HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Financial Statements

December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors of
HumanGood Nevada (dba Las Ventanas)
(a member of HumanGood Cornerstone)

We have audited the accompanying financial statements of HumanGood Nevada (dba Las Ventanas or the "Corporation"), a member of HumanGood Cornerstone, which comprise the balance sheet as of December 31, 2018, and the related statement of operations and changes in net deficit, and cash flows as of and for the year 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.

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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2018, and the results of its operations, changes in net deficit, and its cash flows for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Estimate

As discussed in Note 2 to the financial statements, in 2018, the Corporation changed the actuarial method of calculating its future service obligation. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Corporation as of December 31, 2017 were audited by other auditors whose report dated April 27, 2018, expressed an unmodified opinion on those financial statements.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
April 30, 2019

HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Balance Sheets
(In Thousands)
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and Cash Equivalents	$ 4,175	$ 6,553
Resident Accounts Receivable, Less Allowance for Doubtful Accounts of $518 and $296	698	1,791
Other Receivables	418	1,139
Restricted Cash	3,588	3,537
Investments	3,056	3,003
Restricted Investments	4,516	3,836
Prepaid Expenses, Deposits, and Other Assets	324	303
Land, Building, and Equipment, Net	67,036	68,418
Total assets	$ 83,811	$ 88,580
Liabilities and Net Deficit		
Accounts Payable and Accrued Expenses	$ 1,504	$ 2,146
Payable to Affiliates	16	82
Deposits	142	191
Accrued Interest Payable	530	530
Notes and Bonds Payable	45,748	49,115
Notes and Bonds Payable Held by Affiliates	13,325	15,327
Subordinated Management Fees	2,412	2,831
Rebatable Entrance Fees Due	25,174	25,959
Entrance Fees Subject to Refund	6,506	6,001
Entrance Fees Non-Refundable	10,916	10,533
Future Service Benefit Obligations	5,050	10,923
Other Liabilities	533	74
Total liabilities	111,856	123,712
Net Deficit Without Donor Restrictions	(28,045)	(35,132)
Total liabilities and net deficit	$ 83,811	$ 88,580

See notes to financial statements

HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Statements of Operations and Changes in Net Deficit
(In Thousands)
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Residential living	$ 9,179	$ 8,703
Assisted living	3,485	3,381
Health center	9,351	9,897
Memory support	1,024	866
Amortization of entrance fees	2,908	2,807
Other operating revenue	337	225
Change in future service benefit obligations	5,873	3,492
Total operating revenues	32,157	29,371
Operating Expenses		
Salaries and wages	8,087	7,670
Employee benefits	1,798	1,556
Supplies	2,000	1,720
Ancillary services	2,081	2,225
Repairs and maintenance	630	587
Marketing and advertising	465	561
Purchased services	1,434	1,432
Management fees	628	606
Utilities	960	915
Travel and related	141	116
Leases and rents	133	124
Insurance	177	130
Other operating expenses	1,766	1,283
Total operating expenses	20,300	18,925
Income Before Other Operating Income (Expense)	11,857	10,446
Other Operating Income (Expense)		
Investment income, net	100	(5)
Mortgage interest	(2,461)	(2,417)
Depreciation and amortization	(2,500)	(2,445)
Income from operations	6,996	5,579
Other Changes in Net Deficit		
Unrealized gains on investments	2	1
Contributions in aid of construction	89	56
Change in net deficit	7,087	5,636
Net Deficit, Beginning of Year	(35,132)	(40,768)
Net Deficit, End of Year	$ (28,045)	$ (35,132)

See notes to financial statements

HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Statements of Cash Flows
(In Thousands)
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from resident services	$ 23,756	$ 22,517
Cash received from non-rebatable entrance fees from reoccupancy	4,575	5,255
Cash received from other operating activities	907	749
Cash paid for employee salaries	(8,030)	(7,201)
Cash paid for employee benefits	(1,755)	(1,511)
Cash paid for temporary labor	(405)	(411)
Cash paid to vendors	(10,492)	(9,338)
Cash paid for interest	(2,119)	(2,164)
Net cash provided by operating activities	6,437	7,896
Cash Flows from Investing Activities		
Acquisition of land, buildings, and equipment	(1,117)	(545)
Purchase of unrestricted investments	(1,071)	(3,002)
Proceeds from sale of unrestricted investments	1,020	-
Purchase of restricted investments	(680)	(3,836)
Change in restricted cash	(51)	5,585
Net cash used in investing activities	(1,899)	(1,798)
Cash Flows from Financing Activities		
Payments of notes and bonds payable	(5,702)	(1,719)
Proceeds from rebatable entrance fees	3,113	3,380
Refunds of deposits and refundable entrance fees	(4,416)	(6,756)
Cash received from contributions in aid of construction	89	56
Net cash used in financing activities	(6,916)	(5,039)
(Decrease) increase in cash and cash equivalents	(2,378)	1,059
Cash and Cash Equivalents, Beginning of Year	6,553	5,494
Cash and Cash Equivalents, End of Year	$ 4,175	$ 6,553
Cash Flows from Operating Activities		
Change in net deficit	$ 7,087	$ 5,636
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Amortization of entrance fees	(2,908)	(2,807)
Proceeds from non-rebatable entrance fees from reoccupancy	4,575	5,255
Amortization of deferred fees	-	37
Depreciation and amortization	2,500	2,445
Unrealized gain on investments	(2)	(1)
Contributions in aid of construction	(89)	(56)
Change in future service benefit obligations	(5,873)	(3,492)
Change in resident accounts receivable and other receivable	1,814	867
Change in prepaid expenses, deposits and other assets	(21)	(118)
Other changes in operating assets and liabilities, net	(646)	130
Net cash provided by operating activities	$ 6,437	$ 7,896
Noncash Disclosures		
Compounding of accrued interest on Series 2012 B bonds to Series 2012 B bonds principal	$ 302	$ 208

See notes to financial statements

1. Business Organization

HumanGood Nevada (dba Las Ventanas or the "Corporation") is a California nonprofit public benefit tax-exempt corporation formed on January 7, 2004, and is qualified to do business in the state of Nevada. The Corporation was formed for the purpose of providing housing, health care, and supportive services for the elderly in the Las Vegas, Nevada area. The continuing care retirement community ("CCRC") consists of 172 residential living suites and common areas, six residential living villas, 60 assisted living apartments, and a 16-bed memory support suite, which accepted its first occupants in February 2016, and a 60-bed skilled nursing facility.

Parent Organization

HumanGood Cornerstone, a California nonprofit public benefit tax-exempt corporation, is the sole member and exercises its direction and control through the appointment of the Boards of Directors of the Corporation, HumanGood Arizona (formerly American Baptist Estates, Inc., dba Terraces of Phoenix), HumanGood Washington (formerly American Baptist Homes of Washington, dba Judson Park), HumanGood Idaho (formerly Boise Retirement Community, dba Terraces of Boise), and HumanGood Properties (formerly Seniority Properties). HumanGood Arizona and HumanGood Washington together constitute a newly formed obligated group ("HumanGood National Obligated Group" or "NOG") which cross-collateralizes four 2018 bond issuances.

HumanGood is a California nonprofit public benefit tax-exempt corporation. HumanGood is the sole member of HumanGood Fresno (dba Terraces at San Joaquin Gardens, "TSJG"), HumanGood Cornerstone ("Cornerstone"), HumanGood SoCal ("SoCal", formerly Southern California Presbyterian Homes), Redwood Senior Homes and Services ("RSHS"), Westminster Gardens, and HumanGood NorCal ("NorCal", formerly American Baptist Homes of the West, "ABHOW"). NorCal is the sole member of HumanGood Foundation West ("Foundation West", formerly American Baptist Homes Foundation of the West, Inc.) and SoCal is the sole member of HumanGood Foundation South ("Foundation South", formerly Southern California Presbyterian Homes Foundation). HumanGood and Cornerstone's Boards are composed of the same seven directors.

Cornerstone Related Enterprises

HumanGood Arizona

HumanGood Arizona is an Arizona nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Phoenix, Arizona, through its CCRC, the Terraces of Phoenix.

HumanGood Washington

HumanGood Washington is a Washington nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Washington through its CCRC, Judson Park.

HumanGood Idaho

HumanGood Idaho is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Boise, Idaho through its CCRC, Terraces of Boise.

HumanGood Properties

HumanGood Properties is a California for-profit corporation, which was formed in February 2014 for the purpose of holding equity interests in developed and acquired free-standing senior housing communities and other similar investments.

Other Parent Related Enterprises

HumanGood Fresno

HumanGood Fresno is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Fresno, California through its CCRC, Terraces at San Joaquin Gardens.

HumanGood NorCal

HumanGood NorCal ("NorCal", formerly American Baptist Homes of the West, "ABHOW") is a California nonprofit public benefit tax-exempt corporation, which owns, operates, and manages both CCRCs and rental housing communities in which housing, health care, and supportive services are provided for the elderly in California, Nevada, Arizona and Washington. NorCal began managing the Corporation effective January 1, 2010. NorCal provides Las Ventanas financial support and management services, including financial budgeting, accounting, and tax services; negotiation of capital and financing services; regulatory and compliance oversight and legal support; a pooled program for employee benefits including pensions; and a pooled program for property and liability insurance as well as other services through NorCal affiliates. Las Ventanas reimburses NorCal for the pro-rata share of employee benefit costs. In conjunction with the Corporation's debt restructuring (see Note 6), a new management agreement was entered into with NorCal on August 30, 2012, commencing October 1, 2012, for a ten-year term. Under the agreement, management fees accrue at 3.0% of total cash revenue, with payment deferred until certain operating metrics have been met as laid out in the agreement. The paydown of deferred fees cannot cause the total fees paid in any one year to exceed 5.0% of total cash revenues. Management fees of $1,047,000 and $0 were paid for the years ended December 31, 2018 and 2017, respectively.

HumanGood SoCal

HumanGood SoCal ("SoCal", formerly Southern California Presbyterian Homes and Affiliates, "SCPH") is a California nonprofit public benefit tax-exempt corporation that owns, operates and manages CCRCs and rental housing communities, primarily in Southern California, in which housing, health care, and supportive services are provided for the elderly. SoCal includes four CCRCs (Royal Oaks, White Sands, Windsor, and Regents Point) together with its controlled affiliates, Redwood Senior Homes and Services ("RSHS") and Westminster Gardens.

HumanGood Foundation West

HumanGood Foundation West ("Foundation West") is a California nonprofit public benefit tax-exempt corporation whose primary purpose is to develop, invest, and administer funds to provide residential and nursing home care on behalf of the residents of certain communities of HumanGood, including Las Ventanas. Foundation West's principal activity is to administer such funds under trust agreements. NorCal is the sole member of Foundation West, and therefore, elects the directors of Foundation West. As a result, NorCal has control over Foundation West, and therefore, Foundation West is included in NorCal's special-purpose combined financial statements. Foundation West guarantees the bond obligations of NorCal. Foundation West's obligations under the guaranty agreement are limited to Foundation West's income earned on its unrestricted net assets.

HumanGood Foundation South

HumanGood Foundation South ("Foundation South") is a California nonprofit public benefit tax-exempt corporation whose primary purpose is to develop, invest, and administer funds to provide residential and nursing home care on behalf of the SoCal residents. The Foundation South's principal activity is to administer such funds under trust agreements. SoCal is the sole member of Foundation South, and therefore, elects the directors of Foundation South. As a result, SoCal has control over Foundation South, and therefore, Foundation South is included in SoCal's special-purpose combined financial statements.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the allowances for contractual and uncollectible accounts receivable; fair value of investments; future service benefit obligations; rebatable entrance fees due; entrance fees subject to refund; and entrance fees non-refundable. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions, and overnight investments considered to be cash equivalents.

Restricted Cash

Restricted cash is defined as cash and cash equivalents, which are restricted in their use by regulatory or other agreements. These include assets held by trustees in accordance with the indentures relating to debt agreements to support payments of entrance fee refunds to residents in higher levels of care that have had their previous apartment reoccupied.

Restricted Investments

Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement for principal, interest, and other reserves. Restricted investments include certain cash and cash equivalents.

Investments

Investments include certain cash and cash equivalents and fixed income securities. Investments are measured at fair value in the accompanying balance sheets.

Investment income (including realized gains and losses on investments, interest, and dividends) is included in the accompanying statements of operations and changes in net deficit. Historical cost, on the specific identification method, is utilized to compute the realized gains and losses for securities. Upon determination that the cost of securities is other-than-temporarily impaired, adjustments are made to revalue the securities to current value. Any adjustments required by this policy are charged to investment loss. Unrealized gains and losses are recorded in other changes in net deficit.

Resident Accounts Receivable

The Corporation assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable (outstanding balances over 150 days are fully reserved), and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and accounts are deemed impaired.

Other Receivables

Other receivables at December 31, 2018 and 2017, include noninterest bearing, unsecured promissory notes from residents to pay entrance fees in the amount of $151,000 and $411,000, respectively. Entrance fee promissory notes receivable are evaluated for collectability prior to residents being admitted to the community based on each resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed. All amounts are contractually due within 180 days. Also included in other receivables is $250,000 and $300,000 of litigation insurance recovery receivables at December 31, 2018 and 2017, respectively (see professional liability insurance section of Note 2).

Other receivables are stated at the amount management expects to collect. If necessary, management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to other receivables.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost, or fair value when received, if donated. The cost basis includes any interest, finance charges, and other related costs capitalized during construction. Maintenance and repair costs are charged to operations when incurred.

Depreciation of buildings and equipment is computed on the straight-line method using estimated useful lives of 3 to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Asset Impairment

The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No asset impairment was recognized at December 31, 2018 and 2017.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values. The Corporation's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. See Note 4 for fair value hierarchy disclosures.

Deferred Debt Issuance Costs

Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method and are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense is included as a component of interest expense. Unamortized deferred debt issuance costs amounted to $759,000 and $791,000 at December 31, 2018 and 2017, respectively. Accumulated amortization of deferred debt issuance costs were $200,000 and $168,000 at December 31, 2018 and 2017, respectively.

Obligation to Provide Future Services

If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. An evaluation of the future service benefit obligation for residents was performed in accordance with ASU No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities - Refundable Advance Fees*. A liability of $5,050,000 and $10,923,000 has been recorded in the accompanying balance sheets at December 31, 2018 and 2017, respectively. The Corporation prospectively changed the actuarial method of calculating the liability at December 31, 2018 to include the effect of all contract types rather than only life-care contracts. The effect of the change in estimate resulted in a decrease in the liability of approximately $750,000, which increased the intermediate measures of operations and the performance indicator in 2018. The Corporation believes that the new method of calculating the liability is preferable in that it's in accordance with industry practices, aligns the method with the other entities under common control, and is representative of the nature of the Corporation's operations. The discount rate used to calculate the obligation to provide future services was 7% for 2018 and 2017.

Types of Entrance Fees

The Care and Residence Agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees received by the Corporation are categorized into two types: initial entrance fees and entrance fees from reoccupancy, and are recorded as either rebatable entrance fees due, entrance fees subject to refund, or entrance fees non-refundable in the accompanying balance sheets. Initial entrance fees, which are the initial fees on new or expanded facilities, are used to provide funds for acquisition and construction of physical facilities, debt retirement, and to defray anticipated deficits in the operations of new homes for a period of time. Entrance fees from reoccupancy in existing homes are used for general purposes, including capital expenditures, support of operations (including benevolence), and funding of reserves.

Refund Policy on Entrance Fees

The Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2.0% for each month of residency for 44 months after an initial reduction to the original fee, under certain circumstances. In certain cases, upon the move out of a resident, the unamortized balance of the entrance fee on a contractual basis is payable to the resident.

The Corporation has offered contract options whereby 50% to 100% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. Prior to fiscal year ended September 30, 2013, the predominant contract type outstanding was a 90% rebatable contract. Effective for fiscal year 2013 and beyond, primarily modified Type A contracts, 75% rebatable entrance fee contracts and 0% rebatable contracts have been offered by the Corporation.

At December 31, 2018 and 2017, the Corporation had non-refundable entrance fees of $10,916,000 and $10,533,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2018 and 2017, the Corporation had entrance fees subject to refund of $6,506,000 and $6,001,000, respectively, that will be recognized as revenue in future years, unless refunded.

Additionally, at December 31, 2018 and 2017, $25,174,000 and $25,959,000, respectively, of the entrance fees are contractually rebatable and are presented as rebatable entrance fees due in the accompanying balance sheets. Included in these amounts are $711,000 and $281,000 of entrance fee rebates due pending apartment reoccupancy, $410,000 and $580,000 of entrance fee rebates due pending the move-out of residents who are currently residing in higher levels of care and reoccupancy of their apartment, and $7,175,000 and $7,074,000 of entrance fee rebates due pending only the move-outs of residents currently residing in higher levels of care at December 31, 2018 and 2017, respectively.

Actual refunds and rebates of entrance fees were $4,416,000 and $6,756,000 for the years ended December 31, 2018 and 2017, respectively. Based on historical experience, management expects to pay refunds in future years of approximately $4,840,000 per year.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. All net assets as of December 31, 2018 and 2017 are classified as net assets without donor restrictions as they are not subject to donor or time restrictions and are available for use in general operations. No assets with donor imposed restrictions, temporary or perpetual in nature, are held as of December 31, 2018 and 2017.

Contributions

The Corporation participates in the HumanGood Foundation West fundraising activity. Gifts and bequests to the Corporation are credited to the Corporation's funds with Foundation West. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporation's fund. Funds held by Foundation West that the Foundation West board has designated for the Corporation amount to approximately $804,000 and $418,000 of board designated funds, and $182,000 and $309,000 of donor restricted project funds at December 31, 2018 and 2017, respectively. Foundation West retains a legal right to redirect the use of these unrestricted funds. Board practice since inception has been to designate earnings distributions on funds for community benevolence needs. The Corporation receives distributions from Foundation West based upon the market value of the twelve-quarter rolling average of the Corporation's board designated funds at a current rate of 3.5%. This rate is subject to change based upon the Foundation West board's action. Included in the accompanying statements of operations and changes in net deficit are $89,000 and $56,000 for the years ended December 31, 2018 and 2017, respectively, of contributions in aid of construction received from Foundation West.

Net Resident Service Revenues

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

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenues for ancillary services are generally billed monthly in arrears. Additionally, entrance fees are generally billed and collected in advance of move-in, and are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying balance sheets. The Corporation recognized amortization income of $2,908,000 in 2018 and $2,807,000 in 2017. The Corporation applies the practical expedient in ASC 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

For residents with Life Care (modified Type A) and Type B contracts, revenue from entrance fees other than rebatable entrance fees received are recognized through amortization using the straight-line method over annually adjusted estimated remaining life expectancies of the residents, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. Amortization of entrance fees other than rebatable entrance fees is included as amortization of entrance fees in the statements of operations and changes in net assets.

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

Health Center

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

Health Center revenues, including monthly service fees, ancillary, and other services fees are reported at the estimated net realizable amounts from residents, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

The Corporation receives revenue for services under third-party payor programs, including Medicare and other third-party payors. Laws and regulations governing the Medicare program are complex and subject to interpretation. 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 programs.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, as new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2018 or 2017.

Assisted Living and Memory Support

Assisted living and memory support revenues are primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Corporation has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation for each of these levels of care, which is satisfied over time as services are provided. Therefore, assisted living and memory support revenues are recognized on a month-to-month basis.

Residential Living

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

Benevolence

The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the years ended December 31, 2018 and 2017, the cost of benevolence amounted to $101,000 and $107,000, respectively. Additionally, the Corporation utilized reductions to the rebatable portion of certain residents' entry fees to satisfy unpaid monthly service fees. The total amount of these reductions was $157,000 and $49,000 for the years ended December 31, 2018 and 2017, respectively.

Contractual Allowances

A portion of the Corporation's revenues is subject to explicit price concessions under contracts with third-party payors. These price concessions, reported as contractual allowances, were $249,000 and $220,000 for the years ended December 31, 2018 and 2017, respectively.

Performance Indicator

Income from operations as reflected in the accompanying statements of operations and changes in net deficit is the performance indicator. Income from operations includes all changes in net deficit, other than contributions in aid of construction and unrealized gains on investments.

Workers' Compensation Plan

The Corporation has a workers' compensation insurance policy where the coverage under Part A of the workers' compensation policy does not have a limit unless set forth by the State statute. The coverage under Part B of the workers' compensation policy has a limit of $1,000,000 per accident, $1,000,000 per disease (per employee), and $1,000,000 per disease (policy limit). The expense for this coverage is reflected as a component of employee benefits in the statements of operations and changes in net deficit.

Professional Liability Insurance

The Corporation has professional liability insurance through a pooled program provided by HumanGood. HumanGood has secured claims-made policies for malpractice and general liability insurance with a self-insured retention of $100,000 and $150,000 as of and for the years ended December 31, 2018 and 2017, respectively. The Corporation has accrued a liability of $447,000 and $450,000 as its best estimate of the cost of known claims incurred prior to December 31, 2018 and 2017, respectively. These liabilities are included in accounts payable and accrued expenses in the accompanying balance sheets. Related insurance recovery receivables of $250,000 and $300,000 at December 31, 2018 and 2017, respectively, are recorded under other receivables in the accompanying balance sheets. Management is not aware of any claims outstanding that are in excess of policy limits.

Tax-Exempt Status

The Corporation is a California nonprofit public benefit tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Corporation assesses uncertain tax positions in accordance with the provisions of the Financial Accounting Standards Board ("FASB") ASC Topic 740-10, *Income Taxes.* The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2018 and 2017, there were no such uncertain tax positions.

New Accounting Pronouncements

In 2018, the Corporation adopted the FASB Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (residents) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements. Under the modified retrospective approach, the cumulative effect of the guidance is applied at the date of adoption and prior year financial statements are not recast for like on like presentation. The adoption of ASU No. 2014-09 requires the write-off of deferred marketing costs previously capitalized on the balance sheet. There was no impact on the financial statements from the adoption of Topic 606.

In 2018, the Corporation adopted the FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except the analysis of expenses by nature and function, as allowed by ASU No. 2016-14.

The new standard is addressed in the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- Investment expenses are included in investment income, net
- The financial statements include a disclosure about liquidity and availability of resources at December 31, 2018 and 2017 (Note 3).
- The functional expense disclosure for 2018 includes expenses reported both by nature and function (Note 9).

During November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. ASU 2016-18 is to be applied retroactively with transition provisions. The Corporation is currently assessing the impact ASU 2016-18 will have on its financial statements.

In 2016, FASB issued ASU No. 2016-01*, Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01: a) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (b) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (c) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (d) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheets; (e) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (f) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (g) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (h) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU No. 2016-01 is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Corporation early adopted the provision that eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost. The Corporation is currently assessing the impact the remaining provisions of ASU 2016-1 will have on its financial statements.

Reclassification

Certain items in the 2017 financial statements have been reclassified to conform with the 2018 financial statement presentation.

3. Liquidity and Availability of Resources

As of December 31, 2018 and 2017, the Corporation has financial assets available for general expenditure within one year of the balance sheet date, consisting of the following (in thousands):

	2018	2017
Cash and cash equivalents	$ 4,175	$ 6,553
Accounts receivable and entrance fee receivables	849	2,202
Investments	3,056	3,003
Total	$ 8,080	$ 11,758

The Corporation has investments, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above.

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

4. Fair Value Measurements, Investments, Restricted Cash and Investments

FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investments in the near term.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- Cash and cash equivalents - The carrying amount approximates fair value

- Restricted investments - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment.

- Investments (Mutual Funds) - Mutual funds registered with the Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the net asset value of shares, and are categorized as Level 1.

- Investments (Corporate Bonds) - Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. To the extent that these inputs are observable and timely, the values are categorized as Level 2.

- Investments (Municipal Bonds) - Municipal Bonds are valued using inputs and techniques which include identification of similar issues and market activity. To the extent that these inputs are observable and timely, values are categorized as Level 2.

- Investments (U.S. Government Securities) - U.S. Treasury securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017 (in thousands):

	Fair Value at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and equivalents	$ 25	$ -	$ -	$ 25
Mutual funds	613	-	-	613
Municipal bonds	-	348	-	348
Corporate bonds	-	1,111	-	1,111
U.S. government securities	-	959	-	959
Total investments	$ 638	$ 2,418	$ -	$ 3,056
Restricted investments,				
Cash and equivalents	$ 4,516	$ -	$ -	$ 4,516

	Fair Value at December 31, 2017			
Investments:				
Cash and equivalents	$ 2,402	$ -	$ -	$ 2,402
Mutual funds	601	-	-	601
Total investments	$ 3,003	$ -	$ -	$ 3,003
Restricted investments,				
Cash and equivalents	$ 3,836	$ -	$ -	$ 3,836

Investment Return

Investment income for the year ended December 31, 2018 and 2017, is as follows (in thousands):

	2018	2017
Dividend, interest, and other investment income	$ 100	$ (5)
Total	$ 100	$ (5)

Investment income is net of investment expenses of $9,000 and $28,000 for the years ended December 31, 2018 and 2017, respectively.

5. Land, Buildings, and Equipment

Land, buildings, and equipment at cost at December 31, 2018 and 2017, consisted of the following (in thousands):

	2018	2017
Land	$ 8,900	$ 8,900
Land improvements	350	335
Buildings and improvements	84,184	83,821
Furnishings, equipment and automotive	3,317	2,724
	96,751	95,780
Accumulated depreciation	(30,070)	(27,588)
	66,681	68,192
Construction in progress	355	226
Total	$ 67,036	$ 68,418

Depreciation expense for the year ended December 31, 2018 and 2017, was $2,500,000 and $2,445,000, respectively.

6. Notes and Bonds Payable

A summary of the Corporation's notes and bonds payable at December 31, 2018 and 2017, is as follows (in thousands):

	2018	2017
Notes and Bonds Payable:		
Series 2012 A-1 Tax Exempt, Fixed Rate Term Revenue Bonds (dated September 12, 2012, and due October 1, 2042), with interest at 7.0%, funded monthly, and paid on October 1 and April 1.	$ 27,237	$ 27,237
Series 2012 A-2 Tax Exempt, Fixed Rate Term Revenue Bonds (dated September 12, 2012, and due October 1, 2042), with interest at 5.0%, with a projected step up to 7.0% upon paydown of the Series B Bonds, with interest that accrues but does not compound. The Series A-2 Bonds are at parity with the Series 2012 A-1 Bonds in collateral but subordinate in cash flow and do not have voting rights.	4,250	4,250
Series 2012 B-1 Tax Exempt, Fixed Rate Term Revenue Bonds (dated September 12, 2012, and due October 1, 2042), with interest at 2.0%, that accrues and compounds. Payments on the Series 2012 B Bonds will be made from available cash flow as detailed in the Master Trust Indenture. All Series 2012 B Bonds are at parity in collateral and cash flow.	7,574	10,950

	2018	2017
Series 2012 B-2 Tax Exempt, Fixed Rate Term Revenue Bonds (dated September 12, 2012, and due October 1, 2042), with interest at 2.0%, that accrues and compounds. Payments on the Series 2012 B Bonds will be made from available cash flow as detailed in the Master Trust Indenture. All Series 2012 B Bonds are at parity in collateral and cash flow, however the Series 2012 B-2 Bonds do not have voting rights.	$ 1,040	$ 1,505
Series 2012 B-3 Taxable, Fixed Rate Term Revenue Bonds (dated September 12, 2012, and due October 1, 2042), with interest at 2.0%, that accrues and compounds. Payments on the Series 2012 B Bonds will be made from available cash flow as detailed in the Master Trust Indenture. All Series 2012 B Bonds are at parity in collateral and cash flow, however the Series 2012 B-3 Bonds do not have voting rights.	3,482	5,042
Series 2012 C-1 Tax Exempt, non-interest bearing bonds (dated September 12, 2012, and due October 1, 2042). Payments on the Series 2012 C Bonds will be made from available cash flow as detailed in the Master Trust Indenture only after the Series A and B Bonds are paid in full. All Series 2012 C Bonds are at parity in collateral and cash flow.	11,695	11,695
Series 2012 C-2 Taxable, non-interest bearing bonds (dated September 12, 2012, and due October 1, 2042). Payments on the Series 2012 C Bonds will be made from available cash flow as detailed in the Master Trust Indenture only after the Series A and B Bonds are paid in full. All Series 2012 C Bonds are at parity in collateral and cash flow, however the Series C-2 bonds do not have voting rights.	$ 4,554	$ 4,554
Total	59,832	65,233
Less unamortized bond issuance costs, net	(759)	(791)
Notes and bonds payable	$ 59,073	$ 64,442

Estimated maturities of notes and bonds payable are dependent on cash flows and are estimated as follows (in thousands):

Years ending December 31	
2019	$ 2,000
2020	2,000
2021	2,000
2022	2,000
2023	2,000
Thereafter	49,832
Total	$ 59,832

Compliance with Financial Covenants

The Series 2012 Bonds are subject to certain financial and occupancy covenants. Days cash on hand must be maintained at a level of 90 days, the debt service coverage ratio must be maintained at a level of 1.2 times, and residential living occupancy must be no lower than 90% stabilized occupancy.

Restructuring of Obligations

The Corporation failed to pay installments of principal and interest due from January 2009 through September 12, 2012, on its Series 2004A and 2004B Bonds, failed to promptly repay amounts withdrawn from the debt service reserve fund, and failed to pay down its original construction loan in full on February 27, 2009. These events represented events of default under the construction loan and bond financing agreements.

On June 22, 2012, the bondholders, the Corporation, NorCal as manager, and construction loan and ground lease holder, executed a letter of agreement for the restructuring of Las Ventanas' debt and lease obligations. On September 12, 2012, the restructuring was finalized, which involved the exchanging of existing bonded indebtedness for three new series of tax-exempt bonds: Series A-1, Series B-1 and Series C-1. In exchange for contributed capital and the relinquishment of its interests in the ground lease and construction loan, NorCal received interests in the Series A–2, Series B-2, Series B–3, and Series C–2 Bonds and are classified as Notes and Bonds Payable Held by Affiliates in the accompanying balance sheets.

The restructuring allowed for an entry fee escrow, whereby entry fee funds received from turnover occupancy of an apartment wherein the previous occupant had moved into a higher level of care are deposited into a restricted account and may only be utilized to aid in funding entry fee refunds of the residents in higher levels of care. At December 31, 2018 and 2017, this account contained a balance of $3,588,000 and $3,537,000, respectively, which is reported as a component of restricted cash on the accompanying balance sheets.

In accordance with the restructured loan agreements, cash in excess of 100 days is deposited in the debt service reserve fund and subsequently swept with 10 percent of the distribution deposited into a Repair and Replacement Fund, 10 percent into a Series A Principal Sinking Fund and the remaining 80 percent allocated on a pro-rata basis to pay down Series B bonds. The table below lists all such distributions made through December 31, 2018:

	Series B-1 Principal	Series B-2 Principal	Series B-3 Principal	Repair and Replacement Fund	Series A Principal Sinking Fund	Total Distribution
January 2016	$ 860,000	$ 121,000	$ 407,000	$ 173,000	$ 173,000	$ 1,734,000
January 2017	1,116,000	155,000	517,000	224,000	224,000	2,236,000
February 2018	1,936,000	267,000	893,000	387,000	387,000	3,870,000
December 2018	1,632,000	224,000	750,000	326,000	326,000	3,258,000
	$ 5,544,000	$ 767,000	$ 2,567,000	$ 1,110,000	$ 1,110,000	$ 11,098,000

7. Employee Benefit Plans

Effective January 1, 2018, Las Ventanas joined the HumanGood defined contribution retirement plan covering all eligible employees with a corporate match of employee contributions up to 4% of eligible earnings.

8. Resident Services and Patient Revenues

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Resident services and patient revenues consist of the following for the years ended December 31, 2018 and 2017:

	2018				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 9,179	$ 2,660	$ 482	$ 349	$ 12,670
Private (non-contract)	-	825	1,997	675	3,497
Medicare (Part A)	-	-	6,132	-	6,132
Medicare (Part B)	-	-	175	-	175
Managed care	-	-	565	-	565
Total payers	$ 9,179	$ 3,485	$ 9,351	$ 1,024	$ 23,039
Amortization of non-rebatable entrance fees					$ 2,908

	2017				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 8,703	$ 2,473	$ 399	$ 115	$ 11,690
Private (non-contract)	-	908	1,479	751	3,138
Medicare (Part A)	-	-	7,322	-	7,322
Medicare (Part B)	-	-	42	-	42
Managed care	-	-	655	-	655
Total payers	$ 8,703	$ 3,381	$ 9,897	$ 866	$ 22,847
Amortization of non-rebatable entrance fees					$ 2,807

9. Functional Expense

The Corporation provides housing, healthcare, and other related services to residents within its geographic location. Financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are approximately as follows at December 31, 2018 (in thousands):

	2018		
	Residential services	**General and Administrative**	**Total**
Salaries and wages	$ 7,650	$ 437	$ 8,087
Employee benefits	1,627	171	1,798
Supplies	1,945	55	2,000
Ancillary services	2,081	-	2,081
Repairs and maintenance	630	-	630
Marketing	457	8	465
Purchased Services	936	498	1,434
Management fees	-	628	628
Utilities	921	39	960
Travel and related	112	29	141
Rentals and leases	126	7	133
Insurance	177	-	177
Other operating expense	936	830	1,766
Interest	2,461	-	2,461
Depreciation	2,500	-	2,500
Total	$ 22,559	$ 2,702	$ 25,261

In 2017, approximately $21,626 of expenses related to resident services and $2,161 of expenses related to general and administrative.

10. Commitments and Contingencies

The Corporation is party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of the Corporation.

Senior Living Services Industry

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

11. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements.

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

12. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Corporation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Corporation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

On February 19, 2019, management filed a voluntary public disclosure notification through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access site of its intent to explore various options related to tendering, purchasing, refinancing or restructuring all, or portions of its Series 2012 bonds.

The Corporation has evaluated subsequent events through April 30, 2019, which is the date the financial statements were issued.