PRESBYTERIAN SENIOR LIVING SERVICES, INC.

Consolidated Financial Statements

December 31, 2019 and 2018

(With Independent Auditor's Report Thereon)

Arnett Carbis Toothman llp
CPAs & Advisors

PRESBYTERIAN SENIOR LIVING SERVICES, INC.

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Certification of Chief Executive and Chief Financial Officers

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

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

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

Consolidated financial statements alone can never reflect the breadth and depth of our stewardship of this ministry. They do not report on our most significant assets, our employees and volunteers. They also do not reflect our most important stewardship role; our commitment to provide Christian understanding and compassion to those seniors entrusted to our care. We believe that we continue to successfully fulfill the financial and non-financial aspects of our mission, extending a proud tradition of ministry that has served older persons in the name of Christ for the past 93 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 Directors
Presbyterian Senior Living Services, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Presbyterian Senior Living Services, Inc. (an affiliate of PHI, doing business as Presbyterian Senior Living) (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 (liabilities) 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 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 of material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Presbyterian Senior Living Services, Inc. as of December 31, 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

PRESBYTERIAN SENIOR LIVING SERVICES, INC.

Consolidated Statements of Financial Position

December 31, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	537,221	154,733
Investments		1,000,000	1,000,000
Restricted deposits and funded reserves		2,208,365	1,733,278
Accounts receivable, net		1,164,724	779,960
Prepaid expenses and other current assets		264,736	216,326
Assets whose use is limited		778,682	663,697
Promises to give, net		1,000	4,000
Property and equipment, net		27,428,298	28,077,997
Financing leases, net		22,736	37,095
Assets under operating leases		76,486	118,821
Total assets	$	33,482,248	32,785,907

See accompanying notes to consolidated financial statements.

(Continued)

PRESBYTERIAN SENIOR LIVING SERVICES, INC.

Consolidated Statements of Financial Position

December 31, 2019 and 2018

Liabilities and Net Liabilities		**2019**	**2018**
Accounts payable	$	760,670	1,030,864
Accrued expenses		519,201	488,161
Resident deposits		65,267	63,230
Entrance fees payable		14,777,610	14,125,107
Deferred revenue – entrance fees		4,429,982	4,504,911
Annuities payable		25,173	25,263
Obligations under financing leases		23,425	37,421
Obligations under operating leases		76,486	118,821
Long-term debt		11,467,176	12,153,286
Due to affiliated entity		22,967,668	23,290,524
Total liabilities		55,112,658	55,837,588
Net assets (liabilities):			
Without donor restriction		(22,356,178)	(23,727,936)
With donor restriction		725,768	676,255
Total net liabilities		(21,630,410)	(23,051,681)
Total liabilities and net liabilities	$	33,482,248	32,785,907

See accompanying notes to consolidated financial statements.

PRESBYTERIAN SENIOR LIVING SERVICES, INC.

Consolidated Statements of Operations and Changes in Net Assets (Liabilities)

Years ended December 31, 2019 and 2018

		2019	2018
Revenues and other support:			
Resident services:			
Resident services	$	14,203,978	13,822,007
Amortization of entrance fees		869,859	918,089
Implicit price concession		(25,714)	(23,118)
Total resident services		15,048,123	14,716,978
Gifts and bequests		3,047	2,031
Net assets released from restrictions		6,518	4,951
Total revenues and other support		15,057,688	14,723,960
Cost of services provided:			
Nursing services		2,504,737	2,324,037
Rehabilitation		707,066	631,824
Recreation and special services		519,844	500,804
Pharmacy		101,451	95,856
Social services		71,166	69,657
Physician services		25,000	25,000
Food services		2,139,128	2,097,179
Building operations and maintenance		2,468,938	2,360,881
Housekeeping		360,250	314,761
Laundry and linen		63,979	59,695
General and administrative		1,914,186	1,990,439
Employee benefits		555,262	503,339
Interest		519,723	548,861
Depreciation		2,241,480	2,160,519
Fundraising		52,884	51,089
Total cost of services provided		14,245,094	13,733,941
Excess of revenues and other support over expenses		812,594	990,019
Other income (expense):			
Investment income, net of investment expense		113,030	71,397
Realized gain on investments		17,526	10,945
Unrealized gain (loss) on investments		428,608	(328,954)
Total other income (expense)		559,164	(246,612)
Excess of revenues and other support over expenses and losses		1,371,758	743,407

See accompanying notes to consolidated financial statements.

(Continued)

PRESBYTERIAN SENIOR LIVING SERVICES, INC.

Consolidated Statements of Operations and Changes in Net Assets (Liabilities)

Years ended December 31, 2019 and 2018

		2019	**2018**
Net liabilities without donor restrictions:			
Excess of revenue and other support over expenses and losses		1,371,758	743,407
Change in net liabilities without donor restrictions		1,371,758	743,407
Net assets with donor restrictions:			
Contributions, grants and bequests		29,478	31,998
Investment income, net of investment expense		26,553	24,859
Net assets released from restrictions		(6,518)	(4,951)
Change in net assets with donor restrictions		49,513	51,906
Change in net liabilities		1,421,271	795,313
Net liabilities, beginning of year		(23,051,681)	(23,846,994)
Net liabilities, end of year	$	(21,630,410)	(23,051,681)

See accompanying notes to consolidated financial statements.

PRESBYTERIAN SENIOR LIVING SERVICES, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net liabilities	$	1,421,271	795,313
Adjustments to reconcile change in net liabilities to net cash provided by operating activities:			
Depreciation		2,241,480	2,160,519
Provision for implicit price concession and bad debt		30,533	11,108
Proceeds from non-refundable entrance fees and deposits		3,027,804	3,290,342
Amortization of entrance fees		(869,859)	(918,089)
Unrealized (gain) loss on investments		(428,608)	328,954
Realized gain on investments		(17,526)	(10,945)
Amortization of deferred financing costs		16,146	16,146
Change in assets and liabilities:			
Accounts receivable		(133,101)	(149,544)
Entrance fees receivable		(282,196)	158,731
Promises to give		3,000	(4,000)
Prepaid expenses and other current assets		(48,410)	(14,364)
Accounts payable		(270,194)	648,542
Accrued expenses		31,040	(14,321)
Net cash provided by operating activities		4,721,380	6,298,392
Cash flows from investing activities:			
Acquisition of property and equipment		(1,577,422)	(1,480,026)
Purchases of investments		(2,158,534)	(1,802,359)
Proceeds from sale of investments		1,359,445	2,131,321
Net cash used in investing activities		(2,376,511)	(1,151,064)
Cash flows from financing activities:			
Refunds of entrance fees and deposits		(2,230,837)	(2,363,326)
Change in entrance fee payable		652,503	(65,694)
Principal payments and redemptions of bond		(702,256)	(673,371)
Borrowings through financing leases		—	43,078
Repayments on obligations under financing leases		(13,996)	(11,028)
Change in annuities payable		(90)	(2,225)
Change in due to affiliated entity		(322,856)	(1,590,518)
Net cash used in financing activities		(2,617,532)	(4,663,084)
Net (decrease) increase in cash and cash equivalents		(272,663)	484,244
Cash, cash equivalents and restricted cash, beginning of year		934,629	450,385
Cash, cash equivalents and restricted cash, end of year			
Unrestricted		537,221	154,733
Restricted		124,745	779,896
	$	661,966	934,629

See accompanying notes to consolidated financial statements.

(1) General Information

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

These consolidated financial statements have been prepared to focus on Presbyterian Senior Living Services, Inc. as a whole. All material intercompany transactions have been eliminated.

(b) 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.

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

(c) Income Taxes

The Corporation and its subsidiaries 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.

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 is part of a consolidated federal Exempt Organization Business Income Tax Return for which the years ended December 31, 2016, 2017, and 2018, remain subject to examination by the Internal Revenue Service.

(d) 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.

(e) 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.

(e) Cash and Cash Equivalents (continued)

		2019	2018
Cash and cash equivalents	$	537,221	154,733
Restricted cash in restricted deposits and funded reserves		124,745	396,850
Restricted cash in assets whose use is limited		—	383,046
Total cash, cash equivalents, and restricted cash shown on the consolidated statements of cash flows	$	661,966	934,629

Restricted cash included in restricted deposits and funded reserves on the consolidated statements of financial position represents the cash portion of amounts required to be set aside by the Maryland Department of Aging to maintain and fund an operating reserve as discussed in Note 6. Restricted cash in assets whose use is limited represents cash held for the Glen Meadows Foundation.

(f) Investments

Investments in marketable equity 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.

(g) Accounts Receivable

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

		2019	2018
Total accounts receivable	$	1,182,542	779,960
Less: allowance for implicit price concessions		(17,818)	—
Net accounts receivable	$	1,164,724	779,960

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.

(h) Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves are measured at fair value in the consolidated statements of financial position and include the Maryland Department of Aging Operating Reserve.

(i) Assets Whose Use is Limited

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

(j) Promises to Give

The Corporation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in more than one year are recorded at the net present value less a discounted uncollectable amount as of December 31:

		2019	2018
Promises to give	$	1,250	4,500
Less: allowance for uncollectables		(250)	(500)
Promises to give, net	$	1,000	4,000

All promises to give as of December 31, 2019, are expected to be collected in less than one year.

(k) 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	15-25 years
Buildings and improvements	10-40 years
Departmental equipment, furniture, and fixtures	10-25 years
Vehicles	5 years

(l) 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), an operating lease right-of-use asset and operating lease obligation of $149,493. The capital lease was reassessed by the Corporation and classified as a financing lease under the new guidance, with no consolidated financial statement impact.

(l) Finance and Operating Leases (continued)

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.

(m) Deferred Financing Costs

The Corporation has deferred the costs incurred for obtaining the proceeds of the Corporation's long-term debt. These costs are being amortized over the life of the related debt agreement using the straight-line method, which approximates the effective interest method. Amortization expense is expected to be $16,146 for each of the next five years. Unamortized deferred financing costs are direct deductions from the associated long-term debt included on the consolidated statements of financial position and associated amortization expense is included as a component of interest expense on the consolidated statements of operations and changes in net assets (liabilities).

(n) Resident Deposits

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

(o) Deferred Revenue – Entrance Fees

Residents entering the Community execute a Residence and Care Agreement, which requires payment of an entrance fee, based on the unit to be occupied. Ten percent of the entrance fee, as approved by the Maryland Department of Aging, is due upon execution of the agreement and the remainder is due upon occupancy. For the 100% refundable contracts, entrance fees are refundable in full upon termination of the agreement and subsequent reoccupancy of the unit. These entrance fees are not being amortized into revenue and are reflected as a liability in entrance fees payable on the consolidated statements of financial position. The Community also offers a 50% and a 75% nonrefundable contract. The non-refundable portion of the fees is amortized to income over the estimated remaining life expectancy of each resident. The portion of the guaranteed fee refundable upon reoccupancy is not being amortized and is reflected as a liability in entrance fees payable on the consolidated statements of financial position. The agreements provide for potential death or termination refunds of the non-refundable portion if reoccupancy occurs before the contractual amortization is completed in accordance with the terms of the agreements. The remaining amount of unamortized, nonrefundable entrance fees is recorded as revenue upon surrender of the independent living unit.

As of December 31, 2019 and 2018, the amount of entrance fees guaranteed to be refundable to residents under contractual refund provisions was $14,777,610 and $14,125,107, respectively.

(p) Net Assets (Liabilities)

Net assets, revenues, gains and other losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets (liabilities) 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 (Liabilities) With Donor Restrictions – Net assets (liabilities) 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.

(q) 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 (liabilities) as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restriction in the accompanying consolidated financial statements.

The Corporation reports 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.

(r) 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 includes 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.

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

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 facility receiving skilled nursing care, assisted living, 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 facility 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 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.

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. These rates vary according to a resident classification system that is based on clinical diagnosis and other factors, and the reimbursement methodology is subject to various limitations and adjustments. The Corporation's existence in Maryland exposes it to the risk of changes in Medicaid reimbursement in this state.

- **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.

(r) 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.

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)(s) 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.

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 service 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.

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

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)
- Corporation's line of business that provided the service - skilled nursing, assisted living, independent living, outpatient

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

		Independent Living	Assisted Living	Health Center	Outpatient	Other	Total
Private Pay	$	7,369,622	3,189,387	1,433,712	15,870	3,576	12,012,167
Medicare		345,643	145,838	1,109,514	–	–	1,600,995
Medicaid		–	–	1,110,921	–	–	1,110,921
Other		1,075	–	233,064	18,721	71,180	324,040
	$	7,716,340	3,335,225	3,887,211	34,591	74,756	15,048,123

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

		Independent Living	Assisted Living	Health Center	Outpatient	Other	Total
Private Pay	$	7,413,008	3,195,710	1,314,443	9,521	3,240	11,935,922
Medicare		288,056	125,139	1,395,462	–	–	1,808,657
Medicaid		–	–	847,041	–	–	847,041
Other		2,889	26	18,718	24,040	79,685	125,358
	$	7,703,953	3,320,875	3,575,664	33,561	82,925	14,716,978

Revenues from Medicare and Medicaid represent approximately 18% of consolidated revenues for each of the years ended 2019 and 2018. Medicare and Medicaid receivables represent approximately 28% and 39% of consolidated accounts receivable as of December 31, 2019 and 2018, respectively.

(s) Charity Care

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

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

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

	2019	2018
Charity care provided at the estimated cost thereof, net of amounts received from residents and third-party payors	$ 292,479	244,490
Additional benevolent care provided at amounts less than pre-established charges for private pay services	751,888	611,944
Giving and income designated for resident financial support	2,417	1,618

(t) Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in Note 17. This note presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(u) Advertising

Advertising costs are expensed in the years incurred. Total advertising expense for the years ended December 31, 2019 and 2018, amounted to $15,346 and $25,340, respectively.

(v) 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.

(w) Performance Indicator

The Corporation measures the performance of its operations using the consolidated statements of operations and changes in net assets (liabilities), which includes a performance indicator of operations labeled as "Excess of revenues and other support over expenses and losses."

(x) Consolidated Statements of Cash Flows

Interest paid for the years ended December 31, 2019 and 2018, amounted to $504,868 and $533,178, respectively.

(y) Reclassifications

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

(z) Subsequent Events

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

(3) Investments

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

	2019	2018
Money market funds	$ 124,745	779,896
Marketable equity securities	502,466	364,547
Mutual funds:		
Equity	1,900,261	1,233,537
Fixed income	1,459,575	1,018,995
Totals	3,987,047	3,396,975
Less:		
Restricted deposits and funded reserves (Note 6)	(2,208,365)	(1,733,278)
Assets whose use is limited (Note 7)	(778,682)	(663,697)
Total investments	$ 1,000,000	1,000,000

(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 comprise the following as of December 31:

	2019	2018
Cash and cash equivalents	$ 537,221	154,733
Investments	1,000,000	1,000,000
Restricted deposits and funded reserves	2,208,365	1,733,278
Accounts receivable, net	1,164,724	779,960
Promises to give, net	1,000	4,000
	$ 4,911,310	3,671,971

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.

(5) Related Party Transactions

The Corporation incurs a management fee payable to Presbyterian Senior Living, under a Development, Marketing, and Management Agreement (Management Agreement). Under the Management Agreement, Presbyterian Senior Living provides a full-time licensed administrator who is responsible for the Community's operation, under the direction of Presbyterian Senior Living, a full-time bookkeeper and a human resources employee. The Corporation incurred fees under the agreement of $1,237,142 and $1,190,171 for the years ended 2019 and 2018, respectively. This fee is classified as general and administrative expenses on the consolidated statements of operations and changes in net assets (liabilities).

As of December 31, 2019 and 2018, the amounts payable to Presbyterian Senior Living were $22,967,668 and $23,290,524, respectively. The amounts due are subordinated to principal and interest payments on the Corporation's long-term indebtedness. The parent has pledged continued support and has the financial ability to provide continues support to the Corporation if needed; though the Corporation has experienced improvements in operations in 2019 and 2018. Under the Management Agreement, this is included in due to affiliated entity on the consolidated statements of financial position.

Prelude Systems, Inc. (Prelude) is a joint venture between Presbyterian Senior Living and Diakon Lutheran Social Ministries (Diakon). Prelude is an information technology services organization with a wide range of programs designed to support the information systems needs of Presbyterian Senior Living and Diakon as well as other health care and community service organizations. During 2019 and 2018, the Corporation incurred expenses related to Prelude of $82,524 and $83,688, respectively, for information services provided by Prelude, of which $3,917 and $6,862 is included in accounts payable as of December 31, 2019 and 2018, respectively.

(6) Restricted Deposits and Funded Reserves

The Corporation is required by the Maryland Department of Aging to maintain and fund an operating reserve based on the Corporation's operating expenses for the most recent fiscal year, excluding depreciation and amortization. The Department of Aging required the Corporation to build the level of this operating reserve over a period not to exceed ten years beginning in 1997. Annual contributions to the operating reserve equaling at least 15% of the calculated reserve amount are required. As of December 31, 2019, the operating reserve fund balance was $2,208,365, representing cumulative contributions and earnings in satisfaction of the minimum operating reserve amount. No additional contributions are anticipated to be made during 2019 based on the following computation:

(6) Restricted Deposits and Funded Reserves (continued)

Total 2018 operating expenses	$	13,733,941
Less: Depreciation		(2,160,519)
Amortization		(16,146)
Total expenses subject to operating reserve computation	(A)	11,557,276
Operating reserve requirement - 15% of (A)		1,733,591
Operating reserve fund as of December 31, 2019		2,208,365
Contributions in excess of requirement as of December 31, 2019	$	474,774

(7) Assets Whose Use is Limited

As of December 31 assets whose use is limited consist of the following:

		2019	2018
Designated for renovations, charity care and scholarships	$	778,682	663,697

(8) Commitments and Contingencies

The Corporation is involved in legal proceedings arising from its activities in the health care industry. Although it is not possible to presently determine the 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.

(9) Property and Equipment

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

	2019		2018	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 14,182,370	–	14,182,370	–
Land improvements	3,111,886	2,631,012	3,111,886	2,514,272
Building and improvements	45,470,368	33,691,454	44,282,317	31,653,573
Departmental equipment, furniture and fixtures	2,917,401	2,605,165	2,878,211	2,532,666
Vehicles	255,993	255,993	255,993	255,993
Construction-in-progress	673,904	–	323,724	–
	$ 66,611,922	39,183,624	65,034,501	36,956,504
Net book value		$ 27,428,298		$ 28,077,997

Land consists of 455 acres, of which 60 acres are utilized for the Community.

(10) Long-term Debt

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

	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
Less: Deferred financing costs	(117,060)	(133,206)
Total long-term debt	$ 11,467,176	12,153,286

Under the terms of the Corporation’s debt, the Corporation is required to maintain certain measures of financial performance as long as the note is outstanding. These covenants were met as of December 31, 2019 and 2018.

(10) Long-term Debt (continued)

Maturities for the five years subsequent to December 31, 2019, and thereafter are as follows:

Years ending December 31,		
2020	$	731,052
2021		763,775
2022		796,539
2023		830,708
2024		865,353
Thereafter		7,596,809
	$	11,584,236

(11) Leases

The Corporation has entered into a number of non-cancelable lease arrangements under which the Corporation is the lessee.

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 amount recognized as a right-of-use asset related to the finance lease 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	$	46,676	35,107
Operating cash flows from operating leases	$	46,676	35,107
Financing leases			
Depreciation and amortization	$	14,359	11,144
Interest expense		1,333	759
Financing lease expense	$	15,692	11,903
Operating cash flows from financing leases	$	1,333	759
Financing cash flows from financing leases		13,996	11,028
Total cash flows from financing leases	$	15,329	11,787

(11) Leases (continued)

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

Years ending December 31,		Operating Leases	Financing Leases
2020	$	46,676	15,330
2021		32,869	8,942
Total lease payments		79,545	24,272
Imputed interest		(3,059)	(847)
Total lease obligations	$	76,486	23,425

As of December 31, 2019 and 2018, the weighted-average remaining lease term for all operating leases was 2 years and 3 years, respectively, while the weighted-average remaining lease term for all financing leases was 2 years and 3 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 4.36%, while the weighted-average discount rate associated with financing leases was 4.30%.

(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 $25,173 and $25,263 as of December 31, 2019 and 2018, respectively. The Corporation uses published mortality-rate tables adopted by the United States Internal Revenue Service and an assumed discount rate of approximately four percent to determine the present value of the actuarially determined liability. The Corporation has assets included in investments of approximately $135,000 for each year 2019 and 2018 to satisfy annuities.

(13) Retirement Plan

The Corporation participates in the defined-contribution retirement plan of Presbyterian Senior Living. This plan covers all employees who have completed one year of service and have reached the age of 21. Vesting occurs after three years of service. Contributions to the plan are at the discretion of the Board of Trustees of Presbyterian Senior Living, and employees have the ability to direct how their contributions are invested. For the years ended December 31, 2019 and 2018, retirement plan expense totaled approximately $72,000 and $0, respectively.

(14) Medical Malpractice Claims Coverage

The Corporation is named insured under a claims-made professional liability insurance policy maintained by the parent organization, Presbyterian Senior Living. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the insurance coverages or will have a material adverse effect on the 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	$	6,183	4,955
Community Enhancement		25,561	23,330
Subject to the passage of time:			
Contributions receivable		1,500	4,500
Endowments			
Subject to appropriation and expenditure when a specified event occurs:			
Restricted by donors for:			
Educational Scholarship		991	–
Benevolent Care		284,743	260,255
Subject to endowment spending policy and appropriation:			
Educational Scholarship		51,383	50,371
Benevolent Care		355,407	332,844
	$	725,768	676,255

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	$	4,500	–
Restricted-purpose, spending-rate distributions, and appropriations:			
Educational Scholarship		2,018	2,451
Caring Community		–	2,500
	$	6,518	4,951

(16) Endowment

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

Interpretation of Relevant Law

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

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

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

		With Donor Restriction
Endowment net assets, beginning of year	$	643,470
Investment income		26,553
Contributions		24,519
Appropriation of endowment assets for expenditures		(2,018)
Endowment net assets, end of year	$	692,524

(16) Endowment (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:

		With Donor Restriction
Endowment net assets, beginning of year	$	614,704
Investment income		25,060
Contributions		5,967
Appropriation of endowment assets for expenditures		(2,261)
Endowment net assets, end of year	$	643,470

The value of the original gift plus subsequent gifts to be held in perpetuity totaled $407,734 and $383,215 for the years 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 balance. 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 Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a composite of public market indexes based on the mix of investments held, while assuming a moderate level of investment risk. The Corporation 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) Endowment (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. In establishing this policy, the Corporation considered the long-term expected return on its endowment assets. Accordingly, over the long term, the Corporation expects the current spending policy to allow its endowment funds to grow at an average of inflation plus one percent annually. For 2019 and 2018 an allocation of 4.0% of the prior year's 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) Functionalized Expenses

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

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

	Resident Services	Management & General	Fundraising & Development	Total
Salaries and wages	$ 4,553,771	65,570	–	4,619,341
Employee benefits	584,197	9,695	–	593,892
Payroll taxes	340,424	4,902	–	345,326
Professional services	599,930	66,780	–	666,710
Management services	387,597	799,070	50,475	1,237,142
Accounting fees	–	180	–	180
Legal fees	83	–	–	83
Advertising and promotion	15,346	–	–	15,346
Office expenses	202,349	202,774	–	405,123
Information technology	74,519	7,675	330	82,524
Occupancy	991,479	10,530	–	1,002,009
Travel	10,788	4,337	–	15,125
Conferences and meetings	5,911	1,188	–	7,099
Interest	469,310	48,334	2,079	519,723
Insurance	155,786	909	–	156,695
Training and development	–	8,761	–	8,761
Depreciation	2,228,480	13,000	–	2,241,480
Bad debt	–	4,548	–	4,548
Pharmacy	101,451	–	–	101,451
Medical supplies	115,847	–	–	115,847
Therapy services	693,810	–	–	693,810
Dietary services	286,883	–	–	286,883
Food, beverages and supplies	916,098	–	–	916,098
Maintenance and repairs	204,947	4,951	–	209,898
Total cost of services provided	$ 12,939,006	1,253,204	52,884	14,245,094

(17) 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	$ 4,232,690	68,881	–	4,301,571
Employee benefits	523,705	10,425	–	534,130
Payroll taxes	315,908	5,141	–	321,049
Professional services	669,231	73,722	–	742,953
Management services	372,881	768,731	48,559	1,190,171
Accounting fees	–	7,500	–	7,500
Legal fees	–	25,200	–	25,200
Advertising and promotion	25,340	–	–	25,340
Office expenses	270,290	259,856	–	530,146
Information technology	75,570	7,783	335	83,688
Occupancy	995,427	10,433	–	1,005,860
Travel	6,572	4,861	–	11,433
Conferences and meetings	3,324	3,105	–	6,429
Interest	495,621	51,045	2,195	548,861
Insurance	129,646	756	–	130,402
Training and development	8	5,632	–	5,640
Depreciation	2,147,988	12,531	–	2,160,519
Bad debt (recovery)	–	(12,010)	–	(12,010)
Pharmacy	95,856	–	–	95,856
Medical supplies	111,906	–	–	111,906
Therapy services	621,102	–	–	621,102
Dietary services	117,615	–	–	117,615
Food, beverages and supplies	957,096	–	–	957,096
Maintenance and repairs	204,972	6,512	–	211,484
Total cost of services provided	$ 12,372,748	1,310,104	51,089	13,733,941

(18) Financial Instruments

(a) 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 and equity and fixed income securities was based on quoted market prices for the identical security.

Long-term debt: Long-term debt is carried at cost on the consolidated statements of financial position for a note payable as of December 31, 2019 and 2018. Fair value is based on quoted market prices for the same or similar instruments. The total outstanding, less unamortized financing costs, was $11,584,236 and $12,286,492 as of December 31, 2019 and 2018, respectively. The carrying amounts of the long-term debt approximate their 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.

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 under these standards 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's 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.

(18) 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, 2019, are as follows:

Description		Total	Level 1
Money market funds	$	124,745	124,745
Marketable equity securities		502,466	502,466
Mutual funds:			
Equity		1,900,261	1,900,261
Fixed income		1,459,575	1,459,575
Total investments	$	3,987,047	3,987,047

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
Money market funds	$	779,896	779,896
Marketable equity securities		364,547	364,547
Mutual funds:			
Equity		1,233,537	1,233,537
Fixed income		1,018,995	1,018,995
Total investments	$	3,396,975	3,396,975

(b) Financial Instruments with Off-Balance-Sheet Risk

Financial instruments with off-balance-sheet risk to the Corporation consist of certain financial guarantees of its affiliates and letters of credit obtained from various financial institutions. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument is represented by the contractual amount of those obligations.

(19) 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 the Corporation 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 the Corporation's financial condition have not been determined and are not reflected in these consolidated financial statements.