PHI (D.B.A. PRESBYTERIAN SENIOR LIVING)

Consolidated Financial Statements

December 31, 2019 and 2018

(With Independent Auditor's Report Thereon)

Arnett Carbis Toothman llp
CPAs & Advisors

PRESBYTERIAN SENIOR LIVING

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Certification of Chief Executive and Chief Financial Officers

We are responsible for the consolidated financial statements of Presbyterian Senior Living, as of December 31, 2019 and 2018, and attest that they are accurate, complete and fairly presented.

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

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

Consolidated financial statements alone can never reflect the breadth and depth of our stewardship of this ministry. They do not report on our most significant assets, our employees and volunteers. They also do not reflect our most important stewardship role: our commitment to provide Christian understanding and compassion to those seniors entrusted to our care. We believe that we continue to successfully fulfill the financial and non-financial aspects of our mission, extending a proud tradition of a combined ministry that has served older persons in the name of Christ for more than 113 years.

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

Jim Bernardo
Chief Executive Officer
Presbyterian Senior Living

Jeffrey J. Davis
Chief Financial Officer
Presbyterian Senior Living

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Independent Auditor's Report

The Board of Trustees
Presbyterian Senior Living

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of PHI, doing business as Presbyterian Senior Living, and affiliates (collectively, the Corporation) which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Geneva House, Inc., Presbyterian Apartments, Inc., Westminster Place at Parkesburg, LP, Westminster Place at Windy Hill, LP,I, Westminster Place at Carroll Village, LP,I, Schartner House Associates, LP, Westminster Place at The Long Community, LP, Westminster Place at Quincy Village, LP, Stewartstown Courtyard LP, Westminster Place at Bloomsburg LP, Westminster Place at Queen Street LP, Silver Spring Courtyards LP, SS Gardens LP, Shrewsbury Courtyards Associates LP, Shrewsbury Courtyards II Associates, S Overlook LP, Stony Brook Gardens LP, Wisteria Commons Senior Housing, LP, The Oaks Senior Community, LP, The Shepherds in Monroe County, Inc., Westminster Place at Ware Presbyterian Village LP, Westminster Place at Ware Senior Housing, Westminster Place at Windy Hill Village, L.P. II and Ross Presbyterian Senior Housing LP, affiliates of Presbyterian Senior Living, which statements reflect total assets constituting 20.90% and 20.66%, respectively, of consolidated total assets as of December 31, 2019 and 2018, and total operating revenues and other support constituting 5.13% and 4.62%, respectively, of consolidated total operating revenues, gains, and other support for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Presbyterian Senior Living as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Arnett Carbis Toothman LLP

Arnett Carbis Toothman LLP
New Castle, Pennsylvania
April 13, 2020

Arnett Carbis Toothman llp
CPAs & Advisors

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Financial Position

December 31, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	14,558,254	3,759,797
Investments		75,301,655	73,861,688
Restricted deposits and funded reserves		26,607,189	28,518,903
Accounts receivable, net		17,998,912	20,305,572
Prepaid expenses and other current assets		4,748,457	3,949,379
Assets whose use is limited		7,320,425	8,936,613
Assets whose use is limited, construction funds		17,324,107	25,737,965
Promises to give, net		370,041	380,613
Assets held for sale		5,719,230	10,000
Property and equipment, net		519,512,846	516,896,332
Assets under financing leases, net		1,255,293	896,630
Assets under operating leases		3,470,358	3,725,215
Goodwill		3,097,807	3,551,908
Funds held in trust by others		19,321,793	17,388,344
Other assets		2,082,772	672,031
Total assets	$	718,689,139	708,590,990

See accompanying notes to consolidated financial statements.

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Financial Position

December 31, 2019 and 2018

Liabilities and Net Assets		**2019**	**2018**
Accounts payable	$	13,150,627	11,410,754
Accrued expenses		20,052,369	16,748,161
Lines of credit		20,198,790	19,518,798
Accrued interest		1,877,895	1,697,906
Resident deposits		3,154,014	2,399,472
Entrance fees payable		25,628,166	26,288,395
Deferred revenue - entrance fees		114,311,832	110,984,576
Deferred energy costs		1,015,777	1,078,129
Annuities payable		1,078,765	1,070,867
Obligations under operating leases		3,470,358	3,725,215
Obligations under financing leases		1,274,185	973,965
Long-term debt - senior living		263,086,850	276,971,925
Long-term debt - low income housing		37,043,633	32,592,519
Total liabilities		505,343,261	505,460,682
Net assets:			
Without donor restrictions (including tax credit equity of $61,405,216 and $64,943,572 respectively)		185,269,469	177,578,399
With donor restrictions		28,076,409	25,551,909
Total net assets		213,345,878	203,130,308
Total liabilities and net assets	$	718,689,139	708,590,990

See accompanying notes to consolidated financial statements.

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

		2019	2018
Revenues and other support:			
Resident services			
Resident services	$	225,643,302	220,991,751
Amortization of entrance fees		18,164,508	17,963,456
Implicit price concession		(2,235,673)	(2,575,991)
Total resident services		241,572,137	236,379,216
Sales of other services and materials		260,120	354,867
Net rental income and developers' fees		707,793	493,157
Contributions, gifts, grants and bequests		646,095	904,182
Net assets released from restrictions		1,265,918	1,002,817
Total operating revenues and other support		244,452,063	239,134,239
Cost of services provided:			
Nursing services		61,993,416	60,361,669
Rehabilitation		16,825,525	17,680,682
Recreation and special services		6,522,813	6,293,347
Pharmacy		3,455,897	3,475,633
Social services		1,688,939	1,626,183
Physician services		754,176	753,900
Food services		25,958,211	25,185,820
Building operations and maintenance		34,678,581	33,621,437
Housekeeping		4,244,349	4,179,006
Laundry and linen		1,336,190	1,189,883
General and administrative		33,946,633	34,819,471
Employee benefits		14,479,462	11,682,369
Interest		9,685,825	9,600,983
Depreciation		28,706,696	27,382,443
Amortization		534,709	95,069
Fundraising		951,268	932,942
Total cost of services provided		245,762,690	238,880,837
(Deficiency) excess of revenues and other support over expenses		(1,310,627)	253,402
Other income (expense):			
Investment income, net of investment expense		2,406,333	2,581,386
Realized gain (loss) on investments		2,004,623	(2,861,915)
Unrealized gain on investments		4,667,428	1,290,869
Gain (loss) on sale of property and equipment and other assets		110,983	(21,665)
Total other income		9,189,367	988,675
Excess of revenues and other support over expenses and losses		7,878,740	1,242,077

See accompanying notes to consolidated financial statements.

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

	2019	2018
Net assets without donor restrictions		
Excess of revenues and other support over expenses and losses	$ 7,878,740	1,242,077
Change in fair value of interest rate swap	–	5,950
Loss on early extinguishment of debt	(165,422)	(122,288)
Loss on impairment of asset	(872,013)	(384,945)
Equity received from tax credit limited partners	849,765	5,371,843
Change in net assets without donor restrictions	7,691,070	6,112,637
Net assets with donor restrictions		
Contributions, gifts, grants and bequests	1,387,401	931,511
Investment income, net of investment expense	169,594	154,709
Unrealized gain (loss) on investments	2,233,423	(1,692,125)
Net assets released from restrictions	(1,265,918)	(1,002,817)
Change in net assets with donor restrictions	2,524,500	(1,608,722)
Change in net assets	10,215,570	4,503,915
Net assets, beginning of year	203,130,308	198,626,393
Net assets, end of year	$ 213,345,878	203,130,308

See accompanying notes to consolidated financial statements.

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	10,215,570	4,503,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		28,706,696	27,382,443
Provision for implicit price concession and bad debt		1,971,479	3,269,081
Proceeds from non-refundable entrance fees and deposits		29,040,745	29,952,254
Amortization of entrance fees		(18,164,508)	(17,963,456)
Loss on early extinguishment of debt		165,422	122,288
Change in fair value of interest rate swaps		–	(5,950)
Unrealized (gain) loss on investments and change in fair value of funds held in trust by others		(6,900,851)	401,256
Realized (gain) loss on investments		(2,004,623)	2,861,915
(Gain) loss on sale of property and equipment and other assets		(110,983)	21,665
Contributions restricted for long-term purposes		(59,112)	(156,494)
Amortization of deferred costs		80,608	95,069
Amortization of deferred financing costs		233,946	231,173
Amortization of bond premium		(26,761)	(17,030)
Amortization of goodwill		454,101	–
Loss on impairment of asset		872,013	384,945
Decrease in deferred energy costs		(62,352)	(62,352)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable		997,104	(825,195)
(Increase) decrease in entrance fee receivable		(661,923)	2,323,194
Decrease (increase) in promises to give		10,572	(15,710)
Increase in other assets		(2,290,427)	(234,893)
Increase in accounts payable		1,739,873	2,327,208
Increase (decrease) in accrued expenses		3,484,197	(575,962)
Net cash provided by operating activities		47,690,786	54,019,364
Cash flows from investing activities:			
Acquisition of property and equipment, net of disposals		(38,152,133)	(34,679,773)
Purchases of investments		(43,204,221)	(92,985,009)
Proceeds from sale of investments		24,149,964	111,072,485
Net cash used in investing activities		(57,206,390)	(16,592,297)
Cash flows from financing activities:			
Refunds of entrance fees and deposits		(6,794,439)	(7,690,772)
Change in entrance fees payable		(660,229)	(2,428,994)
Principal payments on and redemptions of long-term debt		(14,359,215)	(14,592,453)
Proceeds from issuance of long-term debt		19,518,074	41,765,620
Refunding, refinancing or payoff of long-term debt		(14,882,520)	(13,284,591)
Proceeds from sale of treasury bonds		50,000	6,197,712
Financing costs incurred		(132,907)	(401,839)
Net borrowings (repayments) on lines of credit		679,992	(1,364,226)
Borrowings through financing leases		760,342	898,069
Repayments on financing leases		(460,122)	(257,421)
Contributions restricted for long-term purposes		59,112	156,494
Increase (decrease) in annuities payable		7,898	(110,640)
Net cash (used in) provided by financing activities		(16,214,014)	8,886,959
Net (decrease) increase in cash and cash equivalents		(25,729,618)	46,314,026
Cash, cash equivalents, and restricted cash, beginning of year			
Unrestricted		7,285,644	6,982,469
Restricted		65,090,211	19,079,360
		72,375,855	26,061,829
Cash, cash equivalents, and restricted cash, end of year			
Unrestricted		16,490,275	7,285,644
Restricted		30,155,962	65,090,211
	$	46,646,237	72,375,855

See accompanying notes to consolidated financial statements.

(1) General Information

PHI (d.b.a. Presbyterian Senior Living) (the Corporation), a not-for-profit corporation, is the parent corporation of Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Presbyterian Homes in the Presbytery of Huntingdon Foundation, Presbyterian Senior Living Services, Inc. d.b.a. Glen Meadows Retirement Community, Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., PHI Services, Inc., Cathedral Village, Presbyterian Apartments, Inc., Geneva House, Inc., Schartner House Associates LP, Westminster Place at Parkesburg, LP, Westminster Place at Windy Hill LP,I, Westminster Place at Carroll Village LP,I, Stewartstown Courtyard LP, Westminster Place at Bloomsburg, LP, Westminster Place at Ware Presbyterian Village, LP, Westminster Place at The Long Community LP, Westminster Place at Quincy Village LP, Silver Spring Courtyards, LP, SS Gardens LP, Shrewsbury Courtyards Associates LP, Shrewsbury Courtyards II Associates, S Overlook LP, Stony Brook Gardens LP, PHI Stadium Place Senior Care, Inc., Northampton Place at Easton, LP, Westminster Place at Queen Street LP, Long Crest Senior Housing LP, Ross Presbyterian Senior Housing LP, The Shepherds in Monroe County, Inc., Wisteria Commons Senior Housing LP, Oaks Senior Community LP, Barrett School Senior Living LP, Westminster Place at Ware Senior Housing, Westminster Place at Windy Hill LP,II, and Presbyterian Senior Living Housing Management Corporation, which are controlled affiliates of Presbyterian Senior Living. The Corporation also owns 46 percent of Prelude Systems, Inc., an information technology services organization.

The Corporation serves as a management company for the above affiliates and is governed by a Board of Trustees. Some of the management employees and members of the Board of Trustees are also members of the Board of Directors of certain affiliated entities. The Corporation's affiliates do business primarily in Pennsylvania, but also in Maryland, Ohio and Delaware.

The following table details the number of beds/units that the Corporation operates as of December 31, 2019:

	Total	Nursing Beds	Personal Care/ Assisted Living	Independent Living	HUD/ Tax Credit
Presbyterian Homes Obligated Group	3,085	1,076	511	1,498	—
Glen Meadows Retirement Community	268	31	36	201	—
Presbyterian Apartments	165	—	—	136	29
Geneva House	64	—	—	—	64
Rental Communities	1,125	—	—	70	1,055
	4,707	1,107	547	1,905	1,148

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Corporation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. All material intercompany transactions have been eliminated.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

(b) Income Taxes

PHI, Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Presbyterian Homes in the Presbytery of Huntingdon Foundation, Presbyterian Senior Living Services, Inc. d.b.a. Glen Meadows Retirement Community, Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., PHI Services, Inc., Cathedral Village, Presbyterian Apartments, Inc., Geneva House, Inc., and Presbyterian Senior Living Housing Management Corporation are not-for-profit organizations 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. Low Income Housing Tax Credit entities are described in Note (2)(y) herein.

The Corporation follows the Financial Accounting Standards Board (FASB) accounting standard for accounting for uncertainty in income taxes. This standard clarifies the accounting for uncertainty in income taxes in a company's consolidated financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met.

The standard also provides guidance on derecognition, classification, interest and penalties, and disclosure. Management has determined that this standard does not have a material impact on the consolidated financial statements.

The Corporation's federal Exempt Organization Business Income Tax Returns and federal and Pennsylvania Partnership Returns for the years ended December 31, 2016, 2017, and 2018, remain subject to examination by the Internal Revenue Service and state authorities.

(c) Use of Estimates

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

(d) Cash and Cash Equivalents

The Corporation considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents, for the purposes of the consolidated statements of financial position and cash flows, except for those included in investments or assets whose use is limited. The Corporation's cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 per bank. At times during 2019 and 2018, the Corporation's cash balances may have exceeded the FDIC coverage. The Corporation has not experienced any loss in these accounts.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

		2019	**2018**
Cash and cash equivalents	$	14,558,254	3,759,797
Cash and cash equivalents in investments		1,932,021	3,525,847
Restricted cash in investments		1,081,810	17,980,396
Restricted cash in restricted deposits and funded reserves		10,543,411	13,270,660
Restricted cash in assets whose use is limited		18,530,741	33,839,155
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$	46,646,237	72,375,855

Restricted cash included in investments on the consolidated statements of financial position includes amounts held for benevolent care, resident deposits and other donor restricted contributions. Restricted cash included in restricted deposits and funded reserves includes the Maryland Department of Aging Operating Reserve, other escrow accounts required under the low income housing guidelines, and the Obligated Group's statutory liquid reserves. Restricted cash in assets whose use is limited represents cash held by a trustee under the terms of various bond indentures and permanently restricted investments.

(e) Investments

Investments in securities and mutual funds with readily determinable fair values are measured at fair value, as determined by a national exchange, on the consolidated statements of financial position. Alternative investments are not readily marketable and are presented at estimated fair value using net asset value per share as a practical expedient as determined by the investment managers. Alternative investments are held in private investment partnerships, which include publically traded securities, real estate and natural resources. Partnership agreements specify the type of investments held, liquidity, manager compensation, and other funding requirements. Management reviews, evaluates and monitors the values provided and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Annual independent audits of each private investment partnership are provided and included in management's review.

(f) Accounts Receivable

Accounts receivable are shown net of allowance for implicit price concessions as follows as of December 31:

		2019	2018
Total accounts receivable	$	18,666,629	21,349,201
Less: allowance for implicit price concession		(667,717)	(1,043,629)
Accounts receivable, net	$	17,998,912	20,305,572

The Corporation reports estimated uncollectable balances associated with resident responsibility as a reduction in revenues. The majority of these amounts that were historically classified as bad debt expense are now considered an implicit price concession in determining net revenue from resident services. This estimate is based on payor history and is analyzed on a quarterly basis to ensure reasonableness.

(g) Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves are measured at fair value on the consolidated statements of financial position and include the Maryland Department of Aging Operating Reserve, other escrow accounts required under the low income housing guidelines, and the Obligated Group's statutory liquid reserves. The Continuing Care Provider Registration and Disclosure Act in Pennsylvania requires a working capital reserve equivalent to the greater of the total debt service payments due during the next 12 months on account of any loan or long-term financing, or 10% of the projected annual operating expenses of the Corporation exclusive of depreciation. The reserve is computed on only the proportional share of financing or operating expenses that are applicable to Residence and Care Agreements.

(h) Assets Whose Use is Limited

Assets whose use is limited primarily include assets held by a trustee under the terms of various bond indentures and future projects along with donor restricted investments.

(i) Promises to Give

The Corporation records material unconditional promises to give due in more than one year at the net present value less a discounted uncollectable amount as follows as of December 31:

		2019	2018
Promises to give	$	436,158	441,191
Less: unamortized discount		(21,523)	(24,415)
Subtotal		414,635	416,776
Less: allowance for uncollectables		(44,594)	(36,163)
Net promises to give	$	370,041	380,613

Promises to give as of December 31, 2019, are due as follows:

Amounts due in:		
Less than one year	$	227,283
One to five years		208,875
	$	436,158

(j) Property and Equipment

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

Depreciable lives are determined as follows:

Land improvements	3-35 years
Buildings and improvements	5-75 years
Departmental equipment, furniture and fixtures	1-40 years
Furniture	5-25 years
Vehicles	4-5 years

(k) Finance and Operating Leases

The Corporation adopted the new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, on a retrospective basis without the use of any practical expedients. As a result of the adoption of the new lease accounting guidance, the Corporation recognized on January 1, 2018 (the beginning of the earliest period presented), operating lease right-of-use assets and operating lease obligation of $4,236,232. The capital leases were reassessed by the Corporation and classified as financing leases under the new guidance, with no consolidated financial statement impact.

Financing leases are stated at cost. Depreciation is being provided on the straight-line method over the shorter of estimated useful lives of assets, or the lease term for financing leases. Operating leases are stated at the present value of future lease payments. The sum of the lease payments are amortized on a straight-line basis as payments are made, with each payment being charged to lease expense and the corresponding credit to lease liability.

(l) Costs of Borrowing

The average cost of capital during the period of construction of capital assets is capitalized as a component of construction-in-progress. Interest of $1,212,002 and $306,725 was capitalized in 2019 and 2018, respectively.

(m) Funds Held in Trust by Others

The Corporation has been named as a beneficiary of several trusts which are administered and controlled by independent trustees. The trusts are recorded as contribution revenue when the Corporation is notified of the trust's existence. The Corporation receives the earnings from these trusts whose principal is to be held in perpetuity. The earnings from the trusts are reported as investment income, increasing net assets without donor restrictions.

Assets held in trust by others are valued based on the estimated fair value of the underlying investments. The change in the fair value of assets held in trust by others is reported as unrealized gains or losses on investments in change in net assets with donor restrictions.

Also included in funds held in trust by others are gift annuities and contributions receivable from charitable remainder trusts that are held by an independent trustee. Periodic payments are made until the death of the annuitant. These annuities are recorded at the present value of the annuity amount discounted at the contract rate over the estimated remaining life of the annuitant.

(m) Funds Held in Trust by Others (continued)

A summary of these funds as of December 31 is as follows:

		2019	2018
Beneficial interest in perpetual trusts	$	18,696,588	16,592,648
Gift annuities		15,548	15,565
Contributions receivable from remainder trusts		609,657	780,131
	$	19,321,793	17,388,344

(n) Derivatives and Hedging Activities

The Corporation utilized an interest rate swap agreement to hedge variable interest rates but elected not to elect hedge accounting for these agreements.

The Corporation's interest rate swap was carried as a liability as determined by a third party. Changes in fair value are reported on the consolidated statements of operations and changes in net assets as a component of change in net assets without donor restrictions. For 2018 the final adjustment to the liability was recorded causing a gain of $5,950. This adjustment represented the decrease in the liability of the interest rate swap due to expiration.

The interest rate swap expired on October 31, 2018.

(o) Deferred Financing Costs

The Corporation has deferred the costs incurred for obtaining the proceeds of its long-term debt arrangements. These costs are being amortized over the term of the related financings using the straight-line method which approximates the effective interest method. The Corporation incurred financing costs of $132,907 and $401,839, for the years ended 2019 and 2018, respectively. The Corporation refunded $88,072 in financing costs, which is included in loss on early extinguishment of debt for the year ended December 31, 2019. Amortization expense is expected to be $186,708, $157,646, $154,247, $152,305, and $151,808 for the next five years, respectively. Unamortized deferred financing costs are a direct deduction from the associated long-term debt included on the consolidated statements of financial position.

(p) Workers' Compensation

Accrued expenses include a provision for estimated self-insured workers' compensation claims for both reported claims not yet paid and claims incurred but not reported.

(q) Resident Deposits

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

(r) Deferred Revenue – Entrance Fees

The Corporation follows the FASB guidance regarding refundable entrance fees. This guidance clarified that an entity should classify an advance fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advanced fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability.

The Corporation does not amortize the guaranteed refundable portion of the entrance fees. This portion of the entrance fee is reflected as a liability on the consolidated statements of financial position. The amount of entrance fees guaranteed refundable to residents as of December 31, 2019 and 2018, under contractual refund provisions was $25,628,166 and $26,288,395, respectively.

(s) Obligation to Provide Future Service

The Corporation periodically calculates the present value of the net costs of future services and the use of facilities to be provided to current residents and compares that with the balance of deferred revenue - entrance fees. If the present value of the net costs of future services and the use of facilities exceeds deferred revenue - entrance fees, a liability is recorded with the corresponding change to income. As a result of the calculation, using a rate of 5.5%, the present value of the net cost of future services and use of facilities did not exceed deferred revenue - entrance fees; accordingly, no obligation was recorded for the years ended December 31, 2019 or 2018.

(t) Goodwill

Goodwill represents the excess of purchase price over fair value of the assets, management contracts, and staff of Springwood Property Management and the appraised value over the book value of the assets of Cathedral Village at the time of affiliation. The Corporation adopted the Accounting Standards Update No. 2019-06, *Intangibles - Goodwill and Other (Topic 350)*, which states a not-for-profit entity should amortize goodwill over 10 years, or less than 10 years if the not-for-profit entity demonstrates that a shorter useful life is more appropriate. As a result of the adoption of the new standard, the Corporation amortized $454,101 related to goodwill for the year ended December 31, 2019.

(t) Goodwill (continued)

Goodwill is evaluated at the entity level for impairment if an event occurs or circumstances change that indicate that the fair value of the entity may be below its carrying amount. The Corporation qualitatively assesses goodwill for impairment prior to completing a quantitative analysis of potential goodwill impairment. Under the qualitative approach, the Corporation assesses the likelihood that the fair value is greater than the carrying value. If the Corporation determines that it is more likely than not that the fair value is greater than the carrying value, then the quantitative analysis is not required. No impairment was recognized in the years ended December 31, 2019 or 2018, as the Corporation concluded it was more likely than not that the fair value exceeded the carrying value.

(u) Deferred Energy Costs

In October 2014, Cathedral Village entered into an agreement to improve the efficiency and reduce the cost of its electric utility service by installing gas-fired turbines and associated equipment to provide electricity and hot water to a portion of Cathedral Village's facilities. The project was completed on April 15, 2016. Upon completion of the project, the equipment was transferred to Cathedral Village and Cathedral Village was then responsible to pay minimum quarterly payments of $94,322, increasing 1.3% on each contract anniversary date for twenty years, expiring in 2035. The amount of equipment transferred to Cathedral Village totaled $1,247,000 and is included in property and equipment. A corresponding long-term deferred energy cost was also recorded. The deferred energy cost is being amortized over the life of the agreement and is included in building operations and maintenance expense.

(v) Net Assets

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

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

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

(w) Donor Restrictions

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

(w) Donor Restrictions (continued)

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

Contributions, including unconditional promises to give, are recognized as revenues when the promise to give is first made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of contribution.

(x) Resident Services Revenue and Business Concentration

Resident services revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government payors), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the residents and third-party payors monthly or several days after the services are performed or the resident is discharged from the facility. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation 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 in the Corporation’s facilities receiving skilled nursing care, assisted living services, personal care, independent living services or services performed in accordance with a resident agreement. The Corporation measures the performance obligation from admission to a level of care provided at the Corporation’s facilities to the point when the Corporation is no longer required to provide services to that resident, which is generally at the time of discharge or satisfactory completion of nursing, personal care or assisted living services. Revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to the resident in a retail setting (for example, pharmaceuticals and medical equipment), and the Corporation does not believe it is required to provide additional goods or services related to that sale.

(x) Resident Services Revenue and Business Concentration (continued)

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to residents in accordance with the Corporation's policy, or implicit price concessions provided to residents who qualify for charity care. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience with this class of residents.

Agreements with third-party payors provide for payments at amounts more or less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** Skilled nursing services provided to Medicare beneficiaries are paid under the terms of a prospective payment system ("PPS") at predetermined rates based on clinical, diagnostic, and other factors.

- **Medicaid:** Nursing services provided to Medicaid beneficiaries are paid at prospectively determined rates per day or rates negotiated with Medicaid Managed Care organizations for facilities located in southwest and southeast Pennsylvania. These rates vary according to a resident classification system that is based on clinical diagnosis and other factors, and the reimbursement methodology is subject to various limitations and adjustments. The Corporation's current concentration of skilled nursing facilities in Pennsylvania exposes it to the risk of changes in Medicaid reimbursement in this state. Rates are calculated by Pennsylvania's Department of Human Services (DHS) on a quarterly basis. They are published in the Pennsylvania Bulletin prior to being finalized. As of December 31, 2019, the rates for July 1, 2019, through December 31, 2019, have not been finalized. Revenues have been accrued based on proposed rates for this period. In January 2005, the Centers for Medicare and Medicaid Services (CMS) approved a Pennsylvania State Plan amendment implementing a Nursing Home Assessment (the Assessment). The Assessment requires all Pennsylvania nursing homes, except for county homes, to pay a fee to DHS based upon all non-Medicare days. The DHS makes supplemental payments back to nursing home facilities, based upon a standard rate per Medicaid day claimed. The supplemental and assessment amounts per day have been approved by the CMS. For the years ended December 31, 2019 and 2018, the Corporation received or will receive approximately $2,400,000 and $2,100,000, respectively, in additional revenue for the net effect of this assessment and supplement.

- **Other:** Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(x) Resident Services Revenue and Business Concentration (continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such challenges would have upon the Corporation. In addition, the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims. The Department of Housing and Urban Development (HUD) and tax credit entities' operations are concentrated in the multifamily senior rental real estate market. In addition, these entities operate in a heavily regulated environment. The operations of these entities are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the Internal Revenue Service, Pennsylvania Housing Finance Agency (PHFA) and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by a regulatory agency. Such changes may occur with little notice or inadequate funding to pay for the related cost to comply with a change, including the additional administrative burden.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Corporation'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 new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations.

As noted in Note (2)(z) Charity Care, services may be provided without charge or at amounts less then established rates, to residents who meet certain need-based criteria. In addition, the Corporation has determined it 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 Corporation expects to collect based on its collection history with those residents. Such amounts determined to qualify as charity are not reported as revenue.

(x) Resident Services Revenue and Business Concentration (continued)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured residents and offers those uninsured residents a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The Corporation has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

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

The composition of resident services revenue by payor and level of care for the year ended December 31, 2019, is as follows:

	Independent Living	Personal Care/Assisted Living	Health Center	Outpatient	Rental/ Affordable	Other	Total
Private Pay	$ 74,647,483	30,909,808	32,857,622	507,273	12,275,682	33,930	151,231,798
Medicare	1,530,550	2,531,915	36,418,627	16,506	—	—	40,497,598
Medicaid	—	—	46,552,197	256,747	—	—	46,808,944
Other	26,580	—	1,602,371	199,815	—	1,205,031	3,033,797
	$ 76,204,613	33,441,723	117,430,817	980,341	12,275,682	1,238,961	241,572,137

(x) Resident Services Revenue and Business Concentration (continued)

The composition of resident services revenue by payor and level of care for the year ended December 31, 2018, is as follows:

	Independent Living	Personal Care/Assisted Living	Health Center	Outpatient	Rental/ Affordable	Other	Total
Private Pay	$ 72,481,881	29,563,811	29,415,397	553,480	11,186,414	27,900	143,228,883
Medicare	1,859,568	3,252,770	39,080,067	17,485	—	—	44,209,890
Medicaid	—	—	45,842,514	355,991	—	—	46,198,505
Other	35,071	154	1,361,684	203,059	—	1,141,970	2,741,938
	$ 74,376,520	32,816,735	115,699,662	1,130,015	11,186,414	1,169,870	236,379,216

Revenues from Medicare and Medicaid represent approximately 36% and 38% of revenues for the years 2019 and 2018, respectively. Medicare and Medicaid receivables represent approximately 44% and 53% of accounts receivable as of December 31, 2019 and 2018, respectively.

(y) Low Income Housing Tax Credits

Presbyterian Senior Living is the majority managing general partner in nineteen limited partnerships which have been qualified and allocated low-income housing tax credits to construct living facilities for seniors pursuant to Internal Revenue Code Section 42 (“Section 42”), which regulates the use of the facilities as to the occupant income eligibility and the unit gross rent, among other requirements. The facilities must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits. In addition, the partnerships have each executed restrictive covenants which require utilization of the facilities pursuant to Section 42 for a minimum of 30 years.

Sixteen of these partnerships have an investor limited partner which provides the majority of the funds required to construct the facilities in exchange for use of the tax credits. After fifteen years Presbyterian Senior Living has the right of first refusal to acquire all partnership interests at a price equal to the outstanding indebtedness of the partnership plus taxes related to the transfer. Four partnerships are fully owned by Presbyterian Senior Living as of December 31, 2019.

The amount of equity provided by the investor limited partners is included on the consolidated statements of financial position in net assets without donor restrictions as a non-controlling interest (labeled as tax credit equity), and the amount received in the current year on the consolidated statements of operations and changes in net assets as equity received from tax credit limited partners. As of December 31, 2019 and 2018, investor limited partners had committed an additional $61,405,216 and $64,943,572, respectively, of equity to these partnerships to be funded upon the achievement of specific requirements contained in the partnership agreements.

(y) Low Income Housing Tax Credits (continued)

There are several low interest (below market) loans which have also been used to construct the facilities. The loans are not recourse to Presbyterian Senior Living, and also require Section 42 requirements to be met. Many of the loans require no interest or principal for an extended period as long as Section 42 requirements are met. Some are forgiven after the period of compliance has been completed. The details of these obligations are contained in Note 9.

As part of the allocation of low-income housing tax credits, funding agencies developer fees are awarded and earned based on specific requirements in the partnership agreements. These are included in the consolidated statements of operations and changes in net assets in net rental income and developers' fees.

(z) Charity Care

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

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

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

		2019	2018
Charity care provided at the estimated cost thereof, net of amounts received from residents and third-party payors	$	6,227,948	6,451,396
Additional benevolent care provided at amounts less than pre-established charges for private pay services		36,722,231	34,539,463
Giving and income designated for resident financial support		1,119,298	1,091,431

(aa) Contributed Services

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

(ab) Advertising

Advertising costs are expensed in the year incurred. Total advertising expense for the years ended December 31, 2019 and 2018, was $1,008,608 and $837,314, respectively.

(ac) Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in Note 19. This note presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(ad) Fundraising Expenses

Fundraising expenses incurred by the Corporation are included in fundraising on the consolidated statements of operations and changes in net assets.

(ae) Performance Indicator

The Corporation measures the performance of its operations using the consolidated statements of operations and changes in net assets, which includes a performance indicator of operations labeled as "excess of revenues and other support over expenses and losses." Changes in net assets without donor restrictions which are excluded from this measure are equity received from tax credit limited partners, loss on early extinguishment of debt, loss on impairment of asset, and change in value of interest rate swap.

(af) Consolidated Statements of Cash Flows

Interest paid during the years ended December 31, 2019 and 2018, was $10,510,654 and $9,196,289, respectively.

(ag) Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the presentation of 2019.

(ah) Subsequent Events

The Corporation has evaluated subsequent events through April 13, 2020, which is the date the consolidated financial statements were issued.

(Continued)

(3) Investments

The fair value of investments as of December 31 is as follows:

		2019	2018
Money market funds	$	32,087,983	68,616,058
Marketable equity securities		2,931,109	3,530,147
Equity securities		17,729,159	19,344,592
Fixed income securities		50,550,813	19,395,462
Alternative investments		23,254,312	26,168,910
		126,553,376	137,055,169
Less:			
Restricted deposits and funded reserves (Note 5)		(26,607,189)	(28,518,903)
Assets whose use is limited (Note 6)		(24,644,532)	(34,674,578)
Total investments	$	75,301,655	73,861,688

(4) Liquidity

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

		2019	2018
Cash and cash equivalents	$	14,558,254	3,759,797
Investments		74,219,845	55,881,292
Accounts receivable		17,998,912	20,305,572
Promises to give		227,283	258,314
	$	107,004,294	80,204,975

The Corporation's endowment fund consists of donor-restricted funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures.

As a part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Corporation has committed lines of credit that total $22,500,000 and $24,500,000 (Note 10) as of December 31, 2019 and 2018, respectively, that it draws upon as needed. As of December 31, 2019 and 2018, the lines of credit had approximately $2,300,000 and $5,000,000, respectively, available to draw upon.

(5) Restricted Deposits and Funded Reserves

As of December 31, restricted deposits and funded reserves which are carried at market value consisted of the following:

		2019	2018
Deposits restricted for low income housing projects	$	12,182,620	12,370,857
Statutory liquid reserves		12,216,204	14,414,768
Operating reserve fund		2,208,365	1,733,278
	$	26,607,189	28,518,903

(6) Assets Whose Use is Limited

As of December 31, assets whose use is limited which are carried at market value consisted of the following:

		2019	2018
Investments perpetually restricted by donor	$	5,476,564	5,381,082
Debt service reserve funds		758,206	748,331
Held by trustee - for future projects		17,324,107	25,737,965
Bond funds		306,973	2,143,503
Assets designated for renovation and charity care		778,682	663,697
	$	24,644,532	34,674,578

(7) Related Party Transactions

Prelude Systems, Inc. (Prelude) is a joint venture between the Corporation and Diakon Lutheran Social Ministries (Diakon). Prelude is an information technology services organization with a wide range of programs designed to support the information systems needs of Presbyterian Senior Living and Diakon as well as other health care and community service organizations. Presbyterian Senior Living's investment in Prelude is 46% and is accounted for under the equity method of accounting. It is included in investments in marketable equity securities and totaled $1,260,835 and $1,134,554 as of December 31, 2019 and 2018, respectively. During 2019 and 2018, Presbyterian Senior Living incurred expenses related to Prelude of approximately $2,080,000 and $2,070,000, respectively, for information technology services provided by Prelude, of which $222,346 and $235,579 was included in accounts payable as of December 31, 2019 and 2018, respectively.

(7) Related Party Transactions (continued)

Following is summarized financial information of Prelude as of and for the years ended December 31:

		2019	2018
Assets	$	6,181,971	5,171,487
Liabilities		3,441,026	2,705,065
Equity		2,740,945	2,466,422
Sales		14,825,969	14,768,518
Net income		474,523	724,946

(8) Property and Equipment

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

		2019	2018
Land	$	62,070,420	68,937,339
Land improvements		41,616,785	40,948,550
Buildings and improvements		690,749,969	678,400,716
Departmental equipment, furniture and fixtures		73,213,789	70,069,499
Vehicles		3,104,508	2,838,435
Construction-in-progress		34,553,337	13,394,709
		905,308,808	874,589,248
Accumulated depreciation		(385,795,962)	(357,692,916)
	$	519,512,846	516,896,332

As the Corporation undertakes expansion projects and improvement projects, costs are included in construction-in-progress. As projects are completed, the costs are transferred to buildings and building improvements. Ongoing improvement and expansion is anticipated in the normal course of operations.

Construction-in-progress consists of construction costs incurred for various renovation and expansion projects at the Corporation's existing facilities. As of December 31, 2019 and 2018, commitments for future construction totaled approximately $43,700,000 and $4,600,000, respectively.

During 2019, management decided to sell three parcels of land that have not yet been developed. The current value of the land has been moved to assets held for sale and the additional costs incurred to date have been expensed to loss on impairment of asset.

(9) Long-term Debt

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

	2019	2018
1995 Series A Revenue Note to First National Bank, payable in equal monthly installments of principal and interest, interest sufficient to amortize the principal balance to July 2026, the note bears a floating interest rate which was 2.69% for December 31, 2019 and 2018, interest will be reset in three year increments	$ 1,047,157	1,230,401
Series 2002 Huntingdon County Industrial Development Authority, Mortgage Revenue Note, payable to First National Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to April 2023, the note bears a floating interest rate, interest will be reset in five year increments and was 1.76% as of December 31, 2019 and 2018	203,716	259,045
Cumberland County Municipal Authority Revenue Bonds Series 2003B, variable rate bonds, held by First National Bank, principal maturities in varying amounts from 2016 to 2032, interest fixed at 3.80%	5,660,000	5,970,000
Series 2005 College Township Revenue Bonds, held by First National Bank, payable in equal installments to include principal and interest through September 2026, the bonds bear a floating interest rate, which will reset in five year increments and was 3.67% as of December 31, 2019 and 2018	1,655,054	1,866,817
Cumberland County Municipal Authority Revenue Bonds Series 2008A, principal due in varying annual amounts from 2016 to 2019, interest rates ranging from 5.00% to 5.25%	—	1,465,000
Cumberland County Municipal Authority Revenue Bonds Series 2013A, held by Key Bank, principal due in varying annual amounts from 2016 to 2026, interest is fixed at 3.11%, interest will be reset in ten year increments	6,261,208	6,409,124

(9) Long-term Debt (continued)

	2019	2018
Cumberland County Municipal Authority Revenue Bonds Series 2008C, variable rate bonds, converted to fixed rate bonds in 2013, principal maturities in varying amounts from 2016 to 2026, interest rates ranging from 3.80% to 4.00%	13,730,000	13,990,000
York County Industrial Development Authority Bonds Series 2010, held by First National Bank, principal due in varying annual amounts from 2016 to 2033, the bonds bear a floating interest rate, which was 2.76% and 3.28% as of December 31, 2019 and 2018, respectively	14,737,782	15,546,584
Bank of America taxable ten year term loan, principal due in varying amounts, extended in 2016 to be due in December 2026 with the option to extend all or a portion of the remaining balance over the remaining 25-year amortization period. The bonds bear a floating interest rate which resets in five year increments, and was 3.85% as of December 31, 2019 and 2018	10,017,081	10,425,752
General Municipal Authority of the Township of Manheim Revenue Bonds Series 2011, held by M&T Bank, principal maturities based on a twenty year repayment schedule, interest is fixed at 4.13% as of December 31, 2019 and 2018	6,818,224	7,266,737
Quincy Sewer Authority Revenue Bonds Series 2012, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to August 15, 2032, interest was fixed at 4.17% as of December 31, 2019 and 2018	7,098,302	7,535,950
Uwchlan Township Industrial Development Authority Revenue Note Series 2012, held by First National Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to June 2032, interest is fixed at 3.50% until June 2022, interest rates will be reset in ten year increments	7,049,510	7,489,990

(9) Long-term Debt (continued)

	2019	2018
General Municipal Authority of the Township of Manheim Bond Series 2012, held by BB&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to September 2032, a call option is available at the lender's discretion in August 2022, interest is fixed at 2.75%, loan was refinanced during 2019 with M&T Bank	—	7,442,100
Cumberland County Municipal Authority Revenue Bonds Series 2013B, held by Key Bank, principal due in varying annual amounts from 2013 to 2022, interest is fixed at 3.11% as of December 31, 2019 and 2018	3,594,636	3,800,886
Uwchlan Township Industrial Development Authority Revenue Bonds Series 2013, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to June 2033, interest was fixed at 4.17% and 3.60% as of December 31, 2019 and 2018, respectively	7,555,043	7,977,035
Indiana County Industrial Development Authority Revenue Bonds Series 2013, held by BB&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to November 15, 2033, interest is fixed at 3.48%, loan was refinanced during 2019 with M&T Bank	—	8,083,445
Philadelphia Authority for Industrial Development Gross Revenue Bonds, Series 2013, no principal payment due until April 2017, the bonds consist of term bonds which mature at various dates from April 2023 to April 2039, interest varies between 4.81% and 5.00%	8,475,000	8,720,000
Northampton and Blair County Industrial Development Authority Revenue Bonds Series 2014, held by Bank of America, principal due in varying amounts annually, a call options is available at the lender's discretion in November 2028, interest rate was fixed at 3.63% until November 2028, interest will be reset in ten year increments	9,631,500	9,698,500

(9) Long-term Debt (continued)

	2019	2018
Blair County Hospital Authority Revenue Bonds Series 2014, tax exempt bonds, bank qualified debt, held by Bank of America, principal due in varying amounts annually, interest was fixed at 3.63% until November 2028, interest will be reset in ten year increments	9,631,500	9,698,500
Uwchlan Township Industrial Development Authority Revenue Bonds Series 2015, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to May 2035, interest is fixed at 2.92% until May 2025, interest rates will be reset in ten year increments	8,210,958	8,622,033
Northampton County Industrial Development Authority Revenue Bonds Series 2015, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to May 2035, interest is fixed at 2.80% until May 2025, interest rates will be reset in ten year increments	8,239,239	8,652,579
People's Bank taxable ten year term loan, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to July 31, 2025, interest is variable and was 3.75% and 4.38% as of December 31, 2019 and 2018, respectively	3,624,356	4,185,389
First National Bank taxable ten year term loan, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to July 31, 2025, interest is variable and was 3.80% and 4.45% as of December 31, 2019 and 2018, respectively	3,656,289	4,214,999
Abington Township Industrial and Commercial Development Authority Revenue Bonds, Series 2015, held by First National Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to October 2035, interest is variable and was 2.35% as of December 31, 2019 and 2018, interest rates will be reset in five year increments	8,291,854	8,717,925

(9) Long-term Debt (continued)

	2019	2018
Cumberland County Municipal Authority Revenue Bonds Series 2015A, held by Bank of America, principal due in varying monthly amounts through maturity in December 2021, interest is fixed at 2.28%	3,398,363	5,040,358
Cumberland County Municipal Authority Revenue Bonds Series 2015B, held by Bank of America, principal due in varying annual amounts from 2016 to 2038, interest is fixed and was 3.23% as of December 31, 2019 and 2018, interest resets in ten year increments	8,672,798	9,019,505
Cumberland County Municipal Authority Revenue Bonds Series 2015 C and Series 2008 C, held by Bank of America, principal due in varying amounts from 2015 to 2038, interest is variable and was 2.45% and 2.88 % as of December 31, 2019 and 2018, respectively	14,019,333	14,253,333
Quincy Sewer Authority Series 2016 bonds held by TD Bank, principal due in varying annual amounts from 2017 to 2042, interest is fixed at 2.40% until 2021, interest rates will be reset in five year increments	18,502,154	19,112,254
Bank of America taxable ten year term loan, principal due in varying amounts through 2034, due in May 2026 with the option to extend all or a portion of the remaining balance over the remaining 25-year amortization period. The bonds bear a floating interest rate which was 3.41% and 4.05% as of December 31, 2019 and 2018, respectively	3,675,408	3,943,262
Pennsylvania Economic Development Financing Authority Revenue Bonds, Series 2018, held by TD Bank, principal due in varying amounts from 2020 to 2044. The bonds bear a fixed rate of interest equal to 3.91% per annum multiplied by a margin rate factor, interest rate was 3.91% as of December 31, 2019 and 2018, interest resets in ten year increments	30,000,000	30,000,000

(9) Long-term Debt (continued)

	2019	2018
Orrstown Bank, taxable ten year term loan, principal and interest are payable in equal monthly installments of $100,483, interest is fixed at 4.15% until April 2022. Thereafter interest will be reset in five year increments, until the loan matures in 2027	11,584,236	12,286,492
Enterprise Community Loan Fund unsecured loan, maximum loan amount of $700,000, principal and interest in varying amounts sufficient to amortize the outstanding balance to November 2023, interest is fixed at 3.00%	207,663	255,767
Enterprise Community Loan Fund unsecured loan, maximum loan amount of $800,000, principal and interest in varying amounts sufficient to amortize the outstanding balance to May 2024, interest is fixed at 3.00%	406,916	490,041
First National Bank loan, during the 12 months only interest was payable, after the 12 month period principal and interest payments sufficient to amortize the loan to October 2034, interest is fixed at 4.15%, will reset every five years	8,021,569	8,455,265
People's Bank bridge loan, principal was payable in full in August 2017, interest was due monthly and was fixed at 3.50% as of December 31, 2016. This loan was extended through November 28, 2020, with monthly payments of $10,457 beginning November 2017, payments are based on a 20 year amortization table, interest is fixed at 4.25% for two years	1,564,057	1,616,270
Mortgage note payable, M&T Bank, up to $2,400,000 loan requires interest payments for the first 16 months followed by a 30 year term with option for a ten year call provision, interest rate of 3.82% and 4.37% as of December 31, 2019 and 2018, respectively	2,334,191	2,369,560
Mortgage note payable, M&T Bank, loan requires monthly principal payments in the amount of $14,334, plus interest, interest rate was 4.29% and 4.92% as of December 31, 2019 and 2018, respectively	2,290,764	2,448,439

(9) Long-term Debt (continued)

	2019	2018
General Municipal Authority of the Township of Manheim Bond Series 2019, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to August 2032, interest is fixed at 2.70% as of December 31, 2019	6,994,082	—
Indiana County Industrial Development Authority Revenue Bonds Series 2019, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to November 15, 2033, interest is fixed at 2.70% as of December 31, 2019	7,663,455	—
	264,523,398	278,559,337
Plus: Unamortized premium	318,788	345,549
Less: Deferred financing costs	(1,755,336)	(1,932,961)
	$ 263,086,850	276,971,925

(9) Long-term Debt (continued)

Long-term debt – low income housing as of December 31 consists of the following:

		2019	2018
HUD Flexible Subsidy Loans payable, principal balance due upon sale of the project building or upon full payment of the HUD mortgage, simple interest of 1.00% payable at the time of principal payments	$	1,671,580	1,671,580
Mortgage payable for building loan provided by HUD, monthly installments of principal and interest, interest rate of 3.00%		—	21,055
Construction loan, maximum of $200,000, provided by First National Bank of Pennsylvania, interest accrues at variable rate equal to one-month LIBOR which was 3.67%		200,000	500
Mortgage note payable, Pennsylvania Housing Finance Agency, non-interest bearing with principal payments being payable out of available cash flow as defined in the Tax Credit Assistance Program (TCAP) agreement. The loan is due April 11, 2042		1,831,168	1,831,168
Mortgage payable, County of York - Housing and Community Development Division, interest accrues at 1.00% per annum, principal will not be paid during the loan period unless the Corporation is found to be in default of any of the terms or conditions outlined in the loan agreement. The loan matures in 2041		1,000,000	1,000,000
Mortgage note payable, Chester County Department of Community Development, interest accrues at 1.00% per annum, compounding annually, interest of $98,674 and $89,143 has been added to the principal balance as of December 31, 2019 and 2018, respectively, principal and accrued interest are to be paid from excess revenue generated by the Westminster Place at Parkesburg project, commencing with the first full calendar year following construction completion, principal and interest will be due the earlier of September 21, 2039, termination of the partnership, refinancing of the project, sale of the project or upon default		962,675	953,144
Mortgage note payable, Chester County Department of Community Development, non-interest bearing with principal payments being deferred until September 21, 2039		641,500	641,500

(9) Long-term Debt (continued)

	2019	2018
Mortgage note payable, Pennsylvania Housing Finance Agency, non-interest bearing, principal is payable out of available cash flow as defined in the Tax Credit Assistance Program agreement, loan is due May 5, 2041. The partnership made payments of $10,200 and $6,150 during 2019 and 2018, respectively, in accordance with the TCAP agreement	1,291,110	1,301,310
Mortgage note payable, Redevelopment Authority of the County of Lancaster, interest accrues at 1.00% per annum on the unpaid principal balance, beginning January 1, 2013. Payment of principal and interest are deferred until the maturity date of August 27, 2042	1,000,000	1,000,000
Mortgage note payable, Pennsylvania Housing Finance Agency, monthly payments of principal and interest to equal $29,035 annually, interest at a rate of 6.25%, principal payments totaling $11,312 and $10,628 were made during 2019 and 2018, respectively. The loan matures December 2034	277,393	288,705
PennHOMES loan, Pennsylvania Housing Finance Agency, non-interest bearing, principal payments to be made when operating cash flow is available for payment, as determined solely by PHFA, with 50% to repay principal on the loan and 50% to be returned on owner equity	1,234,115	1,255,365
PennHOMES loan, Pennsylvania Housing Finance Agency, non-interest bearing, principal payments to be made when operating cash flow is available for payment, as determined solely by PHFA, with 50% to repay principal on the loan and 50% to be returned on owner equity	952,310	983,410
Mortgage note payable, Redevelopment Authority of the County of Cumberland, non-interest bearing, 40 year term loan, payment deferred for 30 years. Principal will be payable out of excess revenues beginning after July 2030, with the remaining principal due July 2040	50,000	50,000
Mortgage note payable, Redevelopment Authority of the County of Cumberland, non-interest bearing, 40 year term loan, payment deferred for 30 years. Principal will be payable out of excess revenues beginning after July 2030, with the remaining principal due July 2040	50,000	50,000

(9) Long-term Debt (continued)

	2019	2018
Mortgage note payable, Pennsylvania Housing Finance Agency, non-interest bearing, principal is payable out of available cash flow as defined in the TCAP agreement. The loan is due May 25, 2041	5,511,662	5,511,662
Mortgages payable, County of York - Housing and Community Development Division, non-interest bearing, principal will not be paid during the loan period unless the Corporation is found to be in default of any of the terms or conditions outlined in the loan agreement. The loan matures in 2040	5,125,000	5,125,000
Mortgage note payable, Community Development Block Grant, non-interest bearing, deferred payment loan from the County of York	175,000	175,000
Mortgages payable, County of York - Housing and Community Development Division, accrues 1.00% interest per annum, with no principal payment required during the loan period unless the Corporation is found to be in default of any terms or conditions outlined in the loan agreement. The loan matures in January 2031	625,000	625,000
Mortgages payable, County of York - Housing and Community Development Division, non-interest bearing, with no principal payment required during the loan period unless the Corporation is found to be in default of any terms or conditions outlined in the loan agreement. The loan matures in January 2031	161,500	—
PennHOMES loan, Pennsylvania Housing Finance Agency, non-interest bearing, principal payments to be made when operating cash flow is available for payment, as determined solely by PHFA, with 50% to repay principal on the loan and 50% to be returned on equity to owners, 30 year term	438,531	455,481
Mortgage note payable, Pennsylvania Housing Finance Agency, monthly payments of principal and interest to equal $2,016, interest rate of 6.25%, with the loan maturing in December 2034	231,109	240,533

(Continued)

(9) Long-term Debt (continued)

	2019	2018
Mortgages payable, County of York - Housing and Community Development Division, accrues 1.00% interest annually, with no principal paid during the loan term provided the Corporation does not commit default. The loan matures April 19, 2034	1,035,000	1,035,000
Mortgages payable, County of York - Housing and Community Development Division, accrues 1.00% interest annually, with no principal payment required until 2037, as long as affordablilty is maintained	2,950,000	2,950,000
Mortgage payable provided through a HUD-insured Section 223(f) mortgage, note bears an interest rate of 3.69% annually and monthly payments in the amount of $11,358 are required, matures on August 1, 2048	2,409,056	2,455,523
Promissory note through the Preservation Through Smart Rehab Program, non-interest bearing with principal payments being required to be made from any surplus of revenues over expenses generated by the project after payment of all project costs during the calendar year as determined by PHFA, the note matures on the earliest of the date of sale of the project, date of termination of the project, or 2042	91,085	91,085
Peoples Security Bank and Trust mortgage loan, required monthly payments of principal and interest, interest at a rate of 4.50%, the note is due November 18, 2027	89,393	98,679
Mortgage note payable to County of Monroe, bears no interest and all payments deferred until April 27, 2031, the note is collateralized by the land and building of the Shepherds of Monroe County	30,000	30,000
Mortgage note payable to County of Monroe, bears no interest and all payments deferred until October 16, 2034, the note is collateralized by the land and building of the Shepherds of Monroe County	30,000	30,000

(9) Long-term Debt (continued)

	2019	2018
Mortgage payable to County of Monroe, the note bears no interest, payments of principal deferred until maturity in 2037	240,000	240,000
Mortgage payable to ESSA Bank and Trust, interest at a rate of 7.00% per annum, requires monthly payments of principal and interest with a final maturity of April 2038	168,808	173,175
Open-end mortgage, County of Allegheny Department of Economic Development, non-interest bearing with principal payments being required to be made from any surplus of revenues over expenses generated by the project after payment of all project costs during the calendar year as determined by PHFA, the note matures on the earliest of the date of sale of the project, date of termination of the project, or 2045	304,411	350,000
Mortgage payable to County of York, bears no interest and payment of $25,000 is required to be paid each December 31 beginning in 2016 and continuing for 15 years, the loan is due December 2031	650,000	675,000
Mortgage note payable, Redevelopment Authority of the County of Lancaster, interest varies and is assessed at 4.65% on the unpaid principal balance as of December 31, 2018. Monthly payment of principal and interest begin January 2018 until maturity in January 2048.	1,559,535	1,581,080
Construction loan payable to First National Bank in an amount not to exceed $11,000,000. The loan bears interest at the rate of LIBOR plus 2.10%, interest as of December 31, 2019, was 3.79%. The loan is due and payable August 18, 2021	4,342,375	—
	37,329,316	32,889,955
Less: Deferred financing costs	(285,683)	(297,436)
	$ 37,043,633	32,592,519

All of the obligations above are collateralized by either property and equipment, gross revenues of the Corporation’s consolidated affiliates, or by a letter of credit, and are tax exempt unless otherwise noted.

(9) Long-term Debt (continued)

Under the terms of the bond indentures, the Corporation is required to maintain certain deposits with a trustee. These deposits are included in assets whose use is limited. The indentures also place limits on additional borrowings and require the Corporation to satisfy certain measures of financial performance as long as the bonds are outstanding. These covenants have been met as of December 31, 2019 and 2018.

During 2018, $6,320,000 of the Philadelphia Authority for Industrial Development Gross Revenue Bonds Series 2013, held in treasury by Presbyterian Homes, were resold.

During 2019, $50,000 of the Cumberland County Municipal Authority Revenue Bonds Series 2008C, held in treasury by Presbyterian Homes, were resold.

Scheduled maturities for the five years subsequent to December 31, 2019, and thereafter for the senior living debt are as follows:

Years ending December 31,	**Aggregate maturities**
2020	$ 14,976,407
2021	16,980,996
2022	17,187,673
2023	17,277,040
2024	17,970,013
Thereafter	180,131,269
	$ 264,523,398

Scheduled maturities for the five years subsequent to December 31, 2019, and thereafter for low income housing debt are as follows:

Years ending December 31,	**Aggregate maturities**
2020	$ 330,768
2021	4,478,362
2022	141,252
2023	146,781
2024	152,391
Thereafter	32,079,762
	$ 37,329,316

(10) Lines of Credit

The Corporation has available various lines of credit with financial institutions. Interest rates on these lines of credit are variable based on the prime rate of the various financial institutions or the LIBOR rate. As of December 31, 2019 and 2018, under the line of credit agreements, the Corporation had available a maximum of $22,500,000 and $24,500,000, respectively, from the financial institutions. As of December 31, 2019 and 2018, the Corporation had $20,198,790 and $19,518,798, respectively, outstanding under these agreements at interest rates ranging from 3.31% to 5.25%.

(11) Leases

The Corporation has entered into a number of non-cancelable lease arrangements under which the Corporation is the lessee. Specifically, the Corporation leases vehicles and equipment within many of its locations. In addition, the Corporation leases the corporate headquarters.

The amounts recognized as right-of-use (ROU) assets related to operating leases is listed in the asset section of the accompanying consolidated statements of financial position. The amounts recognized as ROU assets related to the finance leases is listed in the assets section of the accompanying consolidated statements of financial position net of accumulated depreciation. The related lease liabilities for operating leases and the financing leases are listed in the liabilities section of the accompanying consolidated statements of financial position. The Corporation does not have variable lease payments, options required to be recognized as part of a lease ROU asset, or residual value guarantees. The Corporation's leases do not contain non-lease components.

During the years ended December 31, 2019 and 2018, the Corporation had the following cash and non-cash activities associated with the leases:

		2019	2018
Operating leases			
Facility lease expense	$	765,416	705,513
Operating cash flows from operating leases	$	765,416	705,513
Financing leases			
Depreciation and amortization	$	470,124	322,203
Interest expense		45,336	27,513
Financing lease expense	$	515,460	349,716
Operating cash flows from financing leases	$	45,336	27,513
Financing cash flows from financing leases		(300,220)	(640,648)
Total cash flows from financing leases	$	(254,884)	(613,135)

(11) Leases (continued)

A schedule of future minimum lease payments due under operating and financing leases as of December 31, 2019, follows:

Year ending December 31,		Operating Leases	Financing Leases
2020	$	743,441	538,914
2021		681,807	401,593
2022		623,699	201,454
2023		636,461	145,810
2024		657,077	70,635
Thereafter		2,330,650	—
Total lease payments		5,673,135	1,358,406
Imputed interest		(2,202,777)	(84,221)
Total lease obligations	$	3,470,358	1,274,185

As of December 31, 2019 and 2018, the weighted-average remaining lease term for all operating leases was 2 years, while the weighted-average remaining lease term for all financing leases was 2.5 years and 2 years, respectively.

The Corporation utilizes the incremental borrowing rate as the discount rate. The weighted-average discount rate associated with operating leases as of December 31, 2019 and 2018, was approximately 7.00%, while the weighted-average discount rate associated with financing leases was 4.21% and 4.00%, respectively.

(12) Annuities

The Corporation has a gift annuity program. In return for their gifts, donors are paid a fixed annuity amount during the lifetime of the donor and/or the donor's beneficiary, which creates a liability of the Corporation. Total annuities payable were $1,078,765 and $1,070,867 as of December 31, 2019 and 2018, respectively. The Corporation uses published mortality rate tables adopted by the Internal Revenue Service and an assumed discount rate of approximately 4% to 6% to determine the present value of the actuarially determined liability. The Corporation has assets included in investments of $1,705,900 and $1,679,900 as of December 31, 2019 and 2018, respectively, to satisfy annuities.

(13) Workers' Compensation Insurance

The Corporation has a self-insured Workers' Compensation program as allowed by the Commonwealth of Pennsylvania Bureau of Workers' Compensation. This program provides for self payment of work related injuries and illnesses as opposed to utilizing an insurance carrier. The Corporation has contracted with major insurance carriers for excess insurance coverage, loss control services and administration. In both 2019 and 2018, the Corporation maintained a surety bond for $3,000,000 in connection with this self-insurance program. As of December 31, 2019 and 2018, the Corporation has recorded an accrued expense of approximately $3,900,000 and $3,700,000, respectively, for workers' compensation claims. This accrual includes known case reserves and an estimate of the Corporation's liability for incurred but not reported claims.

(14) Medical Malpractice Claims Coverage

The Corporation maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. The Corporation expenses premiums paid under this policy. During 2019 the Corporation began accruing for deductibles on any current claim outstanding. The Corporation also added a provision for estimated losses in 2019. This provision increased other assets and accounts payable by $1,500,000. Management believes no incidents have occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the consolidated financial statements.

(15) Net Assets With Donor Restrictions

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

	2019	2018
Subject to expenditure for specified purpose:		
Caring Community	$ 100,602	78,209
Community Enhancement	647,967	509,785
	748,569	587,994
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	414,635	416,776
Gift annuities	15,548	15,565
Contributions receivable from remainder trusts	609,657	780,131
	1,039,840	1,212,472
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Educational Scholarship	39,575	30,633
Benevolent Care	290,021	321,909
Community Enhancement	196,175	153,547
	525,771	506,089
Subject to endowment spending policy and appropriation:		
Educational Scholarship	228,459	201,368
Benevolent Care	1,675,776	1,632,580
Community Enhancement	4,331,320	3,988,672
	6,235,555	5,822,620
Total endowments	6,761,326	6,328,709
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	18,696,588	16,592,648
Trust assets held for the benefit of the Easton Home	830,086	830,086
	19,526,674	17,422,734
	$ 28,076,409	25,551,909

(Continued)

(15) Net Assets With Donor Restrictions (continued)

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

		2019	2018
Expiration of time restrictions	$	405,142	124,706
Satisfaction of purpose restriction			
Caring Community		26,828	9,380
Community Enhancement		723,631	797,854
Restricted-purpose spending-rate distributions and appropriations			
Educational Scholarship		2,018	2,451
Benevolent Care		30,742	29,081
Community Enhancement		77,557	39,345
	$	1,265,918	1,002,817

(16) Endowments

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

Interpretation of Relevant Law

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

(16) Endowments (continued)

Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Corporation considers the following factors:

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

The Corporation classifies as net assets without donor restrictions internally designated funds designated to function as endowments.

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

		Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	$	691,913	6,328,709
Investment income		7,739	169,594
Contributions		6,990	373,341
Appropriation of endowment assets for expenditures		(106,202)	(110,318)
Endowment net assets, end of year	$	600,440	6,761,326

(16) Endowments (continued)

The following schedule represents endowment net asset composition by type of fund and changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	$ 452,747	6,050,643
Investment income	26,905	154,911
Contributions	212,261	194,032
Appropriation of endowment assets for expenditures	–	(70,877)
Endowment net assets, end of year	$ 691,913	6,328,709

The value of the original gifts plus subsequent gifts to be held in perpetuity totaled $6,339,133 and $6,428,731 for the year ended December 31, 2019 and 2018, respectively.

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Corporation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as net assets without donor restrictions. The Corporation's policy states that should a fund fall below the original principal balance, the Corporation would curtail spending in the fund until it returned to its original principal balances. There were no such deficiencies reported as of December 31, 2019 or 2018.

Return Objectives and Risk Parameters

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

(16) Endowments (continued)

Strategies Employed for Achieving Objectives

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

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

The Corporation has a total return policy for calculating the amounts available for distribution each year. It is a percent of its endowment fund's average fair value over the prior three calendar year ends. This percentage was 4.0% for 2019 and 2018. Actual distributions are for specific projects approved by the Board of Directors. If the total return amount exceeds the actual earnings of the endowment funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, then from the accumulated net capital gains of endowment funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the fund balance that is with or without donor restrictions. In establishing this policy, the Corporation considered the long-term expected return on its endowments. Accordingly, over the long term, the Corporation expects the current spending policy to allow its endowments to grow at an average of inflation plus 1.0% annually. For both 2019 and 2018, an allocation of 4.0% of the prior year balance was used to calculate restricted funds available balance. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(17) Retirement Plan

The Corporation has a defined-contribution retirement plan covering all employees that have completed one year of service and have reached the age of 21. Vesting occurs after three years of service. Contributions to the plan are at the discretion of the Board of Trustees of Presbyterian Senior Living and employees have the ability to direct how their contributions are invested. For the years ended December 31, 2019 and 2018, retirement plan expense totaled approximately $1,464,000 and $0, respectively.

(18) Commitments and Contingencies

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

The low-income housing credits are contingent on the ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

From time to time, the Corporation receives grant revenues for its low-income housing projects. These grant awards may require the projects to be maintained for a specified period of time. If the projects are not maintained for the required time period, a portion of the grant may be required to be repaid. Management recognizes these grants as revenue when received as it is expected that all of the grant award terms will be met.

(19) Functionalized Expenses

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

(19) Functionalized Expenses (continued)

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

	Resident Services	Management & General	Fundraising & Development	Total
Salaries and wages	$ 88,333,862	10,668,287	395,211	99,397,360
Employee benefits	13,238,688	1,726,221	68,964	15,033,873
Payroll taxes	6,241,965	675,614	27,244	6,944,823
Professional services	8,132,970	1,546,081	99,440	9,778,491
Management services	18,742	40,137	–	58,879
Accounting fees	184,531	169,402	–	353,933
Legal fees	67,153	1,303,208	–	1,370,361
Advertising and promotion	928,909	500	79,199	1,008,608
Office expenses	4,316,558	4,055,273	89,286	8,461,117
Information technology	1,175,643	830,035	44,623	2,050,301
Occupancy	16,637,731	824,391	30,398	17,492,520
Travel	416,895	407,247	44,315	868,457
Conferences and meetings	84,462	140,036	2,732	227,230
Interest	8,699,145	936,371	50,309	9,685,825
Insurance	3,418,395	91,618	4,213	3,514,226
Training and development	952	89,437	–	90,389
Depreciation and amortization	28,490,527	289,434	7,343	28,787,304
Amortization of goodwill	338,129	115,972	–	454,101
Bad debt (recovery)	26,669	(290,863)	–	(264,194)
Pharmacy	3,455,897	–	–	3,455,897
Medical supplies	3,346,474	–	–	3,346,474
Therapy services	16,124,534	–	–	16,124,534
Dietary services	6,677,297	–	–	6,677,297
Food, beverages, and supplies	8,310,055	51,936	–	8,361,991
Maintenance and repairs	2,327,563	147,339	7,991	2,482,893
Total cost of services provided	$ 220,993,746	23,817,676	951,268	245,762,690

(19) Functionalized Expenses (continued)

The costs of providing services and supporting activities are as follows for the year ended December 31, 2018:

		Resident Services	Management & General	Fundraising & Development	Total
Salaries and wages	$	85,206,551	10,355,085	482,332	96,043,968
Employee benefits		11,132,554	1,029,458	45,367	12,207,379
Payroll taxes		6,037,614	638,270	31,745	6,707,629
Professional services		7,870,951	1,439,524	10,023	9,320,498
Accounting fees		187,745	217,724	–	405,469
Legal fees		48,592	1,519,146	–	1,567,738
Advertising and promotion		794,680	500	42,134	837,314
Office expenses		5,129,766	4,166,299	62,856	9,358,921
Information technology		1,617,776	574,097	105,817	2,297,690
Occupancy		16,645,009	953,529	31,236	17,629,774
Travel		442,922	330,110	49,568	822,600
Conferences and meetings		59,988	95,398	4,048	159,434
Interest		8,522,680	1,037,545	40,758	9,600,983
Insurance		2,577,883	104,916	4,942	2,687,741
Training and development		572	150,796	–	151,368
Depreciation and amortization		26,740,509	722,067	14,936	27,477,512
Bad debt		39,840	653,250	–	693,090
Pharmacy		3,475,633	–	–	3,475,633
Medical supplies		3,553,938	–	–	3,553,938
Therapy services		16,947,372	–	–	16,947,372
Dietary services		6,211,492	–	–	6,211,492
Food, beverages, and supplies		8,145,200	39,297	–	8,184,497
Maintenance and repairs		2,377,152	154,465	7,180	2,538,797
Total cost of services provided	$	213,766,419	24,181,476	932,942	238,880,837

(20) Financial Instruments

Fair Values of Financial Instruments

The following valuation techniques were used to measure the fair value of each class of financial instruments:

Money market funds, equity and fixed income securities: Fair value of money market funds, equity and fixed income securities was based on quoted market prices for the identical security.

Alternative investments: Alternative investments are held in private investment partnerships, which include publically traded securities, real estate and natural resources. Partnership agreements specify the type of investments held, liquidity, manager compensation, and other funding requirements. Management reviews, evaluates and monitors the values provided and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments which is based on net asset value per share as a practical expedient. Annual independent audits of each private investment partnership are provided and included in management's review.

Beneficial interest in perpetual trusts: Fair value of the beneficial interest in perpetual trusts is based on the Corporation's percent ownership of the trust assets, which approximate the value of estimated future cash flows to be received from the trust.

Contributions receivable from remainder trusts and gift annuities: Fair value of the contributions receivable from remainder trusts and gift annuities was based on the present value of future cash inflows.

Long-term debt: Long-term debt, lines of credit, and notes payable are carried at cost on the consolidated statements of financial position for notes payable, bonds payable and mortgages payable as of December 31, 2019 and 2018. Fair value is based on quoted market prices for the same or similar issues. The total outstanding was $322,051,504, and $330,968,090 as of December 31, 2019 and 2018, respectively. The carrying value of the long-term debt and notes payable on the consolidated statements of financial position approximate the fair value.

The Corporation has a number of other financial instruments, none of which are held for investment purposes. The Corporation estimates that the fair value of all financial instruments as of December 31, 2019 and 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded on the accompanying consolidated statements of financial position.

(20) Financial Instruments (continued)

The standards for accounting for fair value measurements established a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. There have been no changes in the methodologies used to measure fair value as of December 31, 2019 or 2018.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2019, are as follows:

Description		Total	Level 1	Level 2	Level 3
Money market funds	$	32,087,983	32,087,983	–	–
Marketable equity securities		2,931,109	2,931,109	–	–
Mutual Funds:					
Equity		17,729,159	17,729,159	–	–
Fixed income		50,550,813	50,550,813	–	–
Alternative investments, at net asset value		23,254,312	–	–	–
Total investments		126,553,376	103,299,064	–	–
Beneficial interest in perpetual trusts		18,696,589	–	–	18,696,589
Gift annuities		15,548	–	–	15,548
Contributions receivable from remainder trusts		609,657	–	–	609,657
Total assets	$	145,875,170	103,299,064	–	19,321,794

(20) Financial Instruments (continued)

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2018, are as follows:

Description		Total	Level 1	Level 2	Level 3
Money market funds	$	68,616,058	68,616,058	–	–
Marketable equity securities		3,530,147	3,530,147	–	–
Mutual funds:					
Equity		19,344,592	19,344,592	–	–
Fixed income		19,395,462	19,395,462	–	–
Alternative investments, at net asset value		26,168,910	–	–	–
Total investments		137,055,169	110,886,259	–	–
Beneficial interest in perpetual trusts		16,592,648	–	–	16,592,648
Gift annuities		15,565	–	–	15,565
Contributions receivable from remainder trusts		780,131	–	–	780,131
Total assets	$	154,443,513	110,886,259	–	17,388,344

(20) Financial Instruments (continued)

For assets falling within the Level 3 in the fair value hierarchy, the activity recognized during the years ended December 31 is as follows:

Description		Contributions Receivable from Remainder Trusts	Beneficial Interest in Perpetual Trusts	Gift Annuities
Balance as of December 31, 2017	$	725,679	18,169,437	15,528
Unrealized gains (losses)		54,452	(1,576,789)	37
Balance as of December 31, 2018		780,131	16,592,648	15,565
Unrealized (losses) gains		(170,474)	2,103,941	(17)
Balance as of December 31, 2019	$	609,657	18,696,589	15,548

Unrealized and realized gains on remainder trusts, gift annuities and perpetual trusts are held in net assets with donor restrictions in perpetuity on the consolidated statements of operations and changes in net assets.

(20) Subsequent Event

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. During March 2020, federal, state, and local governments in which PSL operates took significant preventative or protective actions. The extent of the impact of COVID-19 on the Corporation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Corporation's customers, financial markets, employees and vendors. The financial implications have been highly volatile and unpredictable. The effects of these events on operations and PSL's financial condition have not been determined and are not reflected in these consolidated financial statements.