

GERIATRIC SERVICES, INC. AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019 AND 2018



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Geriatric Services, Inc. and Affiliate
Teaneck, New Jersey

Report on the Financial Statements

We have audited the accompanying combined financial statements of Geriatric Services, Inc. and Affiliate ("Organization"), both New Jersey nonprofit corporations, which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Geriatric Services, Inc. and Affiliate as of December 31, 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.

Emphasis of Matter

The Organization adopted Financial Accounting Standards Board, *Revenue from Contracts with Customers*, and *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as described in Note 2. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

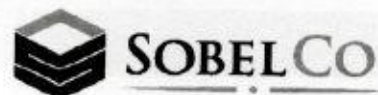
Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information, including the combining statements of financial position, the combining statements of activities and changes in net assets, and the combining statements of functional expenses on pages 25-30, is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards on page 37, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the combined financial statements. In addition, the accompanying supplementary statement and schedules on pages 31-36, are presented for the purpose of additional analysis as required by the New Jersey Housing and Mortgage Finance Agency for Geriatric Services, Inc. only and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Requirements by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 11, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Livingston, New Jersey
November 11, 2020

Sobel & Co, LLC
Certified Public Accountants



GERIATRIC SERVICES, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 27,884	\$ 37,036
Contributions receivable	101,577	46,170
Grants receivable - current	-	175,000
Accounts receivable	167,995	88,954
Prepaid expenses	3,377	9,964
Residents' personal needs allowance	10,979	10,979
Total Current Assets	311,812	368,103
Property and equipment, net	2,921,810	3,036,555
Loans receivable	11,614,050	11,614,050
Mortgage escrow deposits	347,309	314,523
Investments	578,702	597,462
Other assets	750	750
	\$ 15,774,433	\$ 15,931,443
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 201,019	\$ 236,889
Prepaid residents' fees	23,041	9,765
Long-term debt, current portion	256,983	235,080
Residents' personal needs allowance	11,444	11,261
Total Current Liabilities	492,487	492,995
Long-term debt, net of current portion	13,826,660	13,940,642
Total Liabilities	14,319,147	14,433,637
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	660,413	757,400
With donor restrictions	794,873	740,406
Total Net Assets	1,455,286	1,497,806
	\$ 15,774,433	\$ 15,931,443

GERIATRIC SERVICES, INC. AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
REVENUE AND OTHER SUPPORT:				
Resident services revenue	\$ 2,822,513	\$ -	\$ 2,544,711	\$ -
Contributions	48,812	178,580	130,413	129,500
Government grants	75,900	-	68,012	-
Special event revenues, net	28,655	-	39,670	-
Interest income, net	14,092	-	9,249	-
Resident community fee	12,000	-	9,000	-
Unrealized and realized gain (loss) on investments	145,760	-	(46,481)	-
Miscellaneous income	-	-	10,976	-
	<u>3,147,732</u>	<u>178,580</u>	<u>2,765,550</u>	<u>129,500</u>
Net assets released from restrictions	124,113	(124,113)	255,094	(255,094)
	<u>3,271,845</u>	<u>54,467</u>	<u>3,020,644</u>	<u>(125,594)</u>
Total Revenue and Other Support		3,326,312		2,895,050
EXPENSES:				
Program services	3,019,137	-	2,830,845	-
Management and general	283,395	-	255,917	-
Fundraising	66,300	-	65,032	-
	<u>3,368,832</u>	<u>-</u>	<u>3,151,794</u>	<u>-</u>
Total Expenses		3,368,832		3,151,794
CHANGES IN NET ASSETS				
	(96,987)	54,467	(131,150)	(125,594)
NET ASSETS, Beginning of year	757,400	740,406	888,550	866,000
NET ASSETS, End of year	\$ 660,413	\$ 794,873	\$ 757,400	\$ 740,406
		\$ 1,455,286		\$ 1,497,806

The accompanying notes are an integral part of these combined financial statements.

GERIATRIC SERVICES, INC. AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Support Services		Total Program and Support Services
		Management and General	Fundraising	
Salaries and wages	\$ 1,685,590	\$ 179,345	\$ 17,645	\$ 1,882,580
Managing agent fee	94,860	5,100	2,040	102,000
Payroll taxes	159,927	23,176	6,746	189,849
Employee benefits	201,751	20,674	10,427	232,852
Total Salaries and Related Expenses	2,142,128	228,295	36,858	2,407,281
Dietary expense	152,085	-	-	152,085
Laundry and linen	45,076	-	-	45,076
Insurance	70,804	6,673	3,790	81,267
Supplies	24,587	3,398	1,074	29,059
Repairs and maintenance	62,317	4,957	3,541	70,815
Waste disposal	6,234	496	354	7,084
Utilities	50,725	4,035	2,882	57,642
Telephone	14,589	2,996	418	18,003
Professional fees	26,997	3,571	1,215	31,783
Office expense	17,715	2,365	792	20,872
Depreciation expense	106,009	8,433	6,023	120,465
Interest expense	113,850	9,056	6,469	129,375
Service fees	33,885	3,882	1,660	39,427
Bad debt expense	-	1,517	-	1,517
Brightside Manor expansion	65,633	-	-	65,633
Rent expense	5,571	1,857	-	7,428
Grant expenses - TLC	58,940	-	-	58,940
Other expense	21,992	1,864	1,224	25,080
Total Functional Expenses	\$ 3,019,137	\$ 283,395	\$ 66,300	\$ 3,368,832

GERIATRIC SERVICES, INC. AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Support Services		Total Program and Support Services
		Management and General	Fundraising	
Salaries and wages	\$ 1,577,606	\$ 147,812	\$ 17,630	\$ 1,743,048
Managing agent fee	94,860	5,100	2,040	102,000
Payroll taxes	135,997	19,928	6,049	161,974
Employee benefits	166,993	21,465	8,143	196,601
Total Salaries and Related Expenses	1,975,456	194,305	33,862	2,203,623
Dietary expense	163,818	-	-	163,818
Laundry and linen	38,622	-	-	38,622
Insurance	72,024	8,293	3,741	84,058
Supplies	31,165	4,542	1,392	37,099
Repairs and maintenance	65,805	6,051	3,782	75,638
Waste disposal	4,622	425	266	5,313
Utilities	52,858	4,860	3,038	60,756
Telephone	7,834	1,353	300	9,487
Professional fees	27,954	4,014	1,263	33,231
Office expense	10,929	1,098	606	12,633
Depreciation expense	106,775	9,818	6,137	122,730
Interest expense	129,186	11,879	7,425	148,490
Service fees	30,693	2,793	1,665	35,151
Bad debt expense	-	2,013	-	2,013
Brightside Manor expansion	21,907	-	-	21,907
Rent expense	5,669	1,890	-	7,559
Grant expenses - TLC	58,187	-	-	58,187
Other expense	27,341	2,583	1,555	31,479
Total Functional Expenses	\$ 2,830,845	\$ 255,917	\$ 65,032	\$ 3,151,794

GERIATRIC SERVICES, INC. AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (42,520)	\$ (256,744)
Adjustments to reconcile changes in net assets to net cash (used for) provided by operating activities:		
Depreciation	120,465	122,730
Bad debt expense	1,517	2,013
Unrealized and realized (gain) loss on investments	(145,760)	46,481
Changes in certain assets and liabilities:		
Contributions receivable	(55,407)	48,965
Grants receivable	175,000	176,710
Accounts receivable	(80,558)	6,070
Prepaid expenses	6,587	3,245
Residents' personal needs allowance	-	(5,411)
Accounts payable and accrued expenses	(35,870)	(19,643)
Prepaid residents' fees	13,276	(175)
Residents' personal needs allowance	183	5,092
Net Cash (Used for) Provided by Operating Activities	<u>(43,087)</u>	<u>129,333</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(5,720)	(7,910)
Deposits in mortgage escrow funds	(108,586)	(95,355)
Disbursements from mortgage escrow funds	75,800	71,644
Purchases of investments	(427,380)	(127,498)
Proceeds from sale of investments	591,900	154,654
Net Cash Provided by (Used for) Investing Activities	<u>126,014</u>	<u>(4,465)</u>
<u>FINANCING ACTIVITIES:</u>		
Principal payments of capital lease obligation	-	(1,302)
Principal payments of mortgages payable	(92,079)	(116,693)
Net Cash Used for Financing Activities	<u>(92,079)</u>	<u>(117,995)</u>

GERIATRIC SERVICES, INC. AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS (Continued)

	Year Ended December 31,	
	2019	2018
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,152)	6,873
CASH AND CASH EQUIVALENTS:		
Beginning of year	37,036	30,163
End of year	<u>\$ 27,884</u>	<u>\$ 37,036</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for interest	<u>\$ 129,375</u>	<u>\$ 148,490</u>

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - NATURE OF BUSINESS:

Geriatric Services, Inc. ("GSI") is governed by a Board of Trustees. GSI operates a 65-bed assisted-living facility licensed and regulated by the New Jersey Department of Health and Senior Services. GSI provides resident services to the elderly, emphasizing personal care, recreation and nutrition programs. The facility, operated by GSI, located in Teaneck, New Jersey, is known as Bright Side Manor.

In 2003, GSI completed a project to expand and renovate Bright Side Manor at a cost of approximately \$3.7 million, financed primarily through a tax-exempt bond obligation issued by the New Jersey Housing and Mortgage Finance Agency ("NJHMFA"). This project significantly increased the capacity of the facility and has enabled GSI to qualify as an assisted-living facility and, thereby, qualify its eligible residents for Medicaid subsidies.

The combined financial statements include those of Geriatric Services, Inc. and Geriatric Living Solutions, Inc. ("GLS") (collectively, "Organization"), both of which are New Jersey not-for-profit corporations in which Geriatric Services, Inc. exercises control. GLS was incorporated in March 2014 and was established exclusively for the purpose of operating a portable assisted-living service ("PALS") program that provides assisted-living services in subsidized housing for elderly or other persons in need, with services specifically designed to meet their physical, social, and psychological needs. Both organizations are under common management and the majority of members of the Board of Trustees for Geriatric Living Solutions, Inc. are also members of Geriatric Services, Inc.'s Board of Trustees.

The financial position and results of operations presented in the accompanying combined financial statements do not represent those of a single legal entity. All significant intercompany transactions and accounts have been eliminated in combination.

The information presented in the supplementary statement and schedules required by the New Jersey Housing and Mortgage Finance Agency on pages 31-36 represent the financial position and results of operations of Geriatric Services, Inc. solely, as Geriatric Living Solutions, Inc. is not subject to these reporting requirements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation:

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

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations and currently available for use by the Organization's Board of Trustees.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time and other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents:

Cash consists of funds maintained in bank accounts. Cash equivalents consist of highly liquid money market investments with an original maturity of three months or less.

Receivables:

Receivables are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible receivables to operations when they are determined to be uncollectible based on historical trends. Receivables have been reviewed by management and it has been determined that an allowance for doubtful accounts as of December 31, 2019 and 2018, is not required.

Property and Equipment:

Property and equipment is stated at cost of purchase or at the estimated fair market value on the date of gift for donated assets. Expenditures for maintenance and repairs are charged to net assets as incurred.

Property and equipment is depreciated using the straight-line method over estimated useful lives that range from 5 to 7 years for furniture and equipment, and 40 years for buildings and improvements.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment: (Continued)

NJHMFA requires that the books and records reflect, as charges against income, the net additions to any escrow account for future repairs and replacements. NJHMFA also requires depreciation-regular and depreciation-excess. Depreciation-regular is the amount equal to the principal amortization of the mortgage for the last 12-month period. Depreciation-excess is the difference between depreciation-regular and depreciation as calculated on the straight-line method. The statement of activities and changes in net assets-NJHMFA format, in the supplemental data (pages 31-33) reflects these requirements.

Donated Goods and Services:

During the years ended December 31, 2019 and 2018, the Organization received donated food from another nonprofit organization with an estimated fair market value of \$5,285 and \$9,271, respectively, which was included in contributions on the combined statements of activities and changes in net assets.

Various volunteer groups periodically provide services to help maintain the residential care facility or assist with program services. The value of these services is not reflected in the combined financial statements since the services do not require specialized skills.

Fair Value:

Fair value measurements are defined as the amount 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. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as: quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Valuations based on unobservable inputs when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fair Value: (Continued)

The fair values of investments are as follows:

Mutual funds - Valued at the net asset value of shares held by the Organization at year-end.

Equity securities - Shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

Notes Payable:

The Organization does not discount noninterest-bearing or below-market-rate loans that originated from governmental agencies.

Revenue Recognition:

The Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which went into effect for years beginning after December 15, 2018. This guidance is intended to clarify and improve the scope of accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improving guidance to better distinguish between conditional and unconditional contributions.

Contributions are recognized as revenue when they are received or unconditionally pledged. Conditional contributions are not recognized until the conditions are substantially met.

Contributions are recorded as revenue as either with or without donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

Revenue from government grants is considered a conditional contribution and is not recognized until the conditions related to this revenue are substantially met or explicitly waived.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition: (Continued)

In May 2014, the FASB issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that supersedes existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, the first day of the Organization's fiscal year using the modified retrospective approach.

The Organization derives a portion of its revenue from resident services revenue. Resident services revenue is recognized when the Organization provides the services to a respective resident in an amount that reflects the consideration the Organization expects to be entitled to in exchange for providing these services.

The Organization recognizes resident services revenue over time as the services are provided to the residents. There are no significant financing components or variable considerations provided to clients.

Any resident services revenues received in advance are deferred as prepaid residents' fees until earned.

Income Taxes:

GSI and GLS are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are not liable for federal and state income taxes.

The Organization follows accounting standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's combined financial statements. The guidance prescribes a recognition threshold and measurement attribute for the combined financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the combined statements of activities and changes in net assets. No interest and penalties were recorded during the years 2019 and 2018. At December 31, 2019 and 2018, there are no significant income tax uncertainties that are expected to have a material impact on the Organization's combined financial statements.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates:

In preparing combined financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 financial statement presentation.

Recent Accounting Pronouncements:

The Financial Accounting Standards Board issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. The standard is effective for annual periods beginning after December 15, 2021. It will be effective for the Organization for the year ended December 31, 2022. The Organization is currently evaluating the effect the new pronouncement will have on its financial statements.

Subsequent Events:

The Organization has evaluated events subsequent to the combined statement of financial position date as of December 31, 2019 through November 11, 2020, the date that the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT:

	December 31,	
	2019	2018
Land	\$ 330,078	\$ 330,078
Buildings	700,125	700,125
Building improvements	3,708,312	3,705,038
Furniture and equipment	370,226	367,780
Total	5,108,741	5,103,021
Less: Accumulated depreciation	2,186,931	2,066,466
Property and Equipment, Net	<u>\$ 2,921,810</u>	<u>\$ 3,036,555</u>

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 - INVESTMENTS:

Investments are categorized as follows:

	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 578,702	\$ -	\$ -	\$ 578,702

	Fair Value Measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 31,095	\$ -	\$ -	\$ 31,095
Equity securities	566,367	-	-	566,367
Investments at Fair Value	\$ 597,462	\$ -	\$ -	\$ 597,462

The cost basis of the Organization's investments at December 31, 2019 and 2018, is approximately \$456,000 and \$585,000, respectively.

NOTE 5 - LOANS RECEIVABLE:

On October 18, 2013, a limited partnership, Teaneck Senior Housing Urban Renewal, L.P., was formed to acquire, own, develop, construct, manage and operate a senior housing project located at 60 Bergen Avenue in Teaneck, New Jersey. Senior Housing Services, Inc., a related party, is the General Partner in this partnership, owning .01%. Teaneck Senior Housing Urban Renewal, L.P. is structured as a 4% low-income housing tax credit project.

On October 15, 2014, a development services agreement was executed between Teaneck Senior Housing Urban Renewal, L.P. ("Partnership"), Geriatric Services, Inc. and The Alpert Group, LLC (collectively, "Developer"). The purpose of the agreement is to appoint the Developer to render services in overseeing the development of the project for the Partnership. The term of the agreement shall end on December 31, 2030. The Organization received \$401,500 of the developer fee which represented full payment.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - LOANS RECEIVABLE: (Continued)

On October 15, 2014, Geriatric Services, Inc. and an individual (collectively, "Guarantor") entered into a guaranty agreement with the Partnership to jointly guarantee to the Limited Partner the due and punctual performance by the General Partner and the Developer of all said obligations under the partnership agreement and the development services agreement. The Guarantor shall furnish the Limited Partnership a current and accurate financial statement within 180 days following the end of each calendar year or fiscal year of such Guarantor.

On March 14, 2011, Geriatric Services Inc. received a U.S. Department of Housing and Urban Development ("HUD") Section 202 Demonstration Planning Grant in the amount of \$396,950 to assist GSI with development costs incurred to start construction of the new project.

On October 15, 2014, the Partnership entered into a mortgage agreement with Geriatric Services, Inc. in the amount of \$396,950 without interest that is included in loans receivable on the combined statements of financial position. The note receivable matures on December 31, 2071, and is secured by the assets of the Partnership. This obligation is absolute even if the underlying source of the loan is not required to be repaid by Geriatric Services, Inc.

On October 15, 2014, Geriatric Services, Inc. ("Sponsor") and Teaneck Senior Housing Urban Renewal, L.P. ("Owner") entered into a HUD Section 202 capital advance agreement in the amount of \$9,782,100 to assist in financing a rental housing project for the elderly in which the Sponsor has agreed to loan all of the capital advance funds to the Owner. The capital advance to the Sponsor shall bear no interest and is not required to be repaid so long as the housing project remains available to eligible, very low-income households for a period of 55 years and in accordance with Section 202. Upon default, an annual interest rate of 4% shall become payable. The loan is secured by the assets of the Partnership. As of December 31, 2019 and 2018, GSI received \$9,782,100 in relation to the capital advance that is included in long-term debt on the combined statements of financial position.

On October 15, 2014, the Partnership entered into a mortgage agreement with Geriatric Services, Inc. in the amount of \$9,782,100 without interest. The note receivable matures on December 15, 2070, and is secured by the assets of the Partnership. This obligation is absolute even if the underlying source of the loan is not required to be repaid by Geriatric Services, Inc. As of December 31, 2019 and 2018, GSI has loaned \$9,782,100 to the Partnership that is included in loans receivable on the combined statements of financial position.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - LOANS RECEIVABLE: (Continued)

On July 1, 2011, Geriatric Services, Inc. entered into a loan agreement with the county of Bergen in the amount of \$750,000 in federal HOME funds for the creation of 66 units of affordable rental housing for senior citizens with income below 50% of the area's median income. The loan bears no interest for 20 years, known as the affordability period. At the end of the affordability period the loan will be forgiven upon satisfaction and compliance with all affordability controls governing occupancy and rent restrictions as established by the HOME program. The loan is secured by the assets of the Partnership. As of December 31, 2016, Geriatric Services Inc. received \$750,000, in relation to this loan that is included in long-term debt on the combined statements of financial position.

On October 15, 2014, the Partnership entered into a mortgage agreement with Geriatric Services, Inc. in the amount of \$750,000 without interest for a period of 55 years from the project's completion. This loan will be due and payable on December 31 of the year HUD rental restrictions shall end but at an event no later than December 31, 2071. This loan is then due and payable even though the loan from Bergen County to Geriatric Services, Inc. is forgiven. The loan is secured by the assets of the Partnership. As of December 31, 2016, GSI has loaned \$750,000 to the Partnership that is included in loans receivable on the combined statements of financial position.

On October 15, 2014, Geriatric Services, Inc. entered into a loan agreement with the county of Bergen in the amount of \$75,000 in Community Development Block Grant funds for site improvements for new construction of rental housing for senior citizens with low- and very low-incomes. The loan bears no interest for 20 years from the project's completion but no later than December 31, 2071. At the end of the affordability period, the loan will be forgiven provided there is no default. The loan is secured by the assets of the Partnership. As of December 31, 2016, Geriatric Services, Inc. received \$75,000 in relation to this loan that is included in long-term debt on the combined statements of financial position.

On October 15, 2014, the Partnership entered into a mortgage agreement with Geriatric Services, Inc. in the amount of \$75,000 without interest for a period of 55 years from the project's completion. This loan will be due and payable on December 31 of the year HUD rental restrictions shall end but at an event no later than December 31, 2071. This loan is then due and payable even though the loan from Bergen County to Geriatric Services, Inc. is forgiven. The loan is secured by the assets of the Partnership. As of December 31, 2016, Geriatric Services Inc. has loaned \$75,000 to the Partnership that is included in loans receivable on the combined statements of financial position.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - LOANS RECEIVABLE: (Continued)

On October 15, 2014, Geriatric Services, Inc. entered into a loan agreement with Bogota Savings Bank in the amount of \$610,000 in Federal Home Loan Bank of New York Affordable Housing funds. The mortgage bears no interest and is entitled to be released upon the expiration of 15 years of operation of the project, known as Teaneck Senior Housing Urban Renewal, in accordance with the Federal Home Loan Bank of New York's affordable housing program. The loan is secured by the assets of the Partnership. As of December 31, 2016, Geriatric Services, Inc. received \$610,000 in relation to this loan that is included in long-term debt on the combined statements of financial position.

On October 15, 2014, the Partnership entered into a mortgage agreement with Geriatric Services, Inc. in the amount of \$610,000 without interest. The loan is due and payable on December 31, 2071. This obligation is absolute even if the underlying source of the loan is not required to be repaid by Geriatric Services, Inc. The loan is secured by the assets of the Partnership. GSI has loaned \$610,000 to the Partnership as of December 31, 2016, which is included in loans receivable on the combined statements of financial position.

As of December 31, 2019 and 2018, all funds received by Geriatric Services, Inc. for the development of the Teaneck Senior Housing Project have been transferred to the Partnership and all other costs incurred by Geriatric Services, Inc. have been reimbursed by the Partnership.

NOTE 6 - GRANTS RECEIVABLE:

Grants receivable are as follows:

	December 31,	
	2019	2018
Grants receivable in less than one year	\$ -	\$ 175,000

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - LONG-TERM DEBT:

	December 31,	
	2019	2018
First mortgage payable to NJHMFA. Monthly payments amount to \$21,941 with interest of 5.3%, including a monthly service charge of \$1,950 through August 2033.	\$ 2,463,998	\$ 2,553,809
First mortgage payable to NJHMFA. Monthly payments amount to \$487 with interest of 5.3%, including a monthly service charge of \$43 through November 2033.	52,545	54,813
Second mortgage payable to NJHMFA. Payments are to be made from 50% of any available cash flow after payment of debt service, fees, escrow funding and project operating expenses through November 2033. As of December 31, 2019, no payments have been made against this loan.	350,000	350,000
Noninterest-bearing mortgage note payable to the United States Department of Housing and Urban Development, forgivable after 55 years. Entire amount to be recognized as revenue after the 55-year affordability period expires.	9,782,100	9,782,100
Noninterest-bearing mortgage note payable to the county of Bergen, forgivable 20 years after the project's completion. Entire amount to be recognized as revenue after the 20-year affordability period expires.	750,000	750,000
Noninterest-bearing mortgage note payable to Bogota Savings Bank, forgivable 15 years after operating the project in accordance with the affordable housing program of the Federal Home Loan Bank of New York. Entire amount to be recognized as revenue after the 15-year affordability period expires.	610,000	610,000
Noninterest-bearing mortgage note payable to the county of Bergen, forgivable 20 years after the project's completion. Entire amount to be recognized as revenue after the 20-year affordability period expires.	75,000	75,000
Total Long-term Debt	14,083,643	14,175,722
Less: Current portion	256,983	235,080
Long-term Debt, Net of current portion	<u>\$13,826,660</u>	<u>\$13,940,642</u>

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - LONG-TERM DEBT: (Continued)

Due to cash flow constraints, the Organization is \$135,051 and \$118,898 in arrears on mortgage principal payments at December 31, 2019 and 2018, respectively. Over the last few years, the Organization has been making additional monthly payments towards the arrears balance. During the year ended December 31, 2013, NJHMFA approved a formal workout plan for the Organization to make additional monthly payments of \$600 towards the outstanding mortgage principal in arrears. The Organization is currently in good standing with the NJHMFA and is making timely mortgage payments.

The mortgages are secured by the real property located in Teaneck, New Jersey. The second mortgage lien is subordinate to the first mortgage lien.

At December 31, 2019, long-term debt matures as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 256,983
2021	128,554
2022	135,536
2023	142,897
2024	150,656
Thereafter	13,269,017
	<u>\$ 14,083,643</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

	December 31,	
	2019	2018
Teaneck Senior Housing project costs	\$ 322,500	\$ 322,500
TLC project	193,527	110,967
GSI programs and initiatives	276,805	276,805
Jewish identity and spirituality	2,041	2,041
Brightside Manor expansion	-	28,093
	<u>\$ 794,873</u>	<u>\$ 740,406</u>

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9 - RELATED-PARTY TRANSACTIONS:

As of December 31, 2019 and 2018, Geriatric Services, Inc., received grants in the amount of \$56,167 and \$82,695, respectively, from various foundations and Bergen County for the PALS program which is administered through Geriatric Living Solutions, Inc. As of December 31, 2019 and 2018, \$56,167 and \$82,695, respectively, has been transferred to GLS and is included in subrecipient grant expense on the combined statements of functional expenses.

During 2019 and 2018, Geriatric Services, Inc. loaned Geriatric Living Solutions, Inc. \$343,820 and \$196,681, respectively, for operating costs. In addition, Geriatric Services, Inc. owes Geriatric Living Solutions, Inc. \$57,000 and \$41,433 related to grants received for the PALS program. These transactions were eliminated in the financial statement combination.

Senior Housing Services, Inc. ("SHS") is a separate 501(c)(3) organization which was created for the purpose of senior housing development. SHS is related to the Organization through common management, however, GSI does not have control of the SHS Board of Trustees and, therefore, isn't included in these combined financial statements.

NOTE 10 - FUNCTIONAL EXPENSES:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages, and management agent fees are allocated based on time and effort. All other expenses are allocated to support functions based on administrative salaries with the exception of expenses which are directly identifiable to a specific function. Dietary expenses, laundry and linen, subrecipient grant expense, Brightside Manor expansion, and grant expense – TLC are charged directly to programs. Bad debt expense is charged directly to management and general.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK:

At times, the Organization maintains investment balances that may exceed federally or other insured limits. The investments are primarily financial instruments which are monetary in nature. The investments are subject to risk conditions of the investments' objectives, stock market performance, interest rates, economic conditions and world affairs. The Organization maintains a diversified portfolio in order to limit this risk. The Organization historically has not experienced any credit-related losses.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 11 - CONCENTRATIONS OF CREDIT RISK:

As of December 31, 2019, 77% of the Organization's contribution revenues were from one contributor. As of December 31, 2018, approximately 64% of the Organization's contribution revenues were from three contributors. As of December 31, 2019, approximately 91% of the Organization's contributions receivable was from one contributor. As of December 31, 2018, approximately 81% of the Organization's contributions receivable was from one contributor.

As of December 31, 2019 and 2018, 100% of the Organization's grant revenue was from one government agency. As of December 31, 2018, 100% of the Organization's grants receivable was from one foundation.

As of December 31, 2019, approximately 42% of the Organization's accounts receivable was due from three managed-care organizations and one private-pay resident. As of December 31, 2018, approximately 55% of the Organization's accounts receivable was due from three managed-care organizations.

As of December 31, 2019 and 2018, 100% of the Organization's loans receivable is from one partnership.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

Renovation Subsidy:

In 2002, GSI received \$520,000 from the Federal Home Loan Bank ("FHLB") of New York as a subsidy for its project to renovate and expand Bright Side Manor. As a rental project subject to the FHLB Affordable Housing Program direct-subsidy guidelines, GSI must supply data requested annually by FHLB, specifying the asset and income level of selected Bright Side Manor residents. This data is used by FHLB as a means of verifying that GSI is complying with program guidelines. This monitoring process ended in 2018. Any instances of noncompliance noted and not resolved, per program guidelines, could have resulted in demand by FHLB for repayment of part of the subsidy. Management believes that the likelihood of such noncompliance and repayment is remote.

NOTE 13 - OFFICER LOAN:

During 2019 and 2018, one of the founders of GSI, a key employee and a member of the Board of Trustees loaned the Organization \$6,500 and \$4,000, respectively. The loan had no stated repayment terms and no stated interest rate and was paid back in full by the end of 2019 and 2018.

GERIATRIC SERVICES, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 14 - TAXES:

At December 31, 2019, all required tax returns have been filed.

NOTE 15 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Organization's financial assets at December 31, 2019 and 2018, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	2019	2018
Cash and cash equivalents	\$ 27,844	\$ 37,036
Contributions, grants, and account receivable	269,572	310,124
Investments – level one	578,702	597,462
Total financial assets	<u>876,118</u>	<u>944,622</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(794,873)</u>	<u>(740,406)</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 81,245</u>	<u>\$ 204,216</u>

The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in level one investments, such as equities that can be liquidated if needed. Included in net assets with donor restrictions is approximately \$277,000 which is restricted for the programs and initiatives of the Organization and can be released from restriction if needed.

NOTE 16 - SUBSEQUENT EVENTS:

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, volunteers, donors, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 16 - SUBSEQUENT EVENTS: (Continued)

The Organization obtained a Paycheck Protection Program loan under the CARES Act in April 2020 for approximately \$343,000. This loan is to provide the Organization with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. The Organization may receive partial or full forgiveness of the debt if it maintains its employee count as well as salary levels during such specified period. Any portion of the loan that is not forgiven must be repaid. Loan payments, if any, are deferred until November 2020 and are payable with interest at 1%, through April 18, 2022. The loan is uncollateralized and guaranteed by the Small Business Administration.

The Organization also obtained an Economic Injury Disaster Loan in June 2020 for \$150,000. The loan is payable in monthly installments of \$641 beginning in June 2021, including interest at 2.75% through June 2050. The loan is collateralized by substantially all of the Organization's assets.

The Organization is also in the preliminary stages of securing funding for the renovation and expansion of the facility, known as Brightside Manor. The Organization has received zoning approval from the town.

The Organization has also entered into an agreement with the Township of Teaneck to be the re-developers, along with another organization, of a township-owned property in Teaneck, New Jersey. The Organization's intent is to build 40 units of affordable housing and is in the process of securing funding.