REDDING LIFE CARE, LLC
D/B/A MEADOW RIDGE

FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2019 AND 2018

REDDING LIFE CARE, LLC D/B/A MEADOW RIDGE

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Redding Life Care, LLC d/b/a Meadow Ridge
Redding, Connecticut

We have audited the accompanying financial statements of Redding Life Care, LLC d/b/a Meadow Ridge (Company), which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of operations and members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redding Life Care, LLC d/b/a Meadow Ridge as of December 31, 2019 and 2018 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

New Accounting Pronouncements

As described in Note 2 to the financial statements, the Company adopted ASC 606, *Revenue from Contracts with Customers*, related to the entrance fee agreements with residents and costs incurred by the Company to obtain those contracts. The Company also adopted ASU 2016-18, *Statements of Cash Flows*, which amends the presentation of restricted cash on the statements of cash flows. Our opinion is not modified with respect to these matters.

Beers, Hamerman, Cohen & Burger, P.C.

New Haven, Connecticut
December 14, 2020

REDDING LIFE CARE, LLC D/B/A MEADOW RIDGE
BALANCE SHEETS

	December 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash	$ 4,808,897	$ 9,399,127
Accounts receivable - net	1,518,156	1,230,396
Notes receivable - residents	4,553,933	2,426,076
Accounts receivable - related party	26,096	89,886
Prepaid expenses	381,653	383,271
Inventory of supplies	64,812	53,069
Total Current Assets	11,353,547	13,581,825
Restricted Cash	9,301,968	8,587,952
Property and Equipment		
Buildings and improvements	166,540,511	164,957,601
Land	7,018,216	7,018,216
Land improvements	6,052,567	7,798,597
Furniture and equipment	5,426,151	6,031,770
Vehicles	586,689	472,149
	185,624,134	186,278,333
Less: accumulated depreciation	82,150,943	78,897,897
Property and Equipment - Net	103,473,191	107,380,436
Other Assets		
Costs of acquiring contracts - net of amortization	990,720	-
Security deposits	9,216	9,216
Total Other Assets	999,936	9,216
TOTAL ASSETS	$ 125,128,642	$ 129,559,429

See accompanying notes to the financial statements.

REDDING LIFE CARE, LLC D/B/A MEADOW RIDGE
BALANCE SHEETS

	December 31, 2019	December 31, 2018
LIABILITIES AND MEMBERS' DEFICIT		
Current Liabilities		
Resident loans payable - current portion	$ 9,758,885	$ 12,535,127
Accounts payable	3,350,500	2,686,609
Accrued expenses	2,131,984	2,038,817
Advance deposits	223,072	157,286
Capital lease liabilities - current portion	16,310	-
Term loans payable, bank - current portion	79,087,296	1,314,229
Total Current Liabilities	94,568,047	18,732,068
Other Liabilities		
Resident loans payable - less current portion	126,712,275	126,728,700
Term loans payable, bank, less current portion	-	78,374,189
Loan payable - related party	2,500,000	2,500,000
Capital lease liabilities - less current portion	89,284	-
Deferred revenue from entrance fees, net of amortization of $17,027,702 and $16,494,755 for 2019 and 2018, respectively	23,721,867	21,573,104
Accrued interest	226,738	162,224
Total Other Liabilities	153,250,164	229,338,217
Total Liabilities	247,818,211	248,070,285
Members' Deficit	(122,689,569)	(118,510,856)
TOTAL LIABILITIES AND MEMBERS' DEFICIT	$ 125,128,642	$ 129,559,429

See accompanying notes to the financial statements.

REDDING LIFE CARE, LLC D/B/A MEADOW RIDGE
STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIT

	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating Revenue		
Independent living services	$ 19,645,720	$ 19,823,601
Health center services	9,645,976	8,635,243
Assisted living services	1,476,880	1,487,651
Capital reserve assessment	216,000	180,000
Rental income	53,365	56,061
Other revenue	9,700	30,734
Total Operating Revenue	31,047,641	30,213,290
Operating Expenses		
General and administrative	8,248,268	7,916,054
Building operations	3,744,888	3,857,869
Food and beverage	5,147,437	5,058,695
Health center services	6,594,745	6,342,182
Environmental services	1,577,912	1,474,396
Resident services	1,467,923	1,508,298
Assisted living services	1,117,502	1,086,118
Total Operating Expenses	27,898,675	27,243,612
Other Operating Income		
Amortization of entrance payments	4,828,005	4,821,518
Administration fees	309,090	400,811
Interest and dividends	53,517	20,435
Gain (loss) on disposal of equipment	4,042	(18,157)
Total Other Operating Income	5,194,654	5,224,607
Other Operating Expenses		
Depreciation	5,809,409	5,790,425
Interest expense		
Loan interest	6,368,830	5,918,851
Amortization of financing costs	719,581	719,581
Other general and administrative	505,555	500,696
Total Other Operating Expenses	13,403,375	12,929,553
Net Loss	(5,059,755)	(4,735,268)
Members' Deficit, Beginning of Year	(118,510,856)	(113,775,588)
Cumulative Effect of Change in Accounting Principle	881,042	-
Members' Deficit, End of Year	$ (122,689,569)	$ (118,510,856)

See accompanying notes to the financial statements.

REDDING LIFE CARE, LLC D/B/A MEADOW RIDGE
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash Flows from Operating Activities		
Net loss	$ (5,059,755)	$ (4,735,268)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	6,528,990	6,510,006
Amortization of costs of acquiring contracts	139,556	-
Bad debt expense of provision for uncollectible accounts	69,000	36,000
Amortization of entrance payments	(4,828,005)	(4,821,518)
(Gain) loss on disposal of equipment	(4,042)	18,157
Changes in operating assets and liabilities:		
Accounts receivable	(810,037)	(669,217)
Prepaid expenses and other assets	1,618	(126,241)
Inventory of supplies	(11,743)	7,147
Costs of acquiring contracts	(249,234)	-
Accounts payable	155,205	(95,698)
Accrued expenses	157,681	125,153
Deposits	-	(36,952)
Net Cash Used by Operating Activities	(3,910,766)	(3,788,431)
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,283,841)	(2,606,295)
Net Cash Used by Investing Activities	(1,283,841)	(2,606,295)
Cash Flows from Financing Activities		
Deposits received	170,072	208,934
Entrance fees received	6,219,468	4,638,960
Entrance deposits returned	-	(341,361)
Proceeds from resident loans	15,007,479	13,888,478
Repayment of resident loans	(18,757,923)	(13,291,765)
Repayment of term loan	(1,320,703)	(1,225,628)
Net Cash Provided by Financing Activities	1,318,393	3,877,618
Change in Cash, Cash Equivalents and Restricted Cash	(3,876,214)	(2,517,108)
Cash, Beginning of Year	17,987,079	20,504,187
Cash, End of Year	$ 14,110,865	$ 17,987,079

See accompanying notes to the financial statements.

NOTE 1 - ORGANIZATION AND RELATED MATTERS

Redding Life Care, LLC (a limited liability company d/b/a Meadow Ridge) (Company) was organized to develop and operate a continuing care retirement community in Redding, Connecticut. The community provides independent living apartments, assisted living apartments, and a skilled nursing facility. The Company has a contract with a third-party management company to manage the retirement community.

The members are not liable for any obligations of Redding Life Care, LLC, except as disclosed in Note 4. Differences in members' status are for management and profit and loss allocation purposes only.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Recent Accounting Pronouncements

In May of 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was effective for nonpublic companies for annual reporting periods beginning after December 15, 2018. Under this new standard, entities are required to recognize revenue from contracts with customers as goods or services are provided under the terms of the contract, in amounts expected to be realized from the transfer. The Company adopted this standard on January 2019, using the modified retrospective application to account for the change in accounting policy. The adoption of ASC 606 did not result in changes to the Company's method of recognizing revenues related to admission payments, but resulted in changes related to the cost of acquiring contracts. See Note 3.

In November of 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, *a consensus of the FASB Emerging Issues Task Force*. This ASU addresses the classification and presentation of changes in restricted cash on the consolidated statement of cash flows. The amendment requires that the consolidated statement of cash flows explain the change during the period presented in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendment is effective for fiscal years beginning after December 31, 2018. The Company adopted this standard on January 1, 2019 and has included cash held in escrow in the beginning and ending cash balance presented on the consolidated statements of cash flows. A reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheet has been included in Note 4.

Revenue Recognition

The Company derives all of its revenues from providing an array of services to residents over the period of their residency in the Community. Such services include residential, social, wellness, dining, housekeeping and healthcare in accordance with occupancy agreements which specify the obligations of the Company to the resident. The Company offers a continuum of level of care units available for the residents to reside; independent living, assisted living and memory care, and skilled nursing.

Amortization of Entrance Fee

After approval into the community, prospective residents wanting to reserve an independent living apartment must make an advanced deposit equal to 10% of the admissions payment. This deposit is held in the Entrance Deposit Escrow account until various statutory requirements are met and is applied to the Entrance Fee due at the time of closing. Residents may select between two types of residency agreements, one with a specified percentage of the admission payment refundable upon termination, or one with the refundable percentage of the admission payment decreasing over time.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

Revenue Recognition – (Continued)

Amortization of Entrance Fee – (Continued)
The admission payment paid by the resident gives the resident initial right to the premises and access to additional goods and services through their monthly fee. The non-refundable portion of the admission payment for these contracts is effectively an advance fee on those future services provided by monthly service fees. As such, a portion should be recognized into revenue as those services are provided. The non-refundable portion of the admission payment is recorded as deferred revenue and amortized into revenue on a straight-line basis over the estimated remaining life expectancy of each resident. For the years ended December 31, 2019 and 2018, gross amortization of revenue was $4,828,005 and $4,821,518, respectively.

Monthly Fees
Monthly fees are a component of revenue associated with the residency agreements and are recorded in independent living services revenue and assisted living services revenue on the statements of operations and members' deficit. The Company recognizes revenue from monthly fees as services are provided to the residents under guidance that applies to monthly contracts with the option to renew. Revenue is recognized at the billing rates that the Company establishes from time to time.

Independent Living Services Revenue
Independent living services revenue is generated from fees that residents pay for their monthly occupancy and are recorded in the period of the related occupancy. Ancillary fees, including billable services such as medical care, personal care, and guest services are recorded in the period which the related services are rendered.

Assisted Living Services Revenue
Assisted living services revenue is generated from monthly fees and are recorded in the period of related occupancy. Residents in an assisted living apartment require and receive a higher-level of care. Ancillary fees, including billable services such as medical care, personal care, and guest services are recorded in the period which the related services are rendered.

Health Center Service Revenue
Health center service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

Revenues from Medicare accounted for approximately 54% and 53%, respectively, of the Company's net health center revenues for the years ended December 31, 2019 and 2018.

Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing the Medicare program are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare program.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

Costs of Acquiring Contracts

The Company pays commissions on all residency agreements and from time-to-time provides move-in services or other incentives to residents to sign a residency agreement for independent living units. ASC 606, *Revenue from Contracts with Customers* requires all incremental costs of entering into contracts to be recognized as an asset and amortized over the expected life of the contracts. The non-refundable portion of admissions payment received from independent living residents are amortized into income over the residents' life expectancy. The related incremental costs for those contracts are amortized into expense in a manner that equates the recognition of revenue from non-refundable fees. For the year ended December 31, 2019, the Company recognized $139,556 of amortization expense related to the contracts and is recorded in general and administrative expenses.

Cash and Cash Equivalents

The Company considers all temporary cash investments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for losses on accounts receivable using the allowance method. The allowance is based on a review of the current status of existing receivables, historical collection experience, third party contracts, and other circumstances, which may affect the ability of residents to meet their obligations. It is the Company's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance at December 31, 2019 and 2018 was $117,411 and $118,496 respectively, and related primarily to government and other third-party reimbursements due to the Health Center.

Notes Receivable Residents

Notes receivable from residents consist of short-term receivables from residents related to payment of the final installment of their admission payment. Often, there is a timing difference from when the sale of the prospective resident's home will be finalized and the due date of the final installment on their admission payment. In these cases, a short-term promissory note is issued to the resident, typically for 30 to 90 days. If the resident pays the note by the agreed upon due date, no interest is charged. For the year ended December 31, 2019, one promissory note was collected after the due date, accruing interest of $27,408. All promissory notes were collected when due for the year ended December 31, 2018. Notes receivable from residents at December 31, 2019 and 2018 were $4,553,933 and $2,426,076, respectively.

Advertising

The Company expenses all advertising costs when incurred. Advertising expense for the years ended December 31, 2019 and 2018 was $583,222 and $596,140, respectively, and has been included in general and administrative expenses.

Inventory of Supplies

Inventory of supplies consists of various food and related supplies and is stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

Property and Equipment
Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on the following estimated useful lives:

	Years
Buildings and improvements	15 - 40
Land improvements	20
Furniture and equipment	3 - 10
Vehicles	5

When assets are disposed of, the asset and related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in the statements of operations and members' deficit.

Resident Loans Payable
Upon occupancy of the independent living apartments, residents can choose between two types of residency agreements. Under the first type, residents loan the Company an amount ranging from 50% to 80% of their total admission payment. These loans are secured by a subordinate mortgage on the property held by a trustee for the benefit of all the residents. This mortgage is subordinated to the Company's term loans and any other related obligations. In addition, a member of the Company has guaranteed a portion of these resident loans under certain conditions. Upon termination of the residency agreement, the loans become payable on the earlier of 90 days after the date the apartment is reoccupied, or up to 36 months after release of the apartment by the resident. If the apartment has been previously released in connection with admittance to the health center or an assisted living apartment and a new admission payment has been received from re-occupancy of the apartment, the loan is payable six months after the date the resident moves out of the health center or assisted living apartment.

If not repaid sooner, the loan is due and payable 30 years from the inception date of the residency agreement, the first of which would be in 2031. Under the second type of residency contract the refundable portion of the admission payment is eliminated over time.

Future Service Obligation
Annually, the Company 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 advance fees, a liability for the obligation to provide future services is recorded with a corresponding charge to income. The Company has concluded that there is no liability as of December 31, 2019 and 2018 using a discount rate of 1.92% and 3.03%, respectively.

Fair Value of Financial Instruments
The Company's financial instruments consist of cash and cash equivalents, accounts and notes receivable, accounts payable, other accrued expenses, loans payable to residents, notes payable to banks and financing companies. The carrying amount of these financial instruments approximates fair value.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

Income Taxes

Redding Life Care, LLC is classified as a partnership for income tax purposes. Accordingly, income or loss from the Company is reported by the members on their individual income tax returns, and no provision for income taxes is required in the financial statements. The federal and state income tax returns for the Company are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

Finance Costs

Debt issuance costs are amortized over the life of the related financing using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would be obtained under the effective interest method. Amortization of the finance costs are reported in the statement of operations and members' deficit.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

As a results of the adoption of ASC 606, the Company changed its method of accounting for commissions and other costs directly related to entering into occupancy agreements that require admission payments from independent living residents prior to moving into the Community. Because the Company expects to recover these costs from the revenues earned under the occupancy agreements over the residents' life expectancy, the Company believes these costs fall within the definition of incremental costs of obtaining a contract under ASC 606. The new standard requires these costs to be capitalized and amortized on a systematic basis that is consistent with fulfilling the Company's performance obligations under the occupancy agreements. The Company records amortization as a marketing expense over the same period that it recognizes revenue on nonrefundable admission payments. If a resident moves out before the end of amortization period, any unamortized costs related to that resident's occupancy agreement are expensed.

The Company adopted this standard on January 1, 2019, using the modified retrospective method applicable to all occupancy agreements requiring an admission payment from a resident when the resident moves into the Community.

Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior periods continue to be reported in accordance with legacy GAAP. The Company recorded a net change in beginning members' deficit of $881,042 as of January 1, 2019 due to the cumulative effect of adopting ASC 606. The transition adjustment is the result of capitalizing commissions and other costs associated with occupancy agreements with residents.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE – (CONTINUED)

The effects on the balance sheet resulting from adoption of ASC 606 for the year ending December 31, 2019 are:

	As Reported	Legacy GAAP	Impact of 606
Costs of acquiring contracts	$ 1,534,897	$ -	$ 1,534,897
Accumulated amortization of costs of acquiring contracts	(544,177)	-	(544,177)
	$ 990,720	$ -	$ 990,720

The effects on the statement of operations resulting from adoption of ASC 606 for the year ending December 31, 2019 are:

	As Reported	Legacy GAAP	Impact of 606
General and administrative expenses	8,248,268	8,357,946	109,678
Total operating expenses	27,898,675	28,008,353	109,678
Net loss	(5,059,755)	(5,169,433)	109,678

NOTE 4 - RESTRICTED CASH

Restricted cash consists of the following:

	December 31, 2019	December 31, 2018
Debt service and operating reserve	$ 5,146,538	$ 5,119,130
Reserve for repair and replacement	697,263	529,263
Entrance deposit escrow	1,561,780	1,125,707
Reserve for patient care	518,208	516,795
Real estate taxes and insurance escrow	1,378,179	1,297,057
	$ 9,301,968	$ 8,587,952

Debt Service and Operating Reserve
The Connecticut Department of Social Services requires the Company to maintain a reserve account sufficient to cover one month's operating expenses and a portion of the principal and interest due on the Company's long-term debt.

Reserve for Repair and Replacement
The Company has established a reserve for repair and replacement. These funds can be used for repairs, replacements, and capital improvements to the community.

NOTE 4 - RESTRICTED CASH – (CONTINUED)

Entrance Deposit Escrow
The Company maintains an entrance deposit escrow as required by the Connecticut Department of Social Services. This account holds entrance deposits made by prospective residents until various statutory requirements have been met.

Reserve for Patient Care
The Company maintains a reserve for patient care as required by the Connecticut Department of Social Services. This reserve is available to residents to cover non-current expenses for the continuum of care which may not be covered by residents' assets, income, or insurance.

Real Estate Tax and Insurance Escrow
The Company has established a reserve for the payment of real estate taxes and casualty insurance on the Company's current property as required under the Term Loans (see Note 4).

NOTE 5 - TERM LOANS

The Company has a $78,000,000 term loan (Senior Term Loan) that matured on August 31, 2020 where all amounts of principal and interest were then due. Interest on the term loan is at LIBOR plus 3.75%, but not less than 5.80%. Outstanding principal is calculated using a thirty-year amortization schedule and an interest rate constant of 7%. The term loan was secured by a mortgage on the real and personal property of the Company and various assignments executed in connection with the mortgage. Certain members of the Company have guaranteed the payment of a portion of the term loan under certain conditions.

The Company has a three-year $10,000,000 term loan secured by the Company's assets (Junior Term Loan). Interest on the term loan is at an annual interest rate of 10%. The Company is required to make monthly payments of interest only on the outstanding principle balance of the loan amount through the maturity date of November 30, 2020 (see Note 14). Certain members of the Company have guaranteed a portion of the payment of the term loan under certain conditions. The loan is subordinate to the term loan discussed above and senior to the related party loan discussed in Note 10.

Term loans payable at December 31, 2019 and 2018 consisted of the following:

	December 31,	
	2019	2018
Term loans payable to financial institution	$ 79,466,281	$ 80,780,510
Less: unamortized debt issuance costs	378,985	1,092,092
Term loans payable, less: unamortized financing issuance costs	79,087,296	79,688,418
Less: current portion	79,087,296	1,314,229
Total term loans payable, less: current portion	$ -	$ 78,374,189

NOTE 6 - OPERATING LEASES

The Company leases medical equipment, office equipment, and vehicles under non-cancellable operating leases which expire at various times through 2022. Rental expense was $50,014 and $73,699 for the years ended December 31, 2019 and 2018, respectively.

The future minimum payments under operating leases are:

Year Ending December 31,	
2020	$ 51,936
2021	46,104
2022	25,809
	$ 123,849

NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES

The Company financed the acquisition of a vehicle with a capital lease through a financial institution. The asset and liability under the capital lease obligations are initially recorded at the lower of the net present value of the minimum lease payments or fair market value. The asset is depreciated using the straight-line method of depreciation based on the estimated useful life of five years. The lease agreement includes a transfer of ownership at the end of the lease term on May 31, 2025.

The asset held under capital leases at December 31, 2019 is shown as property equipment on the balance sheet as:

	2019
Vehicles	$ 114,540
Less: accumulated depreciation	1,909
	$ 112,631

NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES – (CONTINUED)

The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2019:

Year Ending December 31,	
2020	$ 23,952
2021	23,952
2022	23,952
2023	23,952
2024	23,952
Later Years	10,623
Total minimum lease payments	130,383
Less: amount representing interest	24,789
Present value of net minimum lease payments	105,594
Less: current portion	16,310
	$ 89,284

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Company maintains its cash and cash equivalents at various financial institutions. The balances held in these accounts at December 31, 2019 and 2018 exceeded the insured amounts by $13,736,020 and $17,922,577, respectively.

Receivables from residents, patients, and third-party payers are as follows:

	December 31, 2019	December 31, 2018
Private pay - independent living	12%	18%
Private pay - assisted living and heath center	21%	20%
Medicare	51%	48%
Third-party insurance and other	16%	14%
	100%	100%

The Company provides health care services to its patients and generally does not require collateral or other security in providing these services; however, they do routinely obtain assignment of patients' benefits payable under their individual health care insurance programs, plans or policies.

NOTE 9 - MANAGEMENT AGREEMENTS

The Company has a contract with an unrelated management company to provide management services and administrative support under an agreement through January 31, 2022. The agreement provides for the payment of certain direct expenses, a management fee based on 4% of operating revenue subject to a cap, and a performance incentive fee based on community operating results.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Company pays its manager, an affiliate with common members, a monthly management fee for administrative services plus reimbursement of costs and expenses associated with any employees of the manager. For the years ended December 31, 2019 and 2018, the Company incurred management fees of $120,000 and expenses of $180,000, respectively. Amounts included in accounts payable at December 31, 2019 and 2018 were $831,812 and $575,562, respectively.

The Company is also reimbursed for services provided to its manager by certain employees. The amount receivable at December 31, 2019 and 2018 was $26,096 and $89,886, respectively.

In 2016, the Company obtained a total of $2,500,000 of financing from a related party at an annual interest rate equal to the Federal Funds Rate plus 2.0% (the Company and the lender have members in common). The loans are due and payable on the ninety-first day following the maturity date of the term notes (see Note 4); principal and interest are not due until maturity. As of December 31, 2019 and 2018, accrued interest on the loans was $224,705 and $161,692, respectively.

NOTE 11 - PROFIT SHARING PLAN

The Company maintains a salary reduction/profit-sharing plan (Plan) under the provisions of Section 401(k) of the Internal Revenue Code. The Plan covers substantially all full-time employees who have completed one year of service and attained age 21. Contributions to the Plan by the Company equal 50% of the salary reduction elected by each employee, up to a maximum reduction of 6% of annual salary. Employer contributions to the Plan for 2019 and 2018 were $141,280 and $106,692, respectively.

NOTE 12 - CONTINGENCIES

The Company purchases professional and general liability insurance to cover medical malpractice claims as well as general liability claims. Management believes the insurance coverage is sufficient to cover the ultimate settlement costs of asserted claims as well as any unasserted claims arising from services provided and general liability claims known or unknown against the Company.

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest paid	$ 6,330,580	$ 5,709,851
Supplemental disclosures of non-cash investing and financing activities:		
Purchase of assets included in accounts payable	$ 508,686	$ 196,379
Accounts receivable offsetting entrance fees	$ 517,067	$ 426,718
Admissions payments financed via notes receivable	$ 4,303,933	$ 2,001,116
Capital lease obligation incurred for use of equipment	$ 105,594	$ -
Prior year deposits applied to nonrefundable entrance fees	$ 104,286	$ 287,612

NOTE 14 - SUBSEQUENT EVENTS

On December 10, 2020 the Company refinanced its Senior and Junior Term Loans described in Note 5 with a ten-year term loan from a new lender in the amount of $80,000,000 at a fixed rate of 3.542%. In addition, The Company received a total of $22,000,000 of capital contributions comprised of $10,000,000 of membership interests and $12,000,000 of preferred interests. Additionally, the Company converted the $2,500,000 related party loan to equity.

In March 2020, the World Health Organization (WHO) classified the outbreak of a new strain of coronavirus (COVID-19) as a pandemic based on the rapid increase in exposure globally. The COVID-19 pandemic has been disruptive to many businesses and industries throughout the United States and globally. In efforts to reduce the spread of the COVID-19 virus, federal, state and local governments have implemented various measures, including restrictions on normal daily activities, travel bans, quarantines, "shelter-in-place" orders requiring individuals to remain in their homes other than to conduct essential services or activities, as well as business limitations and shutdowns. These health and safety measures, some of which may remain in place for a significant amount of time, have resulted in changes to the Community's normal day-to-day operations.

On March 27, 2020, the President signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act allowed the Company to borrow $2,559,755 under the Federal Paycheck Protection Program. The proceeds have been used to fund payroll costs. Since the proceeds have been used for the approved expenditures and the Company has generally not reduced its number of full-time equivalent employees during established periods, the Company believes the loan will be forgiven.

The Company also received a total of $818,050 in Provider Relief Fund distributions as part of the CARES Act. These funds were available to qualified health care providers.

The Company did not have any additional subsequent events through December 14, 2020 which is the date the financial statements were available to be issued.