a
Continuing Care Retirement Community
of
Messiah Family Services

Location:
Messiah Lifeways at Mount Joy Country Homes
106 Bayberry Drive
Mount Joy, PA 17552
Telephone: (717) 653-2356

Effective Date of Disclosure Statement: October 2020

EQUAL HOUSING OPPORTUNITY

This Disclosure Statement is not a contract and the Provider reserves all rights to amend, revise, update and otherwise change the Disclosure Statement at any time, in accordance with applicable laws.

The issuance of a Certificate of Authority does not constitute approval, recommendation or endorsement of the facility by the Pennsylvania Insurance Department, nor is it evidence of, nor does it attest to the accuracy or completeness of the information set forth in this Disclosure Statement.

Table of Contents

Important Information To Prospective Residents

Pursuant to the Pennsylvania Continuing Care Provider Registration and Disclosure Act, 40 P.S. Section 3207 et. sec., (the "Act") this Disclosure Statement is being delivered to you at the time of or prior to your execution of a "Residency Agreement," or at the time of or prior to your payment of any money to Messiah Family Services. A copy of the Residency Agreement is attached. Your receipt of this Disclosure Statement creates <u>no obligation</u> on your part to execute and deliver the Residency Agreement to Messiah Family Services, nor does it create any obligation on the part of Messiah Family Services.

This Disclosure Statement contains a fair summary of the material enclosed and other terms of the documents purported to be summarized. This Disclosure Statement is furnished to prospective residents and their representatives, and may not be relied upon by any other person.

Summary Of Disclosure Statement

The following summary is qualified in its entirety by the more detailed information appearing elsewhere and referred to in this Disclosure Statement and in the Residency Agreement attached to this Disclosure Statement.

The Facility: Messiah Family Services, d/b/a Messiah Lifeways at Mount Joy Country Homes (Mount Joy Country Homes), is a Pennsylvania, charitable, non-profit corporation that provides Residential Living services on its existing campus located at 106 Bayberry Drive in Mount Joy, PA 17552. Messiah Family Services provides a continuum of care to the elderly through providing access to personal care services and nursing care services. Effective February 6, 2012, Messiah Family Services changed the fictitious name of its continuing care retirement community ("CCRC") from Mount Joy Country Homes to Messiah Lifeways at Mount Joy Country Homes. Messiah Family Services is an affiliated entity of Messiah Lifeways, Messiah Home, and Messiah Lifeways Community Support Services. Phone: (717) 653-2356.

Licensed Provider: The licensed provider is Messiah Family Services, located at 106 Bayberry Drive, Mount Joy, PA 17552. Phone: (717) 653-2356.

Person to be Contacted to Discuss Living at Mount Joy Country Homes:
Jenny Flamm, Director of Welcome Centers, is the person to contact for individuals considering living at Mount Joy Country Homes. Ms. Flamm can be contacted at 106 Bayberry Drive, Mount Joy, PA 17552. Phone: (717) 653-2356.

Description of Property: Mount Joy Country Homes is located at 106 Bayberry Drive, Mount Joy, PA 17552 on approximately 31 acres in a suburban area of Lancaster County. The campus consists of an original 8 acres with 40 Residential Living cottage residences made up of 20 single-story brick duplexes. A three (3) car brick garage serves as a maintenance building. Of the 20 duplexes, 19 of the duplexes were built between 1984 and 1994. An additional duplex was built in 2002 replacing an older, existing 2-story dwelling that was torn down.

In 1998, 23 adjoining acres were purchased jointly with Messiah Home, an affiliated entity, with a plan to affiliate and develop the property at a later date for additional Residential Living residences and a personal care facility. Twenty acres are medium density residential, and 3 acres are zoned commercial. Both the 8 acre and 23 acre parcel lie within and on the western edge of Mount Joy Borough. Previously, the 23 acre parcel was part of a working farm. Although the property is within the borough limits and is surrounded by urban sized lots and single family houses, it has a more suburban feel as most of the ongoing construction around it is suburban in character.

Messiah Home and Messiah Family Services began an expansion project in April 2010 on the adjoining 23 acres. The original expansion project was made up of 4 phases and had a master plan that added a total 75 new cottages, a community center, personal care for 20 residents, and commercial space. Phase 1A consisted of 10 new cottage residences which were completed November 1, 2010. The new cottages are single story frame duplexes with vinyl exteriors and brick accents. Phase 1B consisted of 12 new cottages and a new Community

Center, both of which were completed in the Fall of 2013. Phase 2A1, consisted of 10 cottages which were completed in June 2015. Phase 2A2 consisted of 8 cottages which were completed in December 2015. The timeline of the project's 4 phases is described more fully in the section **Description of Physical Property**, beginning on page 10 of the Disclosure Statement.

Age Requirements: The minimum entrance age for living at Mount Joy Country Homes is 55 years of age prior to the date of occupancy.

Affiliations with Religious, Fraternal, Charitable and Non-Profit Organizations: Effective July 1, 2012, Messiah Family Services underwent an internal corporate reorganization, whereby Messiah Lifeways, a newly created Pennsylvania nonprofit corporation, became the sole member and parent of Messiah Family Services, as well as two related entities: Messiah Home (d/b/a Messiah Lifeways at Messiah Village) and Messiah Lifeways Community Support Services.

Messiah Home operates a continuing care retirement community doing business as Messiah Lifeways at Messiah Village ("Messiah Village"), located on approximately 80 acres of land in Mechanicsburg, Cumberland County, PA. Messiah Lifeways Community Support Services operates a home care agency and an older adult daily living center as well as a Senior Center in Cumberland County.

The parent entity, Messiah Lifeways, elects the Messiah Family Services Board of Directors and holds reserve powers to approve certain corporate actions, including approval of operating and capital spending budgets, borrowings, etc. As an affiliate of Messiah Lifeways, Messiah Family Services supports the corporation's efforts to provide a network of services for older adults that includes resident communities, enrichment opportunities, coaching services and community support services.

Messiah Family Services and Messiah Home entered into a Management Agreement dated November 20, 1997, for the management of Messiah Family Services. As part of their management duties, Messiah Home reviewed the feasibility of expanding services to Messiah Family Services' residents. On November 27, 1998, Messiah Family Services and Messiah Home entered into an Affiliation Agreement, for purposes of improving the quality, cost effectiveness, efficiency and convenience of residential and personal care options, healthcare and community services for their respective residents and communities. The affiliation was approved by the Court of Common Pleas, Lancaster County on June 27, 2008 and became effective July 1, 2008. Effective July 1, 2012, Messiah Lifeways now provides administrative, accounting and marketing services to Messiah Family Services through a Management Agreement for which Messiah Family Services pays a monthly fee. Messiah Home continues to provide certain maintenance services and is reimbursed on an hourly basis.

Neither the Brethren in Christ Church, nor any other person or entity is responsible for the liabilities of Messiah Family Services (except for Messiah Lifeways, Messiah Home, and Messiah Lifeways Community Support Services) or the fulfillment of its anticipated contractual obligations to its residents. Messiah Family Services owed Messiah Village $860,427 at June 30, 2020 (for marketing, engineering, site work and construction costs related to the expansion project) which is recorded as an intercompany payable and is eliminated in consolidation.

CURRENT RESIDENT POPULATION: Residents by type of accommodation as of October 1, 2020:

Residential Living	110	Residents
Personal Care	0	Residents
Nursing Care	0	Residents
Total	110	Residents

The Entrance and Monthly Fees: The following tables summarize sample fees for Residential Living accommodations for single occupancy residents.

Model Type & Description	Square Footage	Entrance Fee	Monthly Fee (Single Occupancy)
Donegal I	925 sq. ft.	$117,500	$ 866.50
Donegal II	1,200 sq. ft.	$150,000	$ 1,076.00
Manheim	1,106 sq. ft.	$159,500	$ 1,100.00
Marietta I	1,270 sq. ft.	$165,000	$ 1,167.00
Marietta II	1,359-1,589 sq. ft.	$183,500 - $214,500	$ 1,167 - $ 1,273

The monthly fee is increased for double occupancy by $127. The above sample entrance fees are priced for the 0% refund option which is explained in the section title "*Entrance Fee Plans*".

In the event that a resident subsequently marries or an additional occupant moves in with an existing resident, please refer to the Residency Agreement for full details regarding additional fees.

Taxable Status: Messiah Family Services is a Pennsylvania, non-profit, charitable corporation exempt from payment of Federal Income Tax in accordance with Section 501(c)(3) of the Internal Revenue Code.

DISCLOSURE STATEMENT

This Disclosure Statement contains a fair summary of the documents enclosed and of the terms of the documents purported to be summarized.

Name and Business Address

Messiah Family Services, d/b/a Messiah Lifeways at Mount Joy Country Homes, is a Pennsylvania, charitable, non-profit corporation that provides Residential Living on its existing campus located at 106 Bayberry Drive in Mount Joy, PA 17552. Messiah Family Services provides a continuum of care to the elderly through providing access to personal care services and nursing care services. Effective February 6, 2012, Messiah Family Services changed the fictitious name of its continuing care retirement community ("CCRC") from Mount Joy Country Homes to Messiah Lifeways at Mount Joy Country Homes ("Mount Joy Country Homes"). Phone: (717) 653-2356. Messiah Family Services is an affiliated entity of Messiah Lifeways, Messiah Home, and Messiah Lifeways Community Support Services.

History and Organization

Messiah Family Services began in 1896 and was sponsored by the Brethren in Christ Church as a ministry for the aged and orphans, as part of Messiah Rescue and Benevolent Home (now Messiah Home) in Harrisburg. In 1914, the children's ministry separated from the elder care ministry of Messiah Rescue and Benevolent Home and moved from Harrisburg to Grantham, PA and became known as Messiah Children's Orphanage. In 1925, Messiah Children's Orphanage moved from Grantham to Mount Joy, PA (current location) and in 1953, Messiah Children's Orphanage became Messiah Children's Home. Messiah Children's Home stopped operating as a children's home in 1981 due to government funding cuts. In 1984, Messiah Children's Home became Messiah Family Services, and changed its ministry focus to the elderly and began building housing for seniors. The first cottage was built in 1984.

Messiah Home, an affiliated entity, owns and operates a licensed continuing care retirement community d/b/a Messiah Lifeways at Messiah Village ("Messiah Village"), on approximately 80 acres of land in Mechanicsburg, PA. In 1997, Messiah Home and Messiah Family Services entered into a Management Agreement so that Messiah Home could review the feasibility of expanding health care, personal care and other related services to Mount Joy Country Homes residents, including but not limited to, home care and adult day care, and to develop a master plan for its property.

On November 27, 1998, Messiah Family Services and Messiah Home entered into an Affiliation Agreement, for purposes of improving the quality, cost effectiveness, efficiency and convenience of residential and personal care options, healthcare and community services for their respective residents and communities. The affiliation was approved by the Court of Common Pleas, Lancaster County on June 27, 2008 and became effective July 1, 2008.

The original 8-acre campus is now developed into a retirement community on a 31-acre campus. A multi-phase expansion was being built on 23 acres of land previously purchased by Messiah Home and Messiah Family Services, with a master plan for new residential living cottage residences, a community center, and commercial space. Phase 1A started in April 2010 and was completed in November 2010 with 10 cottages under roof and approximately 50% of the site work for the project completed. Phase 1B was started in April 2013 and completed in the Fall of 2013, it consisted of 12 cottages and a Community Center. Phase 2A1 consisted of 10 cottages which were completed in June 2015. Phase 2A2 consisted of 8 cottages which were completed in December 2015. Messiah Family Services authorized Messiah Lifeways, as the manager of the community, to administer, implement and supervise, pursuant to a Management Agreement, all phases of the development of the Project.

Effective July 1, 2012, Messiah Family Services underwent an internal corporate reorganization, whereby Messiah Lifeways, a newly created Pennsylvania nonprofit corporation, became the sole member and parent of Messiah Family Services, as well as two related entities: Messiah Home (d/b/a Messiah Lifeways at Messiah Village) and Messiah Lifeways Community Support Services.

As an affiliate of Messiah Lifeways, By Laws for Messiah Family Services were also amended and restated, effective April 23, 2019. The Board of Directors of Messiah Family Services is composed of no more than 9 members and each shall be elected by Messiah Lifeways. The parent entity, Messiah Lifeways, holds reserve powers to approve certain corporate actions, including approval of operating and capital spending budgets, borrowings, etc. As an affiliate of Messiah Lifeways, Messiah Family Services supports the corporation's efforts to provide a network of services for older adults that includes resident communities, enrichment opportunities, and community support services.

Controlling Parties & Description Of Interest In Or Occupation With The Provider

Messiah Family Services is governed by a Board of Directors composed of no more than nine (9) members under the Amended and Restated Bylaws effective April 23, 2019. The directors are elected by Messiah Lifeways, except that the President and Chief Financial Officer of Messiah Lifeways shall not be elected but shall be appointed and serve as Directors of Messiah Family Services by virtue of their employment by Messiah Lifeways. The Board shall at all times include the Messiah Lifeways' President (or his/her designee) and Chief Financial Officer and at least one Director who also currently serves on the Board of Directors of Messiah Lifeways.

The name and business address of the Board of Directors is attached as **EXHIBIT A**.

A description of the background and experience of management personnel of Mount Joy Country Homes is attached as **EXHIBIT B**.

Disclosure Of Related Party Contracts

No Officer, Director, or other person holds a 10% or greater equity or beneficial interest in Messiah Family Services or in an entity that has provided $500 or more in goods or services to Mount Joy Country Homes.

Disclosure Of Felony Convictions, Felony Charges, Civil Actions, Court Orders, License Suspensions, Etc.

Neither the Provider, nor its board members (a) have been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; and neither are they (b) subject to a currently effective injunctive or restrictive order of a court of record, or within the past five years had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including, without limitation, actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under the Pennsylvania Continuing Care Provider Registration and Disclosure Act or a similar act in another state.

Affiliation With Religious, Fraternal, Charitable And Non-profit Organizations

Effective July 1, 2012, Messiah Family Services underwent an internal corporate reorganization, whereby Messiah Lifeways, a newly created Pennsylvania nonprofit corporation, became the sole member and parent of Messiah Family Services, as well as two related entities: Messiah Home (d/b/a Messiah Lifeways at Messiah Village) and Messiah Lifeways Community Support Services.

Messiah Lifeways operates exclusively for the support and benefit of Messiah Home (d/b/a Messiah Lifeways at Messiah Village), Messiah Family Services (d/b/a Messiah Lifeways at Mount Joy Country Homes), Messiah Lifeways Community Support Services, and provides management, administrative and related services to the affiliated organizations. Collectively, the consolidated corporation represents "Messiah Lifeways and Controlled Entities". The consolidated corporation exists to operate, maintain, sponsor and promote a network of residential, enrichment and community support services such as Residential Living, Personal Care, Nursing Care, at home services, adult day, wellness, lifelong learning and other services that directly or indirectly improve the safety and well-being of persons 55 and better.

Messiah Home operates a continuing care retirement community known as Messiah Lifeways at Messiah Village, located on approximately 80 acres of land in Mechanicsburg, Cumberland County, PA. Messiah Lifeways is the sole member and parent of Messiah Home.

Messiah Lifeways Community Support Services operates a home care agency, an adult day center, and a Senior Center. Messiah Lifeways is the sole member and parent of Messiah Lifeways Community Support Services.

Messiah Family Services and Messiah Home entered into a Management Agreement dated November 20, 1997, for the management of Messiah Family Services. As part of their management duties, Messiah Home reviewed the feasibility of expanding services to Messiah Family Services' residents. On November 27, 1998, Messiah Family Services and Messiah Home entered into an Affiliation Agreement, for purposes of improving the quality, cost effectiveness, efficiency and convenience of residential and personal care options, healthcare and community services for their respective residents and communities. The affiliation was approved by the Court of Common Pleas, Lancaster County on June 27, 2008 and became effective July 1, 2008. Effective July 1, 2012, Messiah Lifeways now provides administrative, accounting and marketing services to Messiah Family Services through a Management Agreement for which Messiah Family Services pays a monthly fee. Messiah Home continues to provide certain maintenance services and is reimbursed on an hourly basis.

Neither the Brethren in Christ Church, nor any other person or entity is responsible for the liabilities of Messiah Family Services (except for Messiah Lifeways, Messiah Home, and Messiah Lifeways Community Support Services) or the fulfillment of its anticipated contractual obligations to its residents. Messiah Family Services owed Messiah Home $860,427 at June 30, 2020 (for marketing, engineering, site work and construction costs related to the expansion project) which is recorded as an intercompany payable and is eliminated in consolidation.

Description Of Physical Property

Mount Joy Country Homes is located at 106 Bayberry Drive, Mount Joy, PA 17552 on approximately 31 acres in a suburban area of Lancaster County.

The campus consists of an original 8 acres with 40 Residential Living cottage residences which include 20 single-story brick duplexes. A three (3) car brick garage serves as a maintenance building. Of the 20 duplexes, 19 of the duplexes were built between 1984 and 1994. An additional duplex was built in 2002, replacing an older, existing 2-story dwelling that was torn down.

In 1998, 23 adjoining acres were purchased jointly with Messiah Home, an affiliated entity, with a plan to affiliate and develop the property at a later date for additional Residential Living residences and a personal care home. Twenty acres are medium density residential, and 3 acres are zoned commercial. Both the 8 acre and 23 acre parcel lie within and on the western edge of Mount Joy Borough. Previously, the 23 acre parcel was part of a working farm. Although the property is within the borough limits and is surrounded by urban sized lots and single family houses, it has a more suburban feel as most of the ongoing construction around it is suburban in character.

Mount Joy Country Homes has a master plan to expand the retirement community to a 31-acre community using all of the additional 23 acres. Construction of Phase 1A (described below) began in April 2010, and all 10 cottage residences were under roof by November 1, 2010. Construction of Phase 1B began in April 2013, and all 12 cottage residences were under roof by November 2013. The new Residential Living cottages are single story framed duplexes with vinyl exteriors and brick accents and range from 1,106 to 1,589 square feet. The original master plan consisted of the construction of a total of 74 residential living cottage residences, a new community center (3,500 square feet), two (2) 10-bed personal care (20 private rooms) facilities, and a 14,000 square foot commercial building.

It is anticipated that the project will be developed in the following phases:

- **Phase 1A = Construction of 10 cottages.** ***April 2010 through November 2010.*** The marketing phase of the project began in March 2009. Construction began in April 2010, and all 10 cottages were under roof by November 2010. As of this date, all 10 cottages are occupied.

- **Phase 1B = Construction of 12 cottages and a community center.** ***April 2013 through November 2013.*** All 12 cottages and community center were built between spring 2013 through fall of 2013. The Community Center was opened in September 2013. As of this date, all 11 cottages are occupied. (The former community center at 501 Union School Road was converted to a cottage and was made available for occupancy in the spring of 2014.)

- **Phase 2 = Construction of 34 cottages**. ***September 2014 through December 2015.*** Phase 2A consists of 18 cottages; Phase 2A1, 10 cottages were completed in June 2015 and Phase 2A2, 8 cottages were completed in December 2015. Phase 2B is on hold. Following a market analysis, a decision was made to halt any additional cottage expansion at this time.

- **Phase 4 = The commercial land will be considered for future opportunities at an undefined later date.**

There are no assurances that the scope of the project will not change. All projected dates are approximate and may change according to changes in approvals, weather conditions, market demands and other factors which are beyond the control of Mount Joy Country Homes.

Personal care services and nursing services are made available by Messiah Lifeways at Messiah Village, an affiliated entity, located approximately 32 miles from Mount Joy Country Homes. The cost for personal care or nursing care services is a daily rate and not included in the entrance fee or monthly fee and admission is contingent upon the resident meeting the financial guidelines and all other admission criteria. Reference should be made to Section 8 of the Disclosure Statement, as well as the Residency Agreement at **EXHIBIT C**.

Resident Fees

Payment of a One-Time Entrance Fee. Continuing care services are provided to residents who occupy a Residential Living cottage in return for payment of an Entrance Fee and Monthly Service Fee. An Entrance Fee is a one-time fee charged to residents seeking to live in a Residential Living cottage as a CCRC resident.

A. Payment Schedule for Existing Cottages:

The payment schedule for the entrance fee shall be as follows:

a. Reservation Fee

A resident will pay $500.00 to Mount Joy Country Homes, representing the amount of the Reservation Fee.

b. Interim Payment for Structural Upgrades

If a resident has selected any structural upgrades, then the resident will make an interim payment of 25% of the estimated cost of any structural upgrades, upon the commencement of construction of such upgrades. The charge or value of any structural upgrades is considered part of and will be added to the entrance fee for purposes of calculating the amortization of the entrance fee and any applicable entrance fee refunds.

c. Payment for Finishing Upgrades

If a resident has selected any finishing upgrades, the resident will pay the non-refundable sum of 100% of the estimated cost of any finishing upgrades, upon the commencement of construction or when the resident selects the finishing upgrades, whichever is later. The charge or value of any finishing upgrades is not added to or considered part of the entrance fee for purposes of calculating the amortization schedule or any applicable entrance fee refunds.

d. Balance of Entrance Fee and Structural Upgrades

At the time of settlement, which will be prior to the designated occupancy date or occupancy, whichever is earlier, resident will pay the remaining balance of the entrance fee plus, if applicable, the remaining balance of the cost of the structural upgrades. This payment reflects the remaining balance of the total entrance fee less the reservation fee and, if applicable, the interim payment.

Reference should be made to the Residency Agreement for further information.

B. Payment Schedule for Cottages Included in Expansion Project

The payment schedule for the entrance fee shall be as follows:

a. Priority Deposit

In consideration of a $500.00 priority deposit the prospective resident will receive a priority number for the selection of a specific cottage.

b. Ten Percent (10%) Deposit of Entrance Fee
Resident will pay 10% of the entrance fee, less the priority deposit of $500.00, at the time of executing the Reservation Agreement.

c. Interim Payment for Structural Upgrades
If a resident has selected any structural upgrades, then the resident will make an interim payment of 25% of the estimated cost of any structural upgrades, upon the commencement of construction of such upgrades. The charge or value of any structural upgrades is considered part of and will be added to the entrance fee for purposes of calculating the amortization of the entrance fee and any applicable entrance fee refunds.

d. Payment for Finishing Upgrades
If a resident has selected any finishing upgrades, the resident will pay the non-refundable sum of 100% of the estimated cost of any finishing upgrades, upon the commencement of construction or when resident selects the finishing upgrades, whichever is later. The charge or value of any finishing upgrades is not added to or considered part of the entrance fee for purposes of calculating the amortization schedule or any applicable entrance fee refunds.

e. Balance of Entrance Fee and Structural Upgrades
At the time of Settlement, which will be prior to the designated occupancy date or occupancy, whichever is earlier, resident will pay the remaining balance of the entrance fee plus, if applicable, the remaining balance of the cost of the structural upgrades. This payment reflects the remaining balance of the total entrance fee less the 10% deposit fee and, if applicable, the interim payment.

Reference should be made to the Residency Agreement for further information.

Entrance Fee Plans:

A resident may select one of the following entrance fee plans:

Plan A – Zero Percent Refundable Plan. Under this plan, subject to the conditions of Section 10 of the Residency Agreement, the resident or his/her estate will be entitled to the unamortized portion of the entrance fee, if any. The entrance fee will be amortized on a decreasing basis over 50 months. Should the agreement be terminated after the amortization period is completed, no refund shall be due.

Plan B - 50% Refundable Plan. Under this plan, subject to the conditions of Section 10 of the Residency Agreement, the resident or his/her estate will be entitled to a refund of fifty percent (50%) of the entrance fee. The other fifty percent (50%) of the entrance fee will be amortized in equal monthly amounts over a period of fifty (50) months. If the actual date of occupancy occurs between the 1st and 15th of the month, then the amortization period shall begin the first day of that month; whereas if the actual date of occupancy occurs between the 16th and the end of the month, then the amortization period will begin the 1st day of the following month. The other fifty percent (50%) of the entrance fee shall not be subject to amortization.

In the event of termination of the residency agreement during the amortization period, the resident also will be entitled to any unamortized portion of the entrance fee.

Plan C - 90% Refundable Plan. Under this plan, subject to the conditions of Section 10 of the Residency Agreement, the resident or his/her estate will be entitled to a refund of ninety percent (90%) of the entrance fee. The other ten percent (10%) of the entrance fee will be immediately amortized in full by Messiah Family Services upon the designated occupancy date or of occupancy, whichever is earlier, and will not be available as a refund. The other ninety percent (90%) of the entrance fee shall not be subject to amortization.

The entrance fees and monthly service fees are listed in **EXHIBIT D**.

In the event that Mount Joy Country Homes, subsequent to the execution of a Reservation Agreement for a new cottage or a Residency Agreement for an existing cottage, engages in marketing activities which include promotional offers whereby the type of cottage selected by an applicant is offered for an entrance fee amount which is less than the entrance fee amount offered to the applicant under the Reservation Agreement or the Residency Agreement (as the case may be), then the applicant shall not be eligible to participate in such promotional offers, and the terms of the Reservation Agreement or the Residency Agreement (as the case may be) relative to the amount of the entrance fee shall remain in full force and effect. Promotional offers are applicable only to applicants or prospective residents who have not yet executed a Reservation Agreement or a Residency Agreement (as the case may be). Mount Joy Country Homes reserves the right, in its sole discretion, to extend any promotional offers to an applicant who has already executed a Reservation Agreement or a Residency Agreement (as the case may be).

<u>Refund Policy</u>

Termination before Occupancy

Any payments will be refunded in full if the resident rescinds the Residency Agreement within seven (7) days in accordance with the Notice of Right to Rescind. In the event of termination of the Residency Agreement by the resident's death before the designated occupancy date or actual date of occupancy, whichever is earlier; or in the event the resident is precluded from taking occupancy because of illness, injury, or incapacity prior to the designated occupancy date or actual date of occupancy, whichever is earlier; then Mount Joy Country Homes will make a full refund of all payments less the cost of any finishing upgrades paid by the resident and, if applicable, the interim payment.

If the resident does not terminate the Residency Agreement within the seven (7) day rescission period, but does terminate prior to the designated occupancy date or actual date of occupancy, whichever is earlier, while not precluded from taking occupancy by illness, injury, incapacity, or death; then, for an existing residence, Mount Joy Country Homes will retain the reservation fee, the cost of any finishing upgrades paid by the resident and, if applicable, the interim payment. The balance of any payments will be refunded to the resident in accordance with the refund provisions of the Residency Agreement.

For a residence included in an expansion project, Mount Joy Country Homes will retain an amount equal to Five Hundred Dollars ($500), (this amount is considered a processing fee), the cost of any finishing upgrades paid by the resident and, if applicable, the interim payment. The balance of any payments will be refunded to the resident in accordance with the refund provisions of the Residency Agreement. Where two individuals have signed the Residency Agreement for double occupancy, the death of one co-resident will not constitute termination of the Residency Agreement, and no refund will be due. In the event of the termination of the Residency Agreement by Mount Joy Country Homes before the designated Occupancy Date or actual date of Occupancy, whichever is earlier; then a full refund of all payments shall be made.

Reference should be made to the Residency Agreement for further information.

Termination after Occupancy

In the event of termination after occupancy for any reason, the following refund provisions shall apply depending on the entrance fee plan selected by the resident:

For the 0% and 50% refundable plans, the Entrance Fee, less the refund percentage times the Entrance Fee as applicable, shall be amortized by Mount Joy Country Homes on a decreasing basis for a period of fifty (50) months from the Designated Occupancy Date or date of Occupancy, whichever is earlier. After the lapse of fifty (50) months, the Entrance Fee shall be amortized in full by Mount Joy Country Homes, and only the refund percentage times the Entrance Fee as applicable will be refunded subject to the conditions of Section 14 of the Residency Agreement. In the event of termination of this Agreement, during the fifty (50) month amortization period, any unamortized amounts prorated on a monthly basis, less any amounts deducted to cover costs incurred by Mount Joy Country Homes to refurbish, restore or repair the Residence in the event of unreasonable wear and tear, or to cover costs incurred at the specific request of resident, or to satisfy unpaid charges, and less any deductions for financial assistance provided resident by Mount Joy Country Homes in accordance with Messiah Lifeways' Benevolent Care Policy, shall be refunded to resident subject to the conditions of Section 14 of the Residency Agreement.

For the 90% refundable plan, the refund percentage times the Entrance Fee as applicable will be refunded subject to the conditions of Section 10 of the Residency Agreement. Such refund is subject to deductions for any amounts deducted to cover costs incurred by Mount Joy Country Homes to refurbish, restore or repair the Residence in the event of unreasonable wear and tear, or to cover costs incurred at the specific request of resident, or to satisfy unpaid charges, or for financial assistance provided resident by Mount Joy Country Homes.

Reference should be made to the Residency Agreement for further information.

__Payment of a Monthly Service Fee:__

Mount Joy Country Homes reserves the right, at any time, upon thirty (30) days notice to the resident, to adjust the Monthly Fees. The Monthly Fees are listed in **EXHIBIT D**.

Reference should be made to the Residency Agreement for further information.

The following services are included in the Monthly Service Fee for Residential Living:

- Use of living accommodations
- Sewer, water, and refuse collection
- Access for telephone, cable TV and high speed internet
- Maintenance of grounds/snow removal
- Repair, maintenance, and replacement of property and equipment provided by Mount Joy Country Homes
- Insurance of the building
- Real estate taxes
- Administrative Support Services
- Open parking spaces
- Access to onsite Community Center including:
    - fitness center (after fitness orientation is complete)
    - library
    - kitchen
    - community room
    - hobby room
    - Wi-Fi

Reference should be made to the Residency Agreement for further information.

The following services are available to residents in a Residential Living cottage on a fee-for-service basis:

- Certain activities planned by the community
- Pathways Institute for Lifelong Learning
- Home Care Services - coordinated by Messiah Lifeways Community Support Services, d/b/a Messiah Lifeways At Home
- Outpatient rehab services
- Home health services

Personal Property Insurance, telephone service, cable television service, internet service, heat and electric are not included in the Monthly Service Fee and shall be the responsibility of the resident. Residents have priority access to personal care and nursing care services at Messiah

Village in accordance with Messiah Village's policy. Residents must satisfy all admission criteria as a condition for eligibility to participate in the priority access policy. See below.

Reference should be made to the Residency Agreement for further information.

Additional Fees for Personal Care and Nursing Care Services:

Residents have the right to occupy the Residential Living cottage for so long as they satisfy the conditions of occupancy as set forth in the Residency Agreement. Residents of Mount Joy Country Homes will have priority access to Messiah Village for personal care and nursing care services, in return for payment of an entrance fee to Mount Joy Country Homes. An entrance fee is one charged to residents seeking to live in a CCRC. Under this agreement, a resident of Mount Joy Country Homes who requires personal care and/or nursing care services will have priority access on a space-available basis, over anyone else, with the exception of current residents of Messiah Village, for access to the personal care and nursing care facilities at Messiah Village that is approximately 32 miles from Mount Joy Country Homes.

Admission to personal care or nursing care services is contingent upon the resident meeting the financial and all other admission criteria. The cost for personal care or nursing care services is not included in the Entrance Fee or Monthly Service Fee. Residency Agreements signed by residents are fee-for-service contracts. If a resident requires personal care or nursing care services, an admission agreement is signed for that level of care which establishes the basis for charges for personal care and nursing care services. The fees associated with the provision of personal care and nursing care services depend upon the type of room and/or services required.

If space is not immediately available at Messiah Village, Mount Joy Country Homes will identify and assist residents in making arrangements to transfer to a local personal care or nursing care facility.

In situations of double occupancy where one co-resident is temporarily transferred to the personal care or nursing care facility, the monthly service fee shall remain the same, and the transferred co-resident will be charged for care and services in the personal care or nursing care facility. Both co-residents will collectively be liable for payment of the charges. If a single occupancy resident is temporarily transferred to personal care or nursing care the resident would also continue to pay the monthly service fee.

Where two individuals have signed a Residency Agreement for double occupancy, the permanent transfer of one resident to nursing or personal care will not constitute termination of the Residency Agreement, and no refund shall be due.

If a single occupancy resident is permanently transferred to the personal care or nursing care facility, the Residency Agreement for Residential Living shall terminate.

Reference should be made to the Residency Agreement for further information.

Frequency And Average Dollar Amount Of Increase In Periodic Rates For The Previous Five Years

Messiah Lifeways at Mount Joy Country Homes has been operating as a licensed CCRC since 2009. The frequency and average dollar amount of the increase in periodic rates for the previous 5 years is shown in **EXHIBIT E**.

Average Annual Cost Of Providing Services

The average annual cost for providing services from the previous operating fiscal year is available at **EXHIBIT F**.

Escrow And Reserve Funds

Reserve Funds

Under Section 9 of the Continuing Care Provider Registration and Disclosure Act ("Act 82"), a provider must establish and maintain a specified dollar amount of liquid reserves.

Mount Joy Country Homes has designated its Capital Fund to meet the reserve requirements of Act 82. These funds are invested in instruments which are easily converted to cash such as CDs, money market funds, marketable securities and mutual funds.

These funds are invested by the Secretary-Treasurer of Mount Joy Country Homes in consultation with the Board of Trustees.

Unrestricted investments as of June 30, 2020, approximate $2,080,000. The minimum liquid reserve amount was determined to be approximately $68,000. Calculations establishing the reserve requirement are below:

10% of Projected Operating Costs less Depreciation Expense	$68,114
Portion of residents under continuing care agreements	100%
Liquid Reserve Required	$68,000

Escrow Account

Any and all payments made toward the total entrance fee prior to the available occupancy date by the resident will be deposited into an escrow account subject to release in accordance with the guidelines established by the Department of Insurance. The Escrow Agent is Branch Banking and Trust Co. (BB&T) PO Box 2887 Wilson, NC 27894-2887.

Reference should be made to the Residency Agreement for further information.

Financial Statements

A copy of the financial statements for Messiah Lifeways and Controlled Entities for fiscal years ended June 30, 2020 and June 30, 2019, prepared and audited by Baker Tilly Virchow Krause, LLP, certified public accountants, are attached as **EXHIBIT H.**

A Projected Financial Analysis was prepared by the Secretary-Treasurer Tracy L. Biesecker, MBA, NHA, CASP, and is attached as **EXHIBIT G**.

Residency Agreement

The Residency Agreement governs the relationship and explains the mutual obligations between the resident and Mount Joy Country Homes. All terms of the agreement are reflected in the Residency Agreement and its attached exhibits. The Residency Agreement also provides a grievance procedure that includes a voluntary mediation provision and a mandatory, binding arbitration provision. Residents should review the Residency Agreement for further explanation. See **EXHIBIT C**.

Right To Rescind

Resident may rescind and terminate the Residency Agreement without penalty or forfeiture within seven (7) days of signing the Residency Agreement. Residents are not required to move into the Residential Living cottage before the expiration of this seven (7) day period. To rescind their Residency Agreement, resident must mail or deliver a signed and dated copy of a Rescission Notice or any other dated written notice, letter or telegram, stating their desire to rescind to Mount Joy Country Homes. A Notice of Right to Rescind is included in the Residency Agreement.

Resident Right To Organize

Residents shall have the right to elect a Residents' Association to represent the welfare and concerns of the residents. A representative designated by the Board of Trustees will hold quarterly meetings during the calendar year with residents for purposes of free discussion of topics related to living at Mount Joy Country Homes. Residents will be given at least seven (7) days notice of all such meetings.

RECEIPT

The undersigned hereby acknowledges delivery and receipt of Messiah Lifeways at Mount Joy Country Homes' Disclosure Statement dated _______________ and all attachments including a copy of the Residency Agreement and the Notice of Right to Rescind.

____

Signature of First Resident

____

Signature of Co-Resident

____

Signature of Responsible Party/Family Member (if applicable)

____

Date

MESSIAH LIFEWAYS AT MOUNT JOY COUNTRY HOMES
EXHIBIT "A"

Messiah Family Services
Board of Directors

Name	Business Address
Curtis D. Stutzman, Chair	100 Mt. Allen Drive, Mechanicsburg, PA 17055
Kelli Mills, Vice Chair	100 Mt. Allen Drive, Mechanicsburg, PA 17055
Tracy L. Biesecker, Corporate Secretary/ Treasurer	100 Mt. Allen Drive, Mechanicsburg, PA 17055
Keith L. Ebersole Messiah Lifeways Board Member	100 Mt. Allen Drive, Mechanicsburg, PA 17055

MESSIAH LIFEWAYS AT MOUNT JOY COUNTRY HOMES
EXHIBIT "B"

Business Experience of Key Management Personnel, Controlling Parties, & Operating Officers

Curtis D. Stutzman, President & CEO. Mr. Stutzman serves as Chairman of the Board of Trustees for Messiah Home. Mr. Stutzman began serving as President & CEO of Messiah Lifeways in August 2013. He has a Bachelor of Science degree in Business Administration from Messiah College in Grantham, Pennsylvania, and a Master of Business Administration degree from Regent University in Virginia Beach, Virginia. He also is a graduate of the Virginia Bankers School of Bank Management held at the University of Virginia in Charlottesville. Mr. Stutzman has served in finance-related positions since 1983, including CFO of Virginia Mennonite Retirement Community for 17 years, financial planning with IDS/American Express, and Assistant Vice President and Manager with Sovran Bank, NA, a predecessor to Bank of America. He also has other experience in the nonprofit arena, having served for four years as Director of Finance and Administration and Associate Pastor for a multi-congregational church and its associated ministries. Curt has been an evaluator for the Continuing Care Accreditation Commission (CARF-CCAC). He is a Past President of the Broadway-Timberville [Virginia] Rotary Club, and is currently Vice President of the Rotary Club of Harrisburg (Pennsylvania).

Tracy L. Biesecker, MBA, NHA, CASP, Chief Financial Officer, Ms. Biesecker is responsible to secure, manage, and plan for the current and future financial and information resources necessary to fulfill the mission of Messiah Lifeways and its affiliates. In her role, Ms. Biesecker provides oversight and support to the Fiscal Services Department, Information Technology Department, Compliance and Risk Management, and Clinical Informatics. Ms. Biesecker began working as Messiah Lifeways CFO in May 2018, and has been with the organization since December 2017. Prior to joining Messiah Lifeways, she served as Executive Director at SpiriTrust Lutheran, The Village at Gettysburg, in Gettysburg, Pennsylvania. Previous industry experience includes Vice President of Operations and Technology and Director of Financial Services at another senior living community for an eleven-year tenure, and four-year tenure at the public accounting firm of PricewaterhouseCoopers where she audited clients in the senior living, healthcare, and banking industry. She holds a Bachelor of Science in Accounting and a minor in Information Systems from Pennsylvania State University and a Masters of Business Administration from Shippensburg University. Ms. Biesecker holds a Nursing Home Administrators license in the state of Pennsylvania and an inactive license as a CPA within Pennsylvania.

Karl J. Brummer, MBA, SPHR, Senior Vice President. Mr. Brummer began serving in this role in 2014 at Messiah Lifeways after coming from another CCRC, where he served as the Senior Executive Vice President for six years. His responsibilities at Messiah Lifeways include overseeing the Human Resources, Enrichment Services and Community Support Services. In this role, he serves as the chief human resources officer and is responsible for the supervision, planning and execution of all human resources functions and programs. In addition, Mr. Brummer provides vision, direction and oversight to all service lines occurring in the community at large, with the goal of attaining sustainable and useful services and operations that support the Messiah Lifeways' mission. His previous industry experiences include a variety of human resource and leadership roles domestically and internationally. He serves as the Secretary & Treasurer for the Brethren in Christ Church Foundation and is an adjunct instructor at Elizabethtown College, Eastern University and Messiah College. Mr. Brummer holds a bachelor's degree in Human Resource Management from Messiah College and an MBA from Kutztown University; he is a Certified Aging Services Professional (CASP) and a Senior Professional in Human Resources (SPHR).

Kelli Mills, NHA, BSW, Vice President of Operations. Ms. Mills began her employment as a Certified Nursing Assistant at Messiah Village in 1989, from which she advanced to the role of Program Coordinator and assisted in the opening of the Messiah Village Adult Day Center following her completion of her undergraduate degree in 1993. Ms. Mills served Messiah Lifeways in a variety of roles over a 10 year period (Neighborhood Manager, Admissions Director, Director of Social Services, and ANHA). After gaining additional work experience with other organizations in Hospice and acute care settings, she returned to Messiah Lifeways in February of 2009 as the Administrator of Residential Living. She held this role from 2009-2016 when she transitioned to her current role as VP of Operations. Her responsibilities include providing supervision and support to the following Departments and Levels of Living: Residential Living, Personal Care, Nursing, Campus Services, Construction Services, Rehab Services, Dining Services, and Mount Joy Country Homes. Ms. Mill's previous experience includes working for Pinnacle Health Hospice and Holy Spirit Hospital, serving in the role of medical social worker and acute care discharge planner. Ms. Mills earned her bachelor's degree from Millersville University, her NHA from York College and is currently in the Masters of Health Administration program at Indiana University of Pennsylvania. She is a licensed nursing home administrator.

Alicia Titus, joined Messiah Lifeways in 2018 as Vice President for Mission Advancement and in her role oversees the Marketing, Donor & Volunteer Development, and the Welcome Centers. Ms. Titus previously served as Senior Vice President of Education and Research at LeadingAge PA, an association that represents not-for-profit senior service providers across Pennsylvania where she supported members through the development of member education and resources to help them navigate current and anticipated consumer trends and shifts. Additionally, her professional experience includes conducting market research and including demographic trend analysis, competitor profiles, penetration analysis and market strategies for the development of new senior housing products and/or programs. Alicia holds two undergraduate degrees in Marketing & Information Systems from Penn State University and is pursuing an MBA with a concentration in Healthcare Management from Lebanon Valley College.

MESSIAH LIFEWAYS AT MOUNT JOY COUNTRY HOMES

EXHIBIT "C"

Residency Agreement

(Separate attachment)

MESSIAH LIFEWAYS AT MOUNT JOY COUNTRY HOMES
EXHIBIT "D"
Entrance Fees and Monthly Service Fees

Floor Plan	Monthly Rates (1)	Base Prices starting at (2)
Donegal I (925 sq ft)	$ 866.50	$117,500
Donegal II (1,200 sq ft)	$ 1,076.00	$150,000
Manheim (1,106 sq ft)	$ 1,100.00	$159,500
Marietta I (1,270 sq ft)	$ 1,149.00	$165,000
Marietta II (1,359 – 1,589 sq ft)	$ 1,167 - $ 1,273	$183,500 - $214,500

(1) A second person fee of $127.00 per month will be charge for admissions after January 1, 2020. A second person fee of $81.00 per month will be charged for admissions after July 1, 2009. For admissions prior to July 1, 2009, a second person fee will be charged $25 per month.
(2) Entrance Fees reflect base prices at a 0% refund option. Upgrade features such as finished basements, four-season rooms, additional rooms and other options may be available with adjustments to the base price. Pricing available for additional refund options of 50% and 90%.

In the event that a resident subsequently marries or an additional occupant moves in with an existing resident, please refer to the Residency Agreement for full details regarding additional fees.

MESSIAH LIFEWAYS AT MOUNT JOY COUNTRY HOMES
EXHIBIT "E"

Table Showing Frequency & Average Dollar Amount of Each Increase in Periodic Rates for the Previous Five Years
(Residential Living Monthly Fee, Personal Care Rates, and Nursing Care Rates)

Room Type	**Rates Effective**				
	07/01/16	07/01/17	07/01/18	07/01/19	07/01/20
Nursing Facility	N/A	N/A	N/A	N/A	N/A
Personal Care	N/A	N/A	N/A	N/A	N/A
Independent Living					
Monthly Fee	$29	$30	$32	$32	$33
	3.9%	4.0%	4.0%	3.0%	3.0%

Messiah Lifeways at Mount Joy Country Homes received its Certificate of Authority during the fiscal year ending June 30, 2009 and is licensed to operate as a Continuing Care Retirement Community.

MESSIAH LIFEWAYS AT MOUNT JOY COUNTRY HOMES
EXHIBIT "F"

Average Cost of Providing Care & Services during the Year Ending June 30, 2020

Total Residential Living Operating Expenses	$1,174,591
Resident Days	41,617
Average Annual Cost per Resident Day	$28.22
Average Annual Cost per Resident	$10,300

MESSIAH LIFEWAYS AT MOUNT JOY COUNTRY HOMES

EXHIBIT "G"

Projected Financial Analysis

Pro Forma Revenue and Expenses
For the Year Ending June 30, 2021

		Budget
Operating Revenue		
Net Resident Service Revenue	$	1,247,427
Other Operating Revenue		-
Net assets released from resrtiction		-
Total Operating Revenue		1,247,427
Expenses and Losses:		
Fees, Purchased Services and Supplies		185,238
Administrative Expense		5,340
Building Operations and Maintenance		307,191
Insurance and Real Estate Taxes		183,372
Depreciation and Amortization		504,420
Total Operating Expenses		1,185,561
Operating Income (Loss)		61,866
Nonoperating Gains (losses)		
Contributions		-
Investment Return		199,700
Revenues (less than) in excess of expenses		261,566
Increase in Unrestricted Net Assets	$	261,566

MESSIAH LIFEWAYS AT MOUNT JOY COUNTRY HOMES

EXHIBIT "H"

Financial Statements

Messiah Lifeways and Controlled Entities

Consolidated Financial Statements
and Supplementary Information

June 30, 2020 and 2019

Independent Auditors' Report

To the Board of Directors of
Messiah Lifeways and Controlled Entities

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Messiah Lifeways and Controlled Entities, which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Messiah Lifeways and Controlled Entities as of June 30, 2020 and 2019, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, Messiah Lifeways and Controlled Entities retrospectively adopted new accounting guidance on the presentation of amounts generally described as restricted cash and restricted cash equivalents in the statement of cash flows. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 27 through 30 is presented for purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
October 28, 2020

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 13,482,573	$ 8,832,239
Current portion of assets whose use is limited	1,894,171	2,054,428
Accounts receivable:		
Residents, net	1,824,432	1,784,089
Other	645,708	745,883
Pledges receivable	15,666	29,658
Prepaid expenses and other current assets	854,223	654,979
Total current assets	18,716,773	14,101,276
Assets Whose Use is Limited, Net	2,677,292	4,048,091
Investments	52,978,678	52,751,065
Act 82 Reserve	2,788,000	3,020,000
Property and Equipment, Net	122,216,095	125,906,815
Contract Acquisition Costs, Net	350,103	452,989
Other Assets	1,094,838	1,109,199
Total assets	$ 200,821,779	$ 201,389,435

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 1,763,691	1,864,692
Accounts payable:		
Trade	1,471,630	1,202,476
Construction	101,755	124,275
Accrued expenses	3,430,150	3,335,177
Deferred grant revenue	935,132	-
Deferred revenue	18,963	21,142
Current portion of split-interest obligations	82,385	82,385
Resident funds	34,699	19,182
Refundable entrance fees	1,673,661	1,398,460
Total current liabilities	9,512,066	8,047,789
Long-Term Debt, Net	80,677,891	82,334,221
Refundable Entrance Fees and Deposits	23,048,813	24,374,659
Deferred Revenues From Entrance Fees	36,756,262	36,353,363
Derivative Financial Instruments	5,805,253	2,866,294
Split-Interest Obligations, Net	438,980	405,688
Total liabilities	156,239,265	154,382,014
Net Assets		
Without donor restrictions	24,554,258	26,348,354
With donor restrictions	20,028,256	20,659,067
Total net assets	44,582,514	47,007,421
Total liabilities and net assets	$ 200,821,779	$ 201,389,435

See notes to consolidated financial statements

Messiah Lifeways and Controlled Entities

Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2020 and 2019

	2020	2019
Revenues Without Donor Restrictions		
Net resident service revenues	$ 51,247,430	$ 47,718,111
Other revenues	2,747,347	2,825,427
Grant revenue	902,281	-
Net assets released from restriction used for operations	1,301,153	1,049,586
Total revenues without donor restrictions	56,198,211	51,593,124
Expenses		
Salaries, wages and benefits	25,647,605	24,972,272
Fees, purchased services and supplies	12,385,713	11,456,435
Depreciation and amortization	8,188,733	8,020,720
Interest	3,346,343	3,459,368
Building operations and maintenance	2,467,449	2,889,755
Other operating expenses	1,610,412	1,507,199
Insurance and real estate taxes	1,916,523	1,892,135
Total expenses	55,562,778	54,197,884
Operating income (loss)	635,433	(2,604,760)
Nonoperating Gains (Losses)		
Investment return	737,615	2,154,286
Contributions	238,727	70,320
Change in value of split-interest obligations	(115,677)	(137,719)
Change in fair value of derivative financial instruments	(2,938,959)	(3,059,357)
Loss on extinguishment of debt	-	(137,025)
Loss on disposal of property and equipment	(425,461)	(40,341)
Revenues less than expenses	(1,868,322)	(3,754,596)
Net Assets Released From Restriction Used for Property and Equipment	74,226	157,952
Change in net assets without donor restrictions	(1,794,096)	(3,596,644)
Net Assets With Donor Restrictions		
Contributions:		
Purpose restricted	255,908	230,102
Held in perpetuity	197,168	1,218,591
Investment return	361,289	1,395,044
Change in value of split-interest obligation	(33,566)	10,211
Change in cash surrender value of life insurance, net of expense	(36,231)	(109,821)
Net assets released from restriction used for:		
Operations	(1,301,153)	(1,049,586)
Property and equipment	(74,226)	(157,952)
Change in net assets with donor restrictions	(630,811)	1,536,589
Change in net assets	(2,424,907)	(2,060,055)
Net Assets, Beginning	47,007,421	49,067,476
Net Assets, Ending	$ 44,582,514	$ 47,007,421

See notes to consolidated financial statements

Messiah Lifeways and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019 (As Adjusted)
Cash Flows From Operating Activities		
Change in net assets	$ (2,424,907)	$ (2,060,055)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,188,733	8,020,720
Loss on disposal of property and equipment	425,461	40,341
Amortization of bond premium	(167,839)	(161,441)
Amortization of debt issuance costs	107,361	103,022
Loss on extinguishment of debt	-	137,025
Bad debt expense	330,006	68,628
Proceeds from entrance fees and entrance fee deposits, existing units	6,025,199	6,856,761
Amortization of entrance fees	(4,844,376)	(4,281,995)
Net realized and unrealized gains and losses on investments	535,572	(1,691,974)
Change in fair value of derivative financial instruments	2,938,959	3,059,357
Change in value of split-interest obligations	115,677	137,719
Contributions received restricted for long-term purposes	(453,076)	(1,448,693)
Changes in assets and liabilities:		
Accounts receivable, resident and other	(838,346)	2,255,824
Pledges receivable	13,992	96,081
Prepaid expenses and other current assets	(199,244)	480,894
Other assets	7,930	54,419
Accounts payable, trade	269,154	(415,508)
Accrued expenses	94,973	143,246
Deferred grant revenue	935,132	-
Deferred revenue, current	(2,179)	(147)
Resident funds	15,517	4,264
Net cash provided by operating activities	11,073,699	11,398,488
Cash Flows From Investing Activities		
Net purchases of assets whose use is limited and investments	(531,185)	(6,815,813)
Purchase of property and equipment	(4,836,677)	(6,371,227)
Payment of contract acquisition costs	-	(262,349)
Net cash used in investing activities	(5,367,862)	(13,449,389)
Cash Flows From Financing Activities		
Repayment of long-term debt	(1,696,853)	(5,760,000)
Proceeds from long-term debt, net bond premium	-	3,271,552
Payments for deferred financing fees	-	(385,925)
Proceeds from entrance fees and deposits, new units	-	4,684,188
Proceeds from refundable entrance fees, existing units	1,526,874	1,479,693
Refunds of entrance fees	(2,787,271)	(1,987,147)
Net repayments on split-interest obligations	(82,385)	(82,591)
Contributions received restricted for long-term purposes	453,076	1,448,693
Net cash (used in) provided by financing activities	(2,586,559)	2,668,463
Net change in cash, cash equivalents and restricted cash and cash equivalents	3,119,278	617,562
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning	14,934,758	14,317,196
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Ending	$ 18,054,036	$ 14,934,758
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 13,482,573	$ 8,832,239
Assets whose use is limited	4,571,463	6,102,519
Total cash, cash equivalents and restricted cash and cash equivalents	$ 18,054,036	$ 14,934,758
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of capitalized interest	$ 3,480,326	$ 3,398,699
Supplemental Disclosure of Noncash Investing and Financing Activity		
Obligations incurred for the acquisition of property and equipment	$ 101,755	$ 124,275
Supplemental Disclosure of Noncash Financing Activity		
Long-term debt refinanced	$ -	$ 8,130,000

See notes to consolidated financial statements

1. Nature of Operations, Principles of Consolidation and Summary of Significant Accounting Policies

Organization

Messiah Lifeways and Controlled Entities (collectively, the Corporation) is comprised of the following:

Messiah Lifeways (ML) is a not-for-profit holding company (parent) which controls the following: Messiah Home d/b/a Messiah Lifeways at Messiah Village (the Village), Messiah Family Services d/b/a Messiah Lifeways at Mount Joy Country Homes (Mount Joy) and Messiah Lifeways Community Support Services (MLCSS). ML is the sole member of these three entities.

The Village is a not-for-profit corporation that operates a continuing care retirement community. The Village provides housing, health care and other related services to older adults through the operation of nursing facilities, personal care units, independent living cottages and independent living apartments.

Mount Joy is a not-for-profit corporation that provides housing to residents 55 and older through the operation of independent living cottages located in Mount Joy, Pennsylvania.

MLCSS is a not-for-profit corporation that provides a network of community services for older adults that includes home care, an adult day program and a senior center.

As a ministry of the Brethren in Christ Church, the Corporation's mission is to "responsibly enhance the lives of older adults with Christ-like love". The Corporation offers a network of opportunities for adults 55 and older in South Central, PA.

The Village and Mount Joy both received a Certificate of Authority from the Pennsylvania Insurance Department to operate a Continuing Care Retirement Community (CCRC) under the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82).

The Corporation's operations are located in Mechanicsburg and Mount Joy, Pennsylvania. Their primary market area includes the greater Harrisburg area and surrounding communities.

Principles of Consolidation

The consolidated financial statements include the accounts of ML, the Village, Mount Joy and MLCSS after elimination of all significant intercompany balances and transactions.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents, and restricted cash and cash equivalents includes investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable, Residents

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, 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.

The allowance for uncollectable accounts totaled approximately $479,000 and $208,000 at June 30, 2020 and 2019, respectively.

Investments and Investment Risk

Investments include assets set aside by the board of directors for future capital improvements and charity care, over which the board retains control and may, at its discretion, subsequently use for other purposes; assets to be held by the Corporation in perpetuity; assets whose use by the Corporation has been limited by donors to specific purposes; and assets designated as a required reserve in accordance with Act 82.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including interest, dividends, capital gain distributions and realized and unrealized gains and losses) is included in revenues less than expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured using the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

Assets Whose Use is Limited

Assets whose use is limited generally includes board designated assets, assets held by a bond trustee under trust indentures, escrow funds held by the Borough of Mount Joy in connection with Mount Joy's multi-year expansion plan, and entrance fee deposits for new independent living cottage units. Amounts available to meet current liabilities of the Corporation have been classified as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation was $8,085,847 in 2020 and $7,917,834 in 2019.

Gifts of long-lived assets such as land, buildings, or equipment are reported as without donor restricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Property and Equipment

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. No impairment losses were recognized in 2020 or 2019.

Contract Acquisition Costs, Net

Contract acquisition costs include incremental costs of obtaining residency agreements that would not have been incurred if the agreements were not obtained and are recorded at cost. Contract acquisition costs are amortized over the estimate life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services are expected to be transferred to residents. Amortization of contract costs was $102,886 and $76,668 during the years ended June 30, 2020 and 2019, respectively.

Entrance Fees

The Village

Under certain entrance fee plans for independent living units, the Village receives payments in advance, in accordance with the terms of Residency Agreements. The entrance fee plans primarily consist of two refundable options and a nonrefundable option. The two refundable options have a guaranteed refund component of either 50 percent or 90 percent of the entrance fee paid with the balance refundable on a decreasing basis for 50 months. The nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for 50 months. In 2015, the 90 percent refund option was changed so that the 10 percent remaining balance is not available for refund.

Refunds to residents are paid after the independent living unit has been re-occupied by another resident and the entrance fee for the re-occupied independent living unit has been paid in full. At June 30, 2020, the gross amount of contractual refund obligations under the Village's existing resident agreements approximates $29,871,000.

At the end of each year, management estimates the portion of entrance fee refunds that will be paid the following year to Village residents who executed Residency Agreements. These amounts were approximately $1,431,000 and $800,000 at June 30, 2020 and 2019, respectively, and are classified as current liabilities in the consolidated balance sheets.

Mount Joy

Under entrance free plans for its independent living units, Mount Joy receives payments in advance, in accordance with the terms of Residency Agreements. The entrance fee plans primarily consist of three refundable options that had a guaranteed refund component of either 90 percent, 65 percent, or 50 percent of the entrance fee paid with the balance refundable on a decreasing basis for 10, 35 or 50 months. In 2016, the 90 percent refund option was changed so that the 10 percent remaining balance is not available for refund. In January 2019, the entrance plan options changed. There are currently two refundable options and a nonrefundable option. The two refundable options have a guaranteed refund component of either 50 percent or 90 percent of the entrance fee paid with the balance refundable on a decreasing basis for 50 months. The nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for 50 months.

Refunds to residents are paid after the independent living unit has been re-occupied by another resident and the entrance fee for the re-occupied independent living unit has been paid in full. At June 30, 2020, the gross amount of contractual refund obligations under Mount Joy's existing resident agreements approximates $8,966,000.

At the end of each year, management estimates the portion of entrance fee refunds that will be paid the following year to Village residents who executed Residency Agreements. These amounts were approximately $243,000 and $375,000 at June 30, 2020 and 2019, respectively, and are classified as current liabilities in the consolidated balance sheets.

General

The guaranteed refund component of entrance fees received is not amortized to revenue, and is classified as refundable entrance fees and deposits in the accompanying consolidated balance sheets. The balance of entrance fees received is amortized to revenue using the straight-line method over the annually adjusted estimated remaining life expectancies of the residents, and is classified as deferred revenues from entrance fees in the accompanying consolidated balance sheets.

The majority of services provided to the Village's and Mount Joy's independent living residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

Split-Interest Agreements

The Village receives charitable gift annuities as contributions. Under these agreements, the Village recorded the assets at fair value and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by the Village to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as net assets without donor restricted contributions, unless otherwise restricted by the donor.

Starting in March 2016, the Village has received as contributions, charitable gift annuities. These arrangements represent contracts between the Mennonite Foundation (the Foundation) and the donors. Donors transfer cash or investments to the Foundation and, in turn, receive periodic distributions from the Foundation. The contributions received by the Village are the unconditional rights to receive the remainder interest in the gift annuities. The amount of the contribution is the difference between the asset received by the Foundation and the present value of the estimated future payments to be distributed by the Foundation to the annuitants. These contributions are recorded as with or without donor restrictions contributions, in accordance with donor restrictions.

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are amortized using the effective-interest method, over the period of the related debt. Amortization expense, which is included as a component of interest expense, was $107,361 in 2020 and $103,022 in 2019.

Derivative Financial Instruments

The Village entered into interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the consolidated balance sheets and related changes in fair value are reported in the consolidated statements of operations and changes in net assets as change in fair value of derivative financial instruments.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

Net resident service revenues are primarily comprised of skilled nursing, personal care and independent living revenue streams, which are primarily derived from providing housing, skilled nursing, personal care and independent living services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Corporation has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Corporation considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, personal care and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees was $4,844,376 in 2020 and $4,281,995 in 2019.

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

Grant Revenue

Grant revenue consists of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and accordingly, revenues are recognized when barriers are substantially met.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. The Corporation received $1,442,817 in 2020 related to this funding. Additionally the Organization received $393,686 of CARES funding on July 1, 2020 that was passed through the State of Pennsylvania Department of Human Services under Act 24 of 2020, which is included in accounts receivable on the June 30, 2020 consolidated balance sheet. Subsequent to June 30, 2020, the Corporation received an additional $332,984 of CARES funding, that was not recognized during 2020. In accordance with the original terms and conditions, the Corporation could apply the funding against lost revenues and eligible expenses. Noncompliance with the terms and conditions could result in repayment of some or all of the support. The Department of Health and Human Services has indicated Relief Fund payments are subject to future reporting and audit requirements, and subsequent to June 30, 2020, HHS released updated guidance on the reporting and use of the funds. The substantive changes in the updated guidance are that the Corporation needs to apply the funds to eligible expenses before lost revenues, and the reporting period for determination of eligible amounts is set at a calendar year keeping the measurement period open until then. Accordingly, there is a reasonable possibility these changes could result in claw-back or reversal of amounts previously recognized. The Corporation is assessing the impact of the updated guidance on its consolidated financial statements and whether amounts recognized in the year ended June 30, 2020 could change or become repayable in subsequent periods; however, an estimate of the possible financial effect cannot be made as of the date these consolidated financial statements were issued. In addition, it’s unknown whether there will be further developments in the regulatory guidance.

The Corporation has incurred lost revenues and eligible expenses in accordance with the original term and conditions of the PRF that were applicable as of June 30, 2020 of which $902,281 was recognized and included in grant revenue in the accompany consolidated statements of operations and changes in net assets.

Deferred grant revenue is comprised of payments received from the CARES Act PRF which the Corporation has determined the recognition criteria has not yet been met as of year-end. The Corporation has recognized the funding received through June 30, 2020 based on lost revenues and expenses incurred in accordance with the original terms and conditions of the funding as that were applicable as of June 30, 2020. Compliance with the terms and conditions of the funding received above is subject to future government review and interpretation as well as significant regulatory action for noncompliance. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with the terms and conditions, and it is not possible to determine the impact (if any) on the Corporation.

Charity Care

The Village also provides charity care to residents who meet certain criteria without charge or at amounts less than its established rates. Because the Village does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues. The costs associated with charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the residents receiving charity care. The Village provided charity care at a cost of approximately $900,000 in 2020 and $880,000 in 2019.

Medical Assistance Reimbursement and Cost of Providing Care

The Village provides nursing care to Medical Assistance program beneficiaries at amounts less than its cost of providing care. The Village maintains records to identify and monitor the difference between the cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered. The costs associated with the services provided to Medical Assistance program beneficiaries include both direct costs and estimated indirect costs. The difference between the estimated cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered was approximately $2,630,000 in 2020 and $2,500,000 in 2019.

Self-Insured Health Insurance

ML sponsors a self-funded employee benefit plan (the Plan) to provide healthcare benefits and services for its eligible employees and their dependents. ML contracts with an insurance company to provide certain administrative and other services in connection with the Plan. The contract also provides for a schedule of excess loss of $70,000 per participant and approximately $1,000,000 in the aggregate.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

ML, the Village, Mount Joy and MLCSS are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code.

Measure of Operations

The Corporation's operating income (loss) includes all operating revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be more unusual and nonrecurring in nature.

Revenues Less Than Expenses

The consolidated statements of operations and changes in net assets includes the determination of revenues less than expenses. Changes in without donor restricted net assets which are excluded from the determination of revenues less than expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Recent Accounting Pronouncement - Restricted Cash

In 2020, the Corporation adopted the FASB Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total 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 consolidated statements of cash flows. ASU No. 2016-18 has been applied retrospectively to all periods presented.

The following line items on the consolidated statement of cash flows for the year ended June 30, 2019 were affected by this change in accounting principle:

	As Previously Reported	As Reported Under ASU No. 2016-18	Effect of Change
Net sales of investments and assets whose use is limited	$ (6,263,977)	$ (6,815,813)	$ (551,836)
Cash, cash equivalents and restricted cash and cash equivalents, beginning	7,662,841	14,317,196	6,654,355

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through October 28, 2020, the date the consolidated financial statements were issued.

2. Net Resident Service 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 revenue consists of the following for the years ended June 30:

	2020			
	Skilled Nursing	Personal Care	Independent Living	Total
Private	$ 15,521,732	$ 13,002,063	$ 8,204,147	$ 36,727,942
Medicare	4,514,402	-	-	4,514,402
Medical assistance	3,894,984	-	-	3,894,984
Commercial insurance	1,265,726	-	-	1,265,726
Subtotal	$ 25,196,844	$ 13,002,063	$ 8,204,147	46,403,054
Amortization of entrance fees				4,844,376
Total				$ 51,247,430

	2019			
	Skilled Nursing	Personal Care	Independent Living	Total
Private	$ 13,594,329	$ 12,115,434	$ 7,656,679	$ 33,366,442
Medicare	4,552,940	-	-	4,552,940
Medical assistance	3,633,806	-	-	3,633,806
Commercial insurance	1,882,928	-	-	1,882,928
Subtotal	$ 23,664,003	$ 12,115,434	$ 7,656,679	43,436,116
Amortization of entrance fees				4,281,995
Total				$ 47,718,111

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, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying balance sheet. In 2020 and 2019, the Corporation recognized approximately $4,580,000 and $3,720,000, respectively of revenue that was included in the deferred revenue from entrance fees balance as of July 1, 2019 and 2018, respectively. 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 Village has agreements with third-party payors that provide for payments to the Village at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

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

  The Department of Human Services (DHS) in the Commonwealth of Pennsylvania has implemented of its mandatory Medical Assistance managed care program, Community HealthChoices (CHC). The primary goals of CHC are to better coordinate health care coverage and improve access to medical care. The services for which Medical Assistance program beneficiaries are eligible did not change under CHC.

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

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

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

3. Fair Value Measurements, Assets Whose Use is Limited, Investments and Financial Instruments

Fair Value Measurements

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

The levels of the fair value hierarchy are as follows:

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

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

Level 3 - Significant unobservable inputs. The Corporation held no Level 3 instruments as of June 30, 2020 or 2019.

The Corporation reports its investments and derivative financial instruments as fair value on a recurring basis in accordance with the fair value hierarchy. The fair values of the Corporation 's investments and derivative financial instruments were determined using the following inputs at June 30:

	2020		
	Total	Level 1	Level 2
Assets:			
Investments:			
Marketable equity securities	$ 8,488,692	$ 8,488,692	$ -
Exchange traded funds	5,356,027	5,356,027	-
Equity mutual funds:			
Large value	11,697,708	11,697,708	-
International	5,490,960	5,490,960	-
Mid-cap growth	3,342,879	3,342,879	-
Small-cap growth	1,316,864	1,316,864	-
Small value	1,396,068	1,396,068	-
Fixed income mutual funds	15,690,978	15,690,978	-
Common trust fund	1,714,230	-	1,714,230
Corporate notes and bonds	78,762	-	78,762
Total investments	$ 54,573,168	$ 52,780,176	$ 1,792,992
Liability:			
Derivative financial instruments	$ 5,805,253	$ -	$ 5,805,253

	2019		
	Total	Level 1	Level 2
Assets:			
Investments:			
Marketable equity securities	$ 6,390,480	$ 6,390,480	$ -
Exchange traded funds	5,235,631	5,235,631	-
Equity mutual funds:			
Large value	11,043,124	11,043,124	-
International	6,094,427	6,094,427	-
Mid-cap growth	3,509,113	3,509,113	-
Small-cap growth	1,200,713	1,200,713	-
Small value	1,657,487	1,657,487	-
Fixed income mutual funds	14,383,865	14,383,865	-
Common trust fund	1,664,122	-	1,664,122
Corporate notes and bonds	84,338	-	84,338
Total investments	$ 51,263,300	$ 49,514,840	$ 1,748,460
Liability:			
Derivative financial instruments	$ 2,866,294	$ -	$ 2,866,294

The following reconciles investments by caption on the consolidated balance sheets:

	2020	2019
Total reported at fair values in the tables above	$ 54,573,168	$ 51,263,300
Plus cash and cash equivalents included in investments	1,193,510	4,507,765
Less Act 82 reserves	(2,788,000)	(3,020,000)
Investments	$ 52,978,678	$ 52,751,065

Valuation Methodologies

Investments are valued at fair value based on quoted market prices in active markets for marketable equity securities, exchange traded funds and mutual funds or estimated using quoted prices for corporate notes and bonds.

The Corporation invests in The Brethren in Christ Common Trust Funds whereby the common collective trusts allocates shares to participants based upon the relationship of the individual participants' investments of the total investments. The Corporation is invested in the Common Trust Funds Total Market Growth with Income Fund which is comprised of Level 1 equity securities and mutual funds. There are no restrictions on the funds and they may be withdrawn at any time.

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

Investment Return

Investment return without donor restrictions is comprised of the following:

	2020	2019
Interest, dividends and capital gain distributions, net of expenses	$ 1,074,912	$ 1,118,564
Net realized gains and losses on sales of investments	(41,094)	1,027,818
Net unrealized gains and losses on investments	(296,203)	7,904
Total	$ 737,615	$ 2,154,286

Investment return with donor restrictions is comprised of the following:

	2020	2019
Interest, dividends and capital gain distributions, net of expenses	$ 559,564	$ 738,792
Net realized gains and losses investments	31,959	612,920
Net unrealized gains and losses on investments	(230,234)	43,332
Total	$ 361,289	$ 1,395,044

Statutory Minimum Liquid Reserve

In compliance with Section 9 of Act 82, the board of directors designated a portion of investments be "reserved" to meet the requirements of Act 82. The amounts designated were approximately $2,720,000 and $68,000 for the Village and Mount Joy, respectively, at June 30, 2020 and $2,950,000 and $70,000 for the Village and Mount Joy, respectively, at June 30, 2019. At June 30, 2020, the reserve was calculated as follows:

	Village	Mount Joy	
Budgeted operating expenses for the year ending June 30, 2021	$ 53,714,051	$ 1,185,561	
Less budgeted depreciation and amortization expense	(7,576,680)	(504,420)	
Expenses subject to minimum liquid reserve requirement	46,137,371	681,141	
Percentage of residents subject to entrance fee agreements at June 30, 2020	58.98 %	100 %	
Subtotal	27,211,821	681,141	
Statutory requirement	10 %	10 %	
Statutory minimum liquid reserve requirement	$ 2,721,182	$ 68,114	(a)
Budgeted debt service requirements for the year ended June 30, 2021:			
Bonds:			
Principal	$ 1,602,957	$ -	
Interest	2,794,693	-	
Total budgeted debt service requirements	4,397,650	-	
Percentage of residents subject to entrance fee agreements at June 30, 2020	58.98 %	100 %	
Statutory minimum liquid reserve requirement	$ 2,593,734	$ -	(b)
Greater of (a) or (b) above	$ 2,720,000	$ 68,000	

Interest Rate Swap Agreements

In August 2009, in connection with a bank qualified tax-exempt term loan, the Village entered into an interest rate swap agreement (the 2009 Swap). According to the terms of the agreement, if 68 percent of the one-month LIBOR (0.12 percent at June 30, 2020) is less than the fixed rate of 2.985 percent, the Village must make a monthly payment to the counterparty. Conversely, if 68 percent of the one-month LIBOR is more than the fixed rate of 2.985 percent, the counterparty must make a monthly payment to the Village. The monthly payments are calculated by multiplying the notional amount ($6,435,000 at June 30, 2020) by the difference between 68 percent of the one-month LIBOR and the fixed rate of 2.985 percent. The agreement is scheduled to expire in July 2027. The bank qualified tax-exempt term loan was refinanced in May 2015. The interest rate swap agreement is still in place and is being used to fix the interest rate on a portion of the 2015B Bonds (Note 6).

In November 2018, in connection with a bank qualified tax-exempt term loan, the Village entered into an interest rate swap agreement (the 2018 Swap). According to the terms of the agreement, if 78 percent of the one-month LIBOR (0.14 percent at June 30, 2020) is less than the fixed rate of 2.221 percent, the Village must make a monthly payment to the counterparty. Conversely, if 78 percent of the one-month LIBOR is more than the fixed rate of 2.221 percent, the counterparty must make a monthly payment to the Village. The monthly payments are calculated by multiplying the notional amount ($35,210,873 at June 30, 2020) by the difference between 78 percent of the one-month LIBOR and the fixed rate of 2.221 percent. The agreement is scheduled to expire in July 2028. The interest rate swap agreement is being used to fix the interest rate on a portion of the 2015 Bonds and 2018 Bonds (Note 6).

The payments to or from the counterparty are classified as a component of interest expense in the consolidated statements of operations and changes in net assets, or capitalized to property and equipment in the consolidated balance sheets, if the funds from bond issues are used to finance construction. As a result of the swap agreements, additional interest of approximately $452,000 and $166,000 was incurred during 2020 and 2019, respectively.

The fair value of the agreements is estimated to be the amount the Village would pay or receive to terminate the agreements at June 30, 2020 and 2019. The Village estimates that it would have paid $5,805,253 and $2,866,294 on June 30, 2020 and 2019, respectively, to terminate the agreements. These amounts are classified as derivative financial instruments in the consolidated balance sheets.

Changes in the fair value of the agreements are included in revenues less than expenses since the agreements were not designated as hedging instruments. The change in the fair value of the agreements is classified as change in fair value of derivative financial instruments in the consolidated statements of operations and changes in net assets and was $2,938,959 and $3,059,357 in 2020 and 2019, respectively.

4. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following at June 30:

	2020	2019
Cash and cash equivalents	$ 13,482,573	$ 8,832,239
Accounts receivable, resident, net	1,824,432	1,784,089
Accounts receivable, other	645,708	745,883
Investments	52,978,678	52,751,065
Less, net assets with donor restrictions	(20,034,612)	(20,659,067)
Total	$ 48,896,779	$ 43,454,209

The Corporation designated a portion of its investments "reserved" to comply with the requirements of Act 82. Although the Corporation does not intend to utilize the reserves for general expenditures as part of its annual budget and approval process, amounts designated as the reserves could be made available as necessary. The Act 82 reserves do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests excess cash in short-term investments. Additionally, certain board-designated assets included in assets whose use is limited are designed for charity care, future capital expenditures and an operating reserve.

5. Property and Equipment

Property and equipment are as follows:

	2020	2019
Land	$ 2,949,483	$ 2,949,483
Land improvements	5,752,129	5,584,836
Buildings and fixed equipment	182,832,447	180,023,932
Furniture and moveable equipment	15,074,146	15,798,927
Vehicles	1,182,846	1,025,178
Total	207,791,051	205,382,356
Less accumulated depreciation	86,310,703	80,466,831
Total	121,480,348	124,915,525
Construction-in-progress	735,747	991,290
Property and equipment, net	$ 122,216,095	$ 125,906,815

6. Long-Term Debt

Series A of 2015 Bonds

In May 2015, the West Shore Area Authority issued, on behalf of the Village, $24,080,000, of tax-exempt fixed rate revenue bonds, Series A of 2015 (the 2015A Bonds). The proceeds from the 2015A Bonds were used to refund the Series 2008B Bonds and the 2009 Term Loan, finance the cost of renovation of existing facilities, finance the costs of expansion, establish a debt service reserve fund and to pay the costs of issuing the 2015 Bonds.

The 2015A Bonds are comprised of $860,000 of serial bonds due July 2020; plus interest payable semi-annually at 5.0 percent; $895,000 of serial bonds due July 2021; plus interest payable semi-annually at 5.0 percent; and $19,345,000 of term bonds due in varying annual installments beginning July 2022 through July 2035, plus interest payable semi-annually at interest rates ranging from 4.0 percent to 5.0 percent.

The Corporation is joint and severally obligated under the terms of the 2015A bonds.

Series B and C of 2015 Bonds

In October 2015, the West Shore Area Authority issued, on behalf of the Village, $54,725,000 of tax-exempt variable rate revenue bonds, Series B (the 2015B Bonds) and $18,250,000 of tax-exempt variable rate revenue bonds, Series C (the 2015C Bonds). The proceeds from the 2015BC Bonds were used to finance the construction of Project Envision and for payment of certain costs of issuing the 2015BC Bonds. The 2015BC Bonds held directly by the bank were repaid in 2019.

The 2015B Bonds are due in varying annual installments through July 2045 plus interest payable monthly at a rate equal to (79 percent of 1-Month LIBOR) plus 1.59 percent (1.73 percent at June 30, 2020).

The Corporation is joint and severally obligated under the terms of the 2015BC bonds.

Series 2018 Bonds

In November 2018, the West Shore Area Authority issued, on behalf of the Village, $8,130,000, of tax-exempt fixed rate revenue bonds (the 2018 Bonds). The proceeds from the 2018 Bonds were used to refinance the Series 2008 Bonds, establish a debt service reserve fund, and to pay the costs of issuing the 2018 Bonds.

The 2018 Bonds are comprised of $1,555,000 of serial bonds due in variable annual installments beginning July 2019 through July 2023 plus interest payable semi-annually at interest rates ranging from 4.0 percent to 5.0 percent; $1,800,000 of term bonds due July 2028; plus interest payable semi-annually at 5.0 percent; $1,565,000 of term bonds due July 2031; plus interest payable semi-annually at 5.0 percent and $3,210,000 of term bonds due July 2035, plus interest payable semi-annually at 5.0 percent.

The Corporation is joint and severally obligated under the terms of the 2018 bonds.

Security

The 2018 Bonds, 2015A Bonds, and 2015B Bonds are secured on a parity basis by a first mortgage lien on and security interest in the Corporation's property and equipment, a security interest in the Corporation's revenues, as defined in the applicable agreements, and funds held by trustee under trust indentures.

Long-Term Debt Summary

Long-term debt is as follows at June 30:

	2020	2019
2018 Bonds	$ 7,685,000	$ 8,130,000
2015B Bonds	54,333,147	54,725,000
2015A Bonds	20,240,000	21,100,000
Long-term debt	82,258,147	83,955,000
Bond premium	1,441,034	1,608,873
Less current maturities	(1,763,691)	(1,864,692)
Less unamortized debt issuance costs	(1,257,599)	(1,364,960)
Long-term debt, net	$ 80,677,891	$ 82,334,221

Scheduled maturities of long-term debt and bond premium amortization are as follows:

	Debt Maturities	Amortization of Bond Premium
Years ending June 30:		
2021	$ 1,602,957	$ 160,734
2022	1,662,957	153,265
2023	1,738,373	145,437
2024	1,817,570	137,244
2025	1,900,091	128,653
Thereafter	73,536,199	715,701
Total	$ 82,258,147	$ 1,441,034

The bond premium is being amortized over the life of the 2015 Bonds and 2018 Bonds using the effective interest method. Amortization totaled $167,839 during 2020 and $161,441 during 2019.

7. Accrued Expenses

Accrued expenses are as follows at June 30:

	2020	2019
Salaries and wages and related payroll taxes	$ 1,070,199	$ 877,445
Paid time off	1,154,185	1,204,066
Interest	848,064	921,569
Other	357,702	332,097
Total	$ 3,430,150	$ 3,335,177

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following at June 30:

	2020	2019
Purpose restricted:		
Charity care	$ 5,418,596	$ 6,303,919
Lifeways Connection, capital and other	362,166	298,466
	5,780,762	6,602,385
Held in perpetuity with investment return available for:		
Charity care	13,642,825	13,473,592
Music therapy	585,539	560,539
Lifelong learning	25,486	22,551
	14,253,850	14,056,682
Total	$ 20,034,612	$ 20,659,067

9. Donor-Restricted Endowment Fund

The Corporation's endowment fund includes donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Corporation interprets relevant Pennsylvania state law governing the net asset classification of donor-restricted endowment funds to be held in perpetuity as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the Village classifies as amounts held in perpetuity (a) the original value of all gifts donated; and (b) the present value of pledges and planned gifts that are designated as gifts to be held in perpetuity to the endowment fund. The remaining portion of the donor-restricted endowment fund not classified as held in perpetuity represents the return on net assets held in perpetuity and is generally classified as purpose restricted net assets. However, from time to time, the fair value of assets associated with the Corporation's donor-restricted endowment fund may fall below the level required to be retained as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets without donor restriction. There were no such deficiencies as of June 30, 2020 or 2019.

The Corporation adopted an investment policy for all investment funds including its donor-restricted endowment fund. The policy states that the donor-restricted endowment fund shall be invested under the assumption that it shall exist in perpetuity. Therefore, the investment guidelines are based upon an investment time horizon of greater than five years so that interim fluctuations shall be viewed with appropriate perspective.

A total-return objective consistent with prudent risk-limits allows the investments to satisfy long-term objectives. In a total return strategy, investment results are achieved through capital appreciation and current yield. Asset allocation guidelines ensure adequate diversification in order to reduce the volatility of investment returns. The donor-restricted endowment fund is invested so as to maintain a risk level no greater than a standard deviation of 75 percent of the standard deviation of the general market as measured by the S&P 500 Index when measured over a 5 and 10 (if available) year period.

The Corporation's investment policy, which includes the spending policy, states that the donor-restricted endowment fund shall be invested so as to generate a cash flow equal to a range of 4.0 percent to 7.0 percent of the average market value of the donor-restricted endowment fund for the past three years measured as of June 30. As part of the budget process, a specific percentage within the prescribed range is identified on an annual basis and approved by the Corporation's Board of Directors. This approved percentage of the donor-restricted endowment fund balance is generally released from purpose restricted net assets evenly over four quarters. This policy ensures that the competing needs of current and future generations of residents are in equilibrium.

Changes in with and without donor restrictions endowment net assets for the year ended June 30 are comprised of the following:

	With Donor Restrictions		
	Purpose Restricted	Held in Perpetuity	Total
Endowment net assets, June 30, 2018	$ 6,024,386	$ 12,838,091	$ 18,862,477
Investment return	1,395,044	-	1,395,044
Contributions	-	1,218,591	1,218,591
Change in cash surrender value of life insurance	(109,821)	-	(109,821)
Change in value of split-interest obligation	446	-	446
Net assets released from restrictions	(1,000,000)	-	(1,000,000)
Endowment net assets, June 30, 2019	6,310,055	14,056,682	20,366,737
Investment return	361,289	-	361,289
Contributions	-	197,168	197,168
Change in cash surrender value of life insurance and value of agency endowment	(41,807)	-	(41,807)
Change in value of split-interest obligation	(726)	-	(726)
Net assets released from restrictions	(1,210,200)	-	(1,210,200)
Endowment net assets, June 30, 2020	$ 5,418,611	$ 14,253,850	$ 19,672,461

10. Retirement Plans

The Corporation sponsors a 403(b) Plan. The Corporation's contribution to the plans was approximately $629,300 for 2020 and $591,000 for 2019.

11. Functional Expenses

The Corporation provides housing, healthcare and other related services to residents within its geographic location. The consolidated 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:

	2020			
	Program Service	General and Administrative	Fundraising	Total
Salaries and wages	$ 17,774,188	$ 2,307,565	$ 198,802	$ 20,280,555
Employee benefits	4,700,740	604,602	61,708	5,367,050
Fees, purchased services and supplies	11,816,323	561,601	7,789	12,385,713
Depreciation and amortization	7,580,001	577,840	30,892	8,188,733
Interest	3,346,343	-	-	3,346,343
Building operations and maintenance	2,453,184	13,917	348	2,467,449
Other operating expenses	917,941	662,940	29,521	1,610,412
Insurance	384,984	73,018	2,893	460,885
Real estate taxes	1,254,097	185,472	16,069	1,455,638
Total	$ 50,227,801	$ 4,986,955	$ 348,022	$ 55,562,778

	2019			
	Program Service	General and Administrative	Fundraising	Total
Salaries and wages	$ 18,075,086	$ 2,686,112	$ 222,789	$ 20,983,987
Employee benefits	3,403,589	550,176	34,520	3,988,285
Fees, purchased services and supplies	11,098,087	347,455	10,893	11,456,435
Depreciation and amortization	7,494,087	505,412	21,221	8,020,720
Interest	3,459,368	-	-	3,459,368
Building operations and maintenance	2,857,999	30,624	1,132	2,889,755
Other operating expenses	841,180	653,553	12,466	1,507,199
Insurance	408,827	70,568	2,382	481,777
Real estate taxes	1,216,225	178,947	15,186	1,410,358
Total	$ 48,854,448	$ 5,022,847	$ 320,589	$ 54,197,884

12. Medical Malpractice Claims Coverage

The Corporation maintains professional liability coverage on a claims-made basis through commercial insurance carriers. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the consolidated financial statements.

13. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements primarily with Medical Assistance, Medicare and various commercial insurance companies.

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.

14. Contingencies

Real Estate Taxes

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Village is an organization which receives an exemption from real property taxes relating to portions of its property. However, a number of cities, municipalities and school districts in the Commonwealth of Pennsylvania have challenged and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future financial effect of this matter on the Village, if any, is not determinable.

Senior Living Industry

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

COVID-19

The spread of COVID-19 around the world in 2020 has caused significant volatility in U.S. and international markets, supply chains, businesses, and communities. Then Corporation's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were issued. COVID-19 may impact various parts of the Corporation's 2021 operations and financial performance including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2020

	Messiah Lifeways	Messiah Village	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Assets						
Current Assets						
Cash and cash equivalents	$ 1,154,782	$ 11,826,304	$ 369,708	$ 131,779	$ -	$ 13,482,573
Current portion of assets whose use is limited	-	1,894,171	-	-	-	1,894,171
Accounts receivable:						
Residents, net	-	1,697,420	59	126,953	-	1,824,432
Other	30,562	597,683	-	17,463	-	645,708
Affiliate	1,388,636	2,856,760	1,187	75,847	(4,322,430)	-
Pledges receivable	-	9,666	-	6,000	-	15,666
Prepaid expenses and other current assets	283,969	528,937	32,952	8,365	-	854,223
Total current assets	2,857,949	19,410,941	403,906	366,407	(4,322,430)	18,716,773
Assets Whose Use is Limited, Net	-	2,661,571	15,721	-	-	2,677,292
Investments	-	50,830,234	2,148,444	-	-	52,978,678
Act 82 Reserve	-	2,720,000	68,000	-	-	2,788,000
Property and Equipment, Net	115,058	110,738,453	11,305,680	56,904	-	122,216,095
Contract Acquisition Costs, Net	-	350,103	-	-	-	350,103
Other Assets	12,500	1,082,338	-	-	-	1,094,838
Total assets	$ 2,985,507	$ 187,793,640	$ 13,941,751	$ 423,311	$ (4,322,430)	$ 200,821,779

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2020

	Messiah Lifeways	Messiah Village	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)						
Current Liabilities						
Current maturities of long-term debt	$ -	$ 1,763,691	$ -	$ -	$ -	$ 1,763,691
Accounts payable:						
Trade	100,784	1,266,591	95,014	9,241	-	1,471,630
Construction	-	100,618	1,137	-	-	101,755
Affiliate	170,125	678,068	884,224	2,590,013	(4,322,430)	-
Accrued expenses	442,612	2,837,712	70	149,756	-	3,430,150
Deferred grant revenue	-	915,365	-	19,767	-	935,132
Deferred revenue	-	18,923	-	40	-	18,963
Current portion of split-interest obligations	-	82,385	-	-	-	82,385
Resident funds	-	34,699	-	-	-	34,699
Refundable entrance fees	-	1,431,105	242,556	-	-	1,673,661
Total current liabilities	713,521	9,129,157	1,223,001	2,768,817	(4,322,430)	9,512,066
Long-Term Debt, Net	-	80,677,891	-	-	-	80,677,891
Refundable Entrance Fees and Deposits	-	14,661,404	8,387,409	-	-	23,048,813
Deferred Revenues From Entrance Fees	-	33,400,205	3,356,057	-	-	36,756,262
Derivative Financial Instruments	-	5,805,253	-	-	-	5,805,253
Split-Interest Obligations, Net	-	438,980	-	-	-	438,980
Total liabilities	713,521	144,112,890	12,966,467	2,768,817	(4,322,430)	156,239,265
Net Assets (Deficit)						
Without donor restrictions	2,269,351	23,684,667	949,107	(2,348,867)	-	24,554,258
With donor restrictions	2,635	19,996,083	26,177	3,361	-	20,028,256
Total net assets (deficit)	2,271,986	43,680,750	975,284	(2,345,506)	-	44,582,514
Total liabilities and net assets (deficit)	$ 2,985,507	$ 187,793,640	$ 13,941,751	$ 423,311	$ (4,322,430)	$ 200,821,779

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Statement of Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2020

	Messiah Lifeways	Messiah Village	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Revenues Without Donor Restrictions						
Net resident service revenues	$ -	$ 49,990,457	$ 1,257,153	$ -	$ (180)	$ 51,247,430
Other revenues	6,047,304	1,178,229	-	1,761,141	(6,239,327)	2,747,347
Grant revenue	-	902,281	-	-	-	902,281
Net assets released from restriction used for operations	13,157	1,278,780	-	9,216	-	1,301,153
Total revenues without donor restrictions	6,060,461	53,349,747	1,257,153	1,770,357	(6,239,507)	56,198,211
Expenses						
Salaries, wages and benefits	3,556,390	20,352,942	-	1,744,119	(5,846)	25,647,605
Fees, purchased services and supplies	984,245	16,974,014	181,304	327,128	(6,080,978)	12,385,713
Depreciation and amortization	9,061	7,639,004	512,569	28,099	-	8,188,733
Interest	-	3,346,343	-	-	-	3,346,343
Building operations and maintenance	118,594	2,142,029	295,142	63,352	(151,668)	2,467,449
Other operating expenses	694,207	896,775	8,934	11,511	(1,015)	1,610,412
Insurance and real estate taxes	270,983	1,468,797	176,643	100	-	1,916,523
Total expenses	5,633,480	52,819,904	1,174,592	2,174,309	(6,239,507)	55,562,778
Operating income (loss)	426,981	529,843	82,561	(403,952)	-	635,433
Nonoperating Gains (Losses)						
Investment return	(606)	685,447	52,774	-	-	737,615
Contributions	22,496	155,445	20	60,766	-	238,727
Change in value of split-interest obligations	-	(115,677)	-	-	-	(115,677)
Change in fair value of derivative financial instruments	-	(2,938,959)	-	-	-	(2,938,959)
Loss on disposal of property and equipment	-	(56,877)	(360,823)	(7,761)	-	(425,461)
Revenues in excess of (less than) expenses	448,871	(1,740,778)	(225,468)	(350,947)	-	(1,868,322)
Net Assets Released From Restriction Used for Property and Equipment	-	74,226	-	-	-	74,226
Change in net assets without donor restrictions	448,871	(1,666,552)	(225,468)	(350,947)	-	(1,794,096)

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Statement of Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2020

	Messiah Lifeways	Messiah Village	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Net Assets With Donor Restrictions						
Contributions:						
Purpose restricted	$ 13,751	$ 234,448	$ 545	$ 7,164	$ -	$ 255,908
Held in perpetuity	-	197,168	-	-	-	197,168
Investment return	-	361,289	-	-	-	361,289
Change in value of split-interest obligation	-	(33,566)	-	-	-	(33,566)
Change in cash surrender value of life insurance, net of expense	-	(36,231)	-	-	-	(36,231)
Net assets released from restriction used for:						
Operations	(13,157)	(1,278,780)	-	(9,216)	-	(1,301,153)
Property and equipment	-	(74,226)	-	-	-	(74,226)
Change in net assets with donor restrictions	594	(629,898)	545	(2,052)	-	(630,811)
Change in net assets	449,465	(2,296,450)	(224,923)	(352,999)	-	(2,424,907)
Net Assets (Deficit), Beginning	1,822,521	45,977,200	1,200,207	(1,992,507)	-	47,007,421
Net Assets (Deficit), Ending	$ 2,271,986	$ 43,680,750	$ 975,284	$ (2,345,506)	$ -	$ 44,582,514