

**York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home**

**Financial Statements
June 30, 2019 and 2018**



York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

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June 30, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home
York, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of York County Cerebral Palsy Home, Inc., d/b/a Margaret E. Moul Home, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, changes in net assets, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of York County Cerebral Palsy Home, Inc., d/b/a Margaret E. Moul Home as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RKL LLP

October 21, 2019
York, Pennsylvania

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Statement of Financial Position

	June 30,	
	2019	2018
Assets		
Current Assets		
Cash - operating	\$ 1,162,790	\$ 1,854,255
Cash - restricted	330,046	185,279
Accounts receivable	1,929,972	1,873,497
Due from Margaret E. Moul Foundation	360,000	360,000
Promises to give	135,612	185,612
Prepaid expenses	293,966	70,384
Total Current Assets	4,212,386	4,529,027
Property and Equipment, Net	5,598,841	5,817,175
Other Assets		
Investments	1,290,826	1,209,324
Beneficial interest in perpetual trusts	1,135,341	1,145,219
Due from Margaret E. Moul Foundation	498,913	770,508
Promises to give, net	589,616	694,058
Total Other Assets	3,514,696	3,819,109
 Total Assets	 \$ 13,325,923	 \$ 14,165,311

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Statement of Financial Position (continued)

	June 30,	
	2019	2018
<i>Liabilities and Net Assets</i>		
Current Liabilities		
Current maturities of long-term debt	\$ 336,664	\$ 336,664
Accounts payable	188,212	222,098
Accrued payroll	1,331,047	1,441,433
Payroll taxes withheld and accrued	17,627	15,888
Accrued expenses	-	5,559
Accrued interest	5,640	5,640
Funds held for guests	189,637	207,420
	<u>2,068,827</u>	<u>2,234,702</u>
Total Current Liabilities		
Long-Term Liabilities		
Long-term debt	759,606	1,096,270
	<u>759,606</u>	<u>1,096,270</u>
Total Liabilities		
	<u>2,828,433</u>	<u>3,330,972</u>
Net Assets		
Without donor restrictions		
Undesignated	7,909,577	8,205,653
Board designated for capital assets	397,298	418,518
	<u>8,306,875</u>	<u>8,624,171</u>
Total without Donor Restrictions		
With donor restrictions	2,190,615	2,210,168
	<u>2,190,615</u>	<u>2,210,168</u>
Total Net Assets		
	<u>10,497,490</u>	<u>10,834,339</u>
Total Liabilities and Net Assets		
	<u>\$ 13,325,923</u>	<u>\$ 14,165,311</u>

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Statement of Activities

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue			
Resident services revenue	\$ 14,853,435	\$ -	\$ 14,853,435
Contractual allowances	(2,792,133)	-	(2,792,133)
Net Patient Services Revenue	12,061,302	-	12,061,302
Nursing facility assessment, net	450,602	-	450,602
Contributions	180,282	188,386	368,668
Fundraising income	58,116	-	58,116
Interest and dividends, net of fees	43,687	-	43,687
Gain on sale of investments	6,427	-	6,427
Other revenue	1,250	-	1,250
Gain on sale of property and equipment	100	-	100
Net assets released from restrictions	198,061	(198,061)	-
Total Support and Revenue	12,999,827	(9,675)	12,990,152
Expenses			
Program and related services	12,107,390	-	12,107,390
Supporting services			
Management and general	1,159,624	-	1,159,624
Fundraising	93,543	-	93,543
Total Expenses	13,360,557	-	13,360,557
Deficiency of Support and Revenue over Expenses	(360,730)	(9,675)	(370,405)
Unrealized Holding Gains on Investments	43,434	-	43,434
Change in Value of Perpetual Trusts	-	(9,878)	(9,878)
Changes in Net Assets	\$ (317,296)	\$ (19,553)	\$ (336,849)

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Statement of Activities (continued)

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue			
Resident services revenue	\$ 14,213,286	\$ -	\$ 14,213,286
Contractual allowances	(2,500,902)	-	(2,500,902)
Net Patient Services Revenue	11,712,384	-	11,712,384
Nursing facility assessment, net	484,000	-	484,000
Contributions	132,491	144,866	277,357
Fundraising income	99,348	-	99,348
Interest and dividends, net of fees	43,309	-	43,309
Loss on sale of investments	(647)	-	(647)
Other revenue	1,655	-	1,655
Gain on sale of property and equipment	-	-	-
Net assets released from restrictions	333,324	(333,324)	-
Total Support and Revenue	12,805,864	(188,458)	12,617,406
Expenses			
Program and related services	11,991,315	-	11,991,315
Supporting services			
Management and general	1,182,304	-	1,182,304
Fundraising	88,871	-	88,871
Total Expenses	13,262,490	-	13,262,490
Deficiency of Support and Revenue over Expenses	(456,626)	(188,458)	(645,084)
Unrealized Holding Losses on Investments	(29,250)	-	(29,250)
Change in Value of Perpetual Trusts	-	13,085	13,085
Changes in Net Assets	<u>\$ (485,876)</u>	<u>\$ (175,373)</u>	<u>\$ (661,249)</u>

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Statement of Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Net Assets at June 30, 2017	\$ 9,110,047	\$ 2,385,541	\$ 11,495,588
Changes in net assets	<u>(485,876)</u>	<u>(175,373)</u>	<u>(661,249)</u>
Net Assets at June 30, 2018	8,624,171	2,210,168	10,834,339
Changes in net assets	<u>(317,296)</u>	<u>(19,553)</u>	<u>(336,849)</u>
Net Assets at June 30, 2019	<u><u>\$ 8,306,875</u></u>	<u><u>\$ 2,190,615</u></u>	<u><u>\$ 10,497,490</u></u>

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Functional Expenses - by Natural Classification

	Year Ended June 30, 2019			
	Program and Related Services	Supporting Services		Totals
		Management and General	Fundraising	
Salaries and wages	\$ 7,376,055	\$ 665,562	\$ 62,428	\$ 8,104,045
Employee benefits	1,149,507	103,723	9,729	1,262,959
Consultants and professional fees	991,813	53,812	-	1,045,625
Payroll taxes	538,966	48,632	4,562	592,160
Supplies	502,777	-	-	502,777
Depreciation	319,573	28,836	2,705	351,114
Utilities	277,254	25,017	2,347	304,618
Repairs and maintenance	245,077	22,114	2,074	269,265
Purchased services	236,029	-	-	236,029
Insurance	204,708	18,471	1,733	224,912
Residents' activities	66,487	-	-	66,487
Data processing	-	61,844	-	61,844
Prescription drugs and consultant	55,561	-	-	55,561
Nonprescription drugs	39,136	-	-	39,136
Interest expense	-	36,562	-	36,562
Office expense	-	33,799	-	33,799
Food	32,043	-	-	32,043
Telephone	21,288	1,921	180	23,389
Vehicle expense	-	21,339	-	21,339
Staff development	12,186	7,360	-	19,546
Small equipment purchases	14,298	5,030	-	19,328
Dream trip fund expense	11,137	-	-	11,137
Rental expense	4,315	4,964	-	9,279
Educational courses and seminars	-	8,954	-	8,954
Fundraising	-	-	7,785	7,785
Infection control	6,946	-	-	6,946
Advertising	1,819	4,719	-	6,538
Postage	-	5,357	-	5,357
Bank and marketing fees	-	1,608	-	1,608
Miscellaneous expense	415	-	-	415
Bad debts	-	-	-	-
	\$ 12,107,390	\$ 1,159,624	\$ 93,543	\$ 13,360,557

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Functional Expenses - by Natural Classification (continued)

	Year Ended June 30, 2018			
	Program and Related Services	Supporting Services		Totals
		Management and General	Fundraising	
Salaries and wages	\$ 7,275,592	\$ 615,382	\$ 55,855	\$ 7,946,829
Employee benefits	1,319,243	111,584	10,128	1,440,955
Consultants and professional fees	935,575	118,036	-	1,053,611
Payroll taxes	540,740	45,735	4,151	590,626
Supplies	478,545	-	-	478,545
Depreciation	317,904	26,888	2,440	347,232
Utilities	258,664	21,877	1,986	282,527
Repairs and maintenance	208,218	17,611	1,598	227,427
Purchased services	93,273	-	-	93,273
Insurance	201,841	17,072	1,549	220,462
Residents' activities	89,276	-	-	89,276
Data processing	-	66,108	-	66,108
Prescription drugs and consultant	33,255	-	-	33,255
Nonprescription drugs	30,696	-	-	30,696
Interest expense	-	45,654	-	45,654
Office expense	-	28,330	-	28,330
Food	40,527	-	-	40,527
Telephone	21,626	1,829	166	23,621
Vehicle expense	-	19,594	-	19,594
Staff development	12,373	1,960	-	14,333
Small equipment purchases	7,621	3,887	-	11,508
Dream trip fund expense	109	-	-	109
Rental expense	504	5,942	-	6,446
Educational courses and seminars	-	12,305	-	12,305
Fundraising	-	-	10,998	10,998
Infection control	7,151	-	-	7,151
Advertising	13,506	16,851	-	30,357
Postage	-	4,051	-	4,051
Bank and marketing fees	-	1,608	-	1,608
Miscellaneous expense	198	-	-	198
Bad debts	104,878	-	-	104,878
	<u>\$ 11,991,315</u>	<u>\$ 1,182,304</u>	<u>\$ 88,871</u>	<u>\$ 13,262,490</u>

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Statement of Cash Flows

	Years Ended June 30,	
	2019	2018
Cash Flows from Operating Activities		
Cash received from residents and contributions	\$ 12,906,049	\$ 12,772,964
Cash paid to suppliers and employees	(13,326,508)	(12,734,764)
Interest received	53,221	53,251
Interest paid	(34,692)	(43,784)
	<u>(401,930)</u>	<u>47,667</u>
Net Cash Provided by (Used in) Operating Activities		
Cash Flows from Investing Activities		
Capital expenditures	(160,361)	(205,458)
Proceeds from sale of property and equipment	100	-
Purchase of investments	(41,175)	(37,317)
Proceeds from sale of investments	9,534	9,942
	<u>(191,902)</u>	<u>(232,833)</u>
Net Cash Used in Investing Activities		
Cash Flows from Financing Activities		
Principal repayments of bonds payable	(338,534)	(338,534)
Restricted contributions - property and equipment	250,056	93,215
Restricted contributions - Capital Campaign	135,612	135,612
	<u>47,134</u>	<u>(109,707)</u>
Net Cash Provided by (Used in) Financing Activities		
Net Decrease in Cash		
	(546,698)	(294,873)
Cash at Beginning of Year	<u>2,039,534</u>	<u>2,334,407</u>
Cash at End of Year	<u>\$ 1,492,836</u>	<u>\$ 2,039,534</u>
Cash - Operating	\$ 1,162,790	\$ 1,854,255
Cash - Restricted	330,046	185,279
	<u>\$ 1,492,836</u>	<u>\$ 2,039,534</u>

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Statement of Cash Flows (continued)

	Years Ended June 30,	
	2019	2018
Reconciliation of Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Changes in net assets	\$ (336,849)	\$ (661,249)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	351,114	347,232
Amortization of bond issuance costs	1,870	1,870
Restricted contributions - property and equipment	(200,056)	(143,215)
(Gain) loss on sale of investments	(6,427)	647
Unrealized holding (gains) losses on investments	(43,434)	29,250
Change in value of perpetual trusts	9,878	(13,085)
Change in unamortized discount - promises to give	(31,170)	(35,259)
Gain on sale of property and equipment	(100)	-
(Increase) decrease in assets		
Accounts receivable	(56,475)	3,028
Due from Margaret E. Moul Foundation	271,595	310,516
Prepaid expenses	(223,582)	49,380
Increase (decrease) in liabilities		
Accounts payable	(6,305)	94,120
Accrued payroll	(110,386)	1,204
Payroll taxes withheld and accrued	1,739	(1,865)
Accrued expenses	(5,559)	1,943
Funds held for guests	(17,783)	63,150
Net Cash Provided by (Used in) Operating Activities	\$ (401,930)	\$ 47,667

Supplementary Schedule of Noncash Investing and Financing Activities

In 2018

Accounts payable include \$27,581 for capital expenditures.

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Notes to Financial Statements
June 30, 2019 and 2018

Note 1 - Nature of Operations

York County Cerebral Palsy Home, Inc., d/b/a Margaret E. Moul Home (a Pennsylvania nonprofit organization) (the Home) provides medical and nursing care as well as rehabilitation services for adults with neuromuscular impairment and cognition levels sufficient to benefit from specialized services. The environment of the Home is designed to enable individuals to attain their desired maximum level of function and independence. These services are provided by a well-trained caring staff and volunteers.

The Home provides services to individuals who primarily reside in York and surrounding counties of Pennsylvania, regardless of their ability to pay and to the extent of the Home's ability to obtain funding from available sources. The Home derives the majority of its revenue from resident services.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

The preparation of 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 the disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at outstanding balances. The Home considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Promises to Give

Promises to give are recognized when the Home is notified of the promises to give and are stated at outstanding balances. The Home considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the amounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. Promises to give that are expected to be received in more than one year are discounted to present value using a risk-adjusted rate of return. Amortization of the discount is included in contribution revenue.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost if purchased, or fair market value if contributed. Property and equipment are depreciated using the straight-line method over their estimated average useful lives as follows:

Land improvements	5 to 20 years
Building and improvements	5 to 40 years
Guest care equipment and furnishings	5 to 15 years
Office furniture and fixtures	5 to 15 years
Transportation equipment	5 to 7 years

Maintenance, repairs, and minor renewals, which do not significantly improve or extend the lives of the respective assets, are charged to operations when incurred. Additions, improvements, and major renewals are capitalized.

The Home's policy is to capitalize purchases of \$1,000 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during 2019 and 2018.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts are reported at fair value, as determined by the Home's beneficiary interest percentage in the trust. The changes in the value of the trusts are reported as increases or decreases in net assets with donor restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Bonds Issuance Costs

Costs related to issuance of bonds payable are capitalized and amortized to interest expense over the term of the bonds. Gross bond issuance costs amounted to \$28,044 as of June 30, 2019 and 2018 and accumulated amortization amounted to \$17,296 and \$15,426 as of June 30, 2019 and 2018, respectively. Total amortization expense recognized in interest expense amounted to \$1,870 for each of the years ended June 30, 2019 and 2018.

Net Assets

Net assets of the Home and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that are restricted for a specified purpose or passage of time or are restricted in perpetuity

Functional Expenses

The cost of providing the various programs and other activities are summarized on a functional basis in the statement of activities and the statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services include management and general expenses and fundraising costs. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort.

Advertising Costs

The Home expenses advertising costs as incurred. For the years ended June 30, 2019 and 2018, advertising expense amounted to \$6,538 and \$30,357, respectively.

Charity Care

The Home defines charity care as the amount of health care services provided for which they never expected to receive the standard charges for those services.

Since the Home does not expect payment, charity care charges are not included in revenue. The total charity care amount is calculated based on the cost of Medicaid residents, obtained from the most recent cost report and average census. The net charity care amount is net of daily reimbursed rates and other revenue received, which amounted to approximately \$11,580,000 and \$11,380,000, respectively. Charity care, as defined by the Home, amounted to approximately \$1,737,400 and \$2,013,000 for the years ended June 30, 2019 and 2018, respectively, or 14.40% and 17.19% of net resident service revenue for the years ended June 30, 2019 and 2018, respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

Deficiency of Support and Revenue over Expenses

The statement of activities includes deficiency of support and revenue over expenses. Changes in net assets which are excluded from deficiency of support and revenue over expenses, consistent with industry practice, include unrealized holding gains (losses) on investments and change in value of perpetual trusts.

Revenue Recognition

Contributions and support received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Home reports the support as without donor restrictions.

Net resident service revenue is reported at estimated net realizable amounts from residents, third-party payors, and others for services rendered. The Home has agreements with third-party payors that provide payments at amounts different from its established rates. A significant portion of the Home's net resident service revenue is derived from these third-party payor programs. A summary of the principal payment arrangements with third-party payors follows:

Medical Assistance

The Home's services rendered to Medical Assistance program beneficiaries are paid based on a published fee schedule. Medical Assistance program revenue accounted for approximately 97% of net resident services revenue for each of the years ended June 30, 2019 and 2018. This revenue is net of adjustments to reduce normal charge rates to reimbursable limits. The contractual allowance amounted to \$2,735,332 and \$2,463,409 for the years ended June 30, 2019 and 2018, respectively.

Medicare

Services related to Medicare are paid at prospectively determined rates, which vary according to a resident classification system that is based on clinical, functional, and service utilization and the reimbursement methodology is subject to various limitations and adjustments (prospective system). The determination of these rates is partially based on the Home's clinical assessment of its residents. The Home 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 program.

Medicare revenue accounted for approximately 2% and 1% of net resident services revenue during the years ended June 30, 2019 and 2018, respectively. This revenue is net of adjustments to reduce normal charge rates to reimbursable limits. The contractual allowance amounted to \$56,801 and \$37,493 for the years ended June 30, 2019 and 2018, respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. This guidance is effective for annual periods beginning after December 15, 2017. The Home implemented this standard during the year ended June 30, 2019. The ASU has been applied retrospectively to all periods presented, which had no effect on net asset restrictions.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018. The Home is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for annual periods beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities. The Home is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The guidance is effective for fiscal years beginning after December 15, 2020. The Home is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Notes to Financial Statements
June 30, 2019 and 2018

Note 3 - Tax-Exempt Status

The Home is a not-for-profit entity described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code. In addition, the Home was organized under the Pennsylvania Nonprofit Corporation Law and is exempt from state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Home, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Home has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Home is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before June 30, 2016.

Note 4 - Fair Value of Financial Instruments

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation techniques were used to measure fair value of assets in the tables below on a recurring basis:

Cash and cash equivalents - The carrying amounts approximate fair value because of the short-term nature of these investments.

Government securities, corporate bonds, equity securities, and mutual funds - Fair value was based on quoted market prices for the identical securities.

Beneficial interest in perpetual trusts - The beneficial interest in perpetual trusts are valued at fair value based on the Home's interest in the fair values of the underlying assets, which approximate the present value of estimated cash flows to be received from the trusts. The present value measured is utilized as the underlying assets of each individual trust are not in control of the Home.

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Notes to Financial Statements
June 30, 2019 and 2018

Note 4 - Fair Value of Financial Instruments (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Home believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy are as follows as of June 30:

	2019			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 20,122	\$ 20,122	\$ -	\$ -
Government Securities	469,606	469,606	-	-
Corporate Bonds				
A3	60,584	60,584	-	-
BAA1	50,340	50,340	-	-
A2	42,014	42,014	-	-
BAA2	33,876	33,876	-	-
A1	21,561	21,561	-	-
AA2	16,532	16,532	-	-
AA1	10,099	10,099	-	-
Equity Securities				
Consumer goods	110,078	110,078	-	-
Healthcare	88,536	88,536	-	-
Technology	46,563	46,563	-	-
Financial	29,283	29,283	-	-
Industrial goods	28,822	28,822	-	-
Services	18,813	18,813	-	-
Basic materials	5,379	5,379	-	-
Mutual Funds				
Fixed income	238,618	238,618	-	-
Total Investments	<u>\$ 1,290,826</u>	<u>\$ 1,290,826</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Perpetual Trusts	<u>\$ 1,135,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,135,341</u>

York County Cerebral Palsy Home, Inc.
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Notes to Financial Statements
 June 30, 2019 and 2018

Note 4 - Fair Value of Financial Instruments (continued)

	2018			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 18,559	\$ 18,559	\$ -	\$ -
Government Securities	406,813	406,813	-	-
Corporate Bonds				
A3	76,395	76,395	-	-
BAA1	52,921	52,921	-	-
A2	18,522	18,522	-	-
A1	16,904	16,904	-	-
AA1	15,689	15,689	-	-
AA2	14,887	14,887	-	-
BAA2	14,586	14,586	-	-
BAA3	8,999	8,999	-	-
AAA	8,809	8,809	-	-
Equity Securities				
Consumer goods	108,387	108,387	-	-
Healthcare	72,421	72,421	-	-
Technology	42,812	42,812	-	-
Financial	24,505	24,505	-	-
Services	17,669	17,669	-	-
Industrial goods	15,357	15,357	-	-
Basic materials	6,831	6,831	-	-
Mutual Funds				
Fixed income	268,258	268,258	-	-
Total Investments	<u>\$ 1,209,324</u>	<u>\$ 1,209,324</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Perpetual Trusts	<u>\$ 1,145,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,145,219</u>

York County Cerebral Palsy Home, Inc.
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Notes to Financial Statements
June 30, 2019 and 2018

Note 4 - Fair Value of Financial Instruments (continued)

Change in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluate the significance of transfers between levels based upon the nature of financial instruments and size of the transfer relative to total assets. For the years ended June 30, 2019 and 2018, there were no transfers in or out of Level 3.

For assets falling within Level 3 in the fair value hierarchy, the activity recognized is as follows during the years ended June 30, 2019 and 2018:

	Beneficial Interest in Perpetual Trusts
Balance at June 30, 2017	\$ 1,132,134
Net investment activity	4,339
Unrealized gains	<u>8,746</u>
Balance at June 30, 2018	1,145,219
Net investment activity	6,428
Unrealized losses	<u>(16,306)</u>
Balance at June 30, 2019	<u>\$ 1,135,341</u>

The unrealized gains (losses) for beneficial interest in perpetual trusts, classified as Level 3, are included as change in value of perpetual trusts in the statement of activities.

York County Cerebral Palsy Home, Inc.
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Notes to Financial Statements
June 30, 2019 and 2018

Note 5 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the statement of financial position, comprise the following as of June 30:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash - operating	\$ 1,162,790	\$ 1,854,255
Cash - restricted	330,046	185,279
Accounts receivable	1,929,972	1,873,497
Due from Margaret E. Moul Foundation, current portion	360,000	360,000
Promises to give, current portion	135,612	185,612
Investments	1,290,826	1,209,324
Distributions from beneficial interest in perpetual trusts	48,300	48,971
	<u>5,257,546</u>	<u>5,716,938</u>
Total Financial Assets		
Amounts Not Available to be Used for General Expenditures Within One Year		
Cash subject to donor restrictions	(330,046)	(185,279)
Promises to give subject to donor restrictions	(135,612)	(185,612)
Funds held for guests	(189,637)	(207,420)
	<u>(655,295)</u>	<u>(578,311)</u>
Total Amounts Not Available to be Used for General Expenditures Within One Year		
	<u>(655,295)</u>	<u>(578,311)</u>
Financial Assets Available to be Used for General Expenditures Within One Year		
	<u>\$ 4,602,251</u>	<u>\$ 5,138,627</u>

As part of the Home's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization does not have a line of credit available to meet short-term needs.

Note 6 - In-Kind Contributions

Contributed assets, including contributed equipment and materials, are reported in the accompanying financial statements at their fair market value as of the date the assets were received.

During the years ended June 30, 2019 and 2018, a substantial number of individual volunteers donated significant amounts of time to the Home's programs and administrative functions. These services do not meet the criteria for recognition as contributed services and are not reflected in the accompanying financial statements.

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Notes to Financial Statements
 June 30, 2019 and 2018

Note 7 - Cash and Concentration of Cash Risk

Cash consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
General Operating Funds		
Checking	\$ 411,258	\$ 442,217
Savings	28,728	632,836
Petty cash	650	650
	<u>440,636</u>	<u>1,075,703</u>
Capital Asset Fund		
Checking	<u>862,563</u>	<u>756,411</u>
Resident Funds		
Savings	113,112	82,605
Checking	75,963	124,268
Petty cash	562	547
	<u>189,637</u>	<u>207,420</u>
	<u>\$ 1,492,836</u>	<u>\$ 2,039,534</u>
Cash - Operating	<u>\$ 1,162,790</u>	<u>\$ 1,854,255</u>
Cash - Restricted	<u>330,046</u>	<u>185,279</u>
	<u>\$ 1,492,836</u>	<u>\$ 2,039,534</u>

The Home is custodian of many of the residents' personal funds. These funds are maintained solely for the residents' personal use.

The Home maintains its cash balances at several financial institutions located in York, Pennsylvania. At times during the years ended June 30, 2019 and 2018, the Home's cash balances exceeded the federally insured limit of \$250,000.

Note 8 - Promises to Give

Promises to give - Capital Campaign represent pledges received during the year ended June 30, 2000, when the Home conducted a Capital Campaign to raise donations to renovate and expand its facilities. The promises to give that were acquired during the year ended June 30, 2000, and are expected to be collected in more than one year, were discounted to present value using a risk-adjusted rate of return of 4.00%. There have been no new promises to give since the year ended June 30, 2000.

York County Cerebral Palsy Home, Inc.
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Notes to Financial Statements
June 30, 2019 and 2018

Note 8 - Promises to Give (continued)

Promises to give - other represent pledges received from various fundraising efforts. All promises to give - other as of June 30, 2018 were considered current.

Promises to give consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Promises to give - Capital Campaign	\$ 813,676	\$ 949,288
Promises to give - other	-	50,000
	<u>813,676</u>	999,288
Unamortized discount	<u>(88,448)</u>	(119,618)
	<u>\$ 725,228</u>	\$ 879,670
Current portion	\$ 135,612	\$ 185,612
Long-term portion	<u>589,616</u>	694,058
	<u>\$ 725,228</u>	\$ 879,670

The due dates of promises to give, assuming no change in current terms, consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 135,612	\$ 185,612
Receivable in one to five years	542,448	542,448
Receivable in more than five years	<u>135,616</u>	271,228
	<u>\$ 813,676</u>	\$ 999,288

Note 9 - Property and Equipment

Property and equipment consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 9,804,469	\$ 9,744,409
Guest care equipment and furnishings	1,980,493	1,918,583
Transportation equipment	202,926	202,926
Land and improvements	133,237	133,237
Office furniture and fixtures	<u>11,379</u>	11,379
	<u>12,132,504</u>	12,010,534
Accumulated depreciation	<u>(6,533,663)</u>	(6,193,359)
	<u>\$ 5,598,841</u>	\$ 5,817,175

York County Cerebral Palsy Home, Inc.
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Notes to Financial Statements
 June 30, 2019 and 2018

Note 9 - Property and Equipment (continued)

Depreciation expense amounted to \$351,114 and \$347,232 for the years ended June 30, 2019 and 2018, respectively.

Note 10 - Investments

The cost, gross unrealized gains and losses, and fair value for investments consist of the following as of June 30:

	2019			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Cash and Cash Equivalents	\$ 20,122	\$ -	\$ -	\$ 20,122
Government Securities	459,109	11,489	(992)	469,606
Corporate Bonds				
A3	58,475	2,109	-	60,584
BAA1	48,316	2,024	-	50,340
A2	41,039	975	-	42,014
BAA2	32,985	891	-	33,876
A1	21,015	546	-	21,561
AA2	16,018	514	-	16,532
AA1	9,703	396	-	10,099
Equity Securities				
Consumer goods	108,079	14,261	(12,262)	110,078
Healthcare	79,009	11,000	(1,473)	88,536
Technology	34,068	12,495	-	46,563
Financial	26,250	4,702	(1,669)	29,283
Industrial goods	26,885	2,388	(451)	28,822
Services	17,432	1,381	-	18,813
Basic materials	4,527	852	-	5,379
Mutual Funds				
Fixed income	239,983	2,027	(3,392)	238,618
	<u>\$ 1,243,015</u>	<u>\$ 68,050</u>	<u>\$ (20,239)</u>	<u>\$ 1,290,826</u>

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Notes to Financial Statements
June 30, 2019 and 2018

Note 10 - Investments (continued)

	2018			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Cash and Cash Equivalents	\$ 18,559	\$ -	\$ -	\$ 18,559
Government Securities	416,242	829	(10,258)	406,813
Corporate Bonds				
A3	77,464	470	(1,539)	76,395
BAA1	53,911	15	(1,005)	52,921
A2	19,008	-	(486)	18,522
A1	16,985	-	(81)	16,904
AA1	15,730	-	(41)	15,689
AA2	15,087	2	(202)	14,887
BAA2	14,934	-	(348)	14,586
BAA3	8,989	10	-	8,999
AAA	8,997	-	(188)	8,809
Equity Securities				
Consumer goods	107,844	7,514	(6,971)	108,387
Healthcare	68,930	5,979	(2,488)	72,421
Technology	32,936	9,876	-	42,812
Financial	20,401	4,820	(716)	24,505
Services	17,237	485	(53)	17,669
Industrial goods	14,297	1,324	(264)	15,357
Basic materials	6,092	739	-	6,831
Mutual Funds				
Fixed income	276,163	-	(7,905)	268,258
	<u>\$ 1,209,806</u>	<u>\$ 32,063</u>	<u>\$ (32,545)</u>	<u>\$ 1,209,324</u>

Long-term investments held as of June 30, 2019 and 2018 are comprised of investments in cash and cash equivalents, government securities, corporate bonds, equity securities, and mutual funds. For the years ended June 30, 2019 and 2018, the Home has recorded total unrealized holding losses on 19 and 63 of these securities, respectively. Management believes that holding losses recorded on these investments are not a permanent impairment, but rather a temporary market decline.

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Notes to Financial Statements
 June 30, 2019 and 2018

Note 10 - Investments (continued)

The following tables show the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of June 30:

	2019					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily Impaired Government Securities	\$ -	\$ -	\$ 50,586	\$ (992)	\$ 50,586	\$ (992)
Temporarily Impaired Equity Securities						
Consumer goods	9,011	(46)	33,175	(12,216)	42,186	(12,262)
Healthcare	5,527	(341)	21,663	(1,132)	27,190	(1,473)
Financial	5,063	(462)	4,039	(1,207)	9,102	(1,669)
Industrial goods	6,443	(451)	-	-	6,443	(451)
Temporarily Impaired Mutual Funds						
Fixed income	-	-	65,931	(3,392)	65,931	(3,392)
	<u>\$ 26,044</u>	<u>\$ (1,300)</u>	<u>\$ 175,394</u>	<u>\$ (18,939)</u>	<u>\$ 201,438</u>	<u>\$ (20,239)</u>
	2018					
Temporarily Impaired Government Securities	\$ 270,114	\$ (4,620)	\$ 101,325	\$ (5,638)	\$ 371,439	\$ (10,258)
Temporarily Impaired Corporate Bonds						
A3	55,894	(1,401)	7,890	(138)	63,784	(1,539)
BAA1	26,201	(682)	7,922	(323)	34,123	(1,005)
A2	18,522	(486)	-	-	18,522	(486)
A1	16,904	(81)	-	-	16,904	(81)
AA1	7,982	(11)	7,707	(30)	15,689	(41)
AA2	-	-	6,888	(202)	6,888	(202)
BAA2	14,586	(348)	-	-	14,586	(348)
AAA	8,809	(188)	-	-	8,809	(188)

**York County Cerebral Palsy Home, Inc.
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Notes to Financial Statements
June 30, 2019 and 2018

Note 10 - Investments (continued)

	2018					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily Impaired Equity Securities						
Consumer goods	47,769	(6,236)	6,479	(735)	54,248	(6,971)
Healthcare	18,898	(1,707)	7,054	(781)	25,952	(2,488)
Financial	4,288	(716)	-	-	4,288	(716)
Services	6,724	(53)	-	-	6,724	(53)
Industrial goods	3,670	(264)	-	-	3,670	(264)
Temporarily Impaired Mutual Funds						
Fixed income	58,295	(241)	209,963	(7,664)	268,258	(7,905)
	<u>\$ 558,656</u>	<u>\$ (17,034)</u>	<u>\$ 355,228</u>	<u>\$ (15,511)</u>	<u>\$ 913,884</u>	<u>\$ (32,545)</u>

Note 11 - Beneficial Interest in Perpetual Trusts

The Home is named as beneficiary under several perpetual trusts. The Home's beneficiary interest allocation ranges from 11.11% to 50% for the years ended June 30, 2019 and 2018. The cost, gross unrealized gains and losses, and fair value of investments consist of the following as of June 30:

	2019			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Beneficial interest in perpetual trusts	<u>\$ 1,070,916</u>	<u>\$ 64,425</u>	<u>\$ -</u>	<u>\$ 1,135,341</u>
	2018			
Beneficial interest in perpetual trusts	<u>\$ 1,064,488</u>	<u>\$ 80,731</u>	<u>\$ -</u>	<u>\$ 1,145,219</u>

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Notes to Financial Statements
 June 30, 2019 and 2018

Note 12 - Long-Term Debt

Long-term debt consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Fulton Bank - General Authority of South Central Pennsylvania Revenue Note - Series of 2010; collateralized by mortgage and business assets of Home; issued April 1, 2010; original principal of \$4,762,000; interest fixed at 2.65% through June 2020, at which time the rate changes to a variable rate equal to 75% of the LIBOR rate, plus 210 basis points, with a floor rate equal to 2.75%; principal and interest due monthly beginning May 2010; due July 1, 2025; as of June 30, 2019 and 2018, interest rate was 2.65% (effective interest rate was 2.89% and 2.85%, respectively)	\$ 1,107,018	\$ 1,445,552
Unamortized bond issuance costs	<u>(10,748)</u>	<u>(12,618)</u>
	1,096,270	1,432,934
Current maturities	<u>(336,664)</u>	<u>(336,664)</u>
	<u>\$ 759,606</u>	<u>\$ 1,096,270</u>

Aggregate maturities of long-term debt and estimated amortization of bond issuance costs, assuming no change in current terms, consist of the following for the remaining four years ending June 30:

	<u>Principal Payments</u>	<u>Amortization of Bond Issuance Costs</u>	<u>Net</u>
2020	\$ 338,534	\$ (1,870)	\$ 336,664
2021	338,534	(1,870)	336,664
2022	338,534	(1,870)	336,664
2023	<u>91,416</u>	<u>(5,138)</u>	<u>86,278</u>
	<u>\$ 1,107,018</u>	<u>\$ (10,748)</u>	<u>\$ 1,096,270</u>

Total interest expense amounted to \$36,562 and \$45,654 for the years ended June 30, 2019 and 2018, respectively.

York County Cerebral Palsy Home, Inc.
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Notes to Financial Statements
 June 30, 2019 and 2018

Note 13 - Retirement Plan

The Margaret E. Moul Home sponsors a defined-contribution retirement plan covering employees who meet certain age and length of service requirements. For participating employees, the Home will make contributions to the plan up to 2%.

Total retirement expense amounted to \$120,186 and \$114,219 for the years ended June 30, 2019 and 2018, respectively.

Note 14 - Commitments

The Home has entered into two operating leases for office equipment with varying lease terms. Rent expense for the years ended June 30, 2019 and 2018 amounted to \$9,279 and \$6,446, respectively.

Future minimum lease payments, assuming no change in current terms, consist of the following for the remaining four years ending June 30:

2020	\$	5,376
2021		5,239
2022		3,726
2023		1,863
		<u>16,204</u>
	\$	<u>16,204</u>

Note 15 - Net Assets with Donor Restrictions

The Home's net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to passage of time		
Promises to give	\$ 725,228	\$ 879,670
Subject to expenditures for a specific purpose		
Cash - property and equipment	330,046	185,279
Perpetual in nature		
Beneficial interest in perpetual trusts	<u>1,135,341</u>	<u>1,145,219</u>
	<u>\$ 2,190,615</u>	<u>\$ 2,210,168</u>

York County Cerebral Palsy Home, Inc.
d/b/a Margaret E. Moul Home

Notes to Financial Statements
June 30, 2019 and 2018

Note 16 - Related Party

The Margaret E. Moul Foundation (the Foundation) is an organization affiliated through common management, but with its own Board of Directors, that provides financial support to the Home.

The Home had the following balances with the Foundation as of June 30:

	<u>2019</u>	<u>2018</u>
Promises to give, net of unamortized discount of \$88,448 and \$119,618, respectively	<u>\$ 725,228</u>	<u>\$ 829,670</u>
Due from Margaret E. Moul Foundation	<u>\$ 858,913</u>	<u>\$ 1,130,508</u>

Effective July 1, 2017, the Foundation agreed to begin paying the Home \$30,000 monthly as payment on amount due from Margaret E. Moul Foundation.

Note 17 - Contingencies

The Home has engaged legal counsel to review and file appeals, as appropriate, in connection with Medical Assistance Cost Reports filed in several prior years. The Home is vigorously pursuing these appeals since disallowed costs, if any, would have to be absorbed by the Home. Management does not believe that any significant disallowed costs will be incurred by the Home as a result of the appeals.

Note 18 - Pennsylvania Nursing Facility Assessment Program

During December 2004, the Centers for Medicare and Medicaid Services (CMS) gave approval to the Commonwealth of Pennsylvania's request to implement a Pennsylvania Nursing Facility Assessment Program authorized by the Pennsylvania General Assembly in September 2003. The legislation has given authority to the Department of Human Services to collect this assessment from all nongovernmental licensed nursing facilities. The revenue from this assessment will be used to maintain Medical Assistance (MA) rates and provide additional reimbursement to MA participating nursing facilities. The assessment program was approved retroactive to July 1, 2003.

The Home pays the assessment on a quarterly basis based upon its quarterly census. The Home will receive additional reimbursement on a quarterly basis in the form of a supplemental payment based on quarterly MA census and an allowable cost payment based on the MA occupancy percentage of the assessment. The net positive effect of the assessment was \$450,602 and \$484,000 for the years ended June 30, 2019 and 2018, respectively.

Note 19 - Unemployment Compensation Fund

The Home reimburses the Pennsylvania Unemployment Compensation Fund for actual unemployment compensation claims paid (self-insured). When employees receive unemployment compensation benefits, the Pennsylvania Unemployment Compensation Fund is reimbursed for the amount of the payment by the Home. The Home posted a surety bond in the amount of \$24,700 to insure any unpaid bills by the Home, which expires December 31, 2020.

Note 20 - Medical Malpractice Insurance

The Home purchased its medical malpractice insurance coverages from a commercial insurance company. The coverages are provided on a claims-made basis. At June 30, 2019, primary coverage was provided for the Home in the amount of \$1,000,000 per claim and \$3,000,000 per annual aggregate. The Home has additional insurance coverage through an umbrella policy. This policy provides coverage up to \$3,000,000 per claim and \$3,000,000 per annual aggregate.

Note 21 - Reclassifications

Certain information in the 2018 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2019 financial statements. There was no change to total changes in net assets or total net assets.

Note 22 - Subsequent Events

The Home has evaluated subsequent events through October 21, 2019. This date is the date the financial statements were available to be issued. No material events subsequent to June 30, 2019 were noted.