

ELIM PARK BAPTIST HOME, INC.

a.k.a ELIM PARK PLACE

2018

ANNUAL FINANCIAL FILING

FISCAL YEAR ENDING

September 30, 2018

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**CURRENT RATE SCHEDULE**

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**CURRENT RATE STRUCTURE - 50% REFUND EFFECTIVE JANUARY 2019**

<b>Building</b>	<b>Entrance Fee</b> Prices start at	<b>Monthly Service Fee</b> Prices start at	
<b>Mallard Mill</b> One Bedroom Apartment	\$190,845	\$2,150 \$675	Single Person Second Person Fee
<b>Village Green</b> One Bedroom Apartment Two Bedroom Apartment	\$265,321 \$346,778	\$2,748 \$675 \$3,611 \$675	Single Person Second Person Fee Single Person Second Person Fee
<b>Brooksvale</b> One Bedroom Apartment Two Bedroom Apartment	\$317,136 \$391,625	\$2,824 \$675 \$3,714 \$675	Single Person Second Person Fee Single Person Second Person Fee
<b>Andrews Knoll</b> One Bedroom Apartment Two Bedroom Apartment	\$334,619 \$443,436	\$2,880 \$675 \$3,783 \$675	Single Person Second Person Fee Single Person Second Person Fee
<b>Mountain View</b> One Bedroom Apartment Two Bedroom Apartment	\$364,046 \$463,221	\$2,907 \$675 \$3,791 \$675	Single Person Second Person Fee Single Person Second Person Fee
<b>Spring Meadow</b> One Bedroom Apartment Two Bedroom Apartment	\$367,753 \$472,284	\$2,908 \$675 \$3,797 \$675	Single Person Second Person Fee Single Person Second Person Fee
<b>Riverbend</b> One Bedroom Apartment Two Bedroom Apartment	\$381,281 \$503,075	\$2,981 \$675 \$3,864 \$675	Single Person Second Person Fee Single Person Second Person Fee

The Entrance Fee is 50% refundable when resident(s) move(s) from the living apartment and the Entrance Fee for that apartment is received from the new resident(s) by Elim Park. (90% Refund, Declining Refund and Installment Entrance Fees are available through the Marketing Department–See Exhibit D.)

**RESIDENTIAL TURNOVER RATES**

**EXHIBIT I**

### Residential Turnover Rates

The Independent Living Unit residential turnover rates for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
10.7%	10.1%	10.1%	9.9%	9.7%	9.6%

**AVERAGE AGE OF RESIDENTS**

**EXHIBIT II**

## Average Age of Residents

The projected average age for the next five years for independent living residents is as follows:

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
86	87	87	87	88



**EXHIBIT III**

**HEALTH CARE UTILIZATION RATES**

## Health Care Utilization Rates

Health care utilization rates, including admission rates and days per 100 residents by level of care for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>Year</u>	<b>Skilled Nursing Facility</b>					<u>Days per 100 Residents</u>
	<u>Utilization Rate</u>		<u>Admission Rate</u>			
	<u>Patients</u>	<u>%</u>	<u>Patients</u>	<u>%</u>		
2018	23.0	6.8%	14.0	4.4%	2,495	
2019	23.8	7.2%	12.6	4.0%	2,616	
2020	22.0	7.0%	12.0	4.0%	2,544	
2021	20.8	6.7%	11.7	4.0%	2,440	
2022	20.0	6.5%	11.5	3.9%	2,364	
2023	19.4	6.3%	11.3	3.9%	2,312	

<u>Year</u>	<b>Personal Care Facility</b>					<u>Days per 100 Residents</u>
	<u>Utilization Rate</u>		<u>Admission Rate</u>			
	<u>Patients</u>	<u>%</u>	<u>Patients</u>	<u>%</u>		
2018	0.0	0.0%	0.0	0.0%	0	
2019	0.0	0.0%	0.0	0.0%	0	
2020	0.0	0.0%	0.0	0.0%	0	
2021	0.0	0.0%	0.0	0.0%	0	
2022	0.0	0.0%	0.0	0.0%	0	
2023	0.0	0.0%	0.0	0.0%	0	

**OCCUPANCY RATES**  
**EXHIBIT IV**

## Occupancy Rates

Occupancy rates for independent living units for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
98%	95%	92%	92%	92%	92%

**NUMBER OF HEALTH CARE ADMISSIONS**

**EXHIBIT V**

## Number of Health Care Admissions

The number of health care admissions, by level of care, for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>Year</u>	<u>Skilled Nursing</u>	<u>Personal Care</u>
2018	14.0	0.0
2019	12.6	0.0
2020	12.0	0.0
2021	11.7	0.0
2022	11.5	0.0
2023	11.3	0.0

**DAYS OF CARE**

**EXHIBIT VI**

## Days of Care

The number of days of care, by level of care, for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>Year</u>	<u>Skilled Nursing</u>	<u>Personal Care</u>
2018	8,395	0
2019	8,687	0
2020	8,030	0
2021	7,592	0
2022	7,282	0
2023	7,081	0



**NUMBER OF PERMANENT TRANSFERS**

**EXHIBIT VII**

## Number of Permanent Transfers

The number of permanent transfers to the skilled nursing or personal care facility for the most recently completed fiscal year are:

<u>Facility transferred to:</u>	<u>Transferring from:</u>		<u>Total</u>
	<u>Independent Living</u>	<u>Personal Care</u>	
Skilled Nursing	9	0	9
Personal Care	0	N/A	0

**ACTURIAL FINANCIAL BASIS**

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**Elim Park Baptist Home, Inc.**

**Statement of Actuarial Opinion  
January 29, 2019**

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, a Partner in the firm of Continuing Care Actuaries, and meet the qualification standards to render Statements of Actuarial Opinion for continuing care retirement communities. I have been retained by Elim Park Baptist Home, Inc. to render a Statement of Actuarial Opinion, in accordance with Section 17b-527 of the Regulations implementing the Continuing Care Statutes, regarding the following actuarial projections included in Elim Park Baptist Home, Inc.'s 2018 Annual Financial Filing:

- Exhibit I Residential Turnover Rates
- Exhibit II Average Age of Residents
- Exhibit III Health Care Utilization Rates
- Exhibit IV Average Occupancy Rates
- Exhibit V Number of Health Care Admissions
- Exhibit VI Average Days of Care Per Year
- Exhibit VII Number of Permanent Transfers

I have examined the above items as shown in Elim Park Baptist Home, Inc.'s 2018 Annual Financial Filing. These items are attached to this Statement of Actuarial Opinion. In the course of my review, I relied upon the accuracy and completeness of data and supporting documentation prepared by Elim Park Baptist Home, Inc. Continuing Care Actuaries did not conduct a due diligence review of Elim Park Baptist Home, Inc.' historical resident data. However, in the course of my examination, nothing came to my attention that causes me to believe that the underlying data information is unreasonable or inappropriate. My examination included such review as I considered necessary of the data, methods, and underlying assumptions used by and the resulting actuarial projections reported by Elim Park Baptist Home, Inc. with respect to the above items as shown in Elim Park Baptist Home, Inc.'s 2018 Annual Financial Filing.

In my opinion, the above items as shown in Elim Park Baptist Home, Inc.'s 2018 Annual Financial Filing:

- are based upon methods which are consistent with sound actuarial principles and practices; and
- are based upon methods and underlying assumptions that appear reasonable and appropriate in this instance.

Should you have any questions on this information, please do not hesitate to contact our office.

Respectfully,

A handwritten signature in black ink that reads 'Dave Bond' in a cursive script.

Dave Bond, F.S.A., F.C.A., M.A.A.A.  
Managing Partner  
[dbond@continuingcareactuaries.com](mailto:dbond@continuingcareactuaries.com)

**CAPITAL COST AMORITIZATION**

**EXHIBIT VIII**

**EXHIBIT VIII**

**CAPITAL COST AMORTIZATION ASSUMPTIONS**

**Amortization assumption for facility capital costs: Property, plant and equipment are recorded at cost. Maintenance and repairs are charged at expense as incurred; major renewals and betterments are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, as presented in the AHA Depreciable Hospital Assets 2003 Edition.**

**EXHIBIT IX**  
**PRO FORMA STATEMENTS**  
**SOURCE AND APPLICATION OF FUND**

<b>ELIM PARK BAPTIST HOME, INC.</b>				
Proforma Statement of Activities and Changes in Net Assets				
Fiscal Years Ended September 30th				
<b>CONSOLIDATED</b>				
	<b>2018</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>
<b>Account Description</b>	<b>Audited</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Consolidated Revenues</b>				
Room & Board / MSF	22,921,366	23,101,779	23,414,226	23,907,900
Ancillary	390,892	315,000	321,300	327,726
ALSA	1,506,754	1,500,683	1,530,697	1,561,311
EPP Amort of Non Refundable EF	4,047,107	3,625,000	3,715,625	3,808,516
EPP Amort of Refundable EF	-	-	-	-
Other Services	1,136,466	895,700	675,684	693,645
<b>Total Combined Revenues</b>	<b>30,002,584</b>	<b>29,438,162</b>	<b>29,657,531</b>	<b>30,299,097</b>
Year to Year Change - Revenues	2,016,255	(564,422)	219,369	641,565
<b>General Fund Expenses</b>				
Nursing	4,785,674	4,523,996	4,551,964	4,650,027
ALSA & Patient Care Other	2,033,699	1,912,166	1,915,542	1,955,857
Therapy	1,559,460	1,477,669	1,465,540	1,495,322
Recreation/Wellness	343,208	353,671	361,073	368,631
Christian Ministries	86,244	99,490	101,462	103,507
Volunteer Services	45,645	50,420	51,519	52,789
Social Services	133,079	125,689	128,202	130,766
Admissions	293,161	303,980	311,580	319,369
Development	201,425	206,096	210,868	215,751
Marketing	1,257,888	1,201,864	1,231,911	1,262,708
Bad Debt	65,108	50,000	50,000	50,000
Administration	7,193,954	7,144,479	7,262,397	7,461,733
Dietary	3,903,338	3,739,070	3,896,943	3,980,930
Laundry	245,278	196,690	204,558	212,740
Housekeeping	739,477	692,336	760,313	775,739
Maintenance	1,363,065	1,250,511	1,277,457	1,304,990
Utilities	1,103,071	1,122,982	1,167,901	1,214,617
Insurance	278,824	278,512	299,400	321,855
Interest Exp Other	4,967	5,017	-	-
<b>Total Expense</b>	<b>25,636,566</b>	<b>24,734,638</b>	<b>25,248,629</b>	<b>25,877,333</b>
Year to Year Change - Expenses	156,551	(901,927)	513,990	628,704
<b>Change in Operating Net Assets</b>	<b>4,366,019</b>	<b>4,703,524</b>	<b>4,408,903</b>	<b>4,421,764</b>
Depreciation	3,649,268	3,770,693	3,820,117	3,909,259
Interest Expense Bonds/LTD	468,601	446,986	423,944	400,311
	29,754,434	28,952,317	29,492,689	30,186,903
<b>Change in Net Assets after Debt Service</b>	<b>248,150</b>	<b>485,845</b>	<b>164,842</b>	<b>112,193</b>
Investment Income	213,768	224,000	195,816	195,816
Contributions	221,518	562,083	224,496	224,497
Real/Unrealized Gains - Losses	738,848	-	31,715	31,715
<b>Change in Net Assets</b>	<b>1,422,283</b>	<b>1,271,927</b>	<b>616,869</b>	<b>564,221</b>



<b>ELIM PARK BAPTIST HOME, INC.</b>				
<b>Consolidated Proforma Statement of Financial Position</b>				
<b>Fiscal Years Ended September 30th</b>				
	<b>2018</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>
	<b>Audited</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	8,831,001	6,617,664	8,493,202	10,407,615
Short-term investments	1,770,381	1,500,000	1,500,000	1,500,000
Patient trust fund	32,492	32,167	31,845	31,527
Escrow deposits	71,914	74,071	76,294	78,582
Operating reserve		0	0	0
Accounts receivable, net of allowance	1,487,865	2,555,722	2,573,486	2,613,685
Entrance Fees Receivable	2,851,586	2,851,586	2,851,586	2,851,586
Interest receivable		0	0	0
Prepaid expenses	405,451	445,996	490,596	539,655
Current portion of assets whose use is limited	14,139	14,139	14,139	14,139
<b>Total current assets</b>	<b>15,464,829</b>	<b>14,091,346</b>	<b>16,031,147</b>	<b>18,036,790</b>
Contract Receivable	0	0	0	0
Assets whose use is Limited, less current portion	0	0	0	0
Investments/SWAP	5,560,935	5,739,921	5,918,907	6,097,893
Property, Plant and Equipment:				
Property, Plant and Equipment, gross	106,405,774	106,166,835	107,666,835	109,166,835
Less: accumulated depreciation	(54,882,059)	(55,304,219)	(59,212,628)	(63,208,537)
Property, Plant and Equipment, net	51,523,715	50,862,616	48,454,207	45,958,298
ALSA	0	0	-	-
Charitable Gift Annuity & LT Pledges Receivable	790,105	815,105	840,105	865,105
Other Assets:				
Deferred marketing costs, gross	3,529,401	3,377,227	3,377,227	3,377,227
Less: accumulated amortization	(3,321,326)	(3,162,961)	(3,183,157)	(3,203,353)
Deferred marketing costs, net	208,075	214,265	194,069	173,873
Deposit	37,757	37,757	37,757	37,757
Bond issuance costs, gross	360,636	360,636	360,636	360,636
Less: accumulated amortization	0	(79,997)	(79,997)	(79,997)
Bond issuance costs, net	360,636	280,639	280,639	280,639
<b>TOTAL ASSETS</b>	<b>73,946,052</b>	<b>72,553,975</b>	<b>72,254,997</b>	<b>71,948,520</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable	1,811,682	948,726	968,441	992,555
Patient trust fund payable	32,492	32,167	31,845	31,527
Accrued salaries, payroll taxes & other	1,759,609	1,794,801	1,830,697	1,867,311
Accrued bond interest	39,728	0	0	0
Entrance Fee Deposits		0	0	0
Due to third-part reimbursement	257,047	257,047	262,188	267,432
Accrued Construction		0	0	0
Current portion of long-term debt	1,371,211	1,257,200	1,257,200	1,257,200
Current portion of capital lease obligations	837,225	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,108,994</b>	<b>4,289,941</b>	<b>4,350,371</b>	<b>4,416,025</b>
Accrued Health Care Benefit		0	0	0
Long-Term Cap Lease, less - current portion			-	-
LT Debt, less curr portion & unamort bd disct	12,896,425	11,782,261	10,987,896	10,166,985
Charitable Gift Annuities Payable	291,149	300,361	309,574	318,786
Other Long Term Liabilities	608,787	608,787	608,787	608,787
Deferred Revenue From Entrance Fees	51,431,973	51,691,973	51,450,848	51,226,196
Adjust Deferred Revenue From Entrance Fees				
Net Assets	2,608,724	3,880,651	4,497,520	5,061,741
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>73,946,052</b>	<b>72,553,975</b>	<b>72,254,997</b>	<b>71,948,520</b>

<b>ELIM PARK BAPTIST HOME, INC.</b>						
Consolidated Proforma Statement of Cash Flow						
Fiscal Years Ended September 30th						
<b>Activity</b>	<b>Audited 2018</b>	<b>BUDGET 2019</b>	<b>BUDGET 2020</b>	<b>BUDGET 2021</b>	<b>BUDGET 2022</b>	<b>BUDGET 2023</b>
<b>Cash Flow from Operating Activities</b>						
Change In Net Assets after Realized/ Unrealized Investment Gains	1,422,283	1,271,927	616,869	564,221	589,109	620,713
<i>Adjustments:</i>						
Proceeds from Entrance Fees, net	5,281,641	3,885,000	3,474,500	3,583,863	3,695,959	3,810,858
Amort of def'd rev from entrance fees	(4,047,107)	(3,625,000)	(3,715,625)	(3,808,516)	(3,903,729)	(4,001,322)
Depreciation & Amortization	3,655,095	263,795	3,928,605	4,016,105	4,103,605	4,191,106
Amortization of Bond Discount	42,730	-	-	-	-	-
Change in Unrealized Gain/Loss	(327,253)	-	31,715	31,715	31,715	31,715
Change In fair value of interest rate swap	(351,318)	-	-	-	-	-
Loss on Disposal of Equipment	(1,055)	-	-	-	-	-
<i>(Increase) decrease in operating assets:</i>						
Escrow Deposits	12,147	(2,157)	(2,222)	(2,289)	(2,357)	(2,428)
Operating Reserve	-	-	-	-	-	-
Accounts Receivable	45,317	(67,857)	(17,764)	(40,199)	(45,484)	(44,893)
Interest Receivable	-	-	-	-	-	-
Prepaid Expenses	49,629	(40,545)	(44,600)	(49,060)	(53,966)	(59,362)
Contract Receivable	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
<i>Increase (decrease) in operating liabilities:</i>						
Accounts Payable	631,378	(862,956)	19,715	24,115	24,814	24,055
Accrued Salaries and Wages	-	35,192	35,896	36,614	37,346	38,093
Accrued Bond Interest	(340)	(39,728)	-	-	-	-
Due to Third Party Reimb Agency	(60,907)	-	5,141	5,244	5,349	-
Accrued Construction	-	-	-	-	-	-
Accrued Health Care Benefit	0	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-	-
Advanced Payments	72,570	-	-	-	-	-
Other long-term liabilities	(81,065)	-	-	-	-	-
Charitable Gift Annuities Payable, net	26,792	(15,788)	(15,788)	(15,788)	(15,788)	(15,788)
Net cash provided by operating activities	6,370,537	801,883	4,316,443	4,346,025	4,466,574	4,592,748
<b>Cash Flows from Investing Activities</b>						
(Purchase) of Property, Plant, Equipment	(1,813,566)	238,939	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
(Purchase)/Sales of Investments	(4,633,020)	91,395	(210,701)	(210,701)	(210,701)	(210,701)
AWUL/Pledges Recble/ Sale of Fixed Asset	13,825	-	-	-	-	-
Deferred Marketing	-	152,174	14,161	-	-	-
Bond Issue	-	-	-	-	-	-
Net cash used in investing activities	(6,432,761)	482,508	(1,696,540)	(1,710,701)	(1,710,701)	(1,710,701)
<b>Cash Flows from Financing Activities</b>						
Debt Issuance Costs	0	-	-	-	-	-
Proceeds from Refinancing	-	-	-	-	-	-
Principal Payments on Bonds/LT Debt	(1,143,165)	(1,257,200)	(744,365)	(720,911)	(698,331)	(676,273)
Proceeds from Eversource loan	19,934	-	-	-	-	-
Proceeds from Eversource loan	(34,490)	-	-	-	-	-
Payment on vehicle loan	(15,684)	-	-	-	-	-
Principal Payments on Capital Lease/SWAP	-	-	-	-	-	-
Net cash provided by financing activities	(1,173,405)	(1,257,200)	(744,365)	(720,911)	(698,331)	(676,273)
<b>Net Incr(Decr) in Cash &amp; Equivalents</b>	<b>(1,235,629)</b>	<b>27,191</b>	<b>1,875,538</b>	<b>1,914,413</b>	<b>2,057,542</b>	<b>2,205,774</b>
<b>Cash &amp; Equivalents, beg of year</b>	<b>5,514,667</b>	<b>4,279,038</b>	<b>4,306,229</b>	<b>6,181,767</b>	<b>8,096,180</b>	<b>10,153,722</b>
<b>Cash &amp; Equivalents, end of year</b>	<b>4,279,038</b>	<b>4,306,229</b>	<b>6,181,767</b>	<b>8,096,180</b>	<b>10,153,722</b>	<b>12,359,496</b>

**EXHIBIT X**  
**CERTIFIED AUDITED**  
**FINANCIAL STATEMENTS**

**THE ELIM PARK BAPTIST HOME, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018  
(WITH COMPARATIVE INFORMATION AS OF AND FOR  
THE YEAR ENDED SEPTEMBER 30, 2017)**

**THE ELIM PARK BAPTIST HOME, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**The Elim Park Baptist Home, Inc.**

### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of The Elim Park Baptist Home, Inc., which comprise the consolidated statement of financial position as of September 30, 2018 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 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 consolidated financial position of The Elim Park Baptist Home, Inc., as of September 30, 2018 and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter - Predecessor Auditor and Report on 2017 Summarized Comparative Information***

The Elim Park Baptist Home, Inc. 2017 consolidated financial statements were audited by other auditors whose report dated January 22, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Marcum LLP*

Hartford, CT  
January 31, 2019

**THE ELIM PARK BAPTIST HOME, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,541,975	\$ 4,777,604
Patient trust funds	32,492	44,558
Certificates of deposit	5,289,026	737,063
Escrow deposits	71,914	84,061
Accounts receivable, net of allowance for doubtful accounts of \$228,414 in 2018 and \$193,467 in 2017	1,487,865	1,533,182
Entrance fees receivable	2,851,586	2,463,703
Current portion of pledges receivable, net	14,139	27,964
Short-term investments	1,770,381	79,904
Prepaid expenses	405,451	454,030
<b>Total Current Assets</b>	<b>15,464,829</b>	<b>10,202,069</b>
<b>Charitable Gift Annuities</b>	<b>771,161</b>	<b>874,254</b>
<b>Investments</b>	<b>5,560,935</b>	<b>6,843,102</b>
<b>Property and Equipment</b> , net of accumulated depreciation of \$54,882,059 in 2018 and \$51,264,232 in 2017	<b>51,523,715</b>	<b>53,327,972</b>
<b>Other Assets</b>		
Deferred marketing costs	220,497	257,764
Pledges receivable, net of current portion	6,522	6,522
Deposits and other assets	37,757	37,757
Interest rate swap valuation	360,636	9,318
<b>Total Other Assets</b>	<b>625,412</b>	<b>311,361</b>
<b>Total Assets</b>	<b>\$ 73,946,052</b>	<b>\$ 71,558,758</b>

*The accompanying notes are an integral part of these consolidated financial statements.*



**THE ELIM PARK BAPTIST HOME, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 1,371,211	\$ 1,184,413
Accounts payable	1,811,682	1,141,689
Patient trust funds payable	32,492	44,558
Accrued salaries, wages, payroll taxes and other	1,759,609	1,798,224
Accrued bond interest	39,728	40,068
Advanced payments	118,084	45,514
Unearned entrance fees	719,141	840,603
Due to third parties	257,047	317,954
<b>Total Current Liabilities</b>	<b>6,108,994</b>	<b>5,413,023</b>
<b>Long-Term Liabilities</b>		
Long-term debt, less current portion and net of debt issuance costs	12,896,425	14,213,898
Charitable gift annuities	291,149	367,450
Deferred revenue from entrance fees	29,148,829	26,419,861
Entrance fee refunds payable	22,283,144	23,268,233
Other long-term liabilities	608,787	689,852
<b>Total Long-Term Liabilities</b>	<b>65,228,334</b>	<b>64,959,294</b>
<b>Total Liabilities</b>	<b>71,337,328</b>	<b>70,372,317</b>
<b>Net Assets</b>		
Unrestricted	704,841	(978,452)
Temporarily restricted	1,849,880	2,110,890
Permanently restricted	54,003	54,003
<b>Total Net Assets</b>	<b>2,608,724</b>	<b>1,186,441</b>
	<b>\$ 73,946,052</b>	<b>\$ 71,558,758</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**THE ELIM PARK BAPTIST HOME, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2017)**

	Unrestricted			Temporarily Restricted				Total	2018	2017	
	Elim Park		Elim Park Foundation	Elim Park		Resident Benevolent Fund	Mary Melby Fund				Elim Park Foundation
	Place Fund	Elim Park Foundation		Place Fund	Elim Park Foundation						
<b>Revenues, Gains and Other Support</b>											
Net resident service revenue	\$ 14,496,110	\$ 1,506,755	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 16,002,865	\$ 15,613,241	
Monthly service fees	--	8,514,396	--	--	--	--	--	--	8,514,396	7,922,191	
Amortization of deferred entrance fees	--	4,047,107	--	--	--	--	--	--	4,047,107	4,594,850	
Investment income (loss)	15,299	220,181	24,076	--	--	(4,758)	11,626	--	279,099	266,930	
Ancillary revenue	365,948	--	--	--	--	--	--	--	365,948	310,153	
Contributions and bequests	344	82,643	1,800	55,177	920	37,419	14,480	--	194,005	460,379	
Change in charitable gift annuities	--	--	--	--	27,512	(20,957)	--	--	27,512	1,483	
Net assets released from restrictions	205,958	255,380	--	(234,423)	--	--	--	--	--	--	
Other revenue	205,395	869,548	--	--	--	--	--	--	1,074,943	794,333	
<b>Total Revenues, Gains and Other Support</b>	<b>15,289,054</b>	<b>15,496,010</b>	<b>25,876</b>	<b>(179,246)</b>	<b>28,432</b>	<b>11,704</b>	<b>26,106</b>	<b>--</b>	<b>30,505,875</b>	<b>29,963,560</b>	
<b>Expenses</b>											
Nursing services	4,772,387	--	--	--	--	--	--	--	4,772,387	4,865,861	
ALSA services	--	1,357,661	--	--	--	--	--	--	1,357,661	1,372,685	
Ancillary services	2,302,264	--	--	--	--	--	--	--	2,302,264	2,207,057	
Resident services	661,509	238,240	--	--	--	--	--	--	899,749	756,981	
Dietary services	1,195,568	2,703,533	--	--	--	--	--	--	3,899,101	4,330,881	
Housekeeping services	311,490	424,852	--	--	--	--	--	--	736,342	782,189	
Laundry and linen services	244,714	--	--	--	--	--	--	--	244,714	301,256	
Administrative and general	4,438,047	4,330,667	192,240	--	--	--	--	--	8,960,954	8,476,397	
Plant operation and maintenance	651,765	1,814,389	--	--	--	--	--	--	2,466,154	2,336,485	
Depreciation and amortization	583,592	3,022,947	--	--	--	--	--	--	3,606,539	3,566,368	
Interest	118,171	398,127	--	--	--	--	--	--	516,298	560,415	
<b>Total Expenses</b>	<b>15,279,507</b>	<b>14,290,416</b>	<b>192,240</b>	<b>(179,246)</b>	<b>28,432</b>	<b>11,704</b>	<b>26,106</b>	<b>--</b>	<b>29,762,163</b>	<b>29,556,575</b>	
<b>Income (Loss) from Operations</b>	<b>9,547</b>	<b>1,205,594</b>	<b>(166,364)</b>	<b>(179,246)</b>	<b>28,432</b>	<b>11,704</b>	<b>26,106</b>	<b>--</b>	<b>743,712</b>	<b>406,985</b>	
<b>Change in Net Unrealized Gain on Investments</b>	--	251,834	31,364	--	--	14,900	8,875	--	327,253	567,155	
<b>Change in Net Unrealized Gain on Interest Rate Swaps</b>	63,078	288,240	--	--	--	--	--	--	351,318	470,010	
<b>Change in Net Assets</b>	<b>72,625</b>	<b>1,745,668</b>	<b>(135,000)</b>	<b>(179,246)</b>	<b>28,432</b>	<b>26,604</b>	<b>34,981</b>	<b>--</b>	<b>1,422,283</b>	<b>1,444,150</b>	
Net Assets - Beginning of year	(9,987,084)	8,682,433	326,199	472,394	435,171	547,118	305,164	54,003	1,186,441	(257,709)	
<b>Net Assets - End of year</b>	<b>(9,914,459)</b>	<b>10,428,101</b>	<b>191,199</b>	<b>293,148</b>	<b>463,603</b>	<b>573,722</b>	<b>340,145</b>	<b>54,003</b>	<b>2,608,724</b>	<b>1,186,441</b>	

*The accompanying notes are an integral part of these consolidated financial statements.*

# THE ELIM PARK BAPTIST HOME, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,422,283	\$ 1,444,150
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from entrance fees, net of refunds	5,813,211	4,380,671
Resident spend downs of refundable fees	(531,570)	(279,546)
Depreciation and amortization	3,655,095	3,566,368
Loss on disposal of fixed assets	(1,055)	(489)
Amortization of debt issuance costs	42,730	42,730
Change in net unrealized gain on investments	(327,253)	(567,155)
Change in fair value of interest rate swap	(351,318)	(470,010)
Amortization of deferred revenue from entrance fees	(4,047,107)	(4,594,850)
Changes in operating assets and liabilities:		
Accounts receivable, net	45,317	70,919
Prepaid expenses, deposits and other assets	49,629	45,780
Escrow deposits	12,147	36,745
Accounts payable and accrued salaries, wages payroll and other	631,378	(163,014)
Accrued bond interest	(340)	(3,022)
Advanced payments	72,570	(281,848)
Charitable gift annuities	26,792	(3,544)
Other long-term liabilities	(81,065)	(74,999)
Due to third parties	(60,907)	(4,172)
<b>Net Cash Provided by Operating Activities</b>	<b>6,370,537</b>	<b>3,144,714</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property, plant and equipment	(1,813,566)	(1,652,120)
Purchases of certificates of deposit	(4,551,963)	(737,063)
Purchases of investments	(81,057)	--
Sales of investments	--	1,272,896
Decrease in pledges receivable, net	13,825	256,954
<b>Net Cash Used in Investing Activities</b>	<b>(6,432,761)</b>	<b>(859,333)</b>
<b>Cash Flows from Financing Activities</b>		
Principal payment on bonds and note payable	(1,143,165)	(1,111,481)
Proceeds from Eversource loan	19,934	--
Payments on Eversource loan	(34,490)	(22,452)
Payments on vehicle loan	(15,684)	(15,420)
<b>Net Cash Used in Financing Activities</b>	<b>(1,173,405)</b>	<b>(1,149,353)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1,235,629)</b>	<b>1,136,028</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>4,777,604</b>	<b>3,641,576</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 3,541,975</b>	<b>\$ 4,777,604</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Interest paid	<u>\$ 473,568</u>	<u>\$ 520,707</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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#### NOTE 1 - ORGANIZATION

The Elim Park Baptist Home, Inc. (the Corporation) and The Elim Park Foundation (the Foundation), are Connecticut not-for-profit corporations that operate in Cheshire, Connecticut. The Corporation owns and operates a continuing care retirement community consisting of 90 skilled nursing beds and 42 residential care home beds (collectively, the Home), and 258 independent living units (the ILU).

The Corporation's licensed assisted living service agency (ALSA) provides services to the ILU residents.

Average occupancy levels at the Home and the ILU for the years ended September 30, 2018 and 2017, were as follows:

	2018	2017
Skilled care	94%	95%
Residential care home	88%	84%
Independent living	96%	91%

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *BASIS OF ACCOUNTING AND PRESENTATION*

The consolidated financial statements include transactions of the Corporation and the Foundation. All intercompany balances and transactions have been eliminated from the consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) utilizing the accrual basis of accounting. Under the accrual basis revenues are recognized when earned and expenses when the related liability for goods and services is incurred regardless of the timing of the related cash flows.

##### *NET ASSETS CATEGORIES*

To ensure the observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts of the Corporation are maintained in the following net asset categories:

*Unrestricted* - Unrestricted net assets represent resources that may be expended at the direction of the Board of Directors. Net assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes, are included in unrestricted net assets.

**THE ELIM PARK BAPTIST HOME, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*NET ASSETS CATEGORIES (CONTINUED)*

*Temporarily Restricted* - These assets represent resources that have donor-imposed restrictions as to purpose or time of expenditure and accumulated investment gains and income on endowment investments that have not been appropriated for expenditure. When the purpose or timing restrictions have been met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restriction. Temporarily restricted net assets as of September 30, 2018 and 2017 are restricted for time and capital purposes.

*Permanently Restricted* - Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Foundation to expend the income earned thereon.

Resources for various purposes are also classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. The purposes of the various funds are as follows:

*Elim Park Baptist Home Fund* - To handle all financial matters regarding the Home.

*Elim Park Place Fund* - To handle all financial matters regarding the ILU.

*Elim Park Foundation* - To receive funds from donors. These funds are subject to the restrictions specified by the donor or the Board of Directors' designation as to use of income and principal.

*Resident Benevolent Fund* - To receive gifts from residents and provide assistance when a resident is unable to provide sufficient income to meet all of their monthly expenses.

*Mary Melby Fund* - To receive gifts and apply the income therefrom to assist pastors and missionaries who served with Converge Worldwide (legally named Baptist General Conference) with living and health care expenses while residents of Elim Park Place.

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *INCOME (LOSS) FROM OPERATIONS*

The consolidated statements of activities and changes in net assets include income (loss) from operations as an intermediate performance indicator. Changes in net assets that are excluded from income (loss) from operations, include unrealized gains on investments and the change in interest rate swaps.

#### *USE OF ESTIMATES*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies estimates include patient accounts receivable; pledges receivable; allowance for doubtful accounts; self-insurance exposures; amounts due to or from third-party payors; fair value estimates of Level 2 investments; the analysis of long-lived assets for impairment; lives of property and equipment, amortization of deferred entrance fees, charitable gift annuities payable and interest rate swap valuations. It is management's opinion that the estimates applied in the accompanying consolidated financial statements are reasonable.

#### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

The carrying amount of the Corporation's financial instruments classified as current assets and current liabilities (cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses) approximates fair value. The fair values of other financial instruments are disclosed in the notes below.

#### *CASH AND CASH EQUIVALENTS*

The Corporation considers all short-term, highly liquid investments purchased with a maturity of three months or less, and money markets with quick redemption rights to be cash equivalents. The Corporation maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. Generally, the Corporation's cash and cash equivalents exceed Federal Deposit Insurance Corporation limits of up to \$250,000 per depositor. However, the Corporation has not experienced any losses in such accounts and believes that its cash and cash equivalents are not exposed to significant risk.

**THE ELIM PARK BAPTIST HOME, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***CERTIFICATES OF DEPOSIT***

The Corporation's certificates of deposit have original maturities in excess of three months and are carried at their accumulated cash balances (original deposit plus accrued interest).

***RISKS AND UNCERTAINTIES***

The Corporation's investments, including cash equivalents, are subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk.

***ACCOUNTS RECEIVABLE***

Accounts receivable result from the health care and independent living residential services provided by the Corporation. Accounts receivable are reduced by a provision for uncollectible accounts. In evaluating the collectability of accounts receivable, the Corporation analyzes and identifies trends for each of its sources of revenue to estimate the appropriate allowance for uncollectible accounts. As of September 30, 2018 and 2017, the allowance for uncollectible accounts was \$228,414 and \$193,467, respectively.

Receivables from third-party payors and residents are stated at the amount management expects to collect on the outstanding receivable balances. The Corporation provides for losses on receivables based on experience, a specific review of outstanding balances, and other circumstances that may affect the resident's ability to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the payment terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Management regularly reviews information about its major sources of revenue when evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to residents with third-party coverage, the Corporation analyzes contractually due amounts and provides a contractual allowance, if necessary.

***PLEDGES RECEIVABLE***

Pledges receivable represent monies restricted for time or purpose. Pledges to be received in future years have been discounted at a treasury rate (2.0% at September 30, 2018 and 2017) to reflect the estimated net realizable amount.

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *INVESTMENTS VALUATION AND INCOME RECOGNITION*

Investments are reported at fair value. Fair value is 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. See Note 5 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income or loss (including realized gains and losses on investments and interest and dividend income) is included in income (loss) from operations. Unrealized gains and losses on investments are excluded from income (loss) from operations.

##### *DEBT ISSUANCE*

Unamortized debt issuance costs of \$163,300 and \$206,031 are included within long-term debt on the consolidated statements of financial position as of September 30, 2018 and 2017, respectively. Amortization of the debt issuance costs of \$42,730 is reported within interest expense in the accompanying consolidated statements of operations and changes in net assets for each of the years ended September 30, 2018 and 2017.

##### *DEFERRED MARKETING COSTS*

Deferred marketing costs represent costs incurred to secure deposits and continuing care contracts for new apartment units. Marketing costs have been deferred and are being amortized over 12 years. The amortization expense associated with deferred marketing costs for September 30, 2018 and 2017 was \$37,267 each year.

Other advertising costs, which are expensed as incurred, for the years ended September 30, 2018 and 2017 amounted to \$108,717 and \$121,009, respectively.

##### *PROPERTY, PLANT AND EQUIPMENT*

Property, plant and equipment are recorded at historical cost net of accumulated depreciation. Expenditures for renewals and betterments in excess of \$1,000 are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and building improvements	5 - 40 years
Land improvements	5 - 25 years
Equipment	3 - 30 years
Motor vehicles	4 - 5 years



# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PROPERTY, PLANT AND EQUIPMENT (CONTINUED)*

Additions and improvements which extend the life of the assets are capitalized and normal repairs and maintenance are charged to current operations. The costs and related accumulated depreciation of assets retired or disposed of are removed from the related accounts and the resulting gain or loss is reflected in excess of revenues, gains and other support over expenses.

#### *IMPAIRMENT OF LONG-LIVED ASSETS*

The Corporation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses recorded in 2018 or 2017 related to long-lived assets.

#### *SWAP AGREEMENTS*

The Corporation has entered into two swap agreements in connection with the December 2012 issuance of the Series 2012A Bonds and the December 2012 KeyBank National Association (KeyBank) loan. The agreements effectively change the interest rate exposure of the debt payable from variable rate to fixed rate. Accordingly, the Corporation has reflected the swap agreements in the accompanying consolidated financial statements at the current market value in effect at September 30, 2018 and 2017, which is reflected as interest rate swap valuation in the accompanying consolidated statements of financial position. The differential paid or received on the swap agreements is included in interest expense in the accompanying consolidated statements of activities and changes in net assets. Unrealized gains and losses on the swaps are separately shown on the consolidated statements of activities and changes in net assets. See Note 7 for further information.

#### *RESIDENT SERVICE REVENUE*

Resident service revenue for the Corporation is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered. Rates charged for services rendered, other than private pay patients, are regulated by Medicaid, Medicare and other third party insurers.

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *RESIDENT SERVICE REVENUE (CONTINUED)*

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided for in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in the year of settlement. Management believes that all applicable government reimbursement principles have been properly applied and that no material adjustments will occur as a result of an audit.

#### *OPERATING RESERVE*

The State of Connecticut Department of Social Services (DSS) monitors Connecticut retirement communities and their compliance with existing state regulations. Among other things, the DSS requires that retirement communities maintain an operating reserve equal to approximately one month's cash operating costs and six months of debt service. The Corporation maintained an adequate operating reserve as of September 30, 2018 and 2017. The operating reserve is included within cash and cash equivalents on the accompanying consolidated statements of financial position.

#### *INCOME TAXES*

The Corporation and the Foundation have been recognized by the Internal Revenue Service (IRS) as not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Organization accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has analyzed the tax positions taken and has concluded that as of September 30, 2018 and 2017, there are no tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### *CHARITABLE GIFT ANNUITIES*

The Corporation and Foundation have entered into various charitable gift annuities whereby assets were transferred to the Corporation or Foundation and invested. In exchange, the Corporation or Foundation agrees to pay a stated dollar amount either monthly or quarterly to the designated beneficiary for their remaining life span.

**THE ELIM PARK BAPTIST HOME, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***CHARITABLE GIFT ANNUITIES (CONTINUED)***

Upon the death of the beneficiary, the remaining assets are available for general use and purposes of the Corporation or Foundation. The portion of the assets received that is attributable to the present value of the future benefits to be received by the Corporation or Foundation is recognized in the consolidated statements of activities and changes in net assets as temporarily restricted contributions in the period of the transfer. On an annual basis, the Corporation and Foundation revalue the liability based upon actuarial assumptions. The liability is calculated using the IRS discount rate and applicable mortality tables. The discount rates ranged from 1.0% to 5.8% as of September 30, 2018 and 2017.

The Foundation received no new gifts during the fiscal year ended September 30, 2018 and one new gift totaling \$56,246 during the fiscal year ended September 30, 2017. During 2017, the Foundation recognized \$19,867 in contribution revenue related to the 2017 gift. The present value of the estimated future annuity payments is reflected as charitable gift annuities payable in the accompanying consolidated statements of financial position.

***2017 FINANCIAL INFORMATION***

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements as of and for the year ended September 30, 2017, from which the summarized information was derived.

***CONTRIBUTIONS AND DONOR RESTRICTED GIFTS***

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value only when the conditions on which they depend are substantially met and the promises become unconditional.

The gifts are reported as either temporarily or permanently 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

**THE ELIM PARK BAPTIST HOME, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***CONTRIBUTIONS AND DONOR RESTRICTED GIFTS (CONTINUED)***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free rates applicable in the year in which the promise is received. Promises to give at September 30, 2018 and 2017 were discounted using rates of 2.0% for each year.

***RECLASSIFICATIONS***

Certain reclassifications to the 2017 consolidated financial statements have been made in order to conform with the 2018 presentation. Such reclassifications did not have a material effect on the accompanying consolidated statements of activities and changes in net assets.

**NOTE 3 - RESIDENCY AGREEMENT**

A resident agreement, prepared by the ILU, is signed by all independent living unit residents. Principal terms and conditions of the resident agreement are as follows:

In consideration for the resident's payment of an entrance fee and obligation to pay a monthly service fee, the ILU agrees to furnish to the resident a living unit in the residence complex for his or her personal use and occupancy for the balance of the resident's lifetime unless sooner terminated under the provisions of the agreement. If the agreement includes two persons, the term "resident" shall include both of them and, upon the death of one, all rights pass to, and are retained by, the survivor for the survivor's lifetime.

The entrance fee is due in full prior to occupancy and consists of a refundable and a nonrefundable portion. In certain cases, the ILU will grant short-term promissory notes for the payment of the entrance fees. The refundable portion varies depending upon which of the four residency agreements is selected. Two agreements offer a fixed refund of either 50% or 90% of the original entrance fee. The third agreement offers a declining refund option whereby 10% of the original fee becomes nonrefundable upon occupancy, and thereafter, the refund declines at 2% per month. Under each of these three agreements, an installment payment option is available in exchange for an additional fee amount. The fourth agreement offers a reduced price in comparison to the declining refund option but no refund is available. Under the residency agreements of these four plans, amounts are refundable within 30 days after the living unit is reoccupied and the new entrance fee is paid in full. The 50% and 90% refundable portions of the entrance fee are recorded as entrance fees refunds payable on the consolidated statements of financial position.

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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#### NOTE 3 - RESIDENCY AGREEMENT (CONTINUED)

The 50% and 10% nonrefundable portions of the entrance fee and the entire entrance fee for those who select the residency agreement that offers the declining refund are amortized into income over the residents' actuarially determined remaining life as calculated by the Corporation's actuaries. For the duration of the resident's lifetime or until termination of the agreement, the ILU agrees to furnish to the resident ample and healthy food, utility services, use of the community facilities, priority entrance to medical facilities and other personal services according to the terms and conditions specified in the resident agreement. In return, the resident agrees to pay the ILU a monthly residence fee that is determined at a level to cover costs of operating and maintaining the ILU. The monthly residence fee may be increased or decreased at the sole discretion of the Board of Directors on 30 days written notice.

The Corporation also provides medical facilities and nursing care in the health center located at The Elim Park Baptist Home, Inc. Costs incurred in providing this care are paid for by the residents or other appropriate third-party payors, less any healthcare credits as allowed by the terms and conditions specified in the resident agreement.

GAAP requires that, if the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability called a Future Services Obligation (FSO) must be recorded with a corresponding charge to income. The Corporation annually reviews the factors that could give rise to an FSO, including changes in occupancy, cash flows and the deferred revenue from entrance fees balance. Management believes that, as of September 30, 2018 and 2017, no such obligation existed.

#### NOTE 4 - INVESTMENTS

Fair values for investments (exclusive of funds invested in cash and cash equivalents) as of September 30, 2018 and 2017, are summarized as follows:

	2018	2017
Elim Park Place Fund	\$ 6,102,734	\$ 5,783,561
Elim Park Foundation	912,655	877,895
Elim Park Baptist Home Fund	<u>315,927</u>	<u>261,550</u>
	<u>\$ 7,331,316</u>	<u>\$ 6,923,006</u>

**THE ELIM PARK BAPTIST HOME, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 4 - INVESTMENTS (CONTINUED)**

The investment portfolio as of September 30, 2018 and 2017, consists of the following:

	2018	2017
Equity securities and mutual funds	\$ 5,560,635	\$ 6,245,872
Corporate bonds	1,770,681	677,134
	\$ 7,331,316	\$ 6,923,006

All realized gains and losses arising from the sale, collection or other disposition of investments and other noncash assets and interest and dividend income derived from investments, receivables and the like is accounted for in the fund that owns such assets or has the rights to such income. Investment income on cash and cash equivalents and other investments was comprised of the following for the year ended September 30, 2018:

	2018		
	Interest and Dividend Income	Net Realized Gains (Losses) on Sales of Securities	Total
Elim Park Baptist Home Fund	\$ 15,299	\$ 12,675	\$ 27,974
Elim Park Place Fund	180,010	40,171	220,181
Elim Park Foundation	23,725	351	24,076
Resident Benevolent Fund	8,421	(13,181)	(4,760)
Mary Melby Fund	4,550	7,078	11,628
	\$ 232,005	\$ 47,094	\$ 279,099

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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#### NOTE 4 - INVESTMENTS (CONTINUED)

Investment income on cash and cash equivalents and other investments was comprised of the following for the year ended September 30, 2017:

	2017		
	Interest and Dividend Income	Net Realized Gains (Losses) on Sales of Securities	Total
Elim Park Baptist Home Fund	\$ 18,905	\$ 1,587	\$ 20,492
Elim Park Place Fund	144,239	72,363	216,602
Elim Park Foundation	19,655	1,054	20,709
Resident Benevolent Fund	6,454	(2,254)	4,200
Mary Melby Fund	3,805	1,122	4,927
	<u>\$ 193,058</u>	<u>\$ 73,872</u>	<u>\$ 266,930</u>

#### NOTE 5 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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#### NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

**Mutual Funds** - Valued at the closing price reported in the active market in which the individual securities are traded.

**Equity Securities** - Equity securities is defined as a portfolio of ownership interests in companies whose securities trade on a public exchange and are valued at the closing price reported in the active market in which the individual securities are traded. Geographically this includes U.S. and all international stocks.

**Corporate Bonds** - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

**Interest Rate Swaps** - Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rate assumptions for nonperformance risk, and correlations of such inputs.

**Charitable Gift Annuities** - Charitable gift annuities are based upon the carrying value of the underlying investments to be received by the Corporation.



**THE ELIM PARK BAPTIST HOME, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table set forth by level, within the fair value hierarchy, the Corporation's assets and liabilities (restricted and unrestricted) at fair value as of September 30:

Description	September 30, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments				
Mutual funds	\$ 4,781,345	\$ 4,781,345	\$ --	\$ --
Equity securities	779,590	779,590	--	--
Corporate bonds	<u>1,770,381</u>	<u>--</u>	<u>1,770,381</u>	<u>--</u>
	7,331,316	5,560,935	1,770,381	--
Charitable gift annuities	771,161	--	--	771,161
Interest rate swap agreements	<u>360,636</u>	<u>--</u>	<u>360,636</u>	<u>--</u>
Total Assets at Fair Value	<u>\$ 8,463,113</u>	<u>\$ 5,560,935</u>	<u>\$ 2,131,017</u>	<u>\$ 771,161</u>

Description	September 30, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments				
Mutual funds	\$ 5,390,895	\$ 5,390,895	\$ --	\$ --
Equity securities	854,977	854,977	--	--
Corporate bonds	<u>677,134</u>	<u>--</u>	<u>677,134</u>	<u>--</u>
	6,923,006	6,245,872	677,134	--
Charitable gift annuities	874,254	--	--	874,254
Interest rate swap agreements	<u>9,318</u>	<u>--</u>	<u>--</u>	<u>9,318</u>
Total Assets at Fair Value	<u>\$ 7,806,578</u>	<u>\$ 6,245,872</u>	<u>\$ 677,134</u>	<u>\$ 883,572</u>

During the year ended September 30, 2018, there was a transfer from Level 3 to Level 2 for the interest rate swap agreements as there are inputs that are derived principally from observable market data provided by the lending institution. With the exception of the interest rate swap agreements, there were no transfers between levels of investments during the years ended September 30, 2018 and 2017. In addition, there have been no changes to the methodologies utilized during 2018 and 2017.

**THE ELIM PARK BAPTIST HOME, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)**

***ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)***

The following is a summary of the changes in balances of charitable gift annuities measured at fair value using significant unobservable inputs for the years ended September 30:

	Charitable Gift Annuities	
	2018	2017
Balance - beginning of year	\$ 874,254	\$ 846,293
Change in value of trust assets	35,560	86,057
Sales and settlements	(138,653)	(118,704)
Purchases	--	60,608
Balance - end of year	\$ 771,161	\$ 874,254

The following is a summary of the changes in the balances of interest rate swap agreements measured at fair value using significant unobservable inputs for the years ended September 30:

	Interest Rate Swaps	
	2018	2017
Balance - beginning of year	\$ 9,318	\$ (460,692)
Transfer to Level 2	(9,318)	--
Total unrealized gains included in the change in net assets	--	470,010
Balance - end of year	\$ --	\$ 9,318

**THE ELIM PARK BAPTIST HOME, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

As of September 30, 2018 and 2017, property, plant and equipment consisted of the following:

	2018	2017
Elim Park Baptist Home Fund		
Land	\$ 123,173	\$ 123,173
Land improvements	608,137	594,697
Buildings and building improvements	13,734,983	13,697,132
Equipment	5,606,846	5,390,513
Motor vehicles	113,421	96,790
Construction in progress	70,276	28,783
	20,256,836	19,931,088
Less accumulated depreciation	15,608,608	15,018,218
Total Elim Park Baptist Home Fund, net	4,648,228	4,912,870
Elim Park Place Fund		
Land	834,950	834,950
Land improvements	1,473,031	1,442,514
Buildings and building improvements	76,312,821	75,440,047
Equipment	7,128,150	6,712,829
Motor vehicles	202,854	186,223
Construction in progress	197,132	44,553
	86,148,938	84,661,116
Less accumulated depreciation	39,273,451	36,246,014
Total Elim Park Place Fund, net	46,875,487	48,415,102
Net Property, Plant and Equipment	\$ 51,523,715	\$ 53,327,972

The estimated cost to complete the construction in progress as of September 30, 2018 is \$298,000. Depreciation expense was \$3,617,828 and \$3,546,182 for the years ended September 30, 2018 and 2017, respectively.

**THE ELIM PARK BAPTIST HOME, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 7 - LONG-TERM DEBT**

As of September 30, 2018 and 2017, the Corporation had the following long-term debt:

	2018		2017	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
CII First Mortgage Gross Revenue Health Care Project Refunding Bonds, Series 2012A (The Elim Park Baptist Home, Inc. Project), dated December 1, 2012, \$17,714,000 original principal amount, maturing at various times from January 1, 2013 through January 1, 2033, with principal and interest payable monthly at a fixed rate of 3.07% through an interest rate swap agreement.	\$13,809,238	\$ 156,369	\$14,554,470	\$ 193,420
KeyBank loan signed in December 2012, \$2,620,828 original principal amount, maturing at various times from January 1, 2013 through January 1, 2020, term note parity loan with principal and interest payable monthly at a fixed rate of 3.58% through an interest rate swap agreement.	552,541	6,931	950,474	12,611
Eversource Energy loan signed in June 2016, \$167,376 original principal amount, maturing in April 2020. Of this amount, \$66,899 represents the incentive received and has been included in other liabilities on the statements of financial position. The incentive will be amortized over the life of the loan. The loan bears no interest and principal payments are due monthly.	40,393	--	62,294	--

**THE ELIM PARK BAPTIST HOME, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

	2018		2017	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
Eversource Energy loan signed in January 2017, \$70,819 original principal amount, maturing in April 2019. Of this amount, \$42,491 represents the incentive received and has been included in other liabilities on the statements of financial position. The incentive will be amortized over the life of the loan. The loan bears no interest and principal payments are due monthly.	\$ 7,344	\$ --	\$ --	\$ --
Vehicle loans signed in January 2015 for the purchase of three vehicles, maturing in 2020, with principal and interest payable monthly at a fixed rate of 1.9%.	21,420	--	37,104	--
	14,430,936	163,300	15,604,342	206,031
Less current portion	1,371,211		1,184,413	
Long-term portion	13,059,725		14,419,929	
Less unamortized debt issuance costs	163,300		206,031	
Long-Term Debt, net	\$12,896,425		\$14,213,898	

The following is a schedule of long-term debt principal payments over the next five fiscal years and thereafter:

<u>Year ending September 30,</u>	
2019	\$ 1,371,211
2020	814,662
2021	820,911
2022	848,331
2023	876,273
Thereafter	9,699,548
	\$ 14,430,936

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### NOTE 7 - LONG-TERM DEBT (CONTINUED)

Subsequent to year end the KeyBank loan was paid in full and the related deferred financing costs were written off.

The bonds and note payables are collateralized by substantially all the assets of the Corporation. Under the terms of the bonds and note payables, the Corporation must satisfy certain financial and reporting covenants. The Corporation was in compliance with such covenants for the years ended September 30, 2018 and 2017.

#### *Interest Rate Swap Agreements*

As discussed in Note 2, the Corporation entered into two interest rate swap agreements with KeyBank related to the December 2012 issuance of the Series 2012A Bonds and the December 2012 KeyBank loan. The original notional values of the swaps were \$17,714,000 and \$2,620,828 and are reduced periodically according to a schedule. Under the swap agreements, the Corporation makes fixed payments with an interest rate of 3.07% and 3.58% to the counterparty to the swap agreements and receives variable rate payments equal to LIBOR plus 2.6%. The difference between the fixed rate on the debt and the adjusted LIBOR is recorded by the Corporation as an increase or decrease of interest expense depending upon the relationship of the adjusted LIBOR rate to the actual fixed rate on the debt.

The current notional amounts for the Series 2012A Bonds and the December 2012 KeyBank loan are \$13,809,238 and \$552,541 and will expire on January 1, 2023 and January 1, 2020, respectively. The swap terms match the CII First Mortgage Gross Revenue Health Care Project Refunding Bonds, Series 2012A and KeyBank debt. Payments are made between the Corporation and KeyBank on a monthly basis. The unrealized gain on the swap agreements was \$351,318 and \$470,010 for the years ended September 30, 2018 and 2017, which is reflected in the accompanying consolidated statements of activities and changes in net assets. The value of the swap instrument is included as an asset of \$360,636 and \$9,318 as of September 30, 2018 and 2017, respectively, on the accompanying consolidated statements of financial position.

Subsequent to year end, the swap was terminated in connection with the payoff of the KeyBank loan described above.

**THE ELIM PARK BAPTIST HOME, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 8 - LEASES**

The Corporation leases certain equipment under operating leases that expire at various dates through July 2021 ranging from \$195 to \$3,276 per month. The Corporation's total rent expense for the years ended September 30, 2018 and 2017 was \$44,134 and \$48,941, respectively. Future rent expense for the next three years is as follows:

<u>Year ending September 30,</u>	
2019	\$ 45,228
2020	9,192
2021	5,331
2022	<u>894</u>
	<u>\$ 60,645</u>

**NOTE 9 - DEFINED CONTRIBUTION RETIREMENT PLAN**

The Corporation maintains a defined contribution retirement plan (the Plan) that covers qualified individuals employed by the Corporation. For employer contributions, participants become fully vested upon the earlier of reaching normal retirement (age 65), death, disability or completion of six years of service.

The plan design permits employees to defer a portion of their compensation into the Plan on a pre-tax basis or as after-tax Roth 401(k) contributions. The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect otherwise. Automatically enrolled participants have their deferral rate set at 3% of eligible compensation, and their contributions are invested in a designated fund until changed by the participant. For participants automatically enrolled in the Plan, their deferral percentage will increase by 1% annually until they are deferring 10% unless the participant affirmatively elects otherwise. The Corporation provides a safe harbor matching contribution of 100% of the first 3% of compensation contributed by the employee and 50% of the next 3% of compensation contributed by the employee. The Corporation may also make additional matching and profit-sharing contributions at the discretion of the Board of Directors. Benefit plan expense for the years ended September 30, 2018 and 2017, was \$379,915 and \$384,783, respectively.

# THE ELIM PARK BAPTIST HOME, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### NOTE 10 - HEALTHCARE INDUSTRY

Resident service revenue and monthly service fees are reported on an accrual basis in the period in which services are provided, at established rates. Arrangements with third party payors for providing service at less than established rates are reported as deductions from health center revenue on an accrual basis. Revenues from the Medicare and Medicaid programs accounted for approximately 55% and 31%, and 54% and 28%, respectively, of the Corporation's net health center revenues for the years ended September 30, 2018 and 2017.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

### NOTE 11 - SELF-INSURANCE

Effective January 1, 2018, the Corporation became self-insured, up to certain limits, for health benefits provided to employees. The Corporation has purchased stop-loss insurance, which will reimburse the Corporation for individual claims in excess of \$150,000 annually and aggregate claims of \$1,585,008 annually. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported. A liability for unpaid claims and the associated claim expenses, including incurred but not reported losses, is actuarially determined and reflected in the balance sheet in accrued expenses. As of September 30, 2017, the Corporation had \$450,000 for incurred but not reported losses. The determination of such claims and expenses and the appropriateness of the related liability is continually reviewed and updated. It is reasonably possible that the accrued estimated liability of self-insured claims may need to be revised in the near term.



**THE ELIM PARK BAPTIST HOME, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 12 - SUBSEQUENT EVENTS**

As noted above, subsequent to year end the loan payable with KeyBank was paid in full and the related deferred issuance costs were written off and the interest rate swap agreement was terminated. In preparing these consolidated financial statements, management has evaluated subsequent events through January 31, 2019, which represents the date the consolidated financial statements were available to be issued, and has reported no other subsequent events requiring disclosure or recognition in the financial statements.