ALBRIGHT CARE SERVICES AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Albright Care Services and Subsidiary
Lewisburg, Pennsylvania

We have audited the accompanying consolidated financial statements of Albright Care Services and Subsidiary (the Organization) which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, 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 Consolidated 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 entities' 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 entities' 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 Albright Care Services and Subsidiary as of December 31, 2020, and the results of their operations, changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters Regarding a Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2020, Albright Care Services and Subsidiary adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Report on Other Financial Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other financial information included in the consolidating balance sheet and consolidating statement of operations is presented for purposes of additional analysis 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 21, 2021

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	$	8,346,227
Accounts Receivable, Net of Allowance for Doubtful Accounts of $615,971		2,834,533
Other Receivables and Prepaid Expenses		1,203,264
Total Current Assets		12,384,024
Property and Equipment, Net		55,690,675
Right-Of-Use Assets - Operating Leases		6,759,846
Investments Restricted By Donors		4,858,922
Investments Held Under Bond Indenture		508,635
Deposits and Other Assets		359,913
Statutory Reserves		1,947,901
Investments Restricted By Board		12,815,844
Funds Held In Trust		4,453,228
Total Assets	$	99,778,988

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$	6,326,262
Accrued Compensation and Related Items		2,026,696
Accrued Interest Payable		51,502
Obligation Under Deferred-Giving Arrangements		316,733
Deposits From Prospective Residents and Other Deposits		397,100
Entrance Fees - Refundable		388,509
Deferred Revenue		188,017
Current Portion of Lease Liabilities - Operating Leases		812,902
Current Maturities of Long-Term Debt		7,554,925
Total Current Liabilities		18,062,646
Long-Term Lease Liabilities - Operating Leases		5,946,944
Long-Term Debt, Net of Current		24,040,230
Contingent Refundable Entrance Fee Liability		5,150,992
Entrance Fees - Deferred Revenue		20,235,010
Valuation of Derivative Instruments		1,007,715
Total Liabilities		74,443,537
NET ASSETS		
Without Donor Restrictions		16,966,180
With Donor Restrictions		8,369,271
Total Net Assets		25,335,451
Total Liabilities and Net Assets	$	99,778,988

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2020

REVENUE, GAINS, AND OTHER SUPPORT	
Net Resident and Client Service Revenue	$ 50,604,695
Other Operating Revenue	4,547,060
Amortization of Entrance Fees	3,301,312
Interest and Dividend Income, Net	229,165
Net Realized Gains on Investments	403,930
Contributions	370,508
Net Assets Released from Restrictions	273,778
Total Revenues, Gains, and Other Support	59,730,448
EXPENSES	
Salaries	21,021,216
Employee Benefits	4,812,465
Contract Labor	5,502,900
Food Purchases	1,282,742
Medical Supplies and Other Resident Costs	14,315,406
General and Administrative	1,545,631
Building and Maintenance	5,900,744
Professional Fees and Property Insurance	558,237
Interest	931,701
Taxes	214,577
Provision for Bad Debts	362,851
Depreciation and Amortization	3,937,089
Management Fee	1,645,724
Total Expenses	62,031,283
LOSS FROM OPERATIONS PRIOR TO GAIN ON DISPOSALS OF ASSETS, UNREALIZED LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS, AND NET UNREALIZED GAIN ON INVESTMENTS	(2,300,835)
Gain on Disposal of Assets	4,859
Unrealized Loss on Derivative Financial Instruments	(367,851)
Net Unrealized Gain on Investments	2,279,516
Total Nonoperating Income	1,916,524
LOSS FROM OPERATIONS	$ (384,311)

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Loss from Operations	$ (384,311)
Change in Value of Deferred-Giving Arrangements	(56,444)
Net Decrease in Net Assets Without Donor Restrictions	(440,755)
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	44,337
Net Investment Income	457,455
Changes in Value of Deferred-Giving Arrangements	(43,569)
Net Assets Released from Restrictions	(273,778)
Net Increase in Net Assets With Donor Restrictions	184,445
CHANGE IN NET ASSETS	(256,310)
Net Assets - Beginning of Year	25,591,761
NET ASSETS - END OF YEAR	$ 25,335,451

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ (256,310)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Provision for Bad Debts	362,851
Depreciation	3,937,089
Amortization of Deferred Financing Costs	48,923
Gain on Disposal of Assets	(4,859)
Net Proceeds from Nonrefundable Entrance and Advance Fees	5,754,127
Amortization of Entrance Fees	(3,301,312)
Unrealized Gain on Investments with Donor Restrictions	(457,455)
Net Unrealized Gain on Investments without Donor Restrictions	(2,279,516)
Unrealized Losses on Change in Market Value of Derivative Instruments	367,851
Changes in Value of Deferred-Giving Arrangements	(100,013)
Change in Funds Held In Trust	(960,383)
Restricted Contributions Received	(44,337)
Changes in Assets and Liabilities:	
Accounts Receivable	83,095
Pledges Receivable, Net	15,930
Other Receivables and Prepaid Expenses	(16,926)
Deferred Revenue	732,291
Accounts Payable and Accrued Expenses	(184,723)
Accrued Interest Payable	(20,782)
Net Cash Provided by Operating Activities	3,675,541
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of Investments, Net	510,168
Purchase of Property and Equipment, Net	(4,883,889)
Net Cash Used by Investing Activities	(4,373,721)
CASH FLOWS FROM FINANCING ACTIVITIES	
Refunds from Entrance and Advance Refundable Fees and Refundable Deposits	(1,992,928)
Paycheck Protection Program Loan Proceeds	4,138,000
Proceeds From Affiliation Loan	2,000,000
Payments on Long-Term Debt	(1,355,608)
Net Cash Distributed for Deferred-Giving Arrangements	155,967
Restricted Contributions	44,337
Net Cash Provided by Financing Activities	2,989,768
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	2,291,588
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	8,553,442
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 10,845,030
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid During the Year for Interest	$ 2,665,275

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Albright Care Services

Albright Care Services (Albright) is a nonprofit corporation that operates continuing care retirement communities in Lewisburg and York, Pennsylvania, providing housing, healthcare, and other related services to elderly residents through the operation of nursing facilities, personal care facilities, and residential living units. Albright also operates the Slifer House Museum located on its Lewisburg campus and a home office and Albright Living Independence for Elderly (LIFE) Programs located in Lebanon, Lancaster, and Williamsport, Pennsylvania.

Warrior Run Manor, Inc.

Warrior Run Manor Inc. (Warrior Run) is a nonprofit corporation that operates a 76-unit rental housing project for the elderly located in Watsontown, Pennsylvania (the Project). The Project is operated under Section 202 and 207 pursuant to Section 223(f) of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. Under this program, the Project was provided with a HUD-insured loan to refinance the Project's existing indebtedness. The Project is also subject to Section 8 Housing Assistance Payments agreements with HUD, and a significant portion of the Project's rental income is received from HUD. The housing assistance payments recognized under this contract during the years ended December 31, 2020 and 2019 were $514,922 and $511,612, respectively. The Project's major programs are its Section 207 pursuant to Section 223(f) insured loan and its Section 8 rent subsidy.

Warrior Run is a controlled entity of Albright due to Albright appointing a majority of the Warrior Run's Board of Director. Albright serves as the supporting organization of the Warrior Run.

Asbury Affiliation

On January 1, 2020, Albright and Warrior Run became affiliates of Asbury Communities, Inc. (ACOMM), by ACOMM serving as the supporting organization for Albright and Warrior Run. ACOMM was organized on August 1, 1994, as a Maryland nonprofit organization to provide executive and comprehensive administrative functions, as well as policy and overall planning guidance, to its supported organizations. A management services agreement was signed between the two under which ACOMM agrees to provide services to create efficiencies and a level of resources that might not be obtained otherwise. Albright maintains its ability to maintain licensures, make changes to scope of services, and expend funds. Day-to-day operations are still the responsibility of Albright. The initial term of the management services agreement commenced January 1, 2020 and terminated December 31, 2020. As notice of intent to terminate had not been given by either party no less than sixty days prior to December 31, 2020, the agreement automatically renewed for another 12 months and may be renewed for up to 4 more successive one-year periods. Due to the affiliation, a fair value analysis was completed that resulted in property and equipment being reduced by $5,475,708. This adjustment was recorded in beginning of year net assets.

NOTE 1 ORGANIZATION (CONTINUED)

Asbury Affiliation (Continued)

As it relates to the Albright and Warrior Run, the affiliation is intended to increase and enhance the lifestyle and health care options of those who reside at the Albright and Warrior Run now and in the future.

ACOMM also serves as the supporting organization of Asbury Atlantic; Asbury, Inc. (Asbury Place) and Affiliate; and Asbury Communities HCBS, Inc. (HCBS). Asbury Atlantic has operating affiliates compromised of Asbury Methodist Village (AMV), Asbury Solomons (AS), Bethany Village (BV), and Springhill (SH). ACOMM is the sole voting stockholder of The Asbury Group, Inc. (TAG). Additionally, ACOMM is the sole member of Asbury Foundation, Inc. (AFOUND).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Albright Care Services and Warrior Run Manor, Inc. (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include amounts held in checking and saving accounts, and investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited. Cash balances are principally uninsured and subject to normal credit risks. Cash and cash equivalents within funds identified as deposits and funded reserves to be set aside in trust or escrow in accordance with the HUD regulatory agreement, security deposits, and statutory reserves are considered restricted in nature.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents, and Restricted Cash (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows at December 31, 2020:

Cash and Cash Equivalents	$ 8,346,227
Restricted Cash Included in Statutory Reserves	1,947,901
Restricted Mortgage Escrows Included in Other Receivables and Prepaids	42,267
Replacement Reserve Included in Long-Term Investments Held Under Bond Indenture	187,559
Residual Receipts Included in Long-Term Investments Held Under Bond Indenture	321,076
Total	$ 10,845,030

Accounts Receivable

The Organization's policy is to write off all resident accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for accounts not yet written off, which are estimated to become uncollectible in future periods.

Under Medicare and Medicaid reimbursement and other third-party agreements, amounts collected for services to patients under these agreements are computed at contractually agreed-upon rates. Accounts receivable have been adjusted to reflect the difference between charges and the reimbursable amounts under these third-party contracts. Revenues from Medicare and Medicaid programs and other third-party agreements accounted for approximately 70% of total net resident service revenues for the year ended December 31, 2020.

Inventories

Inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis. Net realizable value is the value of an asset that can be realized upon the sale of the asset, less a reasonable estimate of the costs associated with either the eventual sale or the disposal of the asset in question. Inventories of $509,336 are included in other receivables and prepaid expenses on the consolidated balance sheet at December 31, 2020.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in excess (deficiency) of revenue and nonoperating income over expenses for any trading securities unless the income or loss is restricted by donor or law. All unrealized gains and (losses) on equity securities, including those residing in mutual funds, are reported in nonoperating income. The unrealized losses that are other than temporary, based upon management's quantitative and qualitative criteria, are recognized as investment losses.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and Investment Risk (Continued)

The Organization's investments are comprised of a variety of financial instruments and certain investments are managed by investment advisors. The fair values reported on the consolidated balance sheet are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions.

Strategies Employed for Achieving Objectives

The Organization is establishing an Investment Committee to review and decide on investment objectives, risk parameters, and strategies to be adopted for achieving the appropriate results for unrestricted and restricted endowments. The current strategy adopted is to maintain conservative growth until the unrestricted endowment reaches $1,000,000. It is management's initiative to continue maintaining restricted balances based on donor's directive. In 2014, the Organization adopted a board resolution to maintain all unrestricted bequests and residual amounts of gift annuities equally in a board-designated benevolent endowment fund and a board-designated capital fund to assist in the growth of the total endowments.

Investments Restricted by the Board

Investments restricted by the board include assets designated by Albright's Board of Trustees for future capital improvements and benevolent care. The board retains control of these assets and may, at its discretion, subsequently use them for other board-designated purposes.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets-operating lease and lease liability-operating leases, and finance leases are included in right-of-use (ROU) assets-financing and lease liability-financing, if any, in the consolidated balance sheet.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the date of the gift. Improvements that materially extend the useful lives of the assets are capitalized. General repairs and maintenance costs are expensed as incurred. The Organization capitalizes all expenditures for property and equipment costing $1,000 or more and having useful lives greater than two years.

Interest costs incurred on borrowed funds and amortization of deferred financing costs during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Advertising Expenses

The cost of advertising is expensed when incurred and included within the general and administrative financial statement line item within the consolidated statements of operations. Advertising expense was $153,409 for the year ended December 31, 2020.

Deposits from Prospective Residents

Deposits from prospective residents are refundable until such time as the prospective resident executes a residency agreement and pays the balance of the entrance fee. Interest earned on these deposits belongs to the Organization.

Donated Collections

Albright's collections include art and other items of historical significance and are maintained in the Slifer House Museum. The collections, which were acquired through contributions, were recognized at fair value based upon an appraisal. Gains or losses from deaccessions of these items are reported on the accompanying consolidated statement of changes in net assets in the net assets with donor restrictions. Donated collections of $528,035 are included in property and equipment, net in the consolidated balance sheet at December 31, 2020.

Fund Held In Trust

The Organization has received as contributions various types of split-interest obligations, including charitable gift annuities and perpetual trusts. Under the charitable gift annuity agreements, the Organization has 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 Organization to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as net assets without donor restrictions or net assets with donor restrictions. Subsequent changes in the split-interest obligations are recorded as a change in value of split-interest agreements in the net assets without donor restrictions and net assets with donor restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Held In Trust (Continued)

Under the perpetual trust agreements, the Organization has recorded the asset and recognized permanently restricted contribution revenue at the fair market value of their beneficial interest in the trust assets. Income earned on the trust assets and distributed to the Organization is recorded as investment income on the consolidated statement of operations, unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation gain (loss) in beneficial interest in perpetual trusts in the net asset class with restrictions.

Derivatives Policy

The Organization manages some of its exposure to interest rate volatility through use of interest rate swap contracts. These contracts qualify as derivative financial instruments. The book values of the derivative instruments are adjusted to their estimated fair values at each balance sheet date. The Organization has determined that, for continuing operations, the Organization’s derivatives do not meet the criteria for hedge accounting and, therefore, the change in fair value of all of the derivative instruments are included within the Organization’s performance indicator, income (loss) from operations.

Continuing Care Contracts

The Organization offers continuing care contracts to its residents. These contracts include residential facilities, meals, and other amenities, as well as priority access to health care services.

The Organization periodically reviews the present value of the net cost of future services and use of facilities to be provided to current residents under continuing care contracts and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with a corresponding charge to income.

As a result of this calculation, the present value of the net cost of future services and use of facilities did not exceed deferred revenue from resident entrance fees; accordingly, no obligation was recorded for the year ended December 31, 2020.

Resident and Client Services Revenue

Resident and client services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges. The Organization believes that this method provides a faithful depiction

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or residents receiving services in the facility. The Organization measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents. The Organization does not believe it is required to provide additional goods or services related to that sale.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Under entrance fee plans for residential living cottage units and for the residential living apartment units on Albright's Lewisburg and York campuses, Albright received payments in advance. Residents have two entrance plan options available, one "refundable" option, and a "nonrefundable" option. The refundable option has a guaranteed refund component, which is 50% of the entrance fee paid, with the balance, if any, refundable on a decreasing basis for five years. Previously, the Organization offered seven and ten-year declining refund options. Additionally, 90% and 100% refundable options were previously offered for certain units. The entrance fee paid under the nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for five years; after 60 months of occupancy, no refund is due or payable.

The guaranteed refund component of entrance fees received is not amortized into income and is classified as refundable fees and deposits on the accompanying consolidated balance sheet. The balance of advance fees received after being contractually earned by the Organization is amortized into income using the straight-line method over the estimated remaining life expectancies of the residents and is classified as deferred revenue from advance fees on the accompanying consolidated balance sheet. The period of amortization is adjusted annually based on the actuarially determined remaining life expectancies of the residents.

The gross amount of refund obligations is summarized below and are categorized as refundable entrance fees and standard entrance fees. All refunds are paid after the residential living unit vacated has been re-occupied by a new resident or within one year of the date on which the refund became due, whichever shall occur first.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

A summary of net entrance fees is as follows at December 31:

Entrance Fees - Refundable	$ 388,509
Contingent Refundable Entrance Fees	$ 5,150,992
Entrance Fees - Deferred Revenue:	
50% to 100% Refundable Contracts	942,179
Standard Entrance Fee Option Contracts:	
Five Year Contracts	11,880,948
Seven Year Contracts	7,398,211
Ten Year Contracts	13,672
Total Entrance Fees - Deferred Revenue	20,235,010
Total Entrance Fees	$ 25,386,002

Personal care and nursing services provided to Albright's residential living residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

The Organization has an agreement with third-party payors that provide for reimbursement to the Organization at amounts different from its established rates. Explicit price concessions under third-party reimbursement programs represent the difference between the Organization's billings at established rates for services and amounts reimbursed by third-party payors.

A composition of resident and client services revenue by primary payor for the year ended December 31, 2020 is as follows:

Medicaid	$ 14,757,335
Medicare	18,037,184
Managed Care	2,468,750
Private Pay	15,341,426
Total Resident Services Revenue	$ 50,604,695

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

The composition of resident and client services revenue based on its service lines, method of reimbursement, and timing of revenue recognition for the year ended December 31, 2020 is as follows:

Service Lines:	
Skilled Nursing Facility	$ 19,160,162
Personal Care	3,839,098
Independent Living	4,409,371
Life Program	21,416,912
Pharmacy	1,503,934
Retail Sales and Other	275,218
Total	$ 50,604,695
Method of Reimbursement:	
Fee for Services	$ 50,329,477
Retail Sales and Other	275,218
Total	$ 50,604,695
Timing of Revenue and Recognition:	
Health Care Services Transferred Over Time	$ 50,329,477
Sales at Point in Time	275,218
Total	$ 50,604,695

Contract Costs

The Organization has applied the practical expedient provided by Financial Accounting Standards Board (FASB) Accounting Standards Codification 340-40-25-4 and all incremental resident contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Charity Care

The Organization’s policy is to track those expenses for residents in its facilities who cannot pay for all or a portion of their care and to define these expenses as charity care. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reflected as revenue in the accompanying consolidated financial statements. Charity care provided to residents for the year ended December 31, 2020 was $649,597.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy Percentages

During the year ended December 31, 2020, the occupancy percentages and the percentages of Skilled Nursing Center (SNF) residents covered under the Medicaid program, Medicare program, and private pay and other were as follows:

	Normandie Ridge	Riverwoods
Total Skilled Nursing Center Occupancy	85%	76%
Medicaid	58%	67%
Medicare	17%	8%
Private Pay and Other	25%	25%

Provider Relief Funds

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has impacted various parts of its operations for the year ended December 31, 2020 and financial results including but not limited to, personal protective equipment costs, additional costs for emergency preparedness, disease control and containment, additional testing, potential shortages of health care and other personnel, and loss of revenue due to reductions in certain revenue streams. Management believes the Organization continues to take appropriate actions to mitigate the negative impact of this pandemic.

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Organization was $3,047,681. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At December 31, 2020, the Organization recognized $3,047,681 as other operating revenue in the consolidated statement of operations. The Organization believes the amounts have been recognized appropriately as of December 31, 2020.

Net Assets and Endowment Funds

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 – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Endowment Funds (Continued)

Net Assets With Donor Restrictions – Include 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. The Organization has adopted an enacted version of the *Uniform Prudent Management of Institutional Funds Act*, which requires enhanced disclosures for all endowment funds. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Income (Loss) from Operations

The accompanying consolidated statements of operations include income (loss) from operations, which is the Organization’s performance indicator. Changes in net assets (deficit) without donor restrictions, which are excluded from the income (loss) from operations, consistent with industry practice, include changes in value of deferred-giving arrangements.

Tax Status

The Organization members are each exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is required as there are no unrelated trades or businesses.

The Organization has implemented processes to ensure compliance with the Internal Revenue Service’s intermediate sanctions provisions for all its supported organizations, including the Organization. This includes an independent review by the board’s compensation committee of all compensation arrangements with disqualified persons and outside compensation consultants to provide independent third-party review and advisement, and the implementation of a detailed conflict-of-interest policy and annual disclosure process for all disqualified persons. The compensation committee also hires outside counsel to advise the Organization on compliance.

The tax benefit from an uncertain tax position must be recognized only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Organization’s reassessment of its tax positions did not have a material impact on the Organization’s results of operations or financial position.

The Organization’s income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

The Organization primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization is able to classify fair value balances based on the observability of those inputs.

The Organization's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Also, the time between inception and performance of the contract may affect the fair value. The determination of fair value may, therefore, affect the timing of recognition of revenues and net income.

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

> *Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
>
> *Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
>
> *Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. The Organization has determined that there would be no impact to the accompanying combined financial statements as a result of the application of this standard. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

New Accounting Pronouncements — ASU 2016-02

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2020. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

New Accounting Pronouncement – ASU 2018-13

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13 Fair Value Measurement (*Topic 820): Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement.* The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The ASU is effective for fiscal years beginning December 15, 2019. For the year ended December 31, 2020, the Organization adopted the ASU.

Subsequent Events

In preparing these consolidated financial statements, the Organization evaluated events that occurred through April 21, 2021, the date the consolidated financial statements were issued, for potential recognition or disclosure.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2020, the Organization has working capital of approximately $5,678,621. The Organization has $2,500,000 available under its line of credit (Note 9).

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, consist of the following as of December 31, 2020:

Cash and Cash Equivalents	$ 8,346,227
Accounts Receivable, Net	2,834,533
Investments Restricted By Board	12,815,844
Total	$ 23,996,604

The Organization has certain investments which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Organization has other assets limited to use such as statutory liquid reserves. These assets limited to use, which are more fully described in Note 6 are not available for general expenditure within the next year and are not reflected in the amounts above.

NOTE 4 REGULATORY ENVIRONMENT

Medicare and Medicaid

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegation of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Medicare Reimbursement

The Balanced Budget Act of 1997 modified how payment is made for Medicare skilled nursing facility (SNF) services. SNFs are reimbursed on the basis of a prospective payment system (PPS). The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing SNF covered services (routine, ancillary, and capital related costs). Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. The Centers for Medicare and Medicaid Services (CMS) recently finalized the Patient Driven

Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident’s length of stay.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Medicare Reimbursement (Continued)

Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Medicaid Reimbursement

The Commonwealth of Pennsylvania pays nursing facilities a prospective daily rate for Medicaid residents. The daily rate is set annually based on data in the three most recently filed cost reports. The rate consists of three net operating components (resident care, other resident related, and administrative) and one capital component. The net operating components are based upon the facilities' actual net operating costs per day and limited by peer group ceilings. Resident care operating costs are adjusted to reflect the acuity level of the facility's residents through a case-mix index. The case-mix index is measured quarterly, and the annual rate is adjusted for any changes on a quarterly basis.

The Commonwealth of Pennsylvania updates payment rates to nursing homes on July 1 of each year. The rates are scheduled to be updated each quarter for the most recent case-mix index for a facility's Pennsylvania Medicaid residents and rebased annually on July 1 of each year. The Organization has utilized actual rates in the preparation of the combined financial statements. The capital component is based upon the facilities' fair rental value. Typically, the daily rate paid to the nursing facility is considered payment in full with no end-of-year settlements.

Other

The Organization participate in a system-wide Voluntary Compliance Program instituted by ACOMM. This program is based on the elements of an effective program identified by the Office of Inspector General of the Department of Health and Human Services. The program includes a dedicated compliance officer, board oversight, written policies and procedures, a code of conduct, continuous education, periodic auditing, and an associate hotline.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlement are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2020.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Other (Continued)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the year ended December 31, 2020. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

Pennsylvania Department of Insurance Reserve Requirements

On a calendar year basis, the Organization is required by the Continuing Care Provider Registrations and Disclosure Act of 1984 to maintain a working capital reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loans or 10% of the projected annual operating expenses, exclusive of depreciation and amortization, computed only on the proportional share of financing or operating expenses that is applicable to residents of Normandie Ridge under continuing care agreements.

The statutory minimum liquid reserve requirement as of December 31, 2020 is $934,470, and is based on 10% of the projected annual operating expenses exclusive of depreciation and amortization. The statutory minimum liquid reserve requirement as of December 31, 2020 for Normandie Ridge is as follows:

Projected Annual Interest Expense	$ 444,419
Principal Payments Due on Long-Term Debt	699,333
Liquid Reserve Requirement	1,143,752
Projected Annual Operating Expenses	13,218,145
Minimum Rate	10%
Liquid Reserve Requirement	1,321,815
Maximum Liquid Reserve Requirement	1,321,815
Approximate Percentage of Continuing Care Clients	71%
Statutory Minimum Liquid Reserve	$ 934,470

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements (Continued)

Riverwoods must adhere to the same reserve requirements. The statutory minimum liquid reserve requirement as of December 31, 2020 is $1,013,431, and is based on 10% of the projected annual operating expenses exclusive of depreciation and amortization. The statutory minimum liquid reserve requirement as of December 31, 2020 for Riverwoods is as follows:

Projected Annual Interest Expense	$ 410,974
Principal Payments Due on Long-Term Debt	646,705
Liquid Reserve Requirement	1,057,679
Projected Annual Operating Expenses	19,602,870
Minimum Rate	10%
Liquid Reserve Requirement	1,960,287
Maximum Liquid Reserve Requirement	1,960,287
Approximate Percentage of Continuing Care Clients	52%
Statutory Minimum Liquid Reserve	$ 1,013,431

The Organization receives deposits for independent living units prior to a resident taking occupancy of that unit. The Organization is required to maintain certain deposits in escrow which is assets whose use is limited, an interest-bearing account, on the consolidated balance sheets.

NOTE 5 CONCENTRATIONS OF CREDIT RISK

The Organization grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2020 is as follows:

Private	40 %
Medicaid	4
Medicare	21
Other (Primarily Managed Care and Insurance)	35
Total	100 %

NOTE 6 INVESTMENTS

The investment portfolios, including assets whose use is limited and investments restricted by the board at fair value, consisted of the following as of December 31, 2020:

Investments Restricted by Donors:	
Cash and Short-Term Investments	$ 118,733
Equity Mutual Funds	3,164,843
Fixed Income Mutual Funds	1,502,785
Other	72,561
Total Investments Restricted by Donors	$ 4,858,922
Statutory Reserves:	
Cash and Short-Term Investments	$ 1,947,901
Investments Held under Bond Indenture:	
Cash and Short-Term Investments	$ 508,635
Investments Restricted by Board:	
Cash and Short-Term Investments	$ 313,170
Equity Mutual Funds	8,347,559
Fixed Income Mutual Funds	3,963,729
Other	191,385
Total Investments Restricted by Board	$ 12,815,844

The total return on investments without donor restrictions, along with investments classified as assets whose use is limited and investments restricted by the board, including the change in the market value of derivative instruments, generated net investment income, excluding capitalized interest income, is as follows for the year ended December 31, 2020:

Included within the Performance Indicator:	
Interest and Dividend Income, Net	$ 229,165
Net Realized Gain on Investments	403,930
Unrealized Loss on Derivative Financial Instruments	(367,851)
Total	265,244
Included in Other Changes in Net Assets:	
Net Unrealized Gain on Investments	2,279,516
	$ 2,544,760

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2020:

	Useful Life	Amount
Land Improvements	10 to 40 Years	$ 10,088,727
Buildings and Improvements	10 to 40 Years	78,570,064
Furniture and Equipment	2 to 15 Years	27,424,640
Construction in Progress		2,515,808
Total		118,599,239
Less: Accumulated Depreciation		(62,908,564)
Property and Equipment, Net		$ 55,690,675

Depreciation expense on property and equipment was $3,937,089 for the year ended December 31, 2020.

NOTE 8 RELATED PARTY TRANSACTIONS

Service Fees

The Organization received administrative services from ACOMM under a service agreement at a cost of $2,078,370 in 2020, respectively. Included in the administrative services is an information technology fee. Service fees are charged on a pro rata basis to all the affiliates based upon total revenue. The payment of service fees to ACOMM is subordinate to all obligations of the Organization under all of the Organization’s secured loan agreements.

NOTE 9 LINE OF CREDIT

Albright has an unsecured $2,500,000 revolving demand line of credit with a financial institution that is renewable annually. The line of credit bears interest at the bank’s prime rate plus 3.00% (6.25% as of December 31, 2020). There were no borrowings on the line of credit as of December 31, 2020. The line of credit supports three letters of credit in the amount of $681,324 in connection with Albright’s participation in the LIFE program and participation in a captive insurance program that provides workers compensation, general and professional liability, and automobile insurance (Note 14).

NOTE 10 LONG-TERM DEBT

Long-term debt as of December 31, 2020 consists of the following:

	Interest Rate	Maturity Dates	Amount
Master Notes Payable:			
PA Series 2014 Master Note	Variable Rate	2014-2040	$ 8,743,322
PA Series 2018 Master Note	Variable Rate	2018-2035	13,771,000
Total			22,514,322
Unamortized Deferred Financing Costs			(375,938)
Current Master Note			(1,346,038)
Total Master Notes Payable			20,792,346
Other Long-Term Debt:			
Mortgage Note			3,318,771
Payroll Protection Program Loan			4,138,000
Affiliation Loan			2,000,000
Total			9,456,771
Current Portion Other Long-Term Debt			(6,208,887)
Total Other Long-Term Debt			3,247,884
Total Long-Term Debt			$ 24,040,230

Series A 2018 Master Note

During the year ended December 31, 2018, the Organization obtained a Series A 2018 tax exempt loan from BB&T Bank in the amount of $14,404,000 to provide for the current refunding of the Series A 2013 and Series A 1997 debt. The note is payable over a term of 17 years with interest at a variable rate of 79% of 30-day LIBOR plus 1.39%.

Series B 2018 Master Note

During the year ended December 31, 2018, the Organization obtained a Series B 2018 taxable term loan in the amount of $1,503,000. The note is payable over a term of 7 years with interest at a variable rate of 79% of 30-day LIBOR plus 1.65%.

Series C 2018 Hedge Contract

During the year ended December 31, 2018, the Organization entered into an interest rate swap to hedge variable interest rates on a portion of the Series A 2018 Master Note ($2,873,000). The interest rate swap has a fixed rate of 4.235% with a termination date of October 4, 2025 (Note 11).

Series A 2014 Master Note

During the year ended December 31, 2014, the Organization obtained a Series A 2014 Master Note from Susquehanna Bank with the maximum borrowing amount of $10,000,000 to provide financing to support the approved capital projects of the Organization. The note is payable over a term of 25 years with interest at a variable rate of 30 day LIBOR plus 2.70%, times 68%. The Organization entered into an interest rate swap agreement which fixed the interest rate at 4.15% (Note 11).

NOTE 10 LONG-TERM DEBT (CONTINUED)

Mortgage Note

In December 2013, Warrior Run Manor, Inc. refinanced its Section 207 Mortgage Note Payable to HUD with a HUD insured mortgage under Section 2233(a)(7) pursuant to Section 207/223(f) of the National Housing Act and Regulations payable to Heartland Bank. During this refinancing, Warrior Run borrowed funds in excess of the existing debt to finance renovations to the Project. The excess funds borrowed were placed into an escrow account, which is restricted for use by HUD and must be approved by HUD before disbursements can be made. This amount is reflected in assets whose use is limited on the consolidated balance sheet.

Paycheck Protection Program

During the year, the Organization received proceeds in the amount of $4,138,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Organization has classified the loan as current accordance with the terms of the law.

Affiliation Loan

As part of the affiliation with ACOMM, ACOMM made a commitment to make $2,000,000 available per year to the Organization in support of mutually agreed upon projects which may include new construction, renovation, business line expansion and service enhancement over a five-year period. At December 31, 2020, the Organization has a $2,000,000 outstanding balance. If the affiliation agreement is terminated, Albright would be required to pay 100% of the amount borrowed plus interest calculated at the average annual LIBOR for the prior 12 months within 45 days of termination notice.

Deferred Financing Costs

Costs incurred in relation to the issuance of long-term debt are deferred and amortized over the life of the debt using the straight-line method, which does not differ significantly from the effective interest method of amortization. The amortization of deferred financing costs is included in interest expense and totaled $48,923 for the year ended December 31, 2020. Deferred financing fees have been netted against long-term debt in accordance with authoritative guidance.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Liens and Covenants

Master Notes were collateralized by a pledge of and security interest in Albright's gross revenue, as defined in the indenture agreements, and by shared first lien mortgages on substantially all property and equipment now owned or hereafter acquired by the Organization. The first lien mortgages shall each be shared in priority and of equal parity with liens in place in favor of the Trustee for bondholders under the indenture for the 1997 Bonds. The Mortgage Note is collateralized by property and equipment.

Albright is subject to various covenants under the loan agreements. As of December 31, 2020, management is not aware of any noncompliance with these covenants.

Debt Maturities

A schedule of minimum maturities of long-term debt for the next five years and thereafter is as follows:

Year Ending December 31,	Amount
2021	$ 7,554,925
2022	1,477,821
2023	1,540,341
2024	1,608,584
2025	1,569,321
Thereafter	18,220,101

NOTE 11 DERIVATIVE FINANCIAL INSTRUMENT

As of December 31, 2020, the Organization has two interest rate swap agreements which are considered derivative financial instruments with a financial institution. The Organization entered into interest rate swap agreements to hedge variable interest rates on the Series 2014 Master Note and the Series 2018 Master Note, on December 15, 2015, and October 4, 2018, respectively, but elected not to elect hedge accounting for these arrangements.

The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are contracts to exchange variable rate for fixed rate payments over the term of the swap agreements without the exchange of the underlying notional amounts. The notional amounts of the swap agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreements. Management believes losses related to credit risk are remote. The net cash paid or received under the swap agreements are recognized as adjustments to interest expense. The Organization does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

NOTE 11 DERIVATIVE FINANCIAL INSTRUMENT (CONTINUED)

The following schedule outlines the terms and fair market values of the derivative instruments on December 31:

	Series 2014	Series 2018	Total
Notional Amount - December 31, 2020	$ 8,743,322	$ 2,237,000	
Trade Date	12/15/2015	10/4/2018	
Effective Date	12/15/2015	10/4/2018	
Termination or Cancellation Date	12/15/2040	10/4/2025	
Fixed Rate	4.150%	4.235%	
Fair Value at December 31, 2019	(520,297) *	(119,567) *	$ (639,864)
Unrealized Loss	(316,876)	(50,975)	(367,851)
Fair Value at December 31, 2020	$ (837,173)	$ (170,542)	$ (1,007,715)

**This was the balance as of December 31, 2019 before the affiliation with ACOMM.*

The Organization has included the fair market value of these derivative instruments as a liability of ($1,007,715) as of December 31, 2020, in the accompanying consolidated balance sheet as of December 31, 2020. Net unrealized losses on derivative instruments was ($367,851) in 2020.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 are subject to the following purpose or time restrictions:

Restricted for the Following Purposes:	
Split-Interest Obligations	$ 142,879
Funds Available for Building Construction, Income Unrestricted	17,853
Other Specific Purposes	1,670,872
Investments to be Held in Perpetuity:	
Income which is Unrestricted	3,492,845
Income which is Expendable for Benevolent Care	1,305,941
Moyer Endowment	734,946
Slifer House Museum Collection of Art	528,135
Audrey, Rehm, Magee Endowment	241,264
Stauffer Endowment	100,050
Split-Interest Obligations	134,486
Total Net Assets With Donor Restrictions	$ 8,369,271

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

A summary of the net assets with donor restrictions that are to be held in perpetuity for the year ended December 31, 2020 is as follows:

Endowment Fund - Beginning of Year	$	6,537,667
Contributions		9,508
Net Investment Income		19,572
Change in Value of Deferred-Giving Arrangement		(12,477)
Endowment Fund - End of Year	$	6,554,270

NOTE 13 RETIREMENT PLAN

Albright sponsors a defined contribution retirement plan. Basic and matching contributions are at the discretion of the employer. Employer's contribution expense for 2020 was $239,054.

NOTE 14 COMMITMENTS AND CONTINGENCIES

General and Professional Liability Insurance

The Organization's professional liability insurance generally provides for coverage of $1,000,000 per occurrence with an aggregate limit of $6,000,000. In addition, the Organization has an umbrella excess liability policy which provides for coverage of $5,000,000 per occurrence and in the aggregate. The general liability and umbrella excess liability policies are for all insurance coverages, including professional liability. The Organization has no knowledge of unasserted claims which would exceed its insurance coverages and, accordingly, has not accrued for any potential claims.

Legal Actions and Claims

The Organization is party to various legal actions and claims arising in the ordinary course of business. The Organization's management believes that their ultimate disposition will not have material adverse effect on the Organization's financial position or results of operations.

Health Insurance

The Organization has a self-funding arrangement for health insurance coverage. The Organization has stop-loss coverage up to $185,000 per participant.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease Commitments

The Organization leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2030. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

In November 2008, the Organization entered into a 20-year noncancelable office lease agreement for approximately 17,273 square feet of office in Lancaster, Pennsylvania. In accordance with the lease agreement, the term of the lease began in November 2008. The Organization pays annual base rent payments ranging from $172,730 to $220,216.

In March 2010, the Organization entered into a 20-year noncancelable office lease agreement for approximately 15,013 square feet of office in Lebanon, Pennsylvania. In accordance with the lease agreement, the term of the lease began in March 2010. The Organization pays annual base rent payments ranging from $270,234 to $284,634.

In August 2020, the Organization entered into a 10-year noncancelable office lease agreement for approximately 11,132 square feet of office in Coatesville, Pennsylvania. In accordance with the lease agreement, the term of the lease began in November 2020, and the Organization expects to occupy the office in mid-2021. The Organization pays annual base rent payments ranging from $170,316 to $212,508.

Total lease costs for the year ended December 31, 2020 was $1,066,116.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2020 is as follows:

Year Ending December 31,	Amount
2021	$ 1,041,967
2022	1,065,756
2023	1,032,614
2024	841,603
2025	713,093
Thereafter	2,900,227
Total	7,595,260
Less: Interest Expense	835,414
Amounts Recognized in the Consolidated Balance Sheet	$ 6,759,846

NOTE 15 FUNCTIONAL EXPENSES

The Organization provides continuing and long-term care for the aging. Expenses related to providing these services are as follows for the year ended December 31, 2020:

	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 21,021,216	$ -	$ 21,021,216
Employee Benefits	4,812,465	-	4,812,465
Contract Labor	5,502,900	-	5,502,900
Food Purchases	1,282,742	-	1,282,742
Medical Supplies and Other Resident Costs	14,315,406	-	14,315,406
General and Administrative	-	1,545,631	1,545,631
Building and Maintenance	5,900,744	-	5,900,744
Professional Fees and Insurance	558,237	-	558,237
Interest	931,701	-	931,701
Taxes	214,577	-	214,577
Provision for Bad Debts	362,851	-	362,851
Depreciation and Amortization	3,937,089	-	3,937,089
Management and Other Fees	-	1,645,724	1,645,724
Total Functional Expenses	$ 58,839,928	$ 3,191,355	$ 62,031,283

Included in management and general expenses are management fees and other general and administrative expenses.

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The determination of the fair values incorporates various factors required under fair value accounting. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), but also the impact of the Organization’s nonperformance risk on its liabilities.

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include equity securities and mutual funds and fixed-income securities and mutual funds.

Liabilities utilizing Level 2 inputs are derivatives. A quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability, thus derivative instruments are classified within Level 2 of the valuation hierarchy.

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets forth by level within the fair value hierarchy the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2020:

	Fair Value as of December 31, 2020			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 431,903	$ -	$ -	$ 431,903
Equity Mutual Funds	11,512,403	-	-	11,512,403
Fixed Income Mutual Funds	5,466,514	-	-	5,466,514
Statutory Reserve/Cash	1,947,901	-	-	1,947,901
Other	263,946	-	-	263,946
Subtotal	19,622,667	-	-	19,622,667
Beneficial Interest in Perpetual Trusts	-	-	4,453,228	4,453,228
Total Assets	$ 19,622,667	$ -	$ 4,453,228	$ 24,075,895
Liabilities				
Obligation Under Deferred-Giving Arrangements	$ -	$ (316,733)	$ -	$ (316,733)
Derivative Instruments	-	(1,007,715)	-	(1,007,715)
Total Liabilities	$ -	$ (1,324,448)	$ -	$ (1,324,448)

The following table provides a summary of unobservable inputs related to the Organization's beneficial interest in perpetual trusts as of December 31, 2020:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest In Perpetual Trust	$ 4,453,228	FMV of Trust Investments	Term of Distributions

There were no purchases, sales or transfers for the year ended December 31, 2020 related to the beneficial interest in perpetual trusts.

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Albright Care Services	Warrior Run Manor, Inc.	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 8,272,081	$ 74,146	$ -	$ 8,346,227
Accounts Receivable, Net of Allowance for Doubtful Accounts of $615,971	2,831,918	2,615	-	2,834,533
Other Receivables and Prepaid Expenses	1,209,338	42,267	(48,341)	1,203,264
Total Current Assets	12,313,337	119,028	(48,341)	12,384,024
Property and Equipment, Net	54,349,937	1,340,738	-	55,690,675
Right-Of-Use Assets - Operating Leases	6,759,846	-	-	6,759,846
Investments Restricted By Donors	4,858,922	-	-	4,858,922
Investments Held Under Bond Indenture	-	508,635	-	508,635
Deposits and Other Assets	339,318	20,595	-	359,913
Statutory Reserves	1,947,901	-	-	1,947,901
Investments Restricted By Board	12,815,844	-	-	12,815,844
Funds Held In Trust	4,453,228	-	-	4,453,228
Total Assets	$ 97,838,333	$ 1,988,996	$ (48,341)	$ 99,778,988
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 6,301,630	$ 72,973	$ (48,341)	$ 6,326,262
Accrued Compensation and Related Items	2,026,696	-	-	2,026,696
Accrued Interest Payable	41,269	10,233	-	51,502
Obligation Under Deferred-Giving Arrangements	316,733	-	-	316,733
Deposits From Prospective Residents and Other Deposits	397,100	-	-	397,100
Entrance Fees - Refundable	388,509	-	-	388,509
Deferred Revenue	188,017	-	-	188,017
Current Portion of Lease Liabilities - Operating Leases	812,902	-	-	812,902
Current Maturities of Long-Term Debt	7,484,038	70,887	-	7,554,925
Total Current Liabilities	17,956,894	154,093	(48,341)	18,062,646
Long-Term Lease Liabilities - Operating Leases	5,946,944	-	-	5,946,944
Long-Term Debt, Net of Current	20,877,745	3,162,485	-	24,040,230
Contingent Refundable Entrance Fee Liability	5,150,992	-	-	5,150,992
Entrance Fees - Deferred Revenue	20,235,010	-	-	20,235,010
Valuation of Derivative Instruments	1,007,715	-	-	1,007,715
Total Liabilities	71,175,300	3,316,578	(48,341)	74,443,537
NET ASSETS (DEFICIT)				
Without Donor Restrictions	18,293,762	(1,327,582)	-	16,966,180
With Donor Restrictions	8,369,271	-	-	8,369,271
Total Net Assets (Deficit)	26,663,033	(1,327,582)	-	25,335,451
Total Liabilities and Net Assets (Deficit)	$ 97,838,333	$ 1,988,996	$ (48,341)	$ 99,778,988

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Without Donor Restrictions			
	Albright Care Services	Warrior Run Manor, Inc.	Eliminations	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Net Resident and Client Service Revenue	$ 50,604,695	$ -	$ -	$ 50,604,695
Other Operating Revenue	4,042,739	708,851	(204,530)	4,547,060
Amortization of Entrance Fees	3,301,312	-	-	3,301,312
Interest and Dividend Income, Net	228,832	333	-	229,165
Net Realized Gains on Investments	403,930	-	-	403,930
Contributions	370,508	-	-	370,508
Net Assets Released from Restrictions	273,778	-	-	273,778
Total Revenues, Gains, and Other Support	59,225,794	709,184	(204,530)	59,730,448
EXPENSES				
Salaries	21,024,514	138,872	(142,170)	21,021,216
Employee Benefits	4,820,932	14,293	(22,760)	4,812,465
Contract Labor	5,502,900	-	-	5,502,900
Food Purchases	1,282,742	-	-	1,282,742
Medical Supplies and Other Resident Costs	14,315,406	-	-	14,315,406
General and Administrative	1,521,285	63,946	(39,600)	1,545,631
Building and Maintenance	5,770,232	130,512	-	5,900,744
Professional Fees and Property Insurance	529,661	28,576	-	558,237
Interest	789,494	142,207	-	931,701
Taxes	214,577	-	-	214,577
Provision for Bad Debts	362,851	-	-	362,851
Depreciation and Amortization	3,741,088	196,001	-	3,937,089
Management Fee	1,645,724	-	-	1,645,724
Total Expenses	61,521,406	714,407	(204,530)	62,031,283
LOSS FROM OPERATIONS PRIOR TO GAIN ON DISPOSALS OF ASSETS, UNREALIZED LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS, AND NET UNREALIZED GAIN ON INVESTMENTS	(2,295,612)	(5,223)	-	(2,300,835)
Gain on Disposal of Assets	4,859	-	-	4,859
Unrealized Loss on Derivative Financial Instruments	(367,851)	-	-	(367,851)
Net Unrealized Gain on Investments	2,279,516	-	-	2,279,516
Total Nonoperating Income	1,916,524	-	-	1,916,524
LOSS FROM OPERATIONS	(379,088)	(5,223)	-	(384,311)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Change in Value of Deferred-Giving Arrangements	(56,444)	-	-	(56,444)
DECREASE IN NET ASSETS	$ (435,532)	$ (5,223)	$ -	$ (440,755)