"

BOARD OF TRUSTEES

Church of God Home, Inc

Board of Trustees

2020

EXHIBIT “B”

LIST OF SERVICES

List of Services

Apartment residents pay a monthly fee which includes the following services:

Healthcare Support

- 24 hour emergency call system
- Daily check in system
- Priority access to Healthcare Center
- Healthcare education and monitoring including monthly blood pressure screening

Maintenance Services

- Bi-weekly cleaning, including dusting, vacuuming, kitchen and bathroom
- Building maintenance, including repairs of equipment and appliances
- Annual safety inspection
- Snow removal
- Trash removal
- Lawn care
- Annual spring cleaning

Other services

- Noon meal in LeTort dining room
- Leave of absence meal refund
- Tray service when ill
- Most utilities, including washer and dryer, dishwasher, oven/range, refrigerator, garbage disposal
- Reserved parking in lighted parking lot
- Fire alarm and sprinkler system
- Real estate property and liability insurance (renters insurance not included
- Elevator
- Tenant storage
- Social and recreational activities
- Sunday and Thursday worship
- Chaplaincy services
- Weekly local shopping excursion
- Notary services
- Internet computer in lounge
- Wi-fi
- Exercise classes
- Birthday celebrations

Additional Benefits

- Easy access to shopping and restaurants
- Close to major highways
- Exercise equipment
- Proximity to local hospital
- Adjacent to the US Army war college
- Nicely landscaped grounds on a private campus with concrete walkways along the Letort creek

Services available to residents for an additional fee

- Telephone service
- Physical, occupational and speech therapy
- Guest meals
- Guest lounge
- Podiatry services
- Party food, cake, room reservations
- Cable TV service
- Special activities and outings
- Blood testing
- Newspaper subscriptions
- Hair care services
- Refurbishment, redecorations or structural changes of apartment

EXHIBIT “C”

ENTRANCE FEES AND MONTHLY FEES

CHURCH OF GOD HOME

A STONERIDGE RETIREMENT LIVING COMMUNITY

INDEPENDENT LIVING WITH ENTRANCE FEE *Effective January 1, 2020*

Apartment Style	40% Refundable Entrance Fee	Non-Refundable Entrance Fee	Single Occupancy	Double Occupancy
Letort A *737 sq. ft.*	$109,000	$83,000	$1,211	$1,615
Letort B *600 sq. ft.*	$96,100	$73,000	$1,120	$1,498
Letort C *600 sq. ft.*	$96,100	$73,000	$1,120	$1,498
Letort D *576 sq. ft.*	$81,000	$63,000	$1,101	$1,484
Letort E *576 sq. ft.*	$81,000	$63,000	$1,101	$1,484

INDEPENDENT LIVING WITH MONTHLY PLAN*

Apartment Style	Single Occupancy	Double Occupancy	Apartment Style	Single Occupancy	Double Occupancy
Letort A *737 sq. ft.*	$2,533	$2,936	**Creekside Studio** *368 sq. ft.*	$1,406	$1,748
Letort B *600 sq. ft.*	$2,284	$2,660	**Creekside One BR** *496 sq. ft.*	$1,771	$2,111
Letort C *600 sq. ft.*	$2,284	$2,660			
Letort D *576 sq. ft.*	$2,033	$2,417			
Letort E *576 sq. ft.*	$2,033	$2,417			

Church of God Home offers a Fee-For-Service plan, which includes housing, residential services and amenities for the fees stated. Health-related services, including long-term nursing care and personal care services, are paid for as they are used.

*Independent Living Residents who choose the monthly rental option will be charged a security deposit of one month's rental rate.

EXHIBIT “D”

FEES FOR PERSONAL CARE AND NURSING SERVICES

CHURCH OF GOD HOME

A STONERIDGE RETIREMENT LIVING COMMUNITY

SCHEDULE OF CHARGES

Effective 1/1/2020

PERSONAL CARE: Hope Wing and Peace Wing		**NURSING CARE: Faith Wing and Love Wing**	
Semi-Private Room	$144.00/day	Long Term Care, Semi-Private	$320.00/day
Private Room*	$165.00/day	Long Term Care, Private	$387.00/day

PERSONAL CARE: Creekside Apartments	**One Person**	**Two Persons**
Studio	$171.00/day	$285.00/day
One Bedroom	$192.00/day	$312.00/day
One Bedroom, Creek View	$197.00/day	$363.00/day

ADDITIONAL CHARGES AND/OR FEES:

Security Deposit	Equivalent to a 31-day per diem rate
Bed Hold	Per Diem Rate
Clothing Name Labels	Vendor Cost
Billable Medical and Nutritional Supplies	Vendor Cost
Oxygen Concentrator Usage	$3.00 per day
Portable Oxygen Usage	$12.00 per cylinder
Cable Internet/Modem	$20.00 per month/ $62.00 one time fee
Beautician	Vendor Cost
Pharmacy	Vendor Cost
Transportation	
0-10 miles (round trip)	$25.00
11-50 miles (round trip)	$45.00
51-76 miles (round trip)	$75.00
Escort Service	$10.00 per hour

♦*Vendor costs or fees may be added for specialty equipment and/or supplies.*
♦*Residents on a Medicare stay are responsible for all co-pays.*

The services of the following professionals will be billed by the provider: *Attending Physician, Podiatrist, Eye Doctor, and Psychiatrist*. The responsibility for all charges is between the provider and the resident.

Physical, Occupational and Speech services will be billed at the Medicare fee schedule rates. We will bill Medicare and/or insurance where applicable.

Invoice Terms: No finance charge will be assessed if paid within 30 days for active accounts. Thereafter, 1.5% per month on the outstanding balance, plus $35.00 per month late fee.

EXHIBIT “E”

AUDITED FINANCIALS STATEMENTS

Arnett
Carbis
Toothman llp
CPAs & Advisors

actcpas.com

2599 Wilmington Road
New Castle, PA 16105
724.658.1565 | 724.658.2402 fax
800.452.3003

April 21, 2019

Continuing Care Retirement Communities
Financial Analysis Division
Pennsylvania Insurance Department
Attention: Kimberly A. Rankin
Director, Company Licensing & Financial Analysis
1345 Strawberry Square
Harrisburg, PA 17120

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of StoneRidge Retirement Living Communities, Inc. and Subsidiaries (Organization) as of December 31, 2019, and for the year then ended, and have issued our report thereon dated April 21, 2019. In connection therewith, we advise you as follows:

We are independent certified public accountants with respect to StoneRidge Retirement Living Communities, Inc. and Subsidiaries and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Pennsylvania Board of Public Accountancy.

Members of the engagement team, most of whom have had experience in auditing continuing care retirement communities, were assigned to perform tasks commensurate with their training and experience. The following chart describes the key staff persons assigned to the engagement, work experience, and whether the individual is a Certified Public Accountant.

Level	Years Experience	Certified Public Accountant
Lead Partner	18	Yes
Support Partner	22	Yes
Senior Manager	18	Yes
Supervisor	2.5	No
Associate	2	No

We understand that StoneRidge Retirement Living Communities, Inc. and Subsidiaries intends to file its audited consolidated financial statements and our report thereon with the Commonwealth of Pennsylvania Insurance Department and that the Commonwealth of Pennsylvania Insurance Commissioner will be relying on that information in monitoring and regulating the financial condition of the Organization.

Our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Organization and the Commonwealth of Pennsylvania Insurance Commissioner should understand that the objective of an audit of consolidated financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, changes in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to design our audit to obtain reasonable assurance that errors and fraud that have a material effect on the consolidated financial statements will be detected and to exercise due care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on consolidated financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting fraud. Because of the characteristics of fraud, particularly those involving forgery and collusion, a properly designed and executed audit may not detect material fraud. In addition, an audit does not address the possibility that material errors or fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of StoneRidge Retirement Living Communities, Inc. and Subsidiaries to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

The Commonwealth of Pennsylvania Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the financial position of continuing care retirement communities and should not rely solely upon the independent auditors' report.

We will retain the workpapers prepared in the conduct of our audit until the Commonwealth Insurance Department has filed a Report of Examination covering the year ended December 31, 2019, but not longer than seven years, and, on instructions from the Organization, will make them available for review by the Commonwealth of Pennsylvania Insurance Department.

This is the first year that the current engagement partner has served in this capacity with respect to StoneRidge Retirement Living Communities, Inc. and Subsidiaries. The engagement partner is licensed by the Pennsylvania Board of Public Accountancy and is a member in good standing of the American Institute of Certified Public Accountants.

To the best of our knowledge and belief, we are in compliance with the requirements of Pa. Code § 147.6, regarding recognition, qualification, and responsibilities of an independent certified public accountant.

This letter is furnished solely for filing with the Pennsylvania Insurance Department and should not be used for any other purpose.

Arnett Carbis Toothman LLP

Arnett
Carbis
Toothman llp
CPAs & Advisors

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2599 Wilmington Road
New Castle, PA 16105
724.658.1565 | 724.658.2402 fax
800.452.3003

April 21, 2019

Continuing Care Retirement Communities
Financial Analysis Division
Pennsylvania Insurance Department
Attention: Kimberly A. Rankin
Director, Company Licensing & Financial Analysis
1345 Strawberry Square
Harrisburg, PA 17120

We have been engaged by StoneRidge Retirement Living Communities, Inc. and Subsidiaries (Organization) to perform an annual audit in accordance with auditing standards generally accepted in the United States of America of the Organization's consolidated financial statements. In connection therewith, we acknowledge the following:

> We are aware of the provisions of the Commonwealth's statutes and regulations that relate to accounting and financial matters applicable to continuing care providers and that the insurance department has agreed to accept the audited consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America. After completion of our audit, we will express our opinion on the consolidated financial statements of StoneRidge Retirement Living Communities, Inc. and Subsidiaries as to their conformity with accounting principles generally accepted in the United States of America.

This letter is furnished solely for filing with the Pennsylvania Insurance Department and other insurance departments, and should not be used for any other purposes.

Arnett Carbis Toothman LLP

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

Consolidated Financial Report
December 31, 2019

Arnett Carbis Toothman llp
CPAs & Advisors

C O N T E N T S

Arnett
Carbis
Toothman llp
CPAs & Advisors

actcpas.com

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
StoneRidge Retirement Living
  Communities, Inc. and Subsidiaries
Myerstown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of StoneRidge Retirement Living Communities, Inc. and Subsidiaries (collectively, Organization), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 entities' 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 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 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 StoneRidge Retirement Living Communities, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Arnett Carbis Toothman LLP

New Castle, Pennsylvania
April 21, 2020

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018

ASSETS	**2019**	2018
CURRENT ASSETS		
Cash and cash equivalents	**$ 5,985,729**	$ 5,928,167
Accounts receivable, residents	**4,926,346**	4,708,719
Entrance fees receivable	**510,600**	253,466
Other receivables	**713,001**	195,301
Due from third-party payors, net	**743,255**	748,622
Inventory	**137,143**	73,132
Prepaid expenses	**628,973**	686,663
Total current assets	**13,645,047**	12,594,070
INVESTMENTS	**26,365,315**	22,725,896
INVESTMENTS, restricted	**5,078,431**	4,500,071
RESIDENT FUNDS	**31,800**	60,960
STATUTORY MINIMUM LIQUID RESERVE	**1,180,299**	1,120,100
PROPERTY AND EQUIPMENT, net	**44,097,514**	44,585,251
SPLIT INTEREST AGREEMENTS	**1,881,437**	1,631,473
INTEREST IN NET ASSETS OF FOREVER CARING FUND	**4,284,953**	3,607,259
OTHER ASSETS	**41,984**	43,198
Total assets	**$ 96,606,780**	$ 90,868,278

See Notes to Consolidated Financial Statements

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES		
Current portion of long-term debt	**$ 647,909**	$ 590,000
Accounts payable	**1,208,133**	1,465,183
Entrance fees payable	**1,111,396**	1,175,167
Accrued expenses	**3,156,470**	3,004,286
Total current liabilities	**6,123,908**	6,234,636
LONG-TERM DEBT, net	**17,804,460**	18,347,864
RESIDENT FUNDS	**31,800**	60,960
SECURITY DEPOSITS	**829,537**	771,563
DEFERRED ENTRANCE FEES	**5,763,816**	5,724,733
REFUNDABLE ENTRANCE FEES	**2,537,307**	2,417,847
INTEREST RATE SWAP AGREEMENTS	**404,091**	423,001
CHARITABLE GIFT ANNUITIES	**6,173**	6,461
Total liabilities	**33,501,092**	33,987,065
NET ASSETS		
Without donor restrictions	**56,145,820**	50,749,669
With donor restrictions	**6,959,868**	6,131,544
Total net assets	**63,105,688**	56,881,213
Total liabilities and net assets	**$ 96,606,780**	$ 90,868,278

See Notes to Consolidated Financial Statements

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUE		
Net resident service revenue, including amortization of entrance fees 2019 $942,377; 2018 $995,522	**$ 42,468,241**	$ 40,327,239
Other income	**342,163**	349,144
Total operating revenue	**42,810,404**	40,676,383
OPERATING EXPENSES		
Salaries and wages	**17,907,806**	17,248,782
Purchased services and other fees	**7,898,269**	7,418,203
Employee benefits	**4,548,583**	4,174,775
Depreciation	**2,777,892**	2,570,658
Food	**1,862,793**	1,835,982
Supplies and purchases	**1,412,610**	1,421,886
Administration	**1,140,727**	1,094,680
Repairs and maintenance	**1,140,068**	1,158,760
Utilities	**1,125,975**	1,317,888
Interest	**753,066**	817,837
Insurance costs	**374,775**	362,891
Real estate taxes	**372,986**	358,297
Marketing and advertising	**336,443**	361,189
Annuity payments	**1,689**	1,870
Amortization	**1,214**	1,214
Total operating expenses	**41,654,896**	40,144,912
Operating income	**1,155,508**	531,471
NON-OPERATING INCOME		
Investment income	**926,255**	758,516
Change in value of annuity	**288**	2,327
Contributions	**425,107**	667,378
Unrealized gain on investments	**2,192,389**	-
Change in fair value of interest rate swap agreements	**18,910**	180,045
Total non-operating income	**3,562,949**	1,608,266
Excess of revenue and non-operating income over expenses	**$ 4,718,457**	$ 2,139,737

See Notes to Consolidated Financial Statements

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of revenue and non-operating income over expenses	**$ 4,718,457**	$ 2,139,737
Change in Forever Caring Fund	**677,694**	(302,145)
Unrealized (loss) on investments	**-**	(1,360,650)
Change in net assets without donor restrictions	**5,396,151**	476,942
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Investment income on endowment fund	**163,937**	140,452
Realized/unrealized gain (loss) on endowment fund	**414,423**	(305,562)
Change in value of perpetual trusts	**196,629**	(220,538)
Change in value of charitable remainder trust	**53,335**	(47,072)
Change in net assets with donor restrictions	**828,324**	(432,720)
Change in net assets	**6,224,475**	44,222
Net assets:		
Beginning	**56,881,213**	56,836,991
Ending	**$ 63,105,688**	$ 56,881,213

See Notes to Consolidated Financial Statements

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 6,224,475**	$ 44,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**2,777,892**	2,570,658
Amortization	**1,214**	1,214
Amortization of bond issue costs	**31,947**	31,947
Change in value of derivative financial instruments	**(18,910)**	(180,045)
Net realized and unrealized (gain) loss on investments	**(2,645,117)**	1,697,868
Valuation (gain) loss, beneficial interest in perpetual and charitable remainder trusts	**(249,964)**	267,610
Change in beneficial interest in Forever Caring Fund	**(677,694)**	302,145
Change in value of charitable gift annuities	**1,401**	(638)
Amortization of entrance fees	**(942,377)**	(995,522)
Proceeds from entrance fees	**1,804,200**	1,333,800
(Increase) decrease in assets:		
Accounts receivable, residents	**(217,627)**	(1,294,733)
Entrance fees receivable	**(257,134)**	319,534
Other receivables	**(517,700)**	(177,385)
Due from third-party payors, net	**5,367**	63,650
Inventory	**(64,011)**	6,201
Prepaid expenses	**57,690**	(91,992)
Increase (decrease) in assets:		
Accounts payable	**(257,050)**	(19,061)
Accrued expenses	**152,184**	(2,704)
Security deposits	**57,974**	58,674
Net cash provided by operating activities	**5,266,760**	3,935,443
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(2,200,717)**	(2,359,854)
Net purchases of investments	**(1,572,662)**	(1,672,599)
Net cash (used in) investing activities	**(3,773,379)**	(4,032,453)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on long-term debt	**(606,880)**	(570,835)
Refunds of entrance fees	**(767,051)**	(485,179)
Payment on charitable gift annuities	**(1,689)**	(1,689)
Net cash (used in) financing activities	**(1,375,620)**	(1,057,703)

See Notes to Consolidated Financial Statements

		2019		2018
Net increase (decrease) in cash, cash equivalents, and restricted cash	**$**	**117,761**	$	(1,154,713)
Cash, cash equivalents, and restricted cash:				
Beginning		**7,048,267**		8,202,980
Ending	**$**	**7,166,028**	$	7,048,267
Cash, cash equivalents, and restricted cash includes:				
Cash and cash equivalents	**$**	**5,985,729**	$	5,928,167
Statutory minimum liquid reserve		**1,180,299**		1,120,100
	$	**7,166,028**	$	7,048,267
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid	**$**	**828,224**	$	764,546
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Acquisition of equipment through debt obligations	**$**	**89,438**	$	-

See Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: The consolidated financial statements include the accounts of StoneRidge Retirement Living Communities, Inc. (SRLC), StoneRidge Retirement Living (SRL), StoneRidge Family Medicine, Inc. (SFM), Church of God Home, Inc. (COGH), The Orchards at Marsh Run (OMR), and Schoolyard Square (SYS). Collectively, the consolidated entities represent the accounts of StoneRidge Retirement Living Communities, Inc. and Subsidiaries (collectively, Organization).

StoneRidge Retirement Living Communities, Inc. is a not-for-profit Pennsylvania corporation. SRLC is the sole member of StoneRidge Retirement Living, StoneRidge Family Medicine, Inc., Church of God Home, Inc., The Orchards at Marsh Run, and Schoolyard Square.

StoneRidge Retirement Living is a two-campus Continuing Care Retirement Community (CCRC) providing services to the elderly located in Myerstown, Pennsylvania. SRL extends its accommodations to persons regardless of race, color, creed, ancestry, age, religion, sex, national origin, handicap, or disability who consent to the policies of the Organization. The Towne Centre campus consists of 152 skilled nursing beds and 49 personal care beds. The Poplar Run campus consists of 60 skilled nursing care beds, 36 personal care beds, 113 apartments, and 29 cottages.

StoneRidge Family Medicine, Inc. provided medical services to residents of Myerstown and the surrounding communities, including many of the residents of StoneRidge Retirement Living. SFM suspended operations during 2011. The Organization did not separately disclose the discontinued operations of StoneRidge Family Medicine, Inc. as their operations were not material to the consolidated financial statements and remaining assets transferred to SRLC and SRL during 2016. This company will be kept open as a shell company for any future endeavors.

Church of God Home, Inc. and The Orchards at Marsh Run (collectively referred to as the COGH Entities) are the sole members of SRLC through a partner in ministry affiliation agreement between StoneRidge Retirement Living Communities, Inc. and the Eastern Regional Conference of the Churches of God.

Church of God Home, Inc., located in Carlisle, Pennsylvania, is a nonprofit CCRC. COGH provides housing, health care, and other related services to residents through the operation of a retirement facility containing 109 skilled nursing care beds, 37 personal care beds, and 46 apartments.

The Orchards at Marsh Run is a nonprofit corporation organized for the purpose of establishing a CCRC. OMR desires to provide housing, health care, and other related services to residents through the construction and operation of a retirement facility consisting of residential housing and long-term health care services.

Schoolyard Square is a nonprofit personal care facility located in Pine Grove, Pennsylvania. SYS provides housing, health care, and other related services to residents through the operation of a 65 unit personal care facility.

A summary of the Organization's significant accounting policies applied in preparation of the accompanying consolidated financial statements is as follows:

Principles of consolidation: The consolidated financial statements include all organizations outlined above. Significant inter-company accounts and transactions have been eliminated in the consolidation.

Basis of accounting: The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), whereby revenue is recognized when earned and expenses are recorded when incurred.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and deposit risk: Cash and cash equivalents include all highly liquid investments purchased with a maturity of three months or less, excluding amounts classified as investments or assets whose use is limited. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization has not experienced any losses in such accounts.

A reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows is shown on the statements of cash flows. As a matter of policy, the Organization does not consider investments that are temporarily in cash and cash equivalents to be subject to this disclosure.

Resident funds: The Organization is entrusted with certain personal funds of its residents, the handling of which is governed by Medicare and Medical Assistance regulations. These funds are accounted for as trust funds and are maintained separate from other funds and are available to residents on demand and are distributed only at the direction of the resident, their legal power of attorney, or guardian.

Accounts receivable, residents: Accounts receivable, residents are reported at estimated net realizable value taking into account implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in health care coverage, and other collection indicators on a claim-by-claim basis. For receivables associated with services provided to residents who have third-party coverage (which includes residents with deductible and payment balances for which third-party coverage exists for part of the bill), the Organization analyzes contractually due amounts and provides an explicit price concession. Throughout the year, management assesses the adequacy of the price concessions based upon its review of accounts receivable payor composition and aging, taking into consideration recent experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to resident service revenue and to establish an appropriate estimate for price concessions. The Organization follows established guidelines for placing certain past-due balances with external collection agencies. Estimated implicit price concessions of $518,342 and $465,342 as of December 31, 2019 and 2018, respectively, have been recorded as reductions to resident accounts receivable.

Entrance fees receivable: Entrance fees receivable include amounts due from residents residing in the independent living units who, based on contractual agreements, have been permitted an extended period of time to deposit their entrance fees.

Other receivables: Other receivables include primarily amounts due from Countryside Christian Community (CCC), a related party, for payments made on their behalf and outstanding management fees. See Note 4.

Inventory: Inventory, consisting primarily of dietary, maintenance, and nursing supplies, is valued at the lower of cost (using the first-in, first-out method of accounting) or net realizable value. Net realizable value is the value of an asset that can be realized upon the sale of the asset, less a reasonable estimate of the costs associated with either the eventual sale or the disposal of the asset in question.

Property and equipment: Property and equipment acquisitions are recorded at cost, and donated assets are recorded at fair value at the date of donation. Depreciation of property and equipment is provided for using the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Investments and investment risk: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated balance sheets. The fair value of substantially all securities are determined by quoted market prices, with the exception of alternative investments, which are not readily marketable and are presented at net asset value (NAV) per share, and the investment in the captive insurance program, accounted for based on cost plus or minus observable price changes less impairment. The cost value of the captive insurance programs were, $155,662 as of December 31, 2019 and 2018. Investment income or loss (including realized gains and losses on investments, interest, dividends, and capital gains distributions) is included in excess of revenue and non-operating income over expenses unless the income or loss is restricted by donor or law. Prior to the adoption of Accounting Standards Update (ASU) 2016-01 on January 1, 2019, the Organization classified investments in debt and equity securities as available-for-sale. Accordingly, the unrealized gains and losses associated with investments were excluded from the excess of revenue and non-operating income over expenses unless a loss was considered other than temporary, at which point the Organization would record an “other than temporary” loss in the consolidated statements of operations.

Upon adoption of ASU 2016-01 by the Organization, all unrealized gains and (losses) on equity securities, including those residing in mutual funds, are reported in non-operating income. This resulted in the Organization recognizing $2,192,389 of unrealized gain in non-operating income on the consolidated statement of operations as of December 31, 2019. All non-equity available-for-sale securities are reviewed each reporting period to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, the Organization evaluates the fair value compared to the cost of the investment. The fair values of most of the Organization’s investments in publicly traded companies are readily available based on quoted market prices. In the event the fair value of an investment declines below the cost, management is required to determine if the decline in fair value is other than temporary. If management determines the decline is other than temporary, an impairment charge is recorded. Management's assessment as to the nature of a decline in fair value is based on, among other things, the length of time and the extent to which the market value has been less than the cost; the financial condition and near-term prospects of the issuer; and the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. Management believes that any fixed income investments currently being held with market values less than cost are not significant in nature and management believes that they have the ability and intent to hold these funds until maturity.

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

Split-interest agreements: The Organization has received as contributions various types of split-interest agreements, including charitable gift annuities, a charitable remainder trust, and perpetual trusts.

Charitable gift annuities: The Organization has entered into gift-annuity agreements with certain individuals to provide periodic payments to these individuals during the remainder of their lives in return for a charitable gift to the Organization. Under the charitable gift annuity arrangements, the Organization has recorded the assets at fair value and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by the Organization to such individuals. The obligation to make payments terminates only upon the donor's death. Any change in the obligation is recorded on the consolidated statements of operations as a change in value of charitable gift annuities.

Charitable remainder trust: The Organization is the beneficiary of a charitable remainder trust held by a third party. Under the charitable remainder trust, a donor made an unrestricted initial gift to a trust in which the Organization is the sole beneficiary. The terms of the trust agreement provide for a named beneficiary to receive annuity payments for the remainder of their life. Upon the death of the named beneficiary, the remaining assets are transferred with no restrictions to the Organization.

Perpetual trust agreements: Under the terms of the perpetual trusts, the Organization has an irrevocable right to receive its share of the income earned on the trusts, but never receives the assets held in trust and thus they are classified as net assets with donor restrictions. The assets of these trusts have been recorded at their fair value in the consolidated financial statements. Distributions received are reported as contributions on the consolidated statements of operations.

Income earned on the trust assets and distributed to the Organization is recorded as investment income on the consolidated statements of operations, unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation gain (loss).

Interest in net assets of Forever Caring Fund: Church of God Home, Inc. reports its beneficial interest in all of the net assets of the Forever Caring Fund of the Eastern Regional Conference of the Churches of God (Fund), a financial interrelated organization, on its statements of financial position. The Forever Caring Fund did not become a sole member of SRLC as part of the affiliation agreements. The annual change in that interest is reported on the Organization's consolidated statements of changes in net assets. Although the Fund's purpose is to serve residents of the Organization, its Board of Directors operates independently from that of the Organization. The Fund is recognized as a separate 501(c)(3) organization by the Internal Revenue Service.

Bond issuance costs: Costs related to the issuance of long-term debt have been deferred and are amortized over the terms of the related debt using an effective interest method. Amortization was $31,947 for each of the years ended December 31, 2019 and 2018. Amortization of approximately $32,000 is expected annually over the next five years. Bond issuance costs are netted against long-term debt on the consolidated balance sheets. Amortization related to the bond issuance costs are included in interest expenses on the consolidated statements of operations.

Other assets: Other assets include settlement costs incurred during the purchase of Schoolyard Square in the amount of $48,321. Settlement costs are being amortized on a straight-line basis. Amortization expense was $1,214 for each of the years ended December 31, 2019 and 2018. Amortization is expected to be approximately $1,200 annually over the next five years.

Interest rate swap agreements: All interest rate swap agreements are recognized on the consolidated balance sheets at their fair market value. On the dates the interest rate swap agreements were entered into, the Organization designated each interest rate swap agreement as a cash flow hedge. Changes in the fair value of the interest rate swap agreements that are highly effective, and that are designated and qualified as cash flow hedges, along with the loss or gain on the hedge liability that is attributable to the hedge risk (including losses or gains on firm commitments), are recorded on the consolidated statements of operations. The cash differentials paid and received on the interest rate swap agreements are accrued and recognized as adjustments to interest expense or interest income.

Security deposits: The Organization collects security deposits on independent living units, refundable to residents upon re-occupancy depending on the conditions of the unit as outlined in the contract.

Deferred entrance fees / refundable entrance fees: Under entrance fee plans for independent living units, the Organization received payments in advance. The Organization offers several entrance fee contracts containing various levels and terms of refundable options.

The nonrefundable portion of entrance fees received is amortized to revenue using the straight-line method over the estimated remaining life expectancies of the residents, which are adjusted annually. The unamortized portion of nonrefundable entrance fees is recognized as revenue in the year that the resident leaves the unit. The unamortized portion of nonrefundable entrance fees is classified as deferred entrance fees on the consolidated balance sheets.

The refundable portion, or guaranteed refund component, of entrance fees received is included in refundable entrance fees on the consolidated balance sheets.

All refunds for the refundable contracts are paid after the independent living unit is vacated and, in most circumstances, re-occupied by a new resident. However, contract terms vary and some require refunded amounts to be paid within one year. Refunds due within one year are included in current liabilities as entrance fees payable. Although refunds associated with nonrefundable contracts are infrequent, the Organization includes these amounts with deferred entrance fees on the consolidated balance sheets; however, the Organization estimated an amount to be refunded annually based on historical experience and has included this estimate with refundable fees. Contractual refund obligations, including guaranteed portions of refundable contracts and nonrefundable contracts, under existing resident agreements were approximately $4,477,000 and $4,614,000 as of December 31, 2019 and 2018, respectively.

Services provided to the Organization residents are paid for on a “fee for service” basis and are not included under the entrance fee plans.

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

> Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.
>
> Net assets with donor restrictions result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor or grantor imposed stipulations. Those restrictions can be removed by the passage of time, by actions of the Organization pursuant to those stipulations, or from other asset enhancements and diminishments subject to similar stipulations. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. These items include beneficial interests in perpetual trusts and restricted endowments set up by donors to be held in perpetuity in which the Organization receives an allocation of income during the year.

Donor-restricted gifts: The Organization 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported on the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

Net resident service revenue: Net resident care revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care from residents, third-party payors (including health insurers and government payors), and others for services rendered. It includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after services are performed (usually monthly). Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents receiving services at StoneRidge Retirement Living Communities, Inc. and Subsidiaries. The Organization measures the performance obligation from the time a resident moves in to the point when it is no longer required to provide service to the resident, which is generally at the time a resident transfers to another location or passes on.

The Organization has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, the Organization does, in rare instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions (contractual adjustments) provided to third-party payors and discounts provided to residents, including benevolent care in accordance with the Organization's policy. Implicit price concessions are provided to uninsured residents. The Organization determines explicit price concessions based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience and review of individual claims.

The Organization has agreements with third-party payors that provide for reimbursement to the Organization at amounts different from its established rates. Explicit price concessions under third-party reimbursement programs represent the difference between the Organization's billings at established rates for services and amounts reimbursed by third-party payors.

A summary of the payment arrangements with major third-party payors follows:

Medical Assistance:	Services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments.
Medicare:	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. Therapy services provided to Medicare Part B beneficiaries are paid at the lesser of a published fee schedule or actual charges.
Other:	Certain revenue under third-party payor agreements is based on capitated contracts whereby the Organization receives payment based on pre-established rates and fee schedules (including Medicaid). The payment under these contracts does not provide for retroactive cost settlements. However, from time to time, based on various regulatory issues, the Organization may receive lump sum payments from Medicaid. These payments are recognized as revenue when the amount is known and payment is certain.

As described above, the Medical Assistance and Medicare Part A rates are based on clinical, diagnostic, and other factors. The determination of these rates is partially based on the Organization's clinical assessment of their residents. Organizations are required to clinically assess their residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medical Assistance and Medicare programs.

Laws and regulations concerning government programs, including Medicare and Medicaid, are extremely complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's 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. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments arising from a change in the transaction price were not significant as of December 31, 2019 or 2018.

The Organization provides services to uninsured residents, and offers those uninsured residents a discount, either by policy or law, from standard charges. Residents who are covered by third-party payors are responsible for related deductibles and coinsurance. The Organization estimates the transaction price for residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes that are determined to be the result of an adverse change in a resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2019 and 2018, was not considered material.

From time to time services may be provided without charge, or at amounts less then established rates, to residents who meet certain needs based criteria based on the Organization's benevolent care policy. Therefore, the Organization has provided implicit price concessions to qualified residents for uninsured private pay balances. The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to residents and the amounts the Organization expects to collect based on its collection history with those residents. Such amounts determined to qualify as charity are not reported as revenue. Eligibility requirements are based on an income scale. Costs associated with providing charity care to its personal care residents were approximately $3,652,000 and $3,252,000 for the years ended December 31, 2019 and 2018, respectively. The costs are determined by multiplying the charges foregone by the related cost to charge ratio. The Organization received $118,176 and $135,955 during the years ended December 31, 2019 and 2018, respectively, to offset the costs of providing charity care.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are primarily affected by the payor and service line. Because all of the Organization's revenue originates in the same general geographic area, it was not considered to be a factor.

The composition of resident care revenue by primary payor by service line for the years ended December 31 is as follows:

	2019	2018
Skilled Nursing Care Revenue:		
Medicare	**$ 7,758,292**	$ 6,870,213
Medicaid	**10,626,182**	10,256,824
Private and other	**13,022,786**	12,136,704
Total skilled nursing revenue	**31,407,260**	29,263,741
Personal Care Revenue (Private)	**4,575,080**	4,662,395
Independent Living Revenue (Private)	**6,485,901**	6,401,103
Total resident service revenue	**$ 42,468,241**	$ 40,327,239

All of the Organization's revenue is recognized from goods and services that transfer to the resident over time as outlined on the consolidated statements of operations.

Nursing Home Assessment: As a general nursing facility participating in Pennsylvania's Medicaid system, the Organization is subject to Pennsylvania's Nursing Home Assessment Program (Program). Under the Program, nursing facilities are assessed a "tax" based on census information and receive a corresponding "supplemental payment" based on census information. The calculation for the "tax" is not the same as the calculation for the "supplemental payment" and the related expenses and revenue are not the same. The Organization has elected to record the net effect of the "tax" and "supplemental payment" in net resident service revenue on the consolidated statements of operations.

Excess of revenue and non-operating income over expenses: The consolidated statements of operations include excess of revenue and non-operating income over expenses. Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as non-operating income. Items excluded from excess of revenue and non-operating income over expenses, consistent with industry practice, include items restricted by donors, changes in the Forever Caring Fund, and unrealized gains and losses on debt securities considered to be available for sale as of December 31, 2019 and unrealized gains and losses on all available for sale securities for December 31, 2018.

Functional allocation of expenses: The costs of health care and supporting services activities have been summarized on a functional basis in Note 15. The consolidated tables of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated between the program and administrative and general services.

Advertising: The Organization follows the policy of charging advertising costs to expense as incurred. Advertising expense amounted to approximately $336,000 and $361,000 for the years ended December 31, 2019 and 2018, respectively.

Income taxes: All of the Organization's entities are not-for-profit organizations, except StoneRidge Family Medicine, Inc., as described in Section 501(c)(3) of the Internal Revenue Code (Code) and have been recognized as tax-exempt under Section 501(a) of the Code. StoneRidge Family Medicine, Inc. is currently applying for tax-exempt status as it intends to remain an active shell corporation for future endeavors. Accordingly, no provision for income taxes has been provided.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability or asset if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). The Organization has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the consolidated financial statements.

Generally, tax returns for years ended December 31, 2016, and thereafter remain subject to examination by federal and state tax authorities.

Reclassifications: Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the current year presentation.

Subsequent events: In preparing these consolidated financial statements, the Organization evaluated events that occurred through April 21, 2020, the date the consolidated financial statements were issued, for potential recognition or disclosure.

Note 2. Recent Accounting Pronouncements

Financial Instruments: On January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities.* This ASU requires certain equity securities to be reported at fair value with changes in fair value recognized within the net income, establishes a qualitative factor in evaluating impairment on equity investments without readily determinable fair values, and eliminates the requirement to disclose the fair value on financial instruments measured at amortized cost. The Organization adopted this guidance as of January 1, 2019. The impact of the adoption is disclosed in the investment accounting policy in Note 1.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with the new revenue guidance in ASU 2014-09. Transition guidance is provided within the ASU and generally requires a retrospective approach. The Organization adopted this guidance for the year ended December 31, 2019. Adoption of this guidance did not have a significant impact on the Organization’s consolidated financial statements.

Credit Losses: In June 2016, the FASB issued ASU 2016-13, (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life. This guidance is effective for the Organization’s fiscal year ending December 31, 2023. The Organization is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

Statement of Cash Flows: In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. The Organization adopted this guidance during the year ended December 31, 2019. Adoption of this guidance did not have a material impact on the Organization’s consolidated financial statements.

Fair Value Measurement: In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this Update modify the disclosure requirements on fair value measurements in *Topic 820, Fair Value Measurement*, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. In addition, the amendments eliminate *at a minimum* from the phrase *an entity shall disclose at a minimum* to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures and to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level III fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. This guidance is effective for the Organization's fiscal year ending December 31, 2020. The Organization is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements.

Note 3. Concentrations of Credit Risk

The Organization grants credit without collateral to its residents, many of whom are insured under third-party payor agreements primarily with Medicare, Medical Assistance, and various commercial companies. The mix of receivables from residents and third-party payors as of December 31 is as follows:

	2019	2018
Medicare	**37 %**	34 %
Private pay	**36**	37
Medicaid	**26**	28
Other	**1**	1
	100 %	100 %

Note 4. Related Party Transactions

Countryside Christian Community is considered a related party to StoneRidge Retirement Living Communities, Inc. StoneRidge Retirement Living Communities, Inc. currently provides management services and makes certain payments on behalf of CCC. As of December 31, 2019, the Organization owed approximately $707,000 to StoneRidge Retirement Living Communities, Inc. A letter of intent has been signed for CCC to become a subsidiary of the Organization during 2020.

Note 5. Property and Equipment

Property and equipment are as follows as of December 31:

	2019	2018
Land and land improvements	**$ 5,227,159**	$ 5,202,284
Building and building improvements	**63,791,405**	62,227,344
Equipment and furniture	**11,273,399**	10,753,533
Vehicles	**1,108,690**	1,045,615
Construction in progress	**1,364,712**	1,246,434
	82,765,365	80,475,210
Less accumulated depreciation	**38,667,851**	35,889,959
Property and equipment, net	**$ 44,097,514**	$ 44,585,251

Construction in progress consists of costs associated with various renovations projects. The Organization did not have any capitalized interest during the years ended December 31, 2019 or 2018.

Note 6. Investments and Split Interest Agreements

The following represents the breakdown of investments and split interest agreements as of December 31:

	2019	2018
Investments:		
Unrestricted	**$ 26,365,315**	$ 22,725,896
Restricted	**5,078,431**	4,500,071
Total	**$ 31,443,746**	$ 27,225,967
Statutory minimum liquid reserve	**$ 1,180,299**	$ 1,120,100
Split interest agreements:		
Perpetual trusts	**$ 1,496,212**	$ 1,299,583
Charitable remainder trust	**385,225**	331,890
Total	**$ 1,881,437**	$ 1,631,473

Note 7. Investment Return

Investment income (loss) not subject to donor restrictions is comprised of the following for the years ended December 31:

	2019	2018
Investment income (loss):		
Interest, dividends, and capital gain distributions, net of bank fees	**$ 887,950**	$ 790,172
Net realized gain (loss) on sales of investments	**38,305**	(31,656)
Net unrealized gain (loss) on investments	**2,192,389**	(1,360,650)
Total	**$ 3,118,644**	$ (602,134)

Investment income (loss) associated with donor restricted assets is comprised of the following for the years ended December 31:

	2019	2018
Investment income (loss):		
Interest, dividends, and capital gain distributions,	**$ 163,937**	$ 140,452
Net realized gain (loss) on sales of investments	**1,100**	(386)
Net unrealized gain (loss) on investments	**413,323**	(305,176)
Total	**$ 578,360**	$ (165,110)

Note 8. Long-Term Debt

StoneRidge Retirement Living has a $1,000,000 working capital line of credit with PNC Bank. There were no draws against the line of credit as of December 31, 2019 or 2018. Interest is calculated at the bank's prime rate, which was 4.75% as of December 31, 2019. The line of credit is collateralized by all assets of the Organization. The line of credit expires June 30, 2020.

The amount available under the line of credit for StoneRidge Retirement Living is reduced by a $353,003 letter of credit expiring October 11, 2020, and a $318,586 letter of credit expiring October 28, 2020. These letters of credit are required for the construction project described in Note 5 and Captive Insurance program.

Church of God Home, Inc. has a $1,550,000 working capital line of credit with PNC Bank expiring July 30, 2020. There were no draws against the line of credit as of December 31, 2019 or 2018. Interest is calculated at the bank's prime rate, which was 4.75% as of December 31, 2019. The line of credit is collateralized by all assets of the Organization.

The amount available under the line of credit for Church of God Home, Inc. is reduced by an $800,000 letter of credit supporting self-insurance expiring July 11, 2020.

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

	2019	2018
Lebanon County Health Facilities Authority Revenue Bonds (Series of 2000) variable rate demand bonds (1.43% as of December 31, 2019), maturing through 2025	**$ 4,410,000**	$ 5,000,000
Jackson Township Industrial Development Authority (Series of 2012) variable rate revenue bonds (1.43% as of December 31, 2019), maturing through 2042	**14,350,000**	14,350,000
Financing agreement for purchase of equipment, payable in monthly installments of $1,490 at 0.00% interest through February 2024	**72,558**	-
	18,832,558	19,350,000
Less bond issuance costs, net	**380,189**	412,136
Less current portion	**647,909**	590,000
	$ 17,804,460	$ 18,347,864

Collateral for the Series 2000 and 2012 Bonds includes an open-end mortgage and security interest in the facilities of SRL.

The Series 2000 Bonds are also backed by a letter of credit and subject to a remarketing agreement. In the event that any or all of the Bonds are tendered by the bondholder and are unable to be remarketed, the letter of credit would be drawn upon to repay the tendered Bonds. Any drawings under the letter of credit are repayable on or before the first to occur of the following: the first business day of the first calendar month following the calendar month in which said amount is so drawn, the date on which the Bonds purchased with the proceeds of such liquidity drawing are remarketed by the remarketing agent and the proceeds thereof delivered to the Bond Trustee, the date on which the Bonds purchased with the proceeds of such liquidity drawing are redeemed or otherwise paid in full, or the stated expiration date. The letter of credit for the Series 2000 Bonds will expire April 20, 2022.

The Series 2012 Bonds are also backed by a letter of credit and subject to a remarketing agreement. In the event that any or all of the Bonds are tendered by the bondholder and are unable to be remarketed, the letter of credit would be drawn upon to repay the tendered Bonds. Any drawings under the letter of credit are repayable on or before the first to occur of the following: the first business day of the first calendar month following the calendar month in which such draw is honored, the date on which the Bonds purchased or funded with the proceeds of such tender draft are remarketed by the remarketing agent and the proceeds thereof delivered to the Bond Trustee, the date on which the Bonds purchased or funded with the proceeds of such tender draft are redeemed or otherwise paid in full, or the date the liquidity period terminates. The letter of credit for the Series 2012 Bonds will expire April 20, 2022.

The Organization is required to comply with certain financial covenants for the term of the Series 2000 and Series 2012 Bonds. For the years ended December 31, 2019 and 2018, the Organization believes they were in compliance with the covenants.

Scheduled principal payments on long-term debt as of December 31, 2019, are as follows:

Years Ending December 31:		
2020	$	647,909
2021		687,882
2022		727,882
2023		767,882
2024		801,027
Thereafter		15,199,976
	$	18,832,558

Note 9. Interest Rate Swap Agreements

The Organization entered into an interest rate swap and a basis rate swap with Wells Fargo Bank on the Series 2000 Bonds for the entire amount of the bond issue. The interest rate swap agreements, which are considered derivative financial instruments, were to hedge its variable interest rate payments. In February 2002, StoneRidge Retirement Living entered into an interest rate swap agreement on the $11,000,000 notional amount of Series 2000 bonds offering a fixed rate of 4.1% which became effective in February 2002 and terminates in October 2025. In February 2005, StoneRidge Retirement Living entered into a base rate swap agreement to reduce interest rate risk by swapping the USD-BMA Municipal Swap Index variable rate to 64% of USD LIBOR-BBA plus a 0.5% spread. This basis rate swap became effective in February 2005 and terminates in October 2025.

The objective of these swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are a contract to exchange variable rate for fixed rate payments over the term of the swap agreement without the exchange of the underlying notional amounts. The notional amounts of the swap agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreements. Management believes losses related to credit risk are remote. The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. The Organization does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

According to the terms of both agreements, if the variable rate is more than the fixed rate, the counterparty to the agreement must make a monthly payment to SRL. Conversely, if the variable rate is less than the fixed rates, SRL must make a monthly payment to the counterparty to the agreement. The monthly payments are calculated by multiplying the notional amount by the difference between the variable rates and the fixed rate.

The payments to or from the counterparty to the agreements are classified as a component of interest expense on the consolidated statements of operations.

The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreement. Management believes that losses related to credit risk are remote.

The fair value of the agreements is estimated to be the amount StoneRidge Retirement Living would pay to terminate the agreements as of December 31, 2019 and 2018. StoneRidge Retirement Living estimates that it would have paid $404,091 and $423,001 as of December 31, 2019 and 2018, respectively, to terminate the agreements, and was based on information supplied by the counterparties to the swaps. These amounts are classified as derivative financial instruments on the consolidated balance sheets.

On January 8, 2007, the FASB issued authoritative guidance related to derivatives which affects the future accounting methodology for cash flow hedges that are not based on a benchmark interest rate. The guidance stipulates that interest rates, which are reset through an auction (remarketing) process, do not qualify as a benchmark rate and, therefore, the interest rate swap agreements that previously qualified for hedge accounting no longer qualify. As a result, the change in the fair value of the interest rate swap agreements is included in excess of revenue and non-operating income over expenses on the consolidated statements of operations.

The change in fair value is classified as change in fair value of interest rate swap agreements on the consolidated statements of operations and was $18,910 and $180,045 for the years ended December 31, 2019 and 2018, respectively.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions having a temporary nature consist of the following as of December 31:

	2019	2018
Charitable remainder trust, available to support future operations	**$ 385,225**	$ 331,890
Endowment fund, available to be used solely for benefit of the physical and occupational therapy and rehabilitation departments	**970,205**	806,268
Total	**$ 1,355,430**	$ 1,138,158

Net assets with permanent restrictions consist of the following as of December 31:

	2019	2018
Perpetual trust assets, the income from which is expendable to support operations	**$ 1,496,212**	$ 1,299,583
Endowment fund held in perpetuity, the income from which is available to be used solely for benefit of the physical and occupational therapy and rehabilitation departments	**4,108,226**	3,693,803
Total	**$ 5,604,438**	$ 4,993,386

Note 11. Retirement Plans and Deferred Compensation

The Organization maintains a 401(k) retirement plan for all hourly and salaried employees working 20 hours per week. The December 31, 2019 and 2018, contribution is allocated to each participating employee as follows: 100% on the first 3% and 50% on the next 2%. The total amount of retirement plan expense recognized was $437,059 and $396,922 for the years ended December 31, 2019 and 2018, respectively, and is included in employee benefits on the consolidated statements of operations.

Note 12. Commitments and Contingencies

Captive Insurance Program: The Organization participates in a Captive Retirement Community Program (Program) administered by Murray Securus for Workers' Compensation, General/Professional Liability, and Automobile Liability/Physical Damage insurance. This requires the Organization to maintain irrevocable letters of credit to cover shortfalls in collected premiums. The Organization has a letter of credit in the amount of $318,586, expiring October 28, 2020, and a $163,995 letter of credit expiring October 31, 2020. The Program as of December 31, 2019, included 14 members, all not-for-profit retirement communities located in central Pennsylvania.

Insurance is reinsured and fronted by the Great American Insurance Group through CARE, Ltd., an incorporated Bermuda domiciled Reinsurance Company. CARE, Ltd. is an insurance company which is owned by the member insured retirement communities. Great American Insurance Group cedes reinsurance premiums, administrative expenses, and claims expenses to CARE, Ltd., which is subject to risk on a 100% quota share. CARE, Ltd.'s exposure is limited to an aggregate equal to 92.2% of the annual program premium. In addition, a specific stop-loss of $500,000 per occurrence is in place for any workers' compensation, general/professional liability, or automobile liability/physical damage occurrence.

The Organization accounts for its investment in the Program based on the cost method of accounting. The value of the Captive investment included with investments on the consolidated balance sheets was $100,000 as of December 31, 2019 and 2018.

Self-Funded Health Insurance: The Organization moved to a self-funded health insurance plan with a third-party administrator. The Organization purchased stop loss insurance, which is designed to limit the employer's loss in a self-funded plan to a specific amount in the event of catastrophic claims or a multitude of unanticipated claims. The Organization's stop loss policy limits the amount of claims the Organization would be responsible for annually to $120,000 per individual or 125% of expected aggregate claims. The Organization accrues expenses for health insurance claims on a monthly basis, along with expensing premiums for the stop loss insurance and administrative expenses incurred. The Organization has recorded a liability of approximately $160,000 and $322,000 for health insurance claims as of December 31, 2019 and 2018, respectively, included in accrued expenses on the consolidated balance sheets. The Organization began participating in the Pareto Captive program during 2017. The value of this Captive investment included with investments on the consolidated balance sheets was $55,662 as of December 31, 2019 and 2018.

Medical Malpractice Claims Coverage: The Organization maintained professional liability coverage through a commercial insurance carrier on a claims made basis. Management believes no incidents have occurred or will be asserted that will exceed the insurance coverage or will have a material adverse effect on the consolidated financial statements.

Senior Living Services Industry: The senior living services and health care industries are 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 health care 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. The Organization is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Organization, if any, are not presently determinable.

Note 13. Endowment

The Organization's endowment consists of donor-restricted funds. 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 Organization has interpreted the relevant Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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. The portion of the endowment that has temporary donor restrictions is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the relevant Pennsylvania law and terms of the endowment. The Organization 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 the changes in endowment net assets:

	Restricted	Restricted In Perpetuity	Total
Endowment net assets (December 31, 2017)	$ 665,816	$ 3,999,365	$ 4,665,181
Net investment return	140,452	-	140,452
Unrealized (losses)	-	(305,562)	(305,562)
Endowment net assets (December 31, 2018)	806,268	3,693,803	4,500,071
Net investment return	**163,937**	**-**	**163,937**
Unrealized gains	**-**	**414,423**	**414,423**
Endowment net assets (December 31, 2019)	**$ 970,205**	**$ 4,108,226**	**$ 5,078,431**

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 Organization to retain as a fund of perpetual duration. In accordance with GAAP, these deficiencies are reported as unrestricted net assets. There were no such deficiencies reported as of December 31, 2019 or 2018.

Return objectives and risk parameters: The Organization 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 Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that allow the Organization to fund the appropriate programs while assuming a moderate level of investment risk.

Strategies employed for achieving objectives: The Organization 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 Organization 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 relation to investment objectives: The endowment gift has a very specific purpose that requires the income to be spent to provide solely for the purchase of a building and/or equipment related to the physical and occupational therapy and rehabilitation departments. The Organization has not met the expenditure requirements for release of these funds from temporarily restricted net assets. The income, which excludes unrealized gains (losses), is being accumulated as temporarily restricted endowment income. Per the donor's intent, unrealized gains (losses) are to be added to the permanently restricted endowment.

Note 14. Pennsylvania Department of Insurance Required Disclosures

As a continuing care provider, the Organization is required to maintain a minimum liquid reserve to be in compliance with the Continuing Care Provider Registration and Disclosure Act (Act 82). The minimum reserve is equal to the greater of total interest and principal payments on long-term debt due within the next twelve months (related to the independent living units) or 10% of projected annual operating expenses (related to the independent living units). The following is the minimum liquid reserve calculations for SRL and COGH as of December 31, 2019.

	SRL	COGH
Principal and interest payments due within the next 12 months	$ 1,529,361	$ -
Percent of residents subject to residence and care arrangement	40.62%	8.72%
	$ 621,226	$ -
Projected annual operating expenses	$ 28,490,950	$ 13,885,633
Less depreciation and amortization	2,296,303	551,677
Operating expenses pertaining to statutory liquid reserve	26,194,647	13,333,956
Percent of residents subject to residence and care arrangement	40.62%	8.72%
	10,640,266	1,162,721
Statutory minimum liquid reserve factor	10.00%	10.00%
10% of projected annual operating expenses	$ 1,064,027	$ 116,272
Statutory minimum liquid reserve (greater of above)	$ 1,064,027	$ 116,272
Total statutory minimum liquid reserve on the consolidated balance sheet		$ 1,180,299

The Organization receives deposits prior to a resident occupying a unit. These funds are deposited into escrow accounts and can be found in the investments on the accompanying consolidated balance sheets. The Organization did not receive any entrance fees prior to December 31, 2019, for which a resident had not yet moved in.

Note 15. Functional Expenses

The Organization's expenses for program activities (including nursing care, personal care, independent living, and residential services) and general and administrative expenses which consist of the following for the years ended December 31:

	2019		
	Program Services	**Administrative and General**	**Total**
Salaries and wages	**$ 14,950,531**	**$ 2,957,275**	**$ 17,907,806**
Purchased services and other fees	**7,858,505**	**39,764**	**7,898,269**
Employee benefits	**3,981,976**	**566,607**	**4,548,583**
Depreciation	**2,724,607**	**53,285**	**2,777,892**
Food	**1,851,317**	**11,476**	**1,862,793**
Supplies and purchases	**1,400,711**	**11,899**	**1,412,610**
Administration	**-**	**1,140,727**	**1,140,727**
Repairs and maintenance	**1,081,166**	**58,902**	**1,140,068**
Utilities	**1,125,975**	**-**	**1,125,975**
Interest	**753,039**	**27**	**753,066**
Insurance costs	**362,590**	**12,185**	**374,775**
Real estate taxes	**-**	**372,986**	**372,986**
Marketing and advertising	**-**	**336,443**	**336,443**
Annuity payments	**1,689**	**-**	**1,689**
Amortization	**1,214**	**-**	**1,214**
Total	**$ 36,093,320**	**$ 5,561,576**	**$ 41,654,896**

	2018		
	Program Services	**Administrative and General**	**Total**
Salaries and wages	$ 14,643,065	$ 2,605,717	$ 17,248,782
Purchased services and other fees	7,395,449	22,754	7,418,203
Employee benefits	3,732,465	442,310	4,174,775
Depreciation	2,510,086	60,572	2,570,658
Food	1,828,270	7,712	1,835,982
Supplies and purchases	1,406,951	14,935	1,421,886
Administration	-	1,094,680	1,094,680
Repairs and maintenance	1,123,906	34,854	1,158,760
Utilities	1,317,888	-	1,317,888
Interest	817,400	437	817,837
Insurance costs	345,420	17,471	362,891
Real estate taxes	-	358,297	358,297
Marketing and advertising	361,189	-	361,189
Annuity payments	1,870	-	1,870
Amortization	1,214	-	1,214
Total	$ 35,485,173	$ 4,659,739	$ 40,144,912

Note 16. Fair Value Measurements

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value, and outlines the related disclosure requirements. The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The levels of the fair value hierarchy are as follows:

- Level I — Quoted prices in active markets for identical assets or liabilities.
- Level II — Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level III — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The tables below presents the balances of assets and a liability measured on a recurring basis, at fair value, as of December 31:

	December 31, 2019			
	Totals	**Level I**	**Level II**	**Level III**
Investments:				
Cash and cash equivalents	**$ 11,133,611**	**$ 11,133,611**	**$ -**	**$ -**
Equity securities:				
Financial	**679,942**	**679,942**	**-**	**-**
Health care	**1,021,992**	**1,021,992**	**-**	**-**
Industrials	**323,469**	**323,469**	**-**	**-**
Technology	**1,341,876**	**1,341,876**	**-**	**-**
Materials	**271,762**	**271,762**	**-**	**-**
Consumables	**631,666**	**631,666**	**-**	**-**
Energy	**129,035**	**129,035**	**-**	**-**
Other	**595,998**	**595,998**	**-**	**-**
Mutual funds:				
Large-cap	**8,168,358**	**8,168,358**	**-**	**-**
Mid-cap	**294,606**	**294,606**	**-**	**-**
Small-cap	**12,966**	**12,966**	**-**	**-**
International	**861,494**	**861,494**	**-**	**-**
Other	**15,510**	**15,510**	**-**	**-**
Fixed income securities:				
Corporate, treasury, and municipal bonds	**69,370**	**-**	**69,370**	**-**
Mutual funds	**4,831,602**	**4,831,602**	**-**	**-**
Other investments	**826,161**	**-**	**826,161**	**-**
Alternative investments *	**78,666**	**-**	**-**	**-**
Total	**31,288,084**	**30,313,887**	**895,531**	**-**
Statutory mimimum liquid reserve:				
Cash and cash equivalents	**1,180,299**	**1,180,299**	**-**	**-**
Split interest agreements:				
Beneficial interest in perpetual trusts	**1,496,212**	**-**	**-**	**1,496,212**
Charitable remainder trust	**385,225**	**-**	**-**	**385,225**
Total	**1,881,437**	**-**	**-**	**1,881,437**
Total assets	**$ 34,349,820**	**$ 31,494,186**	**$ 895,531**	**$ 1,881,437**
Liability:				
Interest rate swap agreements	**$ 404,091**	**$ -**	**$ 404,091**	**$ -**

	December 31, 2018			
	Totals	**Level I**	**Level II**	**Level III**
Investments:				
Cash and cash equivalents	$ 10,342,052	$ 10,342,052	$ -	$ -
Equity securities:				
Financial	522,353	522,353	-	-
Health care	912,669	912,669	-	-
Industrials	214,009	214,009	-	-
Technology	1,074,644	1,074,644	-	-
Materials	258,846	258,846	-	-
Consumables	472,888	472,888	-	-
Energy	125,606	125,606	-	-
Other	464,373	464,373	-	-
Mutual funds:				
Large-cap	6,431,682	6,431,682	-	-
Mid-cap	237,506	237,506	-	-
Small-cap	71,343	71,343	-	-
International	697,646	697,646	-	-
Other	17,230	17,230	-	-
Fixed income securities:				
Corporate, treasury, and municipal bonds	65,146	-	65,146	-
Mutual funds	4,625,725	4,625,725	-	-
Other investments	473,690	-	473,690	-
Alternative investments *	62,897	-	-	-
Total	27,070,305	26,468,572	538,836	-
Statutory minimum liquid reserve:				
Cash and cash equivalents	1,120,100	1,120,100	-	-
Split interest agreements:				
Beneficial interest in perpetual trusts	1,299,583	-	-	1,299,583
Charitable remainder trust	331,890	-	-	331,890
Total	1,631,473	-	-	1,631,473
Total assets	$ 29,821,878	$ 27,588,672	$ 538,836	$ 1,631,473
Liability:				
Interest rate swap agreements	$ 423,001	$ -	$ 423,001	$ -

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation at the fair value hierarchy to the amounts presented on the consolidated balance sheets.

Transfers Between Levels

For the years ended December 31, 2019 and 2018, there were no significant transfers between Levels I and II and no transfers in or out of Level III.

Investments Measures Using NAV per Shares as Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of December 31. There are no participant redemption restrictions for these investment.

	Fair Value		Unfunded Commitments	Redemption Frequency if Currently Eligible	Redeption Notice Period
	2019	2018			
Alternative investments	**$ 78,666**	$ 62,897	N/A	Daily	Daily

The following is a reconciliation of beginning and ending balances of the fair value measurements of the Organization's Level III assets:

Description	Perpetual Trust	Charitable Remainder Trust
Balance as of December 31, 2017	$ 1,520,121	$ 378,962
Change in value of trust assets	(220,538)	(47,072)
Balance as of December 31, 2018	1,299,583	331,890
Change in value of trust assets	**196,629**	**53,335**
Balance as of December 31, 2019	**$ 1,496,212**	**$ 385,225**

The Organization has no financial assets or financial liabilities measured at fair value on a non-recurring basis.

The following methods were used by the Organization in estimating the fair values of its financial instruments. There have been no changes in the methodologies used as of December 31, 2019 or 2018:

Cash and cash equivalents: Fair values, which are the amounts reported on the consolidated balance sheets, are based on multiplying number of units held by $1 per unit.

Equity securities (mutual funds): Valued at the closing price reported in the active market on which the individual securities are traded for equity securities and fixed income mutual funds and quoted market prices in active markets.

Fixed income securities (mutual funds, corporate, treasury and municipal bonds): Fair values of these items, which are the amounts reported on the consolidated balance sheets, are estimated using quoted prices for similar securities.

Alternative investments: Value of alternative investments is based on net asset value (NAV) per share.

Charitable remainder trust and perpetual trusts: Valued based on the fair value of the trusts' underlying assets, which approximates the discounted present value of future cash flows.

Interest rate swap agreements: Value of the interest rate swap agreements is based on the net present value of expected future cash flows of the difference between the fixed interest rate of the interest rate swap agreements and the counterparty's forward LIBOR curve. The forward LIBOR curve is readily available in public markets or can be derived from information available in publicly quoted markets.

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

Note 17. Liquidity and Availability

The Organization has working capital of approximately $7,500,000. Financial assets available for general expenditure within one year of the consolidated balance sheet date consist of the following as of December 31, 2019:

Cash and cash equivalents	$ 5,985,729
Accounts receivable, residents	4,926,346
Investments, unrestricted	26,365,315
Other receivables	713,001
	$ 37,990,391

The Organization also has approximately $1,000,000 available under various lines of credit as outlined in Note 8.

Note 18. Subsequent Event

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world.

The pandemic has significantly impacted both the world and U.S. economies. During March 2020 many state and local governments, in addition to the federal government, have reacted to the public health crisis, creating significant uncertainties in the U.S. economy. In response to this coronavirus outbreak, the governments of many countries, states, cities, and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. In certain geographic regions in which the Organization operates, temporary closures of businesses have been ordered or suggested and numerous other businesses have temporarily closed voluntarily. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures of travel-related businesses.

The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization’s customers, financial markets, employees, and vendors. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Organization’s results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time and have not been reflected in the consolidated financial statements. This pandemic has caused significant fluctuations in the Organization’s investment balances.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
StoneRidge Retirement Living
Communities, Inc. and Subsidiaries
Myerstown, Pennsylvania

We have audited the consolidated financial statements of StoneRidge Retirement Living Communities, Inc. and Subsidiaries as of and for the years ended December 31, 2019 and 2018, and issued our report thereon dated April 21, 2020, which expressed an unmodified opinion on those consolidated financial statements (see pages 1 and 2). Our audits were conducted for the purpose of forming an opinion on such consolidated financial statements as a whole.

The supplementary information is presented for the purposes of additional analyses and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of those consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Arnett Carbis Toothman LLP

New Castle, Pennsylvania
April 21, 2020

Bridgeport, WV • Buckhannon, WV • Charleston, WV • Columbus, OH • Meadville, PA • Morgantown, WV • New Castle, PA • Pittsburgh, PA

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
December 31, 2019

ASSETS	**StoneRidge Retirement Living Communities, Inc.**	**StoneRidge Retirement Living**
CURRENT ASSETS		
Cash and cash equivalents	$ 439,200	$ 1,783,295
Accounts receivable, residents	-	3,331,928
Entrance fees receivable	-	364,600
Other receivables	700,987	12,014
Due from affiliates, current portion	-	-
Due from third-party payors, net	-	522,348
Inventory	4,543	121,604
Prepaid expenses	107,103	319,305
Total current assets	1,251,833	6,455,094
INVESTMENTS	881,823	23,441,532
INVESTMENTS, restricted	-	5,078,431
RESIDENT FUNDS	-	28,047
STATUTORY MINIMUM LIQUID RESERVE	-	1,064,027
PROPERTY AND EQUIPMENT, net	688,494	34,537,913
DUE FROM AFFILIATES, net	-	3,000,000
SPLIT INTEREST AGREEMENTS	-	1,746,449
INTEREST IN NET ASSETS OF FOREVER CARING FUND	-	-
OTHER ASSETS	-	-
Total assets	$ 2,822,150	$ 75,351,493

See Independent Auditor's Report on the Supplementary Information

Church of God Home, Inc.	The Orchards at Marsh Run	Schoolyard Square	Eliminations	Total
$ 3,738,781	$ 8,052	$ 16,401	$ -	$ 5,985,729
1,593,230	-	1,188	-	4,926,346
146,000	-	-	-	510,600
-	-	-	-	713,001
2,453,065	-	-	(2,453,065)	-
220,907	-	-	-	743,255
9,274	-	1,722	-	137,143
178,154	-	24,411	-	628,973
8,339,411	8,052	43,722	(2,453,065)	13,645,047
2,041,960	-	-	-	26,365,315
-	-	-	-	5,078,431
3,753	-	-	-	31,800
116,272	-	-	-	1,180,299
5,264,798	1,619,455	1,986,854	-	44,097,514
-	-	-	(3,000,000)	-
134,988	-	-	-	1,881,437
4,284,953	-	-	-	4,284,953
-	-	41,984	-	41,984
$ 20,186,135	$ 1,627,507	$ 2,072,560	$ (5,453,065)	$ 96,606,780

See Independent Auditor’s Report on the Supplementary Information

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET (CONTINUED)
December 31, 2019

LIABILITIES AND NET ASSETS (DEFICIT)	StoneRidge Retirement Living Communities, Inc.	StoneRidge Retirement Living
CURRENT LIABILITIES		
Current portion of long-term debt	$ -	$ 647,909
Accounts payable	17,265	708,891
Entrance fees payable	-	955,956
Accrued expenses	875,200	1,694,630
Due to affiliates, current portion	(150,716)	1,413,768
Total current liabilities	741,749	5,421,154
LONG-TERM DEBT, net	-	17,804,460
RESIDENT FUNDS	-	28,047
SECURITY DEPOSITS	-	14,500
DEFERRED ENTRANCE FEES	-	5,637,306
REFUNDABLE ENTRANCE FEES	-	2,268,647
INTEREST RATE SWAP AGREEMENTS	-	404,091
DUE TO AFFILIATES, net	-	-
CHARITABLE GIFT ANNUITIES	-	6,173
Total liabilities	741,749	31,584,378
NET ASSETS (DEFICIT)		
Net assets (deficit) without donor restrictions	2,080,401	36,942,235
Net assets with donor restrictions	-	6,824,880
Total net assets (deficit)	2,080,401	43,767,115
Total liabilities and net assets (deficit)	$ 2,822,150	$ 75,351,493

See Independent Auditor's Report on the Supplementary Information

Church of God Home, Inc.	The Orchards at Marsh Run	Schoolyard Square	Eliminations	Total
$ -	$ -	$ -	$ -	$ 647,909
462,411	-	19,566	-	1,208,133
155,440	-	-	-	1,111,396
523,139	-	63,501	-	3,156,470
-	-	1,190,013	(2,453,065)	-
1,140,990	-	1,273,080	(2,453,065)	6,123,908
-	-	-	-	17,804,460
3,753	-	-	-	31,800
808,037	7,000	-	-	829,537
126,510	-	-	-	5,763,816
268,660	-	-	-	2,537,307
-	-	-	-	404,091
-	-	3,000,000	(3,000,000)	-
-	-	-	-	6,173
2,347,950	7,000	4,273,080	(5,453,065)	33,501,092
17,703,197	1,620,507	(2,200,520)	-	56,145,820
134,988	-	-	-	6,959,868
17,838,185	1,620,507	(2,200,520)	-	63,105,688
$ 20,186,135	$ 1,627,507	$ 2,072,560	$ (5,453,065)	$ 96,606,780

See Independent Auditor’s Report on the Supplementary Information

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2019

	StoneRidge Retirement Living Communities, Inc.	StoneRidge Retirement Living
OPERATING REVENUE		
Net resident service revenue, including amortization of entrance fees $942,377	$ -	$ 27,451,251
Management fees	4,243,417	-
Other income	37,701	249,908
Total operating revenue	4,281,118	27,701,159
OPERATING EXPENSES		
Salaries and wages	2,519,747	10,166,051
Purchased services and other fees	39,764	7,285,453
Employee benefits	566,677	2,560,228
Depreciation	53,285	2,100,248
Food	11,477	1,248,361
Supplies and purchases	11,900	939,193
Administration	241,348	564,078
Repairs and maintenance	58,902	726,548
Utilities	-	744,619
Interest	27	753,039
Insurance costs	12,185	240,918
Real estate taxes	-	361,635
Marketing and advertising	830	245,308
Annuity payments	-	1,689
Amortization	-	-
Total operating expenses	3,516,142	27,937,368
Operating income (loss)	764,976	(236,209)
NON-OPERATING INCOME		
Investment income	-	917,640
Change in value of annuity	-	288
Contributions	-	295,666
Unrealized gain on investments	52,471	1,814,344
Change in fair value of interest rate swap agreements	-	18,910
Total non-operating income	52,471	3,046,848
Excess (deficiency) of revenue and non-operating income over expenses	$ 817,447	$ 2,810,639

See Independent Auditor's Report on the Supplementary Information

Church of God Home, Inc.	The Orchards at Marsh Run	Schoolyard Square	Eliminations	Total
$ 13,840,647	$ -	$ 1,176,343	$ -	$ 42,468,241
-	-	-	(4,243,417)	-
51,178	-	3,376	-	342,163
13,891,825	-	1,179,719	(4,243,417)	42,810,404
4,603,063	-	618,945	-	17,907,806
4,692,583	-	123,886	(4,243,417)	7,898,269
1,283,774	-	137,904	-	4,548,583
524,699	-	99,660	-	2,777,892
499,002	-	103,953	-	1,862,793
424,730	-	36,787	-	1,412,610
286,745	-	48,556	-	1,140,727
294,822	-	59,796	-	1,140,068
267,991	-	113,365	-	1,125,975
-	-	-	-	753,066
100,317	-	21,355	-	374,775
-	-	11,351	-	372,986
65,874	-	24,431	-	336,443
-	-	-	-	1,689
-	-	1,214	-	1,214
13,043,600	-	1,401,203	(4,243,417)	41,654,896
848,225	-	(221,484)	-	1,155,508
8,615	-	-	-	926,255
-	-	-	-	288
129,441	-	-	-	425,107
325,574	-	-	-	2,192,389
-	-	-	-	18,910
463,630	-	-	-	3,562,949
$ 1,311,855	$ -	$ (221,484)	$ -	$ 4,718,457

See Independent Auditor's Report on the Supplementary Information

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2019

	StoneRidge Retirement Living Communities, Inc.	StoneRidge Retirement Living
CHANGES IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS		
Excess (deficiency) of revenue and non-operating income over expenses	$ 817,447	$ 2,810,639
Change in Forever Caring Fund	-	-
Change in net assets (deficit) without donor restrictions	817,447	2,810,639
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Investment income on endowment fund	-	163,937
Realized/unrealized gain on endowment fund	-	414,423
Change in value of perpetual trusts	-	181,729
Change in value of charitable remainder trust assets	-	53,335
Change in net assets with donor restrictions	-	813,424
Change in net assets (deficit)	817,447	3,624,063
Net assets (deficit):		
Beginning	1,262,954	40,143,052
Ending	$ 2,080,401	$ 43,767,115

See Independent Auditor's Report on the Supplementary Information

Church of God Home, Inc.	The Orchards at Marsh Run	Schoolyard Square	Eliminations	Total
$ 1,311,855	$ -	$ (221,484)	$ -	$ 4,718,457
677,694	-	-	-	677,694
1,989,549	-	(221,484)	-	5,396,151
-	-	-	-	163,937
-	-	-	-	414,423
14,900	-	-	-	196,629
-	-	-	-	53,335
14,900	-	-	-	828,324
2,004,449	-	(221,484)	-	6,224,475
15,833,736	1,620,507	(1,979,036)	-	56,881,213
$ 17,838,185	$ 1,620,507	$ (2,200,520)	$ -	$ 63,105,688

See Independent Auditor's Report on the Supplementary Information

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
December 31, 2018

ASSETS	**StoneRidge Retirement Living Communities, Inc.**	**StoneRidge Retirement Living**
CURRENT ASSETS		
Cash and cash equivalents	$ 2,078,890	$ 1,221,237
Accounts receivable, residents	-	3,170,605
Entrance fees receivable	-	253,466
Other receivables	5,290	190,011
Due from affiliates, current portion	-	-
Due from third-party payors, net	-	538,748
Inventory	4,543	68,589
Prepaid expenses	108,419	381,206
Total current assets	2,197,142	5,823,862
INVESTMENTS	529,352	20,515,500
INVESTMENTS, restricted	-	4,500,071
RESIDENT FUNDS	-	53,195
STATUTORY MINIMUM LIQUID RESERVE	-	1,020,312
PROPERTY AND EQUIPMENT, net	176,205	35,589,886
DUE FROM AFFILIATES, net	-	3,000,000
SPLIT INTEREST AGREEMENTS	-	1,511,385
INTEREST IN NET ASSETS OF FOREVER CARING FUND	-	-
OTHER ASSETS	-	-
Total assets	$ 2,902,699	$ 72,014,211

See Independent Auditor's Report on the Supplementary Information

Church of God Home, Inc.	The Orchards at Marsh Run	Schoolyard Square	Eliminations	Total
$ 2,563,422	$ 8,052	$ 56,566	$ -	$ 5,928,167
1,502,415	-	35,699	-	4,708,719
-	-	-	-	253,466
-	-	-	-	195,301
2,808,296	-	-	(2,808,296)	-
209,874	-	-	-	748,622
-	-	-	-	73,132
172,965	-	24,073	-	686,663
7,256,972	8,052	116,338	(2,808,296)	12,594,070
1,681,044	-	-	-	22,725,896
-	-	-	-	4,500,071
7,765	-	-	-	60,960
99,788	-	-	-	1,120,100
5,186,338	1,619,455	2,013,367	-	44,585,251
-	-	-	(3,000,000)	-
120,088	-	-	-	1,631,473
3,607,259	-	-	-	3,607,259
-	-	43,198	-	43,198
$ 17,959,254	$ 1,627,507	$ 2,172,903	$ (5,808,296)	$ 90,868,278

See Independent Auditor’s Report on the Supplementary Information

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET (CONTINUED)
December 31, 2018

LIABILITIES AND NET ASSETS (DEFICIT)	StoneRidge Retirement Living Communities, Inc.	StoneRidge Retirement Living
CURRENT LIABILITIES		
Current portion of long-term debt	$ -	$ 590,000
Accounts payable	1,109	993,656
Entrance fees payable	-	1,143,567
Accrued expenses	880,706	1,586,227
Due to affiliates, current portion	757,930	982,500
Total current liabilities	1,639,745	5,295,950
LONG-TERM DEBT, net	-	18,347,864
RESIDENT FUNDS	-	53,195
SECURITY DEPOSITS	-	19,500
DEFERRED ENTRANCE FEES	-	5,500,421
REFUNDABLE ENTRANCE FEES	-	2,224,767
INTEREST RATE SWAP AGREEMENTS	-	423,001
DUE TO AFFILIATES, net	-	-
CHARITABLE GIFT ANNUITIES	-	6,461
Total liabilities	1,639,745	31,871,159
NET ASSETS (DEFICIT)		
Net assets (deficit) without donor restrictions	1,262,954	34,131,596
Net assets with donor restrictions	-	6,011,456
Total net assets (deficit)	1,262,954	40,143,052
Total liabilities and net assets (deficit)	$ 2,902,699	$ 72,014,211

See Independent Auditor's Report on the Supplementary Information

Church of God Home, Inc.	The Orchards at Marsh Run	Schoolyard Square	Eliminations	Total
$ -	$ -	$ -	$ -	$ 590,000
434,374	-	36,044	-	1,465,183
31,600	-	-	-	1,175,167
489,324	-	48,029	-	3,004,286
-	-	1,067,866	(2,808,296)	-
955,298	-	1,151,939	(2,808,296)	6,234,636
-	-	-	-	18,347,864
7,765	-	-	-	60,960
745,063	7,000	-	-	771,563
224,312	-	-	-	5,724,733
193,080	-	-	-	2,417,847
-	-	-	-	423,001
-	-	3,000,000	(3,000,000)	-
-	-	-	-	6,461
2,125,518	7,000	4,151,939	(5,808,296)	33,987,065
15,713,648	1,620,507	(1,979,036)	-	50,749,669
120,088	-	-	-	6,131,544
15,833,736	1,620,507	(1,979,036)	-	56,881,213
$ 17,959,254	$ 1,627,507	$ 2,172,903	$ (5,808,296)	$ 90,868,278

See Independent Auditor’s Report on the Supplementary Information

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2018

	StoneRidge Retirement Living Communities, Inc.	StoneRidge Retirement Living
OPERATING REVENUE		
Net resident service revenue, including amortization of entrance fees $995,522	$ -	$ 26,769,863
Management fees	3,508,895	-
Other income	5,000	292,082
Total operating revenue	3,513,895	27,061,945
OPERATING EXPENSES		
Salaries and wages	2,605,717	9,312,772
Purchased services and other fees	22,754	7,090,146
Employee benefits	442,310	2,267,406
Depreciation	60,572	1,891,822
Food	7,712	1,177,861
Supplies and purchases	14,935	952,094
Administration	180,369	562,283
Repairs and maintenance	34,854	723,185
Utilities	-	821,955
Interest	437	817,400
Insurance costs	17,471	241,658
Real estate taxes	-	347,110
Marketing and advertising	390	261,438
Annuity payments	-	1,870
Amortization	-	-
Total operating expenses	3,387,521	26,469,000
Operating income (loss)	126,374	592,945
NON-OPERATING INCOME		
Investment income	-	718,028
Change in value of annuity	-	2,327
Contributions	-	534,004
Change in fair value of interest rate swap agreements	-	180,045
Total non-operating income	-	1,434,404
Excess (deficiency) of revenue and non-operating income over expenses	$ 126,374	$ 2,027,349

See Independent Auditor's Report on the Supplementary Information

Church of God Home, Inc.	The Orchards at Marsh Run	Schoolyard Square	Eliminations	Total
$ 12,345,503	$ -	$ 1,211,873	$ -	$ 40,327,239
-	-	-	(3,508,895)	-
48,745	-	3,317	-	349,144
12,394,248	-	1,215,190	(3,508,895)	40,676,383
4,734,738	-	595,555	-	17,248,782
3,675,557	-	138,641	(3,508,895)	7,418,203
1,338,968	-	126,091	-	4,174,775
521,370	-	96,894	-	2,570,658
541,012	-	109,397	-	1,835,982
409,452	-	45,405	-	1,421,886
301,627	-	50,401	-	1,094,680
329,741	-	70,980	-	1,158,760
378,533	-	117,400	-	1,317,888
-	-	-	-	817,837
85,479	-	18,283	-	362,891
-	-	11,187	-	358,297
78,541	-	20,820	-	361,189
-	-	-	-	1,870
-	-	1,214	-	1,214
12,395,018	-	1,402,268	(3,508,895)	40,144,912
(770)	-	(187,078)	-	531,471
40,488	-	-	-	758,516
-	-	-	-	2,327
133,374	-	-	-	667,378
-	-	-	-	180,045
173,862	-	-	-	1,608,266
$ 173,092	$ -	$ (187,078)	$ -	$ 2,139,737

See Independent Auditor's Report on the Supplementary Information

STONERIDGE RETIREMENT LIVING COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2018

	StoneRidge Retirement Living Communities, Inc.	StoneRidge Retirement Living
CHANGES IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS		
Excess (deficiency) of revenue and non-operating income over expenses	$ 126,374	$ 2,027,349
Change in Forever Caring Fund	-	-
Unrealized (loss) on investments	(26,310)	(1,153,298)
Change in net assets (deficit) without donor restrictions	100,064	874,051
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Investment income on endowment fund	-	140,452
Realized/unrealized (loss) on endowment fund	-	(305,562)
Change in value of perpetual trusts	-	(204,421)
Change in value of charitable remainder trust assets	-	(47,072)
Change in net assets with donor restrictions	-	(416,603)
Change in net assets (deficit)	100,064	457,448
Net assets (deficit):		
Beginning	1,162,890	39,685,604
Ending	$ 1,262,954	$ 40,143,052

See Independent Auditor's Report on the Supplementary Information

Church of God Home, Inc.	The Orchards at Marsh Run	Schoolyard Square	Eliminations	Total
$ 173,092	$ -	$ (187,078)	$ -	$ 2,139,737
(302,145)	-	-	-	(302,145)
(181,042)	-	-	-	(1,360,650)
(310,095)	-	(187,078)	-	476,942
-	-	-	-	140,452
-	-	-	-	(305,562)
(16,117)	-	-	-	(220,538)
-	-	-	-	(47,072)
(16,117)	-	-	-	(432,720)
(326,212)	-	(187,078)	-	44,222
16,159,948	1,620,507	(1,791,958)	-	56,836,991
$ 15,833,736	$ 1,620,507	$ (1,979,036)	$ -	$ 56,881,213

See Independent Auditor’s Report on the Supplementary Information

EXHIBIT “F”

PROFORMA INCOME STATEMENT

Church of God Home, Inc
Proforma Income Statement - 2020

Patient/Guest Service Revenue:	
Room & Board, Ancillary Revenue	16,169,716
Entrance Fee Amortization	35,000
Contractual Allowances - MA & MC	(2,104,470)
Contractual Allowances - Lifecare	-
Contractual Allowances - Benevolent	(159,640)
Net Patient/Guest Service Revenue	13,940,606
Other Income	
Rental & Miscellaneous income	36,204
Total Operating Revenue	13,976,810
Expenses	
Salaries & Wages	5,793,234
Employee Benefits	1,966,309
Supplies/Purchases	423,171
Utilities	294,220
Food Purchases	493,545
Maintenance & Repairs	344,371
Fees & Purchased Services	1,924,361
Depreciation & Amortization	551,677
Annuity Payments	-
Real Estate taxes	-
Insurance	113,845
Interest Expense	-
Administrative & Personnel	399,633
SRLC Management Services	1,581,267
Corporate Expense Allocation	
Total Operating Expenses	13,885,633
Non-operating Revenue	111,250
Net Revenue over Expenses	202,427

EXHIBIT “G”

STATEMENT OF MATERIAL DIFFERENCES

Church of God Home, Inc.
Exhibit G
Statement of Material Differences
For the Year Ended 12/31/19

2019 actual net profit was higher than pro forma net income by $1,805,068.

The primary items which generated this difference are shown below.

Net resident and patient service revenue lower due to increased census	620,939
Investment Income and Contributions	26,806
Reductions in operating expenses	155,273
Unrealized Gains on Investments	1,002,050

EXHIBIT “H”

RESIDENCY AGREEMENTS

Church of God Home, Inc
Current Resident's Agreement

A copy of the resident's agreement has been omitted, as no changes were made to the agreement since the prior filing.