HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Financial Statements

December 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
HumanGood Idaho (dba Terraces of Boise)
(a member of Cornerstone Affiliates)

We have audited the accompanying financial statements of HumanGood Idaho (dba Terraces of Boise, the "Corporation"), a member of HumanGood Cornerstone, which comprise the balance sheet as of December 31, 2018, and the related statements 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.

Auditor's 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 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.

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.

Prior Period Financial Statements

The financial statements of the Corporation as of December 31, 2017 were audited by other auditors whose report dated April 12, 2019 expressed an unmodified opinion on those financial statements. Their opinion contained an emphasis of matter paragraph that the financial statements of the Corporation for the year ended December 31, 2017 have been restated to correct an error in the previously issued financial statement related to the recognition of future service benefit obligation balances. Their report was not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
April 16, 2019

HumanGood Idaho (dba Terraces of Boise)
(a Member of Cornerstone Affiliates)

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

	2018	2017
Assets		
Cash and Cash Equivalents	$ 1,650	$ 223
Resident Accounts and Other Receivables	1,772	2,395
Prepaid Expenses and Other Assets	52	42
Restricted Cash	712	907
Restricted Investments	13,452	16,657
Deferred Marketing Costs	-	8,021
Land, Building, and Equipment, Net	82,061	84,187
Total assets	$ 99,699	$ 112,432
Liabilities and Net Deficit		
Accounts Payable and Accrued Expenses	$ 1,379	$ 1,758
Payable to Affiliates	1,339	1,242
Deposits	208	186
Accrued Interest	2,043	1,988
Notes and Bonds Payable, Net	77,807	79,817
Subordinated Notes and Liquidity Support Payable	5,250	5,250
Due to GCI	650	650
Rebatable Entrance Fees Due	33,706	31,189
Entrance Fees Subject to Refund	10,197	7,459
Entrance Fees Non-Refundable	3,233	3,530
Future Service Benefit Obligation	2,540	11,455
Total liabilities	138,352	144,524
Net Deficit Without Donor Restrictions	(38,653)	(32,092)
Total liabilities and net assets	$ 99,699	$ 112,432

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of Cornerstone Affiliates)

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

	2018	2017
Operating Revenues		
Residential living	$ 6,029	$ 4,448
Assisted living	1,550	834
Health center	2,682	2,008
Memory support	1,457	848
Amortization of entrance fees	1,271	899
Other operating revenue	51	58
Change in future service benefit obligations	8,915	11,448
Total operating revenues	21,955	20,543
Operating Expenses		
Salaries and wages	5,469	4,289
Employee benefits	1,128	955
Supplies	1,134	869
Chargeable ancillary services	543	437
Repairs and maintenance	142	127
Marketing and advertising	677	703
Purchased services	598	415
Management fees	211	277
Utilities	492	443
Travel and related	115	93
Rentals and leases	32	20
Insurance	118	100
Taxes	1,116	1,113
Other operating expenses	120	53
Total operating expenses	11,895	9,894
Income Before Other Operating Income (Expense)	10,060	10,649
Other Operating Income (Expense)		
Investment income, net	163	174
Depreciation and amortization	(2,234)	(2,536)
Mortgage interest	(6,573)	(6,841)
Income from operations	1,416	1,446
Unrealized Gain (Loss) on Investments	44	(39)
Change in net deficit	1,460	1,407
Net Deficit, Beginning of Year - As Previously Reported	(32,092)	(33,499)
Adjustments for Adoption of Accounting Pronouncement	(8,021)	-
Net Deficit, Beginning of Year - As Adjusted	(40,113)	(33,499)
Net Deficit, End of Year	$ (38,653)	$ (32,092)

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of Cornerstone Affiliates)

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

	2018	2017
Cash Flows from Operating Activities		
Cash received for resident services	$ 11,761	$ 7,442
Cash received for entrance fees from reoccupancy	6,546	2,669
Cash paid for other operating activities	(56)	(126)
Cash earnings realized from investments	164	184
Cash paid for employee salaries	(5,087)	(4,024)
Cash paid for employee benefits	(1,128)	(955)
Cash paid for temporary labor	(364)	-
Cash paid to vendors	(5,491)	(3,876)
Cash paid for interest	(6,474)	(6,691)
Net cash used in operating activities	(129)	(5,377)
Cash Flows from Investing Activities		
Acquisition of land, buildings, and equipment	(108)	(256)
Net purchases of investments	(28)	-
Change in restricted project related investments	142	4,710
Change in restricted entrance fee related investments	3,042	(785)
Net cash provided by investing activities	3,048	3,669
Cash Flows from Financing Activities		
Cash received from initial entrance fees and deposits	3,617	8,711
Refunds of deposits and refundable fees	(3,152)	(1,834)
Payments on notes and bonds payable	(2,054)	(5,495)
Cash received from affiliates	97	29
Net cash (used in) provided by financing activities	(1,492)	1,411
Increase (decrease) in cash and cash equivalents	1,427	(297)
Cash and Cash Equivalents, Beginning of Year	223	520
Cash and Cash Equivalents, End of Year	$ 1,650	$ 223

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of Cornerstone Affiliates)

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

	2018	2017
Cash Flows from Operating Activities		
Change in net deficit	$ 1,460	$ 1,407
Adjustments to reconcile change in net deficit to net cash used in operating activities:		
Amortization of debt issuance costs and bond discount, net	44	44
Amortization of entrance fees	(1,271)	(899)
Entrance fees from reoccupancy	6,546	2,669
Amortization of deferred fees	31	28
Realized and unrealized loss on investments	49	70
Depreciation and amortization	2,234	2,536
Change in future service benefit obligation	(8,915)	(11,448)
Change in accounts receivable from residents	54	(514)
Other change in operating assets and liabilities, net	(361)	730
Net cash provided by operating activities	$ (129)	$ (5,377)
Noncash Investing and Financing Activities		
Obligation incurred for the acquisition of land, buildings, and equipment	$ 2	$ 125

See notes to financial statements

1. Business Organization

HumanGood Idaho (formerly Boise Retirement Community, dba the Terraces of Boise or the "Corporation"), is a California nonprofit public benefit tax-exempt corporation formed on August 3, 2005, and is qualified to do business in the state of Idaho. The Corporation was formed for the purpose of constructing, owning, and operating a continuing care retirement community in Boise, Idaho, known as the Terraces of Boise (the "Community"), to provide housing, health care and other related services to its residents in Boise, Idaho.

Development activities for the Community were initiated in December 2007. In September 2009, the Corporation began the process of accepting refundable conversion deposits for future residency in the Community. The Corporation began construction of the Community in December 2013. The Community opened Phase I of residential living apartments and cottages on July 27, 2015, Phase II opened on October 27, 2015 and Phase III opened on January 6, 2016. Assisted living apartments opened on May 10, 2016. Memory support apartments opened on May 31, 2016. Skilled nursing beds opened on January 27, 2016. The Corporation financed construction of the Community using tax-exempt bonds, as described further in Note 6. The final cost of construction, design, and engineering was approximately $56,000,000. The Community consists of 161 residential living apartments and cottages, 40 assisted living apartments, 24 memory support apartments, and 48 skilled nursing beds.

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 Nevada (formerly Las Ventanas Retirement Community, dba Las Ventanas), 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 Nevada

HumanGood Nevada is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Las Vegas, Nevada, through its CCRC, Las Ventanas.

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. In conjunction with the issuance of the Boise Series 2014 bonds, NorCal, entered into a Liquidity Support Agreement with Boise, and NorCal accepted a subordinated note from the Corporation for $2,000,000 as part of the sale to the Corporation of the parcel of land upon which the Community is constructed (see Note 6).

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 the Corporation. 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 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. 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 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 ("U.S. GAAP") 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, which is restricted in its use by regulatory or other agreements. These accounts consist of refundable conversion deposits for future residency of the Community. A portion of the restricted cash is limited as to use in accordance with the Master Trust Indenture Agreement.

Restricted Investments

Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement. Restricted investments include certain cash and cash equivalents, domestic corporate debt securities and U.S. government securities.

Resident Accounts Receivable

The Company 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, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Company has exhausted all collection efforts and accounts are deemed impaired.

Other Receivables

Other receivables at December 31, 2018 and 2017, includes noninterest bearing, unsecured promissory notes from residents to pay entrance fees in the amount of $966,000 and $1,588,000, respectively. Entrance fee promissory notes receivable are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

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.

Prepaid Expenses and Other Deposits

Prepaid expenses and other deposits consist of prepaid services, products, and inventory at December 31, 2018 and 2017.

Land, Building, and Equipment, Net

Land, building, and equipment, net 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 building 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 as of December 31, 2018 or 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 $1,878,000 and $1,909,000 at December 31, 2018 and 2017, respectively. Accumulated amortization of deferred debt issuance cost was $132,000 and $101,000 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. A liability of $2,540,000 and $11,455,000 has been recorded in the accompanying balance sheets at December 31, 2018 and 2017, respectively. The discount rate used to calculate the obligation to provide future services was 5.5 percent for the years ended December 31, 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 Corporation offers contract options whereby 0 percent to 95 percent of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. At December 31, 2018 and 2017, the Corporation had nonrefundable entrance fees of $3,233,000 and $3,530,000, 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 $10,197,000 and $7,459,000, respectively, that will be recognized as revenue in future years, unless refunded.

Additionally, at December 31, 2018 and 2017, $33,706,000 and $31,189,000, respectively, of the entrance fees are contractually rebatable and are presented as rebatable entrance fees due in the accompanying balance sheets.

Actual refunds and rebates of entrance fees were $3,152,000 and $1,834,000 for the years ended December 31, 2018 and 2017, respectively. Management expects to pay refunds in future years of approximately $3,000,000 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 fund 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 Corporations amount to approximately $49,000 and $53,000 of board designated unrestricted funds, and $97,000 and 128,000 of donor restricted project funds at December 31, 2018 and 2017, respectively. Foundation West retains a legal right to redirect the use of 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 fund at a current rate of 3.5 percent. This rate is subject to change based upon the Foundation West's board's action. Included in the accompanying statements of operations and changes in net deficit are $-0- and $2,000 for the years ended December 31, 2018 and 2017, respectively, of distribution income 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 sheet. The Corporation recognized amortization income of $1,271,000 in 2018 and $899,000 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 contracts (modified Type A), 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.

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. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenues. 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, there was no benevolence recorded, as the Corporation had not received any requests for benevolent care.

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 $902,000 and $753,000 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. Loss from operations includes all changes in unrestricted net deficit, other than non-cash changes in unrealized gains on investments.

Workers' Compensation Plan

The Corporation has a workers' compensation insurance policy through Aureon HR, Inc., a professional employer organization. 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). Management of the Corporation is not aware of any claims outstanding that are in excess of policy limits, and any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. The expense for this coverage is reflected as a component of employee costs 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 December 31, 2018 and 2017, respectively. Management of the Corporation is not aware of any claims outstanding that are in excess of policy limits, and any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. Any related insurance recovery receivables are recorded under resident accounts and other receivables in the accompanying balance sheets. There are no amounts recorded at December 31, 2018 and 2017 for these matters.

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") Accounting Standards Codification ("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 percent 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, 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 guidance is applied to the most current period presented, recognizing a cumulative effect of the adoption change as an adjustment to beginning unrestricted net assets. The Corporation has determined that there will be a change to deferred marketing costs related to the accounting for contract acquisition costs under ASU No. 2014-09. As a result, there was a decrease of $8,021,000 in deferred marketing costs and unrestricted net assets as of January 1, 2018.

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 for the analysis of expenses by nature and function. This disclosure has been presented for 2018 only, 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 8).

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, the 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 2016-01 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 Company has financial assets available for general expenditure within one year of the balance sheet date, consist of the following (in thousands):

	2018	2017
Cash and cash equivalents	$ 1,650	$ 223
Accounts receivable, entrance fee receivables, and other receivables, net	1,772	2,395
Total	$ 3,422	$ 2,618

A portion of the Corporation's restricted investments include operating reserves to comply with certain requirements. These funds may be used for budgeted operating expenses when no other funds are available or will reasonably be available to make such payments. Although the Corporation does not intend to utilize these reserves for general expenditures they could be made available as necessary.

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

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:

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. Level 2 securities include domestic and foreign corporate debt securities, and U.S. government securities. Domestic and foreign corporate debt securities are valued using inputs and techniques which third-party pricing vendors, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. U.S. government 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.

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**
Restricted investments:				
Cash and cash equivalents	$ 5,813	$ -	$ -	$ 5,813
Domestic corporate debt	-	3,665	-	3,665
Foreign corporate debt	-	365	-	365
U.S. government securities	-	3,609	-	3,609
Total	$ 5,813	$ 7,639	$ -	$ 13,452

	Fair Value at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Restricted investments:				
Cash and cash equivalents	$ 8,268	$ -	$ -	$ 8,268
Domestic corporate debt	-	4,598	-	4,598
Foreign corporate debt	-	682	-	682
U.S. government securities	-	3,109	-	3,109
Total	$ 8,268	$ 8,389	$ -	$ 16,657

Investment Return

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

	2018	2017
Net realized losses on investments	$ (93)	$ (31)
Dividend, interest, and other investment income	256	205
Total investment income, net	$ 163	$ 174
Unrealized gains (losses) on investments	$ 44	$ (39)

Investment income is net of investment expenses of $40,000 and $48,936 for the years ended December 31, 2018 and 2017, respectively.

5. Land, Buildings, and Equipment

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

	2018	2017
Land	$ 5,203	$ 5,203
Buildings and improvements	83,675	83,654
Furnishings, equipment and automotive	1,248	1,161
	90,126	90,018
Accumulated depreciation	(8,065)	(5,831)
Total	$ 82,061	$ 84,187

There was no capitalized interest expense for the years ended December 31, 2018 and 2017. Depreciation expense for the years ended December 31, 2018 and 2017 was $2,234,000 and $2,261,000, respectively.

6. Notes and Bonds Payable and Liquidity Support Payable

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

	2018	2017
Bonds used to develop the Community:		
Series 2014 Tax Exempt, Fixed Rate Term Revenue Bonds (dated January 28, 2014), secured by deed of trust and gross revenue, Serial certificates, annual principal payable commencing on April 1, 2016, in varying amounts ranging from $710,000 to $6,565,000, through 2049. Interest rates are fixed ranging from 6.50% to 8.125% for the various tranches of the debt.	$ 80,685	$ 82,740
HumanGood NorCal subordinated promissory note, with interest accruing at 4.0% annually and repayment of principal and interest subject to restrictions defined in the Master Trust Indenture.	2,000	2,000
HumanGood NorCal Liquidity Support Agreement dated January 1, 2014. Non-interest bearing obligation with repayment contingent upon the achievement of certain financial performance criteria defined in the Master Trust Indenture.	1,000	1,000
GCI Boise, LP Liquidity Support Agreement dated January 1, 2014. Non-interest bearing obligation with repayment contingent upon the achievement of certain financial performance criteria defined in the Master Trust Indenture.	2,250	2,250
	85,935	87,990
Less unamortized bond issuance costs, net	(1,878)	(1,909)
Less unamortized bond discount, net	(1,000)	(1,014)
Total notes and bonds payable	$ 83,057	$ 85,067

Scheduled maturities of notes and bonds payable are as follows (in thousands):

Years ending December 31:	
2019	$ 710
2020	760
2021	815
2022	870
2023	930
Thereafter	81,850
Total	$ 85,935

The Corporation closed on the Series 2014 Bonds (the "2014 Bonds") which included the Series 2014A, B1, B2, B3, and C issued by the Idaho Health Facilities Authority (the "Authority") in the amount of $103,185,000 on January 28, 2014. The 2014 Bonds were issued pursuant to a Bond Indenture of Trust (the "Bond Indenture") dated January 1, 2014, by and between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

Concurrent with issuance of the Series 2014 Bonds, GCI Boise, LP ("GCI Boise") entered into a Liquidity Support Agreement with the Corporation, dated January 1, 2014, and contributed $2,250,000 to the Liquidity Support Fund. Additionally, NorCal entered into a separate Liquidity Support Agreement with the Corporation, dated January 1, 2014, with NorCal contributing $1,000,000 and NorCal agreeing to potentially fund $1,250,000 into the fund contingent upon the occurrence of certain funding events defined in the Liquidity Support Agreement. This fund is held under the Master Trust Indenture to pay costs of the project, operating costs of the Corporation or debt service payments with respect to the Bonds. Finally, at closing of the Series 2014 bonds, NorCal accepted a subordinated note of $2,000,000 from the Corporation in conjunction with the sale of the Community's land.

The Corporation has utilized the proceeds from the sale of the 2014 Bonds, together with other available funds, to: (i) finance or reimburse the Corporation for a portion of the costs of the Community; (ii) refinance outstanding indebtedness of an affiliate of the Corporation incurred in connection with the acquisition of the land upon which the Community is located; (iii) pay a portion of the interest on the 2014 Bonds during the construction of the Community; (iv) fund a debt service reserve fund; and (v) pay certain costs associated with the issuance of the 2014 Bonds.

The Series 2014A bonds were sold at a discount of $1,057,000 in order to affect a market rate of interest. The discount is being amortized under the effective interest rate method. At December 31, 2018 and 2017, the net unamortized discount was $1,000,000 and $1,014,000, respectively. The effective interest rate on Series 2014A bonds ranges from 7.0 percent to 8.25 percent.

The Series 2014A bonds maturing on and after October 1, 2029, are subject to optional redemption prior to maturity by the Authority at the direction of the Corporation in whole or in part on October 1, 2024, or on any date thereafter, at the redemption price equal to the principal amount together with accrued interest to the redemption date.

The Series 2014B-3 bonds were paid in full in April 2016; Series 2014B-2 bonds in January 2017 and on January 3, 2018, the Series 2014B-1 bonds were fully redeemed.

The Series 2014C bonds were paid in full in January 2016.

The Corporation is currently subject to a Marketing Covenant, an Occupancy Covenant, and a Cumulative Cash Operating Loss (CCOL) Covenant until stabilized occupancy is achieved. The CCOL Covenant was not met as of March 31, 2017 however is not considered an event of default under the terms of the Master Trust Indenture. A Management Report was prepared and posted to EMMA on June 23, 2017. As the CCOL Covenant was not met for the second consecutive fiscal quarter as of June 30, 2017, a Consultant's Report and Recommendations was posted to EMMA on February 27, 2018. Management has evaluated the significance of this condition in relation to the Corporation's ability to meet its obligations until stabilized occupancy is achieved and has determined that the Corporation has the ability to meet its obligations through operating cash flow and, as necessary use of the liquidity support committed by GCI Boise and NorCal as described above. Management's plans alleviate substantial doubt about the Corporation's ability to continue as a going concern within one year after the date the financial statements are issued.

7. 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)	$ 6,029	$ 136	$ 297	$ 166	$ 6,628
Private (non-contract)	-	1,414	1,111	1,291	3,816
Medicare (Part A)	-	-	1,028	-	1,028
Medicare (Part B)	-	-	166	-	166
Managed care	-	-	80	-	80
Total payers	$ 6,029	$ 1,550	$ 2,682	$ 1,457	$ 11,718
Amortization of non-rebatable entrance fees					$ 1,271

	2017				
	Residential Living	**Assisted Living**	**Health Center**	**Memory Support**	**Total**
Private (contract)	$ 4,448	$ 311	$ 267	$ 76	$ 5,102
Private (non-contract)	-	523	679	772	1,974
Medicare (Part A)	-	-	750	-	750
Medicare (Part B)	-	-	128	-	128
Managed care	-	-	184	-	184
Total payers	$ 4,448	$ 834	$ 2,008	$ 848	$ 8,138
Amortization of non-rebatable entrance fees					$ 899

8. Functional Expenses

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	$ 4,908	$ 561	$ 5,469
Employee benefits	958	170	1,128
Supplies	1,111	23	1,134
Chargeable ancillary services	543	-	543
Repairs and maintenance	127	15	142
Marketing and advertising	677	-	677
Purchased services	357	241	598
Management fees	-	211	211
Utilities	445	47	492
Travel and related	23	92	115
Rentals and leases	28	4	32
Insurance	118	-	118
Taxes	1,116	-	1,116
Other operating expenses	55	65	120
Mortgage interest	6,573	-	6,573
Depreciation and amortization	2,234	-	2,234
Total	$ 19,273	$ 1,429	$ 20,702

In 2017, approximately $16,722 of expenses related to resident services and $2,549 of expenses related to management and general.

9. Transactions with Affiliates

Amounts payable to affiliates include deferred sales and marketing fees, deferred development administrative support fees and insurance expense payable to NorCal. The Corporation recognized expenses of $172,000 and $36,000 during 2018 and 2017 which consisted of both insurance and marketing expenses for the respective years. The Corporation owed NorCal $1,339,000 and $1,242,000 as of December 31, 2018 and 2017, respectively.

10. Commitments and Contingencies

Management and Marketing Services Agreement

The Corporation entered into a Management and Marketing Services Agreement, as amended and restated on October 25, 2013, with Greystone Management Services Company Idaho, LLC ("GMSC") whereby GMSC assumed pre-opening duties to manage and operate the Community. The Management and Marketing Services Agreement commenced in June 2014 for a term of 84 months.

In conjunction with the Management and Marketing Services Agreement, the Corporation agreed to pay a monthly management fee of $12,500 per month from the commencement date through July 2015, the month of initial occupancy. Beginning with the Initial Occupancy Date, an ongoing Base Management Fee will be adjusted as follows:

	Monthly Base
Occupancy Months:	$
Months 1 - 54	12,500
Months 55 - 66	32,500
Months 67 and thereafter	35,000

Beginning in the first month of the second full fiscal year following the achievement of Stabilized Occupancy, as defined in the Master Trust Indenture, the Corporation will pay GMSC a fee equal to $4,500 for each occupancy and/or reoccupancy of the residential living apartments.

The Corporation incurred management fees to GMSC of $150,000 for years ended December 31, 2018 and 2017 included in management fees on the statements of operations and changes in net deficit.

Development Consulting Agreement

The Corporation entered into a Development Consulting Agreement, as amended on October 23, 2013, with Greystone Development Services XX, LLC ("GDS"), as assigned by Greystone Development Company II, LP ("GDC"), an affiliate of GMSC, whereby GDS plans, coordinates, and implements a development plan relating to the construction and financing of the Community, and for the services and activities of the residents. GDS also employs, trains, and supervises the marketing and sales staff for the Community, on behalf of the Corporation, and is responsible for the payroll-related expenses, sales commissions, and payroll tax liabilities for this staff. These personnel costs are billed monthly and are to be reimbursed to GDS by the Corporation.

In addition, the development consulting agreement called for an investment limited partnership, GCI Boise, LP ("GCI"), to be formed for the purposes of providing the funds necessary to pay for any pre-financing costs incurred by the Corporation prior to the tax-exempt bond financing. Through GCI, GDC advanced funds to the Corporation of $8,600,000. Pursuant to the amended development consulting agreement, the funds advanced by GCI are to be repaid as follows: (i) $5,600,000 was paid upon delivery of the 2014 Bonds (ii) $650,000 remains deferred until after repayment of the Liquidity Support Agreement (iii) of the remaining $2,350,000 advanced by GDS, $100,000 was forgiven by GDS and $2,250,000 was recorded as a loan to help fund the Liquidity Support Agreement during the year ended September 30, 2014.

As compensation for the services provided pursuant to the amended development consulting agreement, the Corporation agreed to pay GDS a consulting fee consisting of a fixed base fee, a variable base fee and an incentive occupancy fee. The fixed base fee is equal to $1,023,000, reduced from $5,758,000. The variable base fee is equal to $3,365,000 and will be paid as follows: (i) $358,000 upon commencement of development consulting services, (ii) $415,000 paid pro-rata over 12 months after commencement of development consulting services, (iii) $207,000 paid upon the presale of 25 percent of the residential living apartments, (iv) $207,000 paid upon the presale of 50 percent of the residential living apartments, (v) $781,000 upon issuance of the Series 2014 Bonds, (vi) $371,000 paid in equal installments during the construction period of the Community, (vii) $308,000 upon obtaining an initial Certificate of Occupancy for resident occupancy, (viii) $287,000 paid on a pro-rata basis upon first occupancy of each residential living apartments, (ix) $100,000 paid upon the Community having achieved 25 prtvrny occupancy of the residential living apartments, (x) $100,000 paid upon the Community having achieved 50 percent occupancy of the residential living apartments, (xi) $77,000 paid upon the Community having achieved 65 percent occupancy of the residential living apartments, (xii) $77,000 paid upon the Community having achieved 80 percent occupancy of the residential living apartments, and (xiii) $77,000 paid upon the Community having achieved 90 percent of the residential living apartments.

As of December 31, 2018 and 2017, there was $-0- and $147,000, respectively, of accounts payable due to GDC, of which $0 and $107,000, respectively, represent reimbursable personnel expenses related to the marketing and sales staff, included in accounts payable and accrued expenses on the balance sheets. As of December 31, 2018 and 2017, there was $650,000 due to GCI.

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 financial statements are 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.

The Corporation has evaluated subsequent events through April 16, 2019, which is the date the financial statements were issued.