Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Financial Statements
and Supplementary Information

June 30, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of
Phoebe-Devitt Homes and Affiliated Organizations

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Phoebe-Devitt Homes and Affiliated Organizations (a not-for-profit corporation), which comprise the consolidated balance sheets as of June 30, 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 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.

Auditors' 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 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 auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Phoebe-Devitt Homes and Affiliated Organizations as of June 30, 2019 and 2018, and the results of their operations, changes in net assets, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 44 - 47 and additional information on pages 48 - 52 are presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual entities and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Wyomissing, Pennsylvania
October 22, 2019

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Balance Sheets
(In Thousands)
June 30, 2019 and 2018

Assets	2019	2018
Current Assets		
Cash and cash equivalents	$ 4,390	$ 6,514
Resident and patient funds	418	363
Accounts receivable	12,846	10,282
Prepaid expenses and other	3,561	3,978
Total current assets	21,215	21,137
Investments	53,255	53,731
Assets Whose Use is Limited	25,710	25,417
Statutory Minimum Liquid Reserve	3,571	3,475
Property and Equipment, Net	117,056	106,604
Other Assets		
Equity method investments	4,542	4,508
Other assets	179	178
Total other assets	4,721	4,686
Total assets	$ 225,528	$ 215,050

Liabilities and Net Assets	2019	2018
Current Liabilities		
Accounts payable	$ 7,302	$ 7,801
Accrued expenses	8,732	7,835
Resident and patient funds	419	330
Current portion of long-term debt	4,635	4,519
Total current liabilities	21,088	20,485
Other Liabilities		
Long-term debt, net	70,633	62,426
Refundable entrance fees	37,849	40,035
Deferred revenue, entrance fees	16,078	13,334
Accrued pension liability	3,843	2,928
Charitable gift annuities	342	384
Workers' compensation reserve	713	945
Interest rate swaps	4,585	2,911
Other	2,644	2,865
Total other liabilities	136,687	125,828
Total liabilities	157,775	146,313
Net Assets		
Net assets without donor restrictions:		
Controlling interest	56,345	57,142
Noncontrolling interest	(2,621)	(2,060)
Total net assets without donor restrictions	53,724	55,082
Net assets with donor restrictions	14,029	13,655
Total net assets	67,753	68,737
Total liabilities and net assets	$ 225,528	$ 215,050

See notes to consolidated financial statements

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Statements of Operations and Changes in Net Assets
(In Thousands)
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Net patient and resident service revenue	$ 115,402	$ 108,399
Amortization of entrance fees	2,327	2,058
Contributions	2,979	786
Change in value, charitable gift annuities	(32)	(42)
Investment income	1,999	2,144
Net realized gains on investments	1,665	5,137
(Loss) gain on disposal of property and equipment	(3)	26
Net assets released from restrictions for operations	648	650
Other revenues	1,006	987
Total operating revenues	125,991	120,145
Operating Expenses		
Salaries and wages	48,014	47,680
Employee benefits and other staff costs	12,482	13,150
Resident supplies	19,054	16,848
Contracted services	16,514	16,329
Other expenses	15,423	14,716
Interest	2,722	2,783
Depreciation	9,858	9,588
Amortization	248	172
Total operating expenses	124,315	121,266
Operating income (loss)	1,676	(1,121)
Change in Fair Value of Interest Rate Swaps	(1,674)	2,105
Net Periodic Pension Cost, Nonoperating	(78)	(113)
(Deficiency) excess of operating revenues over expenses	(76)	871
Other Changes		
Pension-related changes other than net periodic pension cost	(1,200)	719
Net unrealized losses on investments	(136)	(1,475)
Net assets released from restrictions, capital	54	165
Total other changes	(1,282)	(591)
Change in net assets without donor restrictions	(1,358)	280

See notes to consolidated financial statements

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Statements of Operations and Changes in Net Assets
(In Thousands)
Years Ended June 30, 2019 and 2018

	2019	2018
Change in Net Assets Without Donor Restrictions	$ (1,358)	$ 280
Change in Net Assets With Donor Restrictions		
Contributions	714	537
Investment income	244	140
Net unrealized gains (losses) on investments	139	(755)
Net realized (losses) gains on investments	(40)	1,081
Change in value of funds held in trust by others	19	136
Net assets released from restrictions	(702)	(815)
Change in net assets with donor restrictions	374	324
Change in net assets	(984)	604
Net Assets, Beginning of Year	68,737	68,133
Net Assets, End of Year	$ 67,753	$ 68,737

See notes to consolidated financial statements

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Statements of Cash Flows
(In Thousands)
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (984)	$ 604
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,858	9,588
Amortization	248	172
Provision for bad debts	1,668	1,365
Amortization of entrance fees	(2,327)	(2,058)
Proceeds from entrance fees	4,148	4,694
Restricted contributions	(714)	(537)
Net realized and unrealized gains and change in value of funds held in trust by others	(1,647)	(4,124)
Loss (gain) on disposal of property and equipment	3	(26)
Change in fair value of interest rate swaps	1,674	(2,105)
Net change in receivables, prepaids, accruals, and other assets and liabilities	(1,814)	(2,539)
Net cash provided by operating activities	10,113	5,034
Cash Flows from Investing Activities		
Net proceeds of investments and assets whose use is limited	1,734	7,082
Purchases of property and equipment	(20,313)	(7,648)
Proceeds from the disposal of property and equipment	-	26
Net investment in equity method investments	(34)	(653)
Net cash used in investing activities	(18,613)	(1,193)
Cash Flows from Financing Activities		
Refunds of entrance fees	(6,684)	(4,024)
Proceeds from refundable entrance fees	4,271	2,989
Proceeds from issuance of long-term debt	12,552	-
Payment of long-term debt	(4,207)	(4,099)
Restricted contributions	714	537
Deferred financing costs incurred	(270)	-
Net cash provided by (used in) financing activities	6,376	(4,597)
Net decrease in cash and cash equivalents	(2,124)	(756)
Cash and Cash Equivalents, Beginning of Year	6,514	7,270
Cash and Cash Equivalents, End of Year	$ 4,390	$ 6,514
Supplementary Disclosure of Cash Flows Information		
Interest paid, net of amount capitalized	$ 2,699	$ 2,767

Supplementary Schedule of Noncash Financing Activity

At June 30, 2019 and 2018, the Organization had note receivable agreements with residents for entrance fees in the amount of $1,406 and $256, respectively.

See notes to consolidated financial statements

1. Organization

Phoebe-Devitt Homes (the "Organization") is the sole member of the following affiliates (all are not-for-profit organizations except for Phoebe Reciprocal Risk Retention Group):

Phoebe-Devitt Homes is located in Allentown, Pennsylvania, which exists to provide a continuum of residential, health, and community support programs designed to meet the needs of seniors throughout Berks, Bucks, Lehigh, Montgomery, and Northampton Counties in Pennsylvania. Phoebe-Devitt Homes does business as Phoebe Ministries.

Phoebe Home, Inc. is a continuing care retirement community located in Allentown, Pennsylvania, which provides services through independent living, personal care, and skilled nursing services. Phoebe Home, Inc. does business as Phoebe Allentown.

Phoebe Services, Inc. is located in Allentown, Colmar, and Lancaster, Pennsylvania, and provides services to related organizations which include management, finance, billing and collections, information technology and communications, human resources, marketing, pastoral care, and other centralized services. Phoebe Services, Inc. also provides pharmacy services to both related and unrelated organizations.

Phoebe Berks Health Care Center, Inc. is a continuing care retirement community located in Wernersville, Pennsylvania, which provides services through independent living, personal care, adult day services, and skilled nursing services. Phoebe Berks Health Care Center, Inc. does business as Phoebe Berks.

Phoebe Richland Health Care Center is a continuing care retirement community located in Richlandtown, Pennsylvania, which provides services through independent living, personal care, and skilled nursing services. Phoebe Richland Health Care Center does business as Phoebe Richland and Chestnut Ridge at Rodale.

Wyncote Church Home is a continuing care retirement community located in Wyncote, Pennsylvania, which provides services through independent living, personal care, and skilled nursing services. Wyncote Church Home does business as Phoebe Wyncote.

Phoebe Corporate and Community Based Services, Inc. ("PCCBS") is a service corporation located in Allentown, Wernersville, and Richlandtown, Pennsylvania which provides community based geriatric, rehabilitation, educational, and consulting services. PCCBS does business as Phoebe Rehab Services, Phoebe Certified Nurse Practitioner Services, and Pathstones by Phoebe.

Phoebe Reciprocal Risk Retention Group ("PRRRG") is a for-profit corporation located in Charleston, South Carolina, which provides insurance coverage of Phoebe-Devitt Homes and related affiliates.

Phoebe Apartments, Inc. is located in Allentown, Pennsylvania, and provides low income housing to seniors.

Phoebe Housing, Inc. provides management support services to affiliated organizations.

Phoebe Housing, Inc. holds the following interests in several senior housing partnerships in which it serves as general partner and/or manager (Affordable Housing):

	% of Ownership
Franklin & Noble Manor Associates, LP	1 %
Furnace Creek Associates, LP	1
John F. Lutz Associates, LP	1
Senior Apartments at the Wyomissing Club Associates, LP	1
Weidner Manor Associates, LP	1
Wind Gap Manor Associates, LP	1
Devitt House, Inc. (a not-for-profit corporation)	-

2. Summary of Significant Accounting Policies

Consolidation of Limited Partnerships

The Organization follows the accounting guidance in determining whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights. The guidance presumes that a general partner controls a limited partnership and, therefore, should consolidate the partnership. This presumption can be overcome if the limited partners have kick-out or substantive participating rights. Management determined that the seven senior housing partnerships listed above (Affordable Housing) should be consolidated. Change in net assets attributed to the noncontrolling interest totaled ($561) in 2019 and ($305) in 2018.

Principles of Consolidation

The consolidated financial statements have been prepared to focus on Phoebe-Devitt Homes and all controlled affiliated organizations as a whole. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents includes cash on hand, the Organization's and its affiliates' operating cash accounts, certificates of deposit, and investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts classified as assets whose use is limited and investments not classified as highly liquid.

Accounts Receivable

Accounts receivable consists of Medicaid, Medicare, Private Pay, and other contracted third-party payors. Accounts receivable are recorded net of contractual adjustments and are subject to audit and retroactive adjustment. Provision for these adjustments has been made as considered necessary. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Organization has exhausted all collection efforts and accounts are deemed impaired. The allowance for doubtful accounts amounted to $4,359 and $3,654 as of June 30, 2019 and 2018, respectively.

Inventories

Pharmaceutical, medical, and other supplies are stated at replacement cost, which approximates net realizable value. Inventories are included with prepaid expenses and other on the consolidated balance sheets.

Assets Whose Use is Limited, Investments and Investment Risk

Assets designated by the Board of Directors, assets whose use is restricted by donor stipulation, assets of residents and patients required to be deposited in escrow, assets deposited with a trustee under terms of the bond indenture, and other reserves are classified as assets whose use is limited. Investments are presented at market value which is determined using quoted market prices of a national exchange, except for alternative investments which are valued at net asset value per share. Investment income or loss (including realized gains or losses on investments, interest, and dividends) is included in operating income unless the income or loss is restricted by donor or law. Unrealized gains and losses are excluded from operating income. Contributed investments are initially valued at the quoted fair value on the date received, which is then treated as cost.

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

Funds Held in Trust by Others

The Organization has been named as a beneficiary of a number of trusts which are administered and controlled by independent trustees. The trusts are recorded as contribution revenue when the beneficiaries are notified of the trust's existence. The beneficiaries receive the earnings from these trusts whose principal is to be held in perpetuity. The earnings from the trusts are recorded as investment income.

Funds held in trust by others are valued at the fair value of the underlying investments. The change in the fair value of funds held in trust by others is reported as a change in net assets with donor restrictions.

Equity Method Investments

The Organization owns a 1.1 percent limited partnership interest in Health Network Laboratories, LLP. The value is $3,664 and $3,415 as of June 30, 2019 and 2018, respectively. The Organization also owns a 30 percent interest in Comforting Home Care, Inc. The value is $878 and $1,093 as of June 30, 2019 and 2018, respectively. The investments are valued using the equity method of accounting. Dividends are recorded through investment income as received.

Property and Equipment

Property and equipment are recorded at cost. The Organization's policy is to capitalize all property and equipment at cost in excess of $500 (in hundreds) as required by Nursing Facility Services cost report guidelines. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs of property and equipment are charged to operations and major renewals are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of operations and changes in net assets.

Deferred Financing Costs

Deferred financing costs are presented as a direct reduction of long-term debt and are being amortized using the straight-line method over the term of the bonds and mortgages, which approximates effective interest method.

Resident and Patient Funds

Security deposits paid in advance to cover possible costs when residents vacate their living units are accounted for as deferred revenue and taken into income only if earned upon termination of an agreement. This liability also includes nursing home patients' funds held in the safekeeping of the Organization for the patients' personal use.

Entrance Agreement Contracts

Entrance fees paid by residents of the Organization's independent living units, including certain cottages and apartments, are recorded as deferred revenue and refundable entrance fees. A resident, upon termination of occupancy, may be entitled to receive a refund of a portion of the entrance fee pursuant to the terms of the contract which is required to be paid only upon the subsequent receipt of an entrance fee and move-in by a new resident for that independent living unit.

The nonrefundable portion of entrance fees as stated in each contract is deferred and amortized to revenue over the estimated life expectancy of each resident and is classified as deferred revenue in the consolidated balance sheets. The guaranteed refundable liability component is not amortized to revenue and is classified as refundable entrance fees in the consolidated balance sheets.

The amount of entrance fees which is refundable to residents as of June 30, 2019 and 2018 under contractual refund provisions was approximately $40,528 and $41,254, respectively.

Estimated Obligation to Provide Future Services

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. There was no estimated obligation as of June 30, 2019 and 2018.

Net Assets and Donor-Restrictions

Net assets, revenues, gains, and 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. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets 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. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

Statutory Reserve Requirements

The Continuing Care Provider Registration and Disclosure Act requires a statutory reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loan or long-term financing, or 10 percent of the projected annual operating expenses of the facility exclusive of depreciation and amortization. The reserve is computed on only the proportional share of financing or operating expenses that are applicable to continuing care agreements. This statutory reserve requirement for June 30, 2019 in the amount of $701, $2,652, $138, $18, and $62 for Phoebe Home, Inc., Phoebe Berks Health Care Center, Inc., Wyncote Church Home, Phoebe Richland Health Care Center, and Pathstones by Phoebe, respectively, is separately stated on the consolidated balance sheets.

Net Patient and Resident Service Revenue

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

Net patient and resident service revenues are primarily comprised of the following revenue streams:

Skilled nursing: Skilled nursing revenues are primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. The Organization has determined that skilled nursing services are considered one performance obligation which is satisfied over time as services are provided. Therefore, skilled nursing revenues are recognized on a daily basis as services are rendered.

Personal care: Personal care revenues are primarily derived from providing housing and personal care services to residents at a stated daily fee. The Organization has determined that the services are considered one performance obligation which is satisfied over time as services are provided. Therefore, personal care revenues are recognized on daily basis as services are rendered.

Independent living: Independent living revenues are primarily derived from providing housing and services to residents. The Organization has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, independent living monthly fees are recognized on a month-to-month basis.

Pharmacy: Pharmacy revenues primarily include institutional sales of prescription drug sales and revenue is recognized at the time a customer takes possession of the prescription drugs, or when products or services are rendered or provided to the customer.

Other resident revenue: Other resident services revenues consist of affordable housing revenues derived from monthly resident rent charges including subsidy payments from U.S. Department of Housing and Urban Development ("HUD"), therapy, other services such as housekeeping, laundry, transportation, medical supplies and other revenues from residents. The Organization has determined that other resident services revenues are considered one performance obligation which is satisfied over time as services are provided. Therefore, other resident services revenues are recognized on a daily basis as services are rendered.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents residing in independent living which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the balance sheets. Amortization of nonrefundable entrance fees was $2,327 in 2019 and $2,058 in 2018 and is stated separately on the consolidated statements of operations and changes in net assets.

The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable entrance fees in the accompanying consolidated balance sheets.

The Organization receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Organization estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Performance Indicator

The consolidated statements of operations and changes in net assets includes a performance indicator of operations labeled "(Deficiency) excess of operating revenues over expenses". Changes in net assets without donor restrictions which are excluded from this measure include pension-related changes other than net periodic pension cost, net unrealized losses on investments, and net assets released from restrictions, capital.

Operating Income (Loss)

The consolidated statements of operations and changes in net assets includes an intermediate measure of operations labeled "operating income (loss)". The changes in the performance indicator which are excluded from this intermediate measure the change in fair value of interest rate swaps, and net periodic pension costs, nonoperating.

Derivatives

The Organization follows the guidance for accounting for derivative instruments and hedging activities by not-for-profit organizations, and clarification of the performance indicator. The Organization chose not to elect hedge accounting for its derivative instruments and does not utilize its interest rate swap agreements for trading or other speculative purposes. Therefore, variations in fair value are marked-to-market within the performance indicator.

Uncompensated Care

The Organization maintains records to identify and monitor the level of uncompensated care it provides. The estimated costs of providing uncompensated care are based upon the direct and indirect costs identified with the specific uncompensated care services provided.

The Organization and its affiliates provided charity care, subsidies, and other support of those in need to many of the programs and individuals it serves. Uncompensated care costs included in the consolidated statements of operations totaled $11,991 and $12,567 in 2019 and 2018, respectively, including services provided to Medicaid residents whose costs exceeded Medicaid reimbursement. The Organization received $149 and $163 in donor purpose restricted contributions in 2019 and 2018, respectively, and $3 in donor restricted contributions to be held in perpetuity for uncompensated care during both 2019 and 2018.

Income Taxes

The Organization and its affiliates, exclusive of PRRRG and the senior housing partnerships listed on page 8, have been recognized by the Internal Revenue Service as not-for-profit organizations as described in Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code ("IRC") and are exempt from federal income taxes on related income pursuant to Section 509(a) of the IRC.

New Accounting Standards

In 2019, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the full retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (residents) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements. The adoption of ASU did not have an effect on net assets and the enhanced disclosures are included in these consolidated financial statements.

In 2019, the Organization adopted the FASB's ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these consolidated financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources and analysis of expenses by nature and function. These disclosures have been presented for 2019 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the consolidated financial statements:

- The unrestricted net assets class has been remained net assets without donor restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The financial statements include a disclosure about liquidity and availability of resources at June 30, 2019 (Note 4).
- The functional expense disclosure for 2019 includes expenses reported both by nature and function (Note 12).

In 2019, the Organization early adopted FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. There was no impact on the consolidated financial statements from the adoption of ASU No. 2018-08.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash.* The amendments in this update require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization will be required to retrospectively adopt the guidance in ASU No. 2016-18 for its fiscal year ending June 30, 2020. The Organization is assessing the impact of adoption of ASU No. 2016-18 will have on its consolidated financial statements.

During January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. ASU No. 2016-01 was issued to enhance the reporting model for financial instruments in financial statements. The provisions of ASU No. 2016-01 require marketable equity securities to be reported at fair value with changes in fair value recognized within the performance indicator, establishes a qualitative factor in evaluating impairment on equity investments without readily determinable fair values, and eliminates the requirement to disclose the fair value on financial instruments measured at amortized cost. The Organization will be required to prospectively adopt the guidance in ASU No. 2016-01 its fiscal year ending June 30, 2020. The Organization is currently assessing the impact that ASU No. 2016-01 will have on its consolidated financial statements.

During February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Organization's leasing activities. The Organization will be required to retrospectively adopt the guidance in ASU No. 2016-02 its fiscal year ending June 30, 2021. The Organization is currently assessing the impact that ASU No. 2016-02 will have on its consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through October 22, 2019, which is the date the consolidated financial statements were issued.

3. Fair Value Measurements, Investments and Other Financial Instruments

Fair Value Measurements

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

The levels of the fair value hierarchy are as follows:

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

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

Level 3 - Significant unobservable inputs.

(In Thousands)

The following tables present financial instruments measured at fair value at June 30, 2019 and 2018, by caption on the consolidated balance sheets:

	June 30, 2019			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Investments:				
Equity securities:				
Common stock:				
Consumer discretionary	$ 1,396	$ 1,396	$ -	$ -
Consumer staples	1,300	1,300	-	-
Energy	443	443	-	-
Financials	2,129	2,129	-	-
Healthcare	1,805	1,805	-	-
Industrials	1,773	1,773	-	-
Information technology	2,859	2,859	-	-
Materials	889	889	-	-
Real estate	22	22	-	-
Telecommunication	845	845	-	-
Utilities	174	174	-	-
Mutual funds	3,673	3,673	-	-
Exchange traded funds	16,161	16,161	-	-
Other	621	621	-	-
Fixed income:				
Government obligations	3,507	-	3,507	-
Mortgage backed securities	171	-	171	-
Corporate obligations	3,265	-	3,265	-
Mutual funds	2,357	2,357	-	-
CDs/equivalents	96	96	-	-
Other fixed income securities	27	27	-	-
Other investments	84	84	-	-
Total investments in the fair value hierarchy	43,597	36,654	6,943	-
Alternative investments reported at net asset value	9,658			
Total investments	53,255			

(In Thousands)

Description	June 30, 2019 Total	Level 1	Level 2	Level 3
Assets whose use is limited:				
Cash/money market accounts	$ 4,491	$ 4,491	$ -	$ -
Equity securities:				
Common stock:				
Consumer discretionary	683	683	-	-
Consumer staples	392	392	-	-
Energy	6	6	-	-
Financials	587	587	-	-
Healthcare	748	748	-	-
Industrials	643	643	-	-
Information technology	1,250	1,250	-	-
Materials	158	158	-	-
Telecommunication services	438	438	-	-
Mutual funds	4,014	4,014	-	-
Other	548	548	-	-
Fixed income:				
Government obligations	2,115	-	2,115	-
Corporate obligations	2,875	-	2,875	-
Mutual funds	830	830	-	-
CDs/equivalents	747	747	-	-
Other investments, at cost	93	93	-	-
Funds held in trust by others	5,092	-	-	5,092
Total assets whose use is limited	25,710	15,628	4,990	5,092
Statutory Minimum Liquid Reserve:				
Cash/money market accounts	1,153	1,153	-	-
Equity securities	2,418	2,418	-	-
Total statutory minimum liquid reserve	3,571	3,571	-	-
Total assets	$ 82,536	$ 55,853	$ 11,933	$ 5,092
Liabilities				
Interest rate swaps	$ 4,585	$ -	$ 4,585	$ -
Disclosed at Fair Value				
Cash and cash equivalents	$ 4,390	$ 4,390	$	$
Long-term debt (carrying value of $76,534)	$ 76,534	$ -	$ 76,534	$ -

(In Thousands)

	June 30, 2018			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets				
Investments:				
Equity securities:				
Common stock:				
Consumer discretionary	$ 1,702	$ 1,702	$ -	$ -
Consumer staples	1,828	1,828	-	-
Energy	1,155	1,155	-	-
Financials	2,380	2,380	-	-
Healthcare	1,973	1,973	-	-
Industrials	2,541	2,541	-	-
Information technology	4,016	4,016	-	-
Materials	1,103	1,103	-	-
Real estate	28	28		
Telecommunication	282	282	-	-
Utilities	451	451	-	-
Mutual funds:				
Domestic	8,496	8,496	-	-
International	5,620	5,620	-	-
Other mutual funds	2,979	2,979	-	-
Other	271	271	-	-
Fixed income:				
Government obligations	2,726	-	2,726	-
Mortgage backed securities	25	-	25	-
Corporate obligations	3,062	-	3,062	-
Mutual funds	2,876	2,876	-	-
CDs/equivalents	96	96	-	-
Other investments	87	87	-	-
Total investments in the fair value hierarchy	43,697	37,884	5,813	-
Alternative investments reported at net asset value	10,034			
Total investments	53,731			

(In Thousands)

Description	June 30, 2018 Total	Level 1	Level 2	Level 3
Assets whose use is limited:				
Cash/money market accounts	$ 4,649	$ 4,649	$ -	$ -
Equity securities:				
Common stock:				
Consumer discretionary	575	575	-	-
Consumer staples	333	333	-	-
Energy	184	184	-	-
Financials	536	536	-	-
Healthcare	563	563	-	-
Industrials	623	623	-	-
Information technology	1,154	1,154	-	-
Materials	169	169	-	-
Telecommunication services	2	2	-	-
Mutual funds	4,922	4,922	-	-
Other	96	96	-	-
Fixed income:				
Government obligations	1,881	-	1,881	-
Corporate obligations	2,702	-	2,702	-
Mutual funds	839	839	-	-
CDs/equivalents	1,113	1,113	-	-
Other investments, at cost	87	87	-	
Funds held in trust by others	4,989	-	-	4,989
Total assets whose use is limited	25,417	15,845	4,583	4,989
Statutory Minimum Liquid Reserve:				
Cash/money market accounts	1,928	1,928	-	-
Equity securities	1,547	1,547	-	-
Total statutory minimum liquid reserve	3,475	3,475	-	-
Total assets	$ 82,623	$ 57,204	$ 10,396	$ 4,989
Liabilities				
Interest rate swaps	$ 2,911	$ -	$ 2,911	$ -
Disclosed at Fair Value				
Cash and cash equivalents	$ 6,514	$ 6,514	$ -	$ -
Long-term debt (carrying value of $68,185)	$ 68,185	$ -	$ 68,185	$ -

The equity method investments in Health Network Laboratories, LLP and Comforting Home Care, Inc. as described in Note 2 with values of $4,542 and $4,508 as of June 30, 2019 and 2018, respectively, have been excluded from the fair value tables.

(In Thousands)

The composition of assets whose use is limited and investments as of June 30, 2019 and 2018 is set forth in the following table:

	2019	2018
By Board for continuing operations	$ 50,740	$ 50,123
By Board for charitable gift annuity program	895	939
By Board for charitable care	4,889	4,513
By Board for endowment purposes	4,399	4,253
Assets held in trust for residents and patients	333	1,658
Self-insured reserves	4,681	4,327
By HUD/Affordable Housing	1,882	1,801
Assets held by trustees, under bond indenture	949	1,709
By donors for restricted purposes	13,768	13,300
Total assets whose use is limited and investments	$ 82,536	$ 82,623

A summary of assets whose use is limited and investments as of June 30, 2019 and 2018 is set forth in the following table:

	2019	2018
Cash/money market accounts	$ 5,644	$ 6,577
Equity securities	45,975	45,529
Fixed income	9,658	15,320
Alternative investments	15,990	10,034
Other assets	76	80
Contributions receivable	93	87
Funds held in trust by others	5,092	4,989
CSV, life insurance	8	7
	$ 82,536	$ 82,623

The following tables summarize the gross unrealized losses and fair value, aggregated by investment category and length of time for individual securities in a continuous loss position at June 30, 2019 and 2018. As of June 30, 2019 and 2018, 214 and 508 (in hundreds) individual securities, respectively, had unrealized losses. Management believes that holding losses on the remaining investments are not permanent impairment as they reflect general market conditions instead of permanent decline in value.

	2019					
	Held Less than Twelve Months		Held Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	$ 7,807	$ (736)	$ 5,901	$ (1,065)	$ 13,708	$ (1,801)
Alternative investments	49	(1)	494	(82)	543	(83)
Fixed income securities	592	(2)	2,177	(45)	2,769	(47)
Other assets	9	(1)	19	(1)	28	(2)
	$ 8,457	$ (740)	$ 8,591	$ (1,193)	$ 17,048	$ (1,933)

(In Thousands)

	2018					
	Held Less than Twelve Months		Held Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	$ 7,108	$ (491)	$ 1,695	$ (741)	$ 8,803	$ (1,232)
Alternative investments	-	-	493	(68)	493	(68)
Fixed income securities	5,968	(128)	1,740	(87)	7,708	(215)
Other assets	-	-	19	(1)	19	(1)
	$ 13,076	$ (619)	$ 3,947	$ (897)	$ 17,023	$ (1,516)

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Organization's funds held in trust by others.

	2019	2018
Beginning balance	$ 4,989	$ 4,853
Contributions	84	-
Change in value	19	136
Ending balance	$ 5,092	$ 4,989

The contributions of $84 are included in change in net assets with donor restrictions at June 30, 2019 and the change in value of $19 and $136 is included in the change in net assets with donor restrictions at June 30, 2019 and 2018, respectively.

Derivatives

The Obligated Group described in Note 6 entered into four interest rate swap agreements (the "Agreements") to manage the variable rate interest payments due on its long-term debt (Note 6). The Agreements on the 2008 Bonds, 2012 Bonds (2 agreements), and 2014 Bonds expire in May 2028, May 2022, and April 2024, respectively. The 2008 agreement is a weekly measurement process comparing the swap rate of 3.29 percent (notional amount of $28,185) with an index rate based on 70 percent of LIBOR (London Inter Bank Offered Rate). The 2012 agreements are a monthly measurement process comparing the swap rates of 1.06 percent (notional amount of $4,650) and 1.09 percent (notional amount of $1,500) with an index rate based on 73 percent of LIBOR. The 2014 agreement is a monthly measurement process comparing the swap rate of 2.24 percent (notional amount of $12,529) with an index rate based on 70 percent of LIBOR. Payments to or from the counterparty are classified as a component of interest expense. Changes in the fair value of the Agreements are included in (deficiency) excess of operating revenues over expenses since the Agreements are not designated as hedging instruments. As of June 30, 2019 and 2018, the 2008 interest rate swap is recorded as a liability of $3,975 and $2,820, respectively, the 2012 interest rate swaps are recorded as an asset of $17 and $130, respectively, and the 2014 interest rate swap is recorded as a liability of $627 and $221, respectively. The change in the fair value of the Agreements is classified as change in fair value of interest rate swaps in the consolidated statements of operations and changes in net assets and was ($1,674) in 2019 and $2,105 in 2018.

Valuation Methodologies

The carrying amount of operating cash and cash equivalents approximates fair value at June 30, 2019 and 2018 due to the short-term nature of these instruments.

Investments, assets whose use is limited, and statutory minimum liquid reserves are valued at fair value based on quoted market prices in active markets for cash/money market accounts, common stock, mutual funds, and CDs/equivalents, and are estimated using quoted prices for similar securities for government and corporate obligations and mortgaged backed securities.

The fair value of the funds held in trust by others was determined based on the Organization's interest in the fair value of the underlying assets, which approximate the present value of the future distributions expected to be received.

The fair value of long-term debt is based on quoted market prices for the same or similar issues (excluding Phoebe Apartments, Inc. and Affordable Housing).

The fair value of the Phoebe Apartments, Inc. and Affordable Housing long-term debt approximates fair value based upon the borrowing rates available to Phoebe Apartments, Inc. and the Affordable Housing LPs.

The Organization measures its interest rate swap agreements at fair value based on proprietary models of third parties. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments, and considers the credit risk of the Organization. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Organization would pay or receive to terminate the agreements.

Investments in the accompanying consolidated balance sheets include approximately $9,658 and $10,034 of alternative investments funds (the "Funds") at June 30, 2019 and 2018, respectively. The Funds are measured using the net asset value ("NAV") per share practical expedient. The Organization's alternative investments funds are generally structured such that the Organization holds a limited partnership interest or an interest in an investment management company. The Organization's ownership structure does not provide for control over the related investees, and the Organization's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. The Organization may be exposed indirectly to securities lending, short sales of securities, and trading in futures and forward contracts, options and other derivative products. Financial information used by the Organization to evaluate the Funds is provided by the investment manager or general partner, and includes fair value valuations of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the Funds are audited annually by independent auditors, although the timing of reporting the results of the audits does not coincide with the Organization's annual consolidated financial statement reporting. There is uncertainty in the accounting for the Funds arising from factors such as a lack of active markets, lack of transparency in underlying holdings, and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates of fair value will change in the near term.

The following represents each of the alternative investment fund's objectives and redemption restrictions:

Atlas Enhanced Fund, Ltd. - Class L: The underlying manager's approach is to identify talented subsector, region, or asset class specialists in the equity and macro space. By monitoring the teams in a quantifiable way, the underlying manager can allocate capital to those portfolio managers ("PMs") showing the most consistency and highest quality of returns, while simultaneously reducing risk from those PMs who experience larger drawdowns and/or generate poor quality of returns. As of June 30, 2019 and 2018, the NAV of the Organization's investment in this fund is $0 and $588, respectively. The Organization can redeem their investment in this fund on a quarterly basis with 65 days written notice. There were no unfunded commitments related to this fund at June 30, 2019.

HP Millennium International Fund, Ltd.: This fund's strategy is global and highly diversified, with a focus on investment strategies that exploit market inefficiencies to produce absolute return with low correlation to global capital markets. The underlying manager seeks to deliver absolute returns with relatively low volatility by focusing on a high level of diversification, tight control of directional market exposures, and a risk management framework that can result in a high level of liquidity and systematic movement of capital based on real-time trading profit and losses. The underlying manager believes that alpha is best achieved by trading professionals that are narrowly focused to maximize expertise, and combined on a platform that provides trading and operational economies of scale. As of June 30, 2019 and 2018, the NAV of the Organization's investment in this fund is $929 and $952, respectively. The Organization can redeem their investment in this fund on a quarterly basis with 95 days written notice. There were no unfunded commitments related to this fund at June 30, 2019.

The SkyBridge Multi-Adviser Hedge Fund Portfolios, LLC - Series G: The SkyBridge Series G is a registered fund of hedge funds that seeks capital appreciation by investing in 30-35 hedge funds managed by third-party investment managers who employ a variety of strategies in pursuit of attractive risk-adjusted returns and capital preservation. Series G combines a top-down strategy allocation methodology with bottom-up manager evaluations in an attempt to identify those strategies that the adviser believes provide opportunities to achieve Series G's investment objectives during a three to five year investment horizon. As of June 30, 2019 and 2018, the NAV of the Organization's investment in this fund is $0 and $1,982, respectively. The Organization can redeem their investment in this fund on a quarterly basis with 65 days written notice. There were no unfunded commitments related to this fund at June 30, 2019.

Golden Tree Offshore Fund, Ltd. - Class C: This fund's principal investment objective is to achieve superior risk-adjusted total returns by investing, directly or indirectly through its investment in the Master Fund, primarily in public and private non-investment grade and non-rated debt securities. Securities and other instruments acquired by the Fund may include, but are not limited to, all types of debt obligations including bank debt, public and private equity, options, swaps and real estate related instruments. The Fund may acquire the foregoing instruments through the Master Fund, directly, or indirectly through investments in securitizations, structured financings, special purpose vehicles or other collective investment vehicles, some of which may be managed by the investment manager or its affiliates. As of June 30, 2019 and 2018, the NAV of the Organization's investment in this fund is $1,088 and $985, respectively. The Organization can redeem their investment in this fund on a quarterly basis with 90 days written notice. There were no unfunded commitments related to this fund at June 30, 2019.

Hamilton Lane Private Markets Opportunity Feeder Fund (Fund-of-Fund Series) LP: This fund will utilize multiple investment strategies, vintage years and geographies across primary fund investments, secondaries, and co-investments. Customized Series offered under this structure by Hamilton Lane will generally focus on small and mid-sized private equity funds, while seeking J-curve mitigation through investments in secondaries, delayed primaries and credit investments, and allocations will vary based on individual Series. As of June 30, 2019 and 2018, the NAV of the Organization's investment in this fund is $2,403 and $1,284, respectively. The unfunded commitments related to this fund at June 30, 2019 were $3,094.

AIP Private Equity Co-Investment Opportunities Fund I LP: This fund is targeting to invest in twenty to thirty direct co-investment opportunities alongside select private equity sponsors in buyout and growth companies across North America and Europe. PE CO-Inv OPP I is expected to be invested over the course of a two-year investment period and will target a funded ratio of 85 percent to enable deal sourcing via "stapled" primary positions made directly by the fund in connection with specific co-investments. In addition to deal flow secured through the fund's primary commitments, the fund is also well-positioned to benefit from "overflow" co-investment deal activity arising from AIP's extensive network of private equity primary relationships. As of June 30, 2019 and 2018 the NAV of the Organization's investment in this fund is $401 and $152, respectively. The unfunded commitments related to this fund at June 30, 2019 were $798.

Tortoise MLP & Pipeline Fund: This fund seeks to invest in primarily North American midstream energy infrastructure through a portfolio of higher quality energy MLPs and C-corp. pipeline companies that exhibit prospects for growth. The fund is limited to a 25 percent maximum allocation to MLP securities, and is not subject to corporate-level taxes. As of June 30, 2019 and 2018 the NAV of the Organization's investment in this fund is $1,106 and $1,598, respectively. There were no unfunded commitments related to this fund at June 30, 2019.

Pointer Offshore LTD: The fund's investment objective is to achieve capital appreciation through a balanced level of risk primarily by allocating assets to a select number of fundamental long/short equity and credit-focused managers. The funds seek to achieve balance between risk and return in two primary ways: (1) employment of a select group of managers so as to decrease the fund's exposure to any single manager: and (2) employment of managers who utilize diverse strategies/exposures and hedging in their own individual funds. Diversification and hedging on the part of each of the funds' individual managers are intended to help generate positive overall returns even under adverse market conditions, although there is no assurance that this will be the case, or that the fund's investment objectives will be achieved. As of June 30, 2019 and 2018 the NAV of the Organization's investment in this fund is $2,007 and $2,000, respectively. There were no unfunded commitments related to this fund at June 30, 2019.

Goldman Sachs MLP Infrastructure Fund: This fund seeks to provide investors with exposure to the U.S energy independence theme. Improving technology and a growing demand for new energy sources has resulted in a renaissance for the U.S. economy. As of June 30, 2019 and 2018 the NAV of the Organization's investment in this fund is $494 and $493, respectively. There were no unfunded commitments related to this fund at June 30, 2019.

Blackstone Real Estate Investment Trust ("REIT"): The fund is a non-exchange traded, perpetual life REIT focused on investing primarily in stabilized commercial real estate properties diversified by sector with a focus on providing current income to investors. The portfolio targets at least 80 percent to properties and up to 20 percent to real estate debt securities, cash and/or cash equivalents. As of June 30, 2019 the fair value of the Organization's investment in this fund is $1,000. There were no unfunded commitments related to this fund at June 30, 2019.

Pantheon Infrastructure Offshore Fund: The Fund seeks to generate attractive returns over the long term through an opportunistic program of global secondaries and co-investments focused on infrastructure. As of June 30, 2019 the fair value of the Organization's investment in this fund is $230. The unfunded commitments related to this fund at June 30, 2019 were $875.

(In Thousands)

4. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets available for general expenditure within one year at June 30, 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of: assets held in trust for residents and patients, self-insurance reserves, assets restricted by HUD/Affordable Housing, assets held by trustees, under bond indenture, and assets restricted by donors

Financial assets:	
Cash and cash equivalents	$ 4,390
Accounts receivable	12,846
Investments	53,255
Assets whose use is limited	25,710
Total financial assets	96,201
Less those unavailable for general expenditure within one year:	
Assets held in trust for residents and patients	(333)
Self-insured reserves	(4,681)
Assets restricted by HUD/Affordable Housing	(1,882)
Assets held by trustees, under bond indenture	(949)
Assets restricted by donors	(13,768)
Alternative investments with liquidity greater than 1 year	(3,034)
	$ 71,554

The Organization has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above.

The Organization has other assets limited to use for debt service and other regulatory requirements. As stated in Note 2, the Organization designated a portion of its investments as a statutory minimum liquid reserve to comply with the requirements of Act 82 and thus they are not included in the schedule above. Although the Organization does not intend to utilize the Act 82 Reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The Act 82 reserves are separately classified in the consolidated balance sheets and do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. These funds may be drawn upon, if necessary, to meet unexpected liquidity needs.

(In Thousands)

5. Property and Equipment

Property and equipment and accumulated depreciation at June 30, 2019 and 2018 is summarized as follows:

	2019	2018	Depreciable Lives
Land and improvements	$ 10,577	$ 9,383	0-20 Years
Buildings and improvements	198,531	176,656	5-50 Years
Furniture and equipment	31,344	29,067	3-20 Years
Construction in progress	13,626	18,662	
	254,078	233,768	
Less accumulated depreciation	(137,022)	(127,164)	
	$ 117,056	$ 106,604	

Construction in progress as of June 30, 2019 consists primarily of $12,367 of costs related to the purchase of the land and building for further development at Chestnut Ridge at Rodale. There are no construction commitments in place as of June 30, 2019. Construction in progress also consists of $411 of costs related to a repositioning project at the Phoebe Berks campus. Outstanding guaranteed maximum construction contracts exist on the construction at the Phoebe Berks campus totaling approximately $6,345. There have been no expenditures on this contract at June 30, 2019. Interest capitalized as part of both projects was $299 during the year ended June 30, 2019.

6. Long-Term Debt

Long-term debt at June 30, 2019 and 2018 consist of the following with all installment payments at actual amounts:

	2019	2018
Affordable Housing:		
Senior Apartments at the Wyomissing Club Associates, LP		
Citizens Bank mortgage payable, due in monthly installments of $3,308, including interest at 5.00% to December 2019.	$ 17	$ 54
Fulton Bank mortgage payable, due in monthly installments of $3,187, including interest at 5.00% to December 2019.	16	52
City of Reading mortgage note payable, due in semi-annual installments of $14,607, including interest at 5.886% to November 2022. The note is due earlier than November 2022 if the project is sold.	249	249
City of Reading mortgage note payable to Community Development Block Grant ("CDBG"), interest accrued and capitalized at 5.30% per annum through July 2028, with all principal and accrued interest due July 2028. The note is due earlier than July 2028 if the project is sold.	1,388	1,318
City of Reading mortgage note payable (Rehab Program), interest accrued and capitalized at 6.00% per annum through July 2028, with all principal and accrued interest due July 2028. The note is due earlier than July 2028 if the project is sold.	440	415

(In Thousands)

	2019	2018
City of Reading mortgage note payable to HOME Investment Partnership Program ("HOME"), interest accrued and capitalized at 6.00% per annum. Annual payments of $5,000 are due through July 2028. The note is due earlier than July 2028 if the project is sold.	$ 1,246	$ 1,179
Furnace Creek Associates, LP		
6.75% mortgage payable to Rural Development ("RD") in monthly installments of $6,890, including interest, through February 2046. The monthly payments include an interest subsidy of $4,382 that effectively reduces the interest rate to 1.00%.	1,020	1,032
1.00% second mortgage payable to Berks Housing Opportunities One, Inc., monthly payments of $1,514, including interest at 1.00% through December 2025. This note is due earlier than December 2025 if the project is sold.	114	131
1.00% third mortgage payable to Berks County, monthly payments of $539, including interest at 1.00% through December 2025. This note is due earlier than December 2025 if the project is sold.	41	47
1.00% fourth mortgage payable to Berks Community Action Program. Interest accrues annually, payments of principal and interest deferred until December 31, 2025; thereafter, monthly payments of $625, including interest at 1.00% through December 2045. This note is due earlier than December 2045 if the project is sold.	127	126
0.00% developer fee note. Potential loan payments will be determined on an annual basis if sufficient cash flow exists.	115	115
Weidner Manor Associates, LP		
Fulton Bank development note payable, due in monthly installments of $1,960, interest rate is 1.00% above the bank's prime rate, which was 6.50% and 6.00% as of June 30, 2019 and 2018, respectively.	3	26
Fulton Bank mortgage note payable to Federal Home Loan Bank Affordable Housing Program ("FHLB AHP"), noninterest-bearing, due upon any default on development note above.	85	85
Berks Community Action Program mortgage note payable to Neighborhood Assistance Program ("NAP"), monthly payments of $2,457 (subject to available cash flows), including interest at 1.00% through October 2023. The note is due earlier than October 2023 if the project is sold.	297	294
Amity-Berks Development Company ("Amity-Berks") mortgage note payable, monthly payments of $1,547 (subject to available cash flows), including interest at 1.00% through October 2023. The note is due earlier than October 2023 if the project is sold.	93	92
Berks County mortgage note payable to Pennsylvania Housing Finance Agency ("PHFA"), monthly payments of $2,077 (subject to available cash flows), including interest at 1.00% through October 2023. The note is due earlier than October 2023 if the project is sold.	251	248
Berks County mortgage note payable to HOME, monthly payments of $3,204 (subject to available cash flow), including interest at 1.00% through October 2023. The note is due earlier than October 2023 if the project is sold.	387	383

(In Thousands)

	2019	2018
Wind Gap Manor Associates, LP		
First mortgage payable to the PHFA. The mortgage is non-interest bearing. Payment of principal is deferred during the initial 30 years of project operation beginning November 1999. However, principal payments shall be due and payable from excess of revenues over expenses during any calendar year. 50% of excess revenue shall be used to repay principal and 50% shall be used as return on equity as limited by agency guidelines. In the event the project is sold or refinanced by the partnership, the note becomes due. Any unpaid principal is due November 2029.	$ 669	$ 729
Second mortgage payable to Lafayette Bank, using funds from the FHLB AHP. This mortgage is non-interest bearing. Principal payments will never be due unless the Partnership defaults on leasing units to low income senior citizens.	104	104
Franklin & Noble Manor Associates, LP		
1.00% second mortgage payable to Berks County, monthly payments of $5,420 including interest at 3.00% through December 2026.	432	483
1.00% third mortgage payable to Berks Housing Opportunities, Inc., monthly payments of $840 including interest at 3.00% through December 2026.	68	76
0.00% mortgage payable to the County of Berks, payments of principal deferred until 2034.	250	250
Fourth mortgage payable to Berks Community Action Program, Inc., no interest shall accrue or be payable. Payment of principal deferred until January 2028.	54	54
Devitt House, Inc.		
8.75% mortgage payable to RD in monthly installments of $10,586, including interest, through August 2041. The monthly payments include an interest subsidy of $7,550 that effectively reduces the interest rate to 1.00%.	1,231	1,251
John F. Lutz Associates, LP		
Note payable to the PHFA payable in monthly payments of $999, including interest at 5.90%, secured by a primary mortgage, a security agreement on other assets, and an assignment on all income under leases of the property. The note is scheduled to mature January 2022.	29	39

(In Thousands)

	2019	2018
Note payable to the PHFA with no interest. Principal payments shall be due and payable from excess of revenues over expenses during any calendar year. 50% of excess revenue shall be used to repay principal and 50% shall be used as return on equity as limited by agency guidelines. In the event the project is sold or refinanced by the partnership, the note becomes due. The note is secured by a secondary position mortgage, a security agreement on other assets, and an assignment of all income under leases of the property.	$ 167	$ 186
Note payable to Berks Housing Opportunities, Inc. with no interest or principal payments due through June 2021, at which time all amounts owing are due in equal monthly payments of principal plus interest at 1.00% to June 2036. During the period from June 1995 to June 2021, 1.00% interest will accrue and be added to the principal balance of the note on the anniversary date of the funding date. In the event that this project is sold or refinanced by the partnership, the note becomes due. The note is secured by a subordinate mortgage on the property, a security agreement on other assets, and an assignment of all income under leases of the property.	245	243
Note payable to Berks Community Action Program with no interest or principal payments due through June 2021, at which time all amounts owing are due in equal monthly payments of principal plus interest at 1.00% to June 2036. During the period from June 1995 to June 2021, 1.00% interest will accrue and be added to the principal balance of the note on the anniversary date of the funding date. In the event that this project is sold or refinanced by the partnership, the note becomes due. The note is secured by a subordinate mortgage on the property, a security agreement on other assets, and an assignment of all income under leases of the property.	496	491
Note payable to the County of Berks with no interest or principal payments due through June 2021, at which time all amounts owing are due in equal monthly payments of principal plus interest at 1.00% to June 2036. During the period from June 1995 to June 2021, 1.00% interest will accrue and is added to the principal balance of the note on the anniversary date of the funding date. In the event that this project is sold or refinanced by the partnership, the note becomes due. The note is secured by a subordinate mortgage on the property, a security agreement on other assets, and an assignment of all income under leases of the property.	229	227

(In Thousands)

	2019	2018
Obligated Group		
Lehigh County General Purpose Authority Variable Rate Demand Revenue Refunding Bonds, Series B of 1998. The Series B of 1998 bonds outstanding are due in varying annual installments through May 2021. The bonds are secured by an irrevocable letter of credit issued by Citizens Bank. The bonds bear interest at a weekly rate, subject to conversion to a monthly rate or a term rate, defined as the variable rate of interest equal to the minimum rate of interest necessary to sell the Series B of 1998 bonds as determined by the remarketing agent (2.00% and 1.69% as of June 30, 2019 and 2018, respectively).	$ 620	$ 910
Berks County Municipal Authority Federally-Taxable Variable Rate Demand Revenue Refunding Bonds, Series C of 1998. The Series C of 1998 bonds outstanding are due in varying annual installments through May 2022. The bonds are secured by an irrevocable letter of credit issued by Citizens Bank. The bonds bear interest at a weekly rate, subject to conversion to a monthly rate or a term rate, defined as the variable rate of interest equal to the minimum rate of interest necessary to sell the Series C of 1998 bonds as determined by the remarketing agent (2.75% and 2.18% as of June 30, 2019 and 2018, respectively).	1,170	1,520
Berks County Municipal Authority Revenue Refunding Bonds, Series 2008. The 2008 Bonds were converted to index rate bonds during 2014, at which point Key Bank National Association became the sole bondholder. The 2008 bonds outstanding are due in varying annual installments through May 2038. The bonds bear a variable interest rate (3.07% and 2.75% at June 30, 2019 and 2018, respectively), which was swapped to a fixed rate of 3.29% through May 2028. At June 30, 2019, the overall effective interest rate was 4.56%.	27,885	28,920
Berks County Municipal Authority Revenue Refunding Bonds, Series A1 of 2012. The Series A1 of 2012 bonds outstanding are due in varying monthly installments through May 2022. Citizens Bank of Pennsylvania is the sole bondholder. The bonds bear a variable interest rate (3.57% and 3.21% at June 30, 2019 and 2018, respectively), which was swapped to a fixed rate of 1.06% through May 2022. At June 30, 2019, the overall effective interest rate was 2.88%.	4,650	6,390
Lehigh County General Purpose Authority Revenue Refunding Bonds, Series A2 of 2012. The Series A2 of 2012 bonds outstanding are due in varying monthly installments through May 2022. Citizens Bank of Pennsylvania is the sole bondholder. The bonds bear a variable interest rate (3.57% and 3.34% at June 30, 2019 and 2018, respectively), which was swapped to a fixed rate of 1.09% through May 2022. At June 30, 2019, the overall effective interest rate was 2.92%.	1,500	1,980

(In Thousands)

	2019	2018
The Borough of Langhorne Manor Higher Education and Health Authority Revenue Bonds, Series 2014. Proceeds from the 2014 bonds were used for the refunding of the Phoebe Richland Health Care Revenue Note Series 2003 in the amount of $2,560 and to finance additions and renovations at Phoebe Richland and capitalized interest of the Series 2014 Bonds (the "Projects"). Monthly installments of principal and interest will be paid through May 2041. Citizens Bank of Pennsylvania is the sole bondholder. The bonds are secured by a primary mortgage. The bonds bear a variable interest rate (3.07% and 2.75% at June 30, 2019 and 2018, respectively), of which a portion was swapped to a fixed rate of 2.24% through April 2024. At June 30, 2019, the overall effective interest rate was 3.18%.	$ 17,898	$ 18,030
Loan with Citizens Bank which proceeds were used to purchase real estate related to the development of Chestnut Ridge at Rodale and to finance renovations at Phoebe Berks. Proceeds from the loan will be drawn during the renovation period up to a maximum of $18,000. Payments of interest only on the outstanding balance are due monthly until November 2020 at which time all outstanding principal is due. Through mutual agreement with Citizens Bank, the Obligated Group can extend the maturity date. The loan is secured by a primary mortgage and bears a variable interest rate of 3.84% at June 30, 2019.	12,552	-
Phoebe Housing		
0.00% note payable to a not-for-profit corporation, collateralized by real estate; note matures January 2046.	80	80
Phoebe Apartments		
Phoebe Apartments, Inc., 3.00% mortgage payable to HUD, collateralized by property, plant, and equipment, due in monthly installments of $6,266 including interest through January 2024. The note is due earlier than January 2024 if the project is sold.	326	390
	76,544	68,199
Less unamortized bond discount	(10)	(14)
Less unamortized deferred financing costs	(1,266)	(1,240)
Less current portion	(4,635)	(4,519)
	$ 70,633	$ 62,426

The Obligated Group consists of Phoebe Home, Inc., Phoebe Services, Inc., Phoebe-Devitt Homes, Phoebe Berks Health Care Center, Inc., and Phoebe Richland Health Care Center.

As security for the payment of the bonds and loan payable, the Obligated Group and any future members of the Obligated Group will grant a security interest in the pledged assets to the Master Trustee. Pledged assets include gross revenue of the Obligated Group and any subsequent members of the Obligated Group and proceeds thereof.

(In Thousands)

As additional security for bond payments, the Obligated Group has granted to the Master Trustee a mortgage on certain facilities consisting of real estate, improvements, personal property, building, equipment, and other property interests.

The Series B of 1998 Bonds and Series C of 1998 Bonds are backed by letter of credits and subject to remarketing agreements. In the event that any or all of the Bonds are tendered by the bondholder and are unable to be remarketed, the letter of credits would be drawn upon to repay the tendered Bonds. Any drawings under the letter of credits are repayable on or before the first to occur of the following: the date on which the Bonds purchased with the proceeds from a draw on the letter of credits are successfully remarketed by the remarketing agent, the date on which the Bonds purchased with the proceeds from a draw on the letters of credit are redeemed or otherwise paid in full, the occurrence of an event of default, or the date the letters of credit expires. The letter of credit for the Series B of 1998 Bonds will expire in May 2021. The letter of credit for the Series C of 1998 Bonds will expire in May 2022. Certain debt provisions require the maintenance of the letters of credit.

The Obligated Group has agreed to comply with the terms of various debt agreements. The agreements also place limits on the incurrence of additional borrowings as long as the Bonds are outstanding.

Management regularly assesses refinancing options for long-term debt obligations based on market availability and requirements of partnership agreements and other agreements related to the Organization's long-term debt obligations.

The aggregate maturities of long-term debt as of June 30, 2019 are as follows. The Organization has no intention of selling any of the Affordable Housing or Apartment projects and thus they are included in thereafter on the maturity schedule.

2020	$ 4,635
2021	17,041
2022	3,660
2023	2,154
2024	2,198
Thereafter	46,856
Total	$ 76,544

7. Employee Benefit Plans

The Organization maintains a 401(k) plan where eligible participants may contribute a portion of pretax annual compensation subject to IRS limits. In addition to participant contributions, the Organization's Board of Trustees may make discretionary contributions. Discretionary contributions in 2019 and 2018 were 3 percent of base eligible participant compensation, amounting to $790 and $769 during the years ended June 30, 2019 and 2018, respectively.

In addition, the Organization maintains a defined benefit plan. The Organization follows the recognition and disclosure provisions of accounting for defined benefit plans and other postretirement plans, which requires organizations to recognize the funded status of defined benefit plans and other postretirement plans as a net asset or liability and to recognize changes in that funding status in the year in which the changes occur through other changes in net assets without donor restrictions to the extent those changes are not included in periodic pension cost.

(In Thousands)

The defined benefit plan is a noncontributory defined benefit plan covering union employees at two affiliates. The benefits are based on a flat dollar amount based on years of service as specified by the plan. The plan has a projected benefit obligation and accumulated benefit obligation of $14,545 and $13,742 as of June 30, 2019 and 2018, respectively. The projected benefit obligation and the accumulated benefit obligation are the same amount since there are no future compensation levels to factor into the obligations. The benefits under this plan were frozen effective June 30, 2006. The plan will continue to make benefit payments for all vested accrued benefits as of June 30, 2006.

The following table sets forth the pension benefit obligation, fair value of plan assets, and funded status at June 30, 2019 and 2018:

	2019	2018
Benefit obligation at June 30	$ (14,545)	$ (13,742)
Fair value of plan assets	10,702	10,814
Funded status at end of the year	$ (3,843)	$ (2,928)
Amounts recognized in the consolidated balance sheets consist of pension liability	$ 3,843	$ 2,928
Amounts recognized in net assets without donor restrictions consist of net actuarial loss	$ (7,511)	$ (6,396)

The net loss for the defined benefit plan that will be amortized from net assets without donor restrictions into net periodic pension cost for the next fiscal year is $505.

The following summarizes the net periodic pension cost, employer contribution and benefits paid by the pension plan for the years ended June 30, 2019 and 2018:

	2019	2018
Net periodic pension cost	$ 78	$ 112
Employer contributions	279	379
Benefits paid	(661)	(632)

Net periodic pension cost under the defined benefit plan for the years ended June 30, 2019 and 2018 included the following components:

	2019	2018
Interest cost on projected benefit obligation	$ 571	$ 562
Expected return on plan assets	(881)	(854)
Net amortization and deferral	388	404
Net periodic pension cost	$ 78	$ 112

(In Thousands)

Assumptions used in the actuarial computation that derived the benefit obligation and net periodic pension cost were as follows:

	2019	2018
Discount rate	3.75 %	4.25 %
Expected long-term rate of return on assets	8.25	8.25

The Organization invests in a diversified portfolio consisting of an array of asset classes in an attempt to emphasize long-term growth of principal while avoiding excessive risk and minimizing volatility. The Organization's investment policy targets a diversified mix of equities, fixed income securities, and non-traditional investments that has been determined to be appropriate in terms of risk/reward trade-off taking into account the expected funded status of the plan, cash contributions, and expense. Professional investment firms manage the plan assets. The overall investment policy is reviewed annually to assure the continued relevance of the goals, objectives, strategies, and investment manager performance.

The Plan's overall investment strategy is to achieve an asset allocation within the following allowable ranges:

	Policy Range
Asset category:	
Publicly traded equities	25-70 %
Fixed income	20-60
Non-traditional investments:	
Absolute return (hedge funds)	0-30
Real assets / managed futures	0-10
Cash and cash equivalents	0-20

The Plan's weighted average asset allocation as of June 30, 2019 and 2018 by asset category was as follows:

	2019	2018
Asset category:		
Publicly traded equities	68.78 %	66.37 %
Fixed income	27.28	26.20
Non-traditional investments	-	5.16
Cash and cash equivalents	3.94	2.27
	100.00 %	100.00 %

The Organization's funding policy is to contribute annually the maximum actuarially computed amount. Contributions are intended to provide not only for benefits attributed to service to-date, but also for those expected to be earned in the future. The Organization expects to contribute approximately $385 to the Plan during 2020.

Projected benefit payments from the Plan as of June 30, 2019 are estimated as follows:

2020	$ 663
2021	665
2022	691
2023	751
2024	758
2025-2029	4,027

(In Thousands)

The fair value of plan assets is based on the fair value hierarchy as discussed in Note 3. The plan held no Level 3 assets at June 30, 2019. The fair value of plan assets at June 30, 2019, are as follows:

Description	Total	Level 1	Level 2
Cash/money market accounts	$ 422	$ 422	$ -
Equity securities:			
Consumer cyclical	141	141	-
Consumer non-cyclical	84	84	-
Energy	36	36	-
Financials	66	66	-
Health care	96	96	-
Information technology	278	278	-
Materials	92	92	-
International equities	1,268	1,268	-
Capital equipment and services	10	10	-
Mutual funds:			
Domestic	1,230	1,230	-
International	298	298	-
Exchange traded funds	3,653	3,653	-
Other	109	109	-
Total equity securities	7,361	7,361	-
Fixed income:			
Government obligations:			
U.S. Treasury notes	848	-	848
Federal agency notes	378	-	378
Mortgage-backed securities	332	-	332
Corporate obligations	827	-	827
Mutual funds	534	-	534
Total fixed income	2,919	-	2,919
Total assets in the fair value hierarchy	$ 10,702	$ 7,783	$ 2,919

(In Thousands)

The fair value of plan assets is based on the fair value hierarchy as discussed in Note 3. The plan held no Level 3 assets at June 30, 2018. The fair value of plan assets at June 30, 2018, are as follows:

Description	Total	Level 1	Level 2
Cash/money market accounts	$ 246	$ 246	$ -
Equity securities:			
Consumer cyclical	93	93	-
Consumer non-cyclical	145	145	-
Consumer services	30	30	-
Energy	15	15	-
Information technology	192	192	-
Materials	40	40	-
International equities	1,847	1,847	-
Capital equipment and services	22	22	-
Mutual funds:			
Domestic	1,055	1,055	-
International	283	283	-
Exchange traded funds	3,334	3,334	-
Other	121	121	-
Total equity securities	7,177	7,177	-
Fixed income:			
Government obligations:			
U.S. Treasury notes	936	-	936
Federal agency notes	92	-	92
Mortgage-backed securities	327	-	327
Corporate obligations	1,038	-	1,038
Mutual funds	440	-	440
Total fixed income	2,833	-	2,833
Total assets in the fair value hierarchy	10,256	$ 7,423	$ 2,833
Non-traditional investments, measured at net asset value	558		
Total plan assets	$ 10,814		

Non-traditional investments consist of The SkyBridge Multi-Advisor Hedge Fund Portfolios, LLC -Series G of $558 at June 30, 2018. See description of this fund in Note 3.

(In Thousands)

8. Net Assets With Donor Restrictions

Net assets with donor restriction are available for the following purposes:

	2019	2018
Purpose restricted funds:		
Charitable care/pastoral care	$ 1,160	$ 1,159
Building and equipment purchases	1,852	1,667
Information technology (operations)/staff skills	819	754
Operations/resident quality of life	713	722
Total purpose restricted funds	4,544	4,302
Funds to be held in perpetuity, the income from which is available to support:		
Charitable care/pastoral care	1,801	1,798
Building and equipment purchases	43	43
Information technology (operations)/staff skills	380	380
Operations/resident quality of life	7,261	7,132
Total funds to be held in perpetuity	9,485	9,353
Total net assets with donor restrictions	$ 14,029	$ 13,655

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. The amounts released during the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Charitable care/pastoral care	$ 269	$ 311
Building and equipment purchases	54	165
Information technology (operations)/staff skills	241	193
Operations/resident quality of life	138	146
	$ 702	$ 815

(In Thousands)

9. Endowment Funds

The Organization's endowments consist of funds established for a variety of reasons and purposes. Its endowments include donor restricted and board-designated endowment funds. 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 Directors of the Organization 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 fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified to be held in perpetuity is classified as donor purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined, the Organization considers the following factors to determine when a donor restricted endowment fund is required by donor stipulation to accumulate or appropriate endowment funds:

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

	2019			
	Without Donor Restrictions	Donor Purpose Restricted	Donor Restricted to Be Held in Perpetuity	Total
Donor restricted endowment funds	$ 60	$ 1,887	$ 4,351	$ 6,298
Board-designated endowment funds	3,352	-	-	3,352
	$ 3,412	$ 1,887	$ 4,351	$ 9,650
	2018			
Donor restricted endowment funds	$ 58	$ 1,819	$ 4,306	$ 6,183
Board-designated endowment funds	3,153	-	-	3,153
	$ 3,211	$ 1,819	$ 4,306	$ 9,336

(In Thousands)

The following schedules represent the changes in endowment net assets for the years ended June 30:

	2019			
	Without Donor Restrictions	Donor Purpose Restricted	Donor Restricted to Be Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 3,211	$ 1,819	$ 4,306	$ 9,336
Investment income	201	294	-	495
Contributions	-	-	45	45
Appropriation of endowment assets for expenditure	-	(226)	-	(226)
Endowment net assets, end of year	$ 3,412	$ 1,887	$ 4,351	$ 9,650
	2018			
Endowment net assets, beginning of year	$ 3,117	$ 1,515	$ 4,260	$ 8,892
Investment income	94	528	-	622
Contributions	-	-	46	46
Appropriation of endowment assets for expenditure	-	(224)	-	(224)
Endowment net assets, end of year	$ 3,211	$ 1,819	$ 4,306	$ 9,336

Funds with Deficiencies

The fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the relevant state law requires the Organization to retain as a fund of perpetual duration. These deficiencies would be reported as a component of net assets with donor restrictions. There were no deficiencies reported as of either June 30, 2019 or 2018.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of 7.25 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

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

The Organization has a policy of appropriating restricted net assets for distribution based on 4 percent of portfolio value for the previous three years. The amount needed to fund distributions will first be taken from any accumulated excess earnings from prior years, then from current year investment earnings. Any undistributed income is added back to the donor purpose restricted balance. Over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3.1 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets to be held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. Self-Insured Reserves and Claims

The Organization purchases professional and general liability insurance to cover medical malpractice claims on a claims-made basis. The Organization believes it has adequate insurance coverage for all asserted claims and it has no knowledge of unasserted claims which would exceed its insurance coverage.

The Organization capitalized PRRRG, a wholly-owned, captive insurance subsidiary, to underwrite the primary layer of professional and general liability insurance on a claims-made basis.

Professional ($500 thousand per claim) and general ($1 million per claim) liability coverage is provided by PRRRG on a directly written basis. Reserve requirements on reported and incurred but not reported claims are established based on actuarial projections of ultimate losses and total $1,282 and $1,236 as of June 30, 2019 and 2018, respectively. These reserves are included in other liabilities on the consolidated balance sheets. In addition, the Organization purchases excess insurance of $5 million per claim and in the aggregate for professional and general liability risks from a commercial carrier. Restricted funds held by PRRRG included cash of $136 and investments of $4,500 as of June 30, 2019 and cash of $49 and investments of $4,216 as of June 30, 2018. Premiums incurred by the Affiliated Organizations to PRRRG were $382 in 2019 and $379 in 2018.

The Organization participates in a self-insured program for workers' compensation insurance. In the case of catastrophes or other events that would cause excessive worker's compensation claims, the Organization is reinsured for losses in excess of $700 thousand per occurrence.

Workers' compensation costs are accrued based upon an estimated liability for reported claims and an estimated liability for claims incurred but not reported which approximates $713 and $945 as of June 30, 2019 and 2018, respectively. The reserve for unpaid losses and loss adjustment expenses is estimated using individual case-based valuations, statistical analyses, and the expertise of an independent actuary. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserve for unpaid losses and loss adjustment expenses is adequate. The estimates are reviewed annually. As adjustments to the liability reserves become necessary, they are reflected in current operations.

To qualify for workers' compensation self-insurance, the Organization has fulfilled certain collateral requirements of the Commonwealth of Pennsylvania. The Organization maintains a $1.4 million irrevocable stand-by letter of credit to secure future obligations under the terms of the self-insurance program.

The Organization participates in a self-insured program for health insurance. The Organization holds a stop-loss policy that limits the maximum liability for benefits payable under such claims up to $200 per participant per year during 2019 and $175 per participant per year during 2018. Reserves for potential unpaid claims related to the health plan were $633 and $640 as of June 30, 2019 and 2018, respectively. These reserves are included in accrued expenses on the consolidated balance sheets.

Other investments restricted for self-insurance purposes were $182 and $111 as of June 30, 2019 and 2018, respectively.

11. Net Patient and Resident Service Revenue

Net patient and resident service revenue is reported at the estimated net realizable amount to be received from patients, residents, and others including Medicaid, Medicare, and other third-party payors for services rendered. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicaid and Managed Medicaid: Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments.

  The Department of Human Services ("DHS") in the Commonwealth of Pennsylvania is in the process of implementing its mandatory Medical Assistance managed care program, Community HealthChoices ("CHC"). As indicated above, the current Medical Assistance reimbursement system is a fee-for-service ("FFS") system. CHC eliminates the FFS payment methodology. The primary goals of CHC are to better coordinate health care coverage and improve access to medical care. The services for which Medical Assistance program beneficiaries are eligible will not change under CHC.

  CHC became effective for Phoebe Richland and Phoebe Wyncote on January 1, 2019. CHC will be effective for Phoebe Home and Phoebe Berks on January 1, 2020. Under CHC, each Medical Assistance program beneficiary will be able to choose a managed care organization ("MCO"). DHS has provided information to nursing facilities indicating the initial rate paid by the MCOs will be subject to a "floor" equal to the average of each facility's prior four quarters Medical Assistance rates. In addition, MCOs and nursing facilities may agree to higher or lower negotiated rates under an alternative payment methodology agreement. The rate "floors" are expected to be in effect for 36 months.

- Medicare and Managed Medicare: Nursing and ancillary services provided to Medicare beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments.

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

The Organization also has entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Organization under these agreements includes prospectively determined rates per day or discounts from established charges.

(In Thousands)

Payment terms and conditions for the Organization's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net patient and resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net patient and resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenue, entrance fees in the accompanying consolidated balance sheets.

The Organization disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Net patient and resident service revenue including amortization of entrance fees consists of the following for the year ended June 30, 2019:

	Skilled Nursing	Personal Care	Independent Living	Pharmacy	Affordable Housing	Other	Eliminations	Total
Private pay	$ 18,625	$ 14,302	$ 10,726	$ 4,175	$ 2,134	$ 136	$ -	$ 50,098
Medicaid	22,692	78	-	-	-	-	-	22,770
Managed Medicaid	3,293	-	-	-	-	-	-	3,293
Medicare	11,276	-	-	-	-	404	-	11,680
Insurance Managed Medicare	4,846	-	-	-	-	42	-	4,888
Insurance	131	-	-	17,120	-	-	-	17,251
Government	-	-	-	-	603	-	-	603
Amortization of entrance fess	-	-	2,327	-	-	-	-	2,327
Intercompany pharmacy	-	-	-	1,634	-	-	(1,634)	-
Other	-	22	-	4,797	-	-	-	4,819
	$ 60,863	$ 14,402	$ 13,053	$ 27,726	$ 2,737	$ 582	$ (1,634)	$ 117,729

12. Expenses by Nature and Function

The Organization's expenses for resident services (including skilled nursing, assisted living, independent living, other resident services, and pharmacy), general and administrative, and fundraising are as follows for the year ended June 30, 2019:

	Resident Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 42,989	$ 5,025	$ -	$ 48,014
Employee benefits and other staff costs	10,837	1,645	-	12,482
Resident supplies	19,054	-	-	19,054
Contracted services	14,098	2,042	374	16,514
Other expenses	13,870	1,322	231	15,423
Interest	2,722	-	-	2,722
Depreciation	9,858	-	-	9,858
Amortization	248	-	-	248
Total	$ 113,676	$ 10,034	$ 605	$ 124,315

The consolidated financial statements report certain expense categories that are attributable to more than one health care or support function. Therefore these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and interest, are allocated to a function on a square footage basis.

In 2018, $111,487 of expenses related to resident services, $9,062 related to general and administrative, and $717 related to fundraising.

13. Concentration of Credit Risk

The Organization maintains cash accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

Phoebe Apartments, Inc.'s sole asset is a 131-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The nursing care facilities primarily derive their revenues from private-pay, Medicare, Medicaid, and managed care patients. Private-pay rates are established on the basis of the cost of delivering services and competitive considerations and, as such, are essentially market driven. In contrast, Medicare, Medicaid, and managed care payment rates are regulated by the federal and state governments. As a result, the industry is sensitive to related legislative changes and is affected by reductions in governmental spending for these programs. Legislation dealing with nursing home revenues could be introduced, and if enacted, such legislation may have an impact upon the nursing care facilities.

14. Contingencies

Senior Living Industry

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

Legal Actions

From time to time, the Organization is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position or the results of operations.

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Balance Sheet Schedule
(In Thousands)
June 30, 2019

	Phoebe-Devitt Homes	Phoebe Home	Phoebe Services	Phoebe Berks Berks Health Care Center	Phoebe Richland Health Care	Wyncote Church Home	PCCBS	PRRRG	Phoebe Apartments	Phoebe Housing	Affordable Housing	Eliminations	Total
Assets													
Current Assets													
Cash and cash equivalents	$ 7,005	$ 12,525	$ -	$ 9,705	$ 2,750	$ -	$ -	$ 136	$ 115	$ 52	$ 929	$ (28,827)	$ 4,390
Resident and patient funds	-	275	-	15	60	68	-	-	-	-	-	-	418
Accounts receivable	1	4,800	3,136	2,414	1,508	551	483	298	24	-	6	(375)	12,846
Due from related parties	1,084	597	(581)	155	392	1,376	(28)	-	(47)	115	(54)	(3,009)	-
Prepaid expenses and other	62	260	2,716	283	65	52	24	12	15	-	72	-	3,561
Total current assets	8,152	18,457	5,271	12,572	4,775	2,047	479	446	107	167	953	(32,211)	21,215
Investments	30,171	383	129	7,707	-	14,771	94	-	-	-	-	-	53,255
Assets Whose Use is Limited	17,066	318	137	265	711	763	10	4,500	753	-	1,187	-	25,710
Statutory Minimum Liquid Reserve	-	701	-	2,652	18	138	62	-	-	-	-	-	3,571
Property and Equipment, Net	-	23,671	5,330	41,101	33,872	4,212	429	-	781	-	7,660	-	117,056
Due from Related Parties, 1998 Refinancing	-	-	4,707	6,350	-	-	-	-	-	-	-	(11,057)	-
Other Assets													
Investments in affiliates	1,388	1,672	3,151	705	551	-	-	-	-	-	-	(7,467)	-
Equity method investments	3,664	-	-	-	-	-	878	-	-	-	-	-	4,542
Investments in affiliated partnerships	-	-	-	-	-	-	-	-	-	383	-	(383)	-
Note receivable, related party	109	-	767	-	142	620	-	-	-	76	-	(1,714)	-
Other assets	-	-	-	-	-	-	-	-	-	458	-	(279)	179
Total other assets	5,161	1,672	3,918	705	693	620	878	-	-	917	-	(9,843)	4,721
Total assets	$ 60,550	$ 45,202	$ 19,492	$ 71,352	$ 40,069	$ 22,551	$ 1,952	$ 4,946	$ 1,641	$ 1,084	$ 9,800	$ (53,111)	$ 225,528

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Balance Sheet Schedule
(In Thousands)
June 30, 2019

	Phoebe-Devitt Homes	Phoebe Home	Phoebe Services	Phoebe Berks Berks Health Care Center	Phoebe Richland Health Care	Wyncote Church Home	PCCBS	PRRRG	Phoebe Apartments	Phoebe Housing	Affordable Housing	Eliminations	Total
Liabilities and Net Assets													
Current Liabilities													
Accounts payable	$ (145)	$ 1,368	$ 1,833	$ 2,038	$ 1,324	$ 689	$ 396	$ 27	$ 58	$ -	$ 206	$ (492)	$ 7,302
Accrued expenses	-	2,479	2,953	1,108	1,015	432	535	30	15	7	158	-	8,732
Resident and patient funds	-	275	-	(47)	60	131	-	-	-	-	-	-	419
Due to related parties	54	(51)	24,181	(93)	5,741	555	1,687	-	12	(490)	303	(31,899)	-
Current portion of long-term debt	-	-	2,955	1,080	132	-	-	-	66	-	402	-	4,635
Due to related party	14	-	142	109	-	-	620	-	-	-	-	(885)	-
Total current liabilities	(77)	4,071	32,064	4,195	8,272	1,807	3,238	57	151	(483)	1,069	(33,276)	21,088
Other Liabilities													
Long-term debt, net	-	(15)	4,895	26,109	29,847	-	-	-	260	80	10,385	(928)	70,633
Due to related parties, 1998 refinancing	2,118	7,346	-	1,593	-	-	-	-	-	-	-	(11,057)	-
Refundable entrance fees	-	6,751	2	30,604	299	15	-	-	57	-	121	-	37,849
Deferred revenue, entrance fees	-	1,987	-	11,512	18	14	2,547	-	-	-	-	-	16,078
Accrued pension liability	-	3,660	-	183	-	-	-	-	-	-	-	-	3,843
Charitable gift annuities	208	46	-	88	-	-	-	-	-	-	-	-	342
Phoebe-Devitt Homes equity	-	-	-	1,278	2,582	-	-	-	-	-	-	(3,860)	-
Workers' compensation reserve	-	209	104	120	103	160	17	-	-	-	-	-	713
Interest rate swaps	-	-	(17)	3,975	627	-	-	-	-	-	-	-	4,585
Other	444	99	78	283	-	-	-	1,282	-	458	-	-	2,644
Total other liabilities	2,770	20,083	5,062	75,745	33,476	189	2,564	1,282	317	538	10,506	(15,845)	136,687
Total liabilities	2,693	24,154	37,126	79,940	41,748	1,996	5,802	1,339	468	55	11,575	(49,121)	157,775
Net Assets													
Without donor restrictions	47,432	20,366	(18,239)	(9,994)	(1,679)	19,730	(3,884)	3,607	1,168	1,029	(1,822)	(3,990)	53,724
With donor restrictions	10,425	682	605	1,406	-	825	34	-	5	-	47	-	14,029
Total net assets	57,857	21,048	(17,634)	(8,588)	(1,679)	20,555	(3,850)	3,607	1,173	1,029	(1,775)	(3,990)	67,753
Total liabilities and net assets	$ 60,550	$ 45,202	$ 19,492	$ 71,352	$ 40,069	$ 22,551	$ 1,952	$ 4,946	$ 1,641	$ 1,084	$ 9,800	$ (53,111)	$ 225,528

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Statement of Operations and Changes in Net Assets Schedule
(In Thousands)
Year Ended June 30, 2019

	Phoebe-Devitt Homes	Phoebe Home	Phoebe Services	Phoebe Berks Berks Health Care Center	Phoebe Richland Health Care	Wyncote Church Home	PCCBS	PRRRG	Phoebe Apartments	Phoebe Housing	Affordable Housing	Eliminations	Total
Operating Revenues													
Net patient and resident service revenue	$ -	$ 34,132	$ 27,726	$ 26,717	$ 19,530	$ 5,350	$ 845	$ -	$ 907	$ -	$ 1,829	$ (1,634)	$ 115,402
Amortization of entrance fees	-	358	-	1,711	5	2	251	-	-	-	-	-	2,327
Contributions	2,514	181	(65)	307	21	20	-	-	-	-	1	-	2,979
Change in value, charitable gift annuities	(15)	(5)	-	(12)	-	-	-	-	-	-	-	-	(32)
Investment income	1,092	137	108	249	11	307	9	72	6	(3)	8	3	1,999
Net realized gains on investments	52	-	-	34	-	1,542	-	37	-	-	-	-	1,665
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Net assets released from restrictions for operations	231	233	-	44	77	59	-	-	-	-	4	-	648
Other revenues	1	343	11,166	273	103	4	7,153	381	67	143	234	(18,862)	1,006
Total operating revenues	3,875	35,379	38,935	29,323	19,747	7,284	8,258	490	980	140	2,073	(20,493)	125,991
Operating Expenses													
Salaries and wages	-	15,528	11,808	6,677	6,882	2,937	3,757	-	175	-	250	-	48,014
Employee benefits and other staff costs	-	4,201	2,700	1,752	1,984	912	944	-	6	-	31	(48)	12,482
Resident supplies	-	1,062	18,267	500	612	199	-	-	-	-	-	(1,586)	19,054
Contracted services	374	8,394	3,433	9,061	5,940	2,415	4,044	136	360	133	474	(18,250)	16,514
Other expenses	231	4,563	3,289	3,141	2,255	871	269	199	165	-	745	(305)	15,423
Interest	-	296	2	1,347	639	-	-	-	11	-	427	-	2,722
Depreciation	-	2,378	1,145	3,771	1,346	352	49	-	119	-	698	-	9,858
Amortization	-	10	20	99	113	-	-	-	-	-	6	-	248
Total operating expenses	605	36,432	40,664	26,348	19,771	7,686	9,063	335	836	133	2,631	(20,189)	124,315
Operating income (loss)	3,270	(1,053)	(1,729)	2,975	(24)	(402)	(805)	155	144	7	(558)	(304)	1,676
Change in Fair Value of Interest Rate Swaps	-	-	(113)	(1,155)	(406)	-	-	-	-	-	-	-	(1,674)
Net Periodic Pension Cost, Nonoperating	-	(72)	-	(6)	-	-	-	-	-	-	-	-	(78)
Excess (deficiency) of operating revenues over expenses	3,270	(1,125)	(1,842)	1,814	(430)	(402)	(805)	155	144	7	(558)	(304)	(76)

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Statement of Operations and Changes in Net Assets Schedule
(In Thousands)
Year Ended June 30, 2019

	Phoebe-Devitt Homes	Phoebe Home	Phoebe Services	Phoebe Berks Berks Health Care Center	Phoebe Richland Health Care	Wyncote Church Home	PCCBS	PRRRG	Phoebe Apartments	Phoebe Housing	Affordable Housing	Eliminations	Total
Other Changes													
Pension related changes, other than net periodic pension cost	$ -	$ (1,106)	$ -	$ (94)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,200)
Net unrealized (losses) gains on investments	530	20	-	136	-	(973)	-	151	-	-	-	-	(136)
Net assets released from restrictions, capital	-	2	-	21	1	22	-	-	-	-	8	-	54
Total other changes	530	(1,084)	-	63	1	(951)	-	151	-	-	8	-	(1,282)
Change in net assets (deficit) without donor restrictions	3,800	(2,209)	(1,842)	1,877	(429)	(1,353)	(805)	306	144	7	(550)	(304)	(1,358)
Change in Net Assets With Donor Restrictions													
Contributions	410	64	-	131	78	30	-	-	-	-	1	-	714
Investment income	243	-	-	-	-	-	-	-	-	-	1	-	244
Net unrealized gains on investments	139	-	-	-	-	-	-	-	-	-	-	-	139
Net realized (losses) on investments	(40)	-	-	-	-	-	-	-	-	-	-	-	(40)
Change in value of funds held in trust by others	18	-	-	-	-	-	-	-	-	-	1	-	19
Net assets released from restrictions	(231)	(235)	-	(65)	(78)	(81)	-	-	-	-	(12)	-	(702)
Change in net assets with donor restrictions	539	(171)	-	66	-	(51)	-	-	-	-	(9)	-	374
Change in net assets (deficit)	4,339	(2,380)	(1,842)	1,943	(429)	(1,404)	(805)	306	144	7	(559)	(304)	(984)
Net Assets (Deficit), Beginning of Year	53,518	23,428	(15,792)	(10,531)	(1,250)	21,959	(3,045)	3,301	1,029	1,022	(1,216)	(3,686)	68,737
Net Assets (Deficit), End of Year	$ 57,857	$ 21,048	$ (17,634)	$ (8,588)	$ (1,679)	$ 20,555	$ (3,850)	$ 3,607	$ 1,173	$ 1,029	$ (1,775)	$ (3,990)	$ 67,753

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2020		$ 37,026,124
Less budgeted depreciation expense		(2,453,727)
Less budgeted amortization expense		(7,256)
Expenses subject to minimum liquid reserve requirement		34,565,141
Percentage of residents subject to CCRC arrangements at June 30, 2019		20.28%
Subtotal		7,009,811
Statutory requirement		10%
	(a)	$ 700,981
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2020, Principal and interest payments		$ 1,060,520
Percentage of residents subject to CCRC arrangements at June 30, 2019		20.28%
	(b)	$ 215,073
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 700,981

Phoebe-Devitt Homes and Affiliated Organizations

Statutory Minimum Liquid Reserve, Phoebe Berks Health Care Center, Inc.
June 30, 2019

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2020		$ 27,309,267
Less budgeted depreciation expense		(3,924,489)
Less budgeted amortization expense		(89,007)
Expenses subject to minimum liquid reserve requirement		23,295,771
Percentage of residents subject to CCRC arrangements at June 30, 2019		58.47%
Subtotal		13,621,037
Statutory requirement		10%
	(a)	$ 1,362,104
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2020, Principal and interest payments		$ 4,536,096
Percentage of residents subject to CCRC arrangements at June 30, 2019		58.47%
	(b)	$ 2,652,255
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 2,652,255

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2020		$ 7,193,392
Less budgeted depreciation expense		(391,771)
Expenses subject to minimum liquid reserve requirement		6,801,621
Percentage of residents subject to CCRC arrangements at June 30, 2019		20.27%
Subtotal		1,378,689
Statutory requirement		10%
	(a)	$ 137,869
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2020, Statutory Minimum Liquid Reserve		$ -
Percentage of residents subject to CCRC arrangements at June 30, 2019		20.27%
	(b)	$ -
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 137,869

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2020		$ 19,462,616
Less budgeted depreciation expense		(1,444,364)
Less budgeted amortization expense		(158,190)
Expenses subject to minimum liquid reserve requirement		17,860,062
Percentage of residents subject to CCRC arrangements at June 30, 2019		0.99%
Subtotal		176,815
Statutory requirement		10%
	(a)	$ 17,682
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2020, Principal and interest payments		$ 843,177
Percentage of residents subject to CCRC arrangements at June 30, 2019		0.99%
	(b)	$ 8,347
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 17,682

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2020		$ 647,790
Less budgeted depreciation expense		(30,726)
Expenses subject to minimum liquid reserve requirement		617,064
Percentage of residents subject to CCRC arrangements at June 30, 2019		100.00%
Subtotal		617,064
Statutory requirement		10%
	(a)	$ 61,706
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2020, Statutory Minimum Liquid Reserve		$ -
Percentage of residents subject to CCRC arrangements at June 30, 2019		100.00%
	(b)	$ -
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 61,706