

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Collington Episcopal Life Care Community, Inc.  
Mitchellville, Maryland

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Collington Episcopal Life Care Community, Inc. (a Maryland corporation), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net assets (deficiency), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Collington Episcopal Life Care Community, Inc. as of December 31, 2020 and 2019, and the results of its operations, and changes in net assets (deficiency), and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

*Other Information*

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



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
April 23, 2021

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,634,099	\$ 3,928,724
Accounts Receivable, Net	969,245	1,082,323
Accounts Receivable - Partial Closing	407,106	450,694
Prepaid Expenses and Other Assets	839,514	693,277
Assets Whose Use is Limited, Current	1,116,629	1,101,294
Due from Affiliates	-	10,725
Total Current Assets	6,966,593	7,267,037
 <b>INVESTMENTS</b>	 17,478,647	 12,474,311
 <b>ASSETS WHOSE USE IS LIMITED</b>	 4,937,248	 6,195,265
<b>PROPERTY AND EQUIPMENT</b>		
Land	909,016	909,016
Land, Building, and Building Improvements	127,508,525	125,549,002
Furniture and Equipment	10,395,691	10,170,653
Construction in Progress	614,116	548,935
Total	139,427,348	137,177,606
Less: Accumulated Depreciation	(84,235,818)	(79,316,308)
Property and Equipment, Net	55,191,530	57,861,298
 <b>OTHER ASSETS</b>		
Contributions Receivable from Remainder Trust	132,155	87,143
Total Other Assets	132,155	87,143
Total Assets	\$ 84,706,173	\$ 83,885,054

See accompanying Notes to Consolidated Financial Statements.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>	2020	2019
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 1,850,001	\$ 1,760,000
Current Portion of Capital Lease Payable	3,243	14,900
Accounts Payable	1,020,021	1,019,333
Accrued Salaries and Benefits	1,161,594	808,062
Accrued Interest Payable	499,959	514,625
Other Accrued Expenses	-	6,651
Current Portion of Deferred Kendal System Fees	-	302,898
Entrance Fee and Deposits from Prospects Payable	1,305,907	1,176,595
Total Current Liabilities	5,840,725	5,603,064
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, Net of Current Maturities	58,253,175	60,146,588
Capital Leases Payable, Net of Current Portion	-	22,350
<b>REFUNDABLE ENTRANCE FEE LIABILITY</b>		
	14,460,624	14,978,430
<b>DEFERRED REVENUE FROM RESIDENT ENTRANCE FEES</b>		
	35,846,929	37,093,279
Total Liabilities	114,401,453	117,843,711
<b>NET ASSETS (DEFICIENCY)</b>		
Net Assets Without Donor Restrictions	(34,102,086)	(37,707,703)
Net Assets With Donor Restrictions	4,406,806	3,749,046
Total Net Asset Deficiency	(29,695,280)	(33,958,657)
Total Liabilities and Net Deficiency	\$ 84,706,173	\$ 83,885,054

See accompanying Notes to Consolidated Financial Statements.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES**  
**IN NET ASSETS (DEFICIENCY)**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>		
Net Residential Services Revenue	\$ 16,929,574	\$ 16,321,920
Health Care Revenue	5,818,536	5,894,473
Amortization of Deferred Entrance Fees	5,073,518	5,724,350
Ancillary Income	336,651	514,578
Investment Income and Realized Gains	255,667	600,591
Contributions	336,181	65,582
Federal COVID Grant Revenue	2,836,722	-
Net Assets Released from Donor Restrictions	111,629	203,077
Other Income	307,969	564,014
Total Revenue	<u>32,006,447</u>	<u>29,888,585</u>
<b>EXPENSES</b>		
General and Administrative	7,801,801	7,371,902
Pandemic Expenses	805,973	-
Plant and Environmental Services	3,267,462	3,586,155
Health Care	3,159,027	3,680,838
Dining Services	3,559,028	3,822,053
Utilities	1,292,667	1,590,529
Real Estate Taxes	552,661	546,131
Affiliation and System Fee	981,744	1,017,048
Depreciation	4,919,510	4,637,408
Interest	2,989,724	3,092,386
Provision for Bad Debt	562,674	472,317
Total Expenses	<u>29,892,271</u>	<u>29,816,767</u>
<b>INCOME FROM OPERATIONS BEFORE OTHER GAINS</b>	2,114,176	71,818
<b>NET UNREALIZED GAIN ON INVESTMENTS WITHOUT DONOR RESTRICTIONS</b>	<u>1,491,441</u>	<u>577,928</u>
<b>INCOME FROM OPERATIONS</b>	3,605,617	649,746
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Investment Income and Realized Gains	334,920	251,299
Unrealized Gains on Investments	320,964	561,412
Contributions	113,505	189,230
Net Assets Released from Donor Restriction and Used in Operations	(111,629)	(203,077)
Increase in Net Assets With Donor Restrictions	<u>657,760</u>	<u>798,864</u>
<b>CHANGE IN NET DEFICIENCY</b>	4,263,377	1,448,610
Net Deficiency - Beginning of Year	<u>(33,958,657)</u>	<u>(35,407,267)</u>
<b>NET DEFICIENCY - END OF YEAR</b>	<u>\$ (29,695,280)</u>	<u>\$ (33,958,657)</u>

See accompanying Notes to Consolidated Financial Statements.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Deficiency	\$ 4,263,377	\$ 1,448,610
Adjustments to Reconcile Change in Net Deficiency to Net Cash Provided by Operating Activities:		
Depreciation	4,919,510	4,637,408
Provision for Bad Debts	562,674	472,317
Amortization of Resident Entrance Fees	(5,073,518)	(5,724,350)
Amortization of Deferred Financing Costs	49,097	49,097
Amortization of Bond Premium	(92,509)	(92,507)
Proceeds from Nonrefundable Entrance Fees	4,540,518	7,714,968
Net Unrealized and Realized Gains on Investments and Assets Limited as to Use	(1,812,783)	(1,559,606)
(Increase) Decrease in Assets:		
Accounts Receivable	(406,008)	670,431
Prepaid Expenses and Other Assets	(191,249)	(209,524)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	347,569	(1,391,127)
Accrued Interest Payable	(14,666)	(13,960)
Due to Affiliates	(292,173)	(458,686)
Net Cash Provided by Operating Activities	6,799,839	5,543,071
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(2,249,742)	(4,313,980)
Net Change in Investments	(3,191,553)	(509,546)
Net Change in Assets Limited as to Use	(57,913)	(95,916)
Net Cash Used by Investing Activities	(5,499,208)	(4,919,442)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Refundable Entrance Fees	747,319	950,943
Refunds for Entrance Fees	(1,849,163)	(2,178,370)
Payments on Capital Lease Obligations	(34,007)	(25,349)
Principal Payments of Long-Term Debt	(1,760,000)	(1,675,000)
Net Cash Used by Financing Activities	(2,895,851)	(2,927,776)
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(1,595,220)	(2,304,147)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	5,229,319	7,533,466
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 3,634,099	\$ 5,229,319
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 3,047,801	\$ 3,149,756
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Cash and Cash Equivalents	\$ 3,634,099	\$ 3,928,724
Restricted Cash	-	1,300,595
Total Cash and Restricted Cash	\$ 3,634,099	\$ 5,229,319

See accompanying Notes to Consolidated Financial Statements.



**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Collington Episcopal Life Care Community, Inc. (CELCC) was incorporated as a nonprofit corporation on March 30, 1982, under the laws of the state of Maryland to develop, construct, and operate a continuing care retirement community in Prince George's County, Maryland. CELCC received its certification from the Maryland Department of Aging to provide services according to the provisions of its Residence and Care Agreement on November 14, 1988 and renews this certificate annually.

Collington Foundation, Inc. (CF) was incorporated as a nonprofit corporation on July 31, 1996, under the laws of the state of Maryland to provide and inspire philanthropic support for CELCC. In addition, the vision is to harness our generosity of spirit to nurture the goals and aspirations of all who live, work and serve in the community. CELCC is the sole member of CF.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of CELCC and CF (collectively, the Organization). All significant intercompany transactions have been eliminated in consolidation.

**Use of Estimates**

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

**Cash and Cash Equivalents**

The Organization considers all liquid investments with original maturities when purchased of six months or less to be cash equivalents. As of December 31, 2020 and 2019, cash equivalents consisted primarily of checking and savings accounts.

**Accounts Receivable**

The Organization provides an allowance for doubtful accounts based on the allowance method using management's judgment considering historical information. Residents are not required to provide collateral for services rendered. Payment for services is expected within 30 days of receipt of invoice or claim submitted. Accounts past due more than 90 days are individually analyzed for collectability and the collection process is initiated. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At December 31, 2020 and 2019, the allowance for doubtful accounts was \$357,505 and \$400,000, respectively.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable — Partial Closing**

Accounts Receivable — Partial Closing represents a portion of the entrance fees that are deferred for up to one year, in 90-day increments, after a resident signs the promissory note for the partial closing. The receivables are expected to be collected during the immediate subsequent fiscal year and are included in current assets as of December 31, 2020 and 2019. Management determined that no allowance is necessary on the Accounts Receivable — Partial Closing as of December 31, 2020 and 2019.

**Investments**

Investments are comprised primarily of mutual funds, equity securities, and debt securities and are measured at fair value in the statements of financial position. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment income, including interest and dividends, declines in market value deemed to be other than temporary and earnings on investments, are reported as investment income and realized gains and included in the income from operations. The cost of substantially all securities sold is based on the specific identification method. The unrealized gains and losses are included in the performance indicator.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the risk associated with certain investments, it is reasonably possible that changes in the value of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**Concentration of Credit Risk**

The Organization maintains its cash accounts at commercial banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in the bank may exceed FDIC insurance limits. The funds on deposit with brokerage accounts are insured by the SIPC up to \$500,000.

**Property and Equipment**

Property and equipment are stated at cost or at fair value at the date of donation. It is the policy of the Organization to capitalize long-lived assets with a cost basis of \$1,000 individually or in the aggregate. Depreciation is provided on assets using the straight-line method over the estimated useful lives of the assets. Estimated lives are determined using American Hospital Association guidelines. Useful lives range from 5 to 40 years. Repairs and maintenance are expensed as incurred. Depreciation expense for the years ended December 31, 2020 and 2019 was \$4,919,510 and \$4,637,408, respectively.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

The Organization records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimation process, no impairment losses have been recorded as of December 31, 2020 and 2019.

**Deposits from Prospective Residents**

Deposits from prospective residents consist of entrance fee deposits. Entrance fee deposits are received from prospective residents who intend to move into the Organization. Entrance fee deposits generally represent 10% of the total entrance fee for the unit selected. The deposit funds are applied against the total entrance fee upon occupancy or are refunded to the prospective residents if they decide not to move into the Organization.

**Deferred Revenue**

Nonrefundable entrance fees paid by residents pursuant to a continuing care contract are recorded as deferred revenue and amortized into operating revenue over the actuarially determined life expectancy of each resident or couple, adjusted annually. Upon death of a sole surviving resident, any remaining unamortized portion of the nonrefundable entrance fee is recognized as operating revenue.

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement.

**Obligation to Provide Future Services**

The Organization periodically calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred entry fee revenue. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. This calculation did not result in a liability as of December 31, 2020 and 2019.

**Deferred Financing Costs**

Deferred financing costs represent expenses (e.g., underwriting, legal, consulting, and other costs) incurred in connection with issuance of debt and are deferred and amortized over the life of the related indebtedness on a straight-line basis, which approximates the effective interest method. The amortization expense on deferred financing costs is included in interest expense and totaled \$49,097 and \$49,097 for the years ended December 31, 2020 and 2019, respectively.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Bond Premium**

Bond premium is comprised of the difference between the price at which a bond was sold and its fair value. Bond premium is amortized on a straight-line basis into interest expense over the life of the bonds. The amortization on the bond premium included in interest expense was \$92,507 and \$92,507 for the years ended December 31, 2020 and 2019, respectively.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Include net assets available for use in general operations and not subject to donor restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. At December 31, 2020 and 2019, the governing board has not made this designation.

*Net Assets With Donor Restrictions* – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At December 31, 2020 and 2019, net assets with donor restrictions included \$4,406,806 and \$3,749,046, respectively.

**Insurance**

The Organization maintains professional liability insurance on a claim's made basis with no deductible and has coverage in excess of the \$100,000 required under state statute. No claims have been asserted against the Organization. If claims should be asserted arising from past services rendered, management believes that those claims would be settled within the limits of insurance coverage.

**Income Taxes**

CELCC and CF are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required. The Organization follows the provisions of the income tax standard regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on the Organization's consolidated financial statements.

The Organization's tax returns are subject to review and examination by federal and state authorities.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Performance Indicator**

The statement of activities and changes in net assets (deficiency) includes the determination of income or loss from operations which includes the unrealized gains and losses on investments without donor restrictions.

**Resident Services Revenue**

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

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or residents receiving other services in the facility. The Organization measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that resident, which is generally at the time of the termination of the resident contract.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

**Medicare**

The licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). Effective October 1, 2019, the nursing facility is paid under the Medicare Patient Driven Payment Model (PDPM) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PDPM is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Resident Services Revenue (Continued)**

Medicare (Continued)

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

Health care services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by Medicare. All services are considered to be fee for service and transferred over time.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlement are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2020 or 2019.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change.

All resident services revenue for the Organization is provided at the single campus located in Mitchellville, Maryland. The composition of resident services revenue by primary payor for the years ended December 31, 2020 and 2019 is as follows:

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Resident Services Revenue (Continued)**

	<u>2020</u>	<u>2019</u>
Medicare	\$ 1,951,836	\$ 1,876,473
Medicaid	24,677	88,630
Private Pay and Other	21,416,217	21,329,882
Total Resident Services Revenue	<u>\$ 23,392,730</u>	<u>\$ 23,294,985</u>

The composition of resident care service revenue based on its lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Service Lines:		
Independent Living	\$ 17,328,453	\$ 17,146,401
Assisted Living	3,320,544	3,159,385
Skilled Care	2,743,733	2,989,199
Total	<u>\$ 23,392,730</u>	<u>\$ 23,294,985</u>
Method of Reimbursement:		
Fee for Service	\$ 22,748,110	\$ 22,216,393
Other	644,620	1,078,592
Total	<u>\$ 23,392,730</u>	<u>\$ 23,294,985</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	\$ 22,748,110	\$ 22,216,393
Services Transferred At Point of Sale	644,620	1,078,592
Total	<u>\$ 23,392,730</u>	<u>\$ 23,294,985</u>

**Health Care Services Revenue**

Health care services revenue is reported a net realizable amounts from residents, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenues from the Medicare program accounted for approximately 34% and 32% of the Organization's health service revenues for the year ended December 31, 2020 and 2019, respectively. Revenues from the Medicaid program accounted for approximately 2% of the Organization's health service revenues for the years ended December 31, 2020 and 2019. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Reclassification**

Certain amounts on the 2019 consolidated financial statements were reclassified to conform to the current consolidated financial statement presentation.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 23, 2021, the date the consolidated financial statements were issued.

**NOTE 2 LIQUIDITY**

As of December 31, 2020 the Organization had working capital of \$1,125,868.

Financial assets available for general expenditure within one year of the statement of financial position dates consisted of the following:

	2020	2019
Cash and Cash Equivalents	\$ 3,634,099	\$ 3,928,724
Accounts Receivable, Net and Entrance Fees Receivable	1,376,351	1,533,017
Investments Available for Use	13,071,841	8,725,265
Assets Limited to Use	1,116,629	1,101,294
Total Financial Assets	\$ 19,198,920	\$ 15,288,300

**NOTE 3 DEFERRED REVENUE, REFUNDABLE ENTRANCE FEES, AND DEPOSITS**

Resident entrance fees, which consist of a refundable and a nonrefundable portion, are paid in full, or through a promissory note from a partial closing, upon occupancy and represent the Organization's obligation to provide continuing care to the residents. Nonrefundable entrance fees are recognized as deferred revenue upon receipt. Refundable entrance fees are recorded as refundable entrance fee liabilities. Refunds of entrance fees for termination prior to occupancy are made within 30 days. For termination after occupancy, including death, any refund is deferred until (i) the unit has been vacated and (ii) the Organization has entered into a Residency Agreement for the same unit with a new resident who has accepted and paid the entrance fee.

The Residency Agreement provides three refund options to residents. Under Option 1, residents pay a higher entrance fee in order to guarantee a 50% minimum refund of entrance fees. Two percent per month of the other half of the entrance fee becomes nonrefundable over a period of 25 months. Under Option 2, 2% per month of the entrance fee becomes nonrefundable over a period of 50 months. The Organization offered Option 3, where residents pay a higher entrance fee in order to guarantee a 100% refund. In 2013, the Organization began offering Option 4, whereby residents may pay a higher entrance fee than Option 2 in order to guarantee a refund of 90%. As of March 31, 2013, the Organization no longer offers the fully refundable entrance fee option (Option 3). The contractual refundable amount as of December 31, 2020 and 2019 to all current residents based on the provision of their respective Residency Agreements is \$26,177,402 and \$28,523,003, respectively.



**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 3 DEFERRED REVENUE, REFUNDABLE ENTRANCE FEES, AND DEPOSITS  
(CONTINUED)**

The nonrefundable portion of these fees is deferred upon occupancy and recognized as income on a straight-line basis over each individual resident's or joint residents' expected remaining lives. Remaining life expectancies are adjusted annually using actuarial decrements based on industry and Collington-specific information as updated in 2002. In addition, entrance fees are earned on a joint and last survivor basis for persons occupying the same unit.

Upon termination of a contract through death or withdrawal from the Organization after occupancy, any unamortized nonrefundable deferred entrance fee is recorded as revenue. Termination income was approximately \$1,177,126 and \$1,701,218 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 4 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED**

The Organization reports investments and assets whose use is limited at fair value. The estimated fair value of investments and assets whose use is limited as of December 31 is as follows:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents	\$ 6,455,741	\$ 6,455,741	\$ 8,663,624	\$ 8,663,624
Marketable Equity Securities	16,092,775	12,824,771	10,592,583	9,167,989
U.S. Government and Municipals	630,732	615,526	329,068	323,625
Fixed Income Investments	353,276	329,713	185,595	175,115
Total Investments and Assets Whose Use is Limited	<u>\$ 23,532,524</u>	<u>\$ 20,225,751</u>	<u>\$ 19,770,870</u>	<u>\$ 18,330,353</u>

Assets whose use is limited, which is reported at fair value and consists of cash and cash equivalents, is comprised as follows:

	2020	2019
Project Fund	\$ -	\$ 1,300,595
Debt Service Fund	1,116,629	1,101,294
Debt Service Reserve Fund	4,688,130	4,688,130
Linkage Fund II	249,118	206,540
Total	<u>6,053,877</u>	<u>7,296,559</u>
Less: Current Portion	<u>(1,116,629)</u>	<u>(1,101,294)</u>
Assets Whose Use is Limited, Net of Current Portion	<u>\$ 4,937,248</u>	<u>\$ 6,195,265</u>

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 4 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)**

Investment income from investments and assets whose use is limited is as follows:

	<u>2020</u>	<u>2019</u>
Without Donor Restrictions:		
Interest and Dividend Income, Net of Fees	\$ 251,129	\$ 180,325
Net Realized Gains on Investments	4,538	420,266
Net Unrealized Gain on Investments	<u>1,491,441</u>	<u>577,928</u>
Total Investment Income Without Donor Restrictions	1,747,108	1,178,519
With Donor Restrictions:		
Interest and Dividend Income, Net of Fees	273,161	251,299
Net Realized Gains on Investments	61,759	-
Net Unrealized Gain on Investments	<u>320,964</u>	<u>561,412</u>
Total Investment Income With Donor Restrictions	<u>655,884</u>	<u>812,711</u>
Total Investment Income	<u>\$ 2,402,992</u>	<u>\$ 1,991,230</u>

The Organization performs due diligence on the valuation of their investments. The Organization reviews its portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Management considers in this evaluation factors such as general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of its investment advisors, and the length of time and extent to which the market value has been less than cost, and the ability and intent of the Organization to hold investments in the long-term.

For the years ended December 31, 2020 and 2019, management does not believe that the declines in the market value of investments are considered other-than-temporary.

**NOTE 5 LONG-TERM DEBT**

On May 1, 2017, the Organization issued \$63,995,000 Prince George's County, Maryland Revenue Bonds, Collington Episcopal Life Care Community, Inc., Series 2017 (Series 2017 Bonds). The Series 2017 Bonds mature at varying annual amounts on April 1 between 2018 and 2047. Interest payments are due semiannually on April 1 and October 1, with rates ranging between 3% and 5.25%. The Series 2017 Bonds are secured by a first lien security interest in all present and future receipts, real estate, and personal property of the Organization.

The proceeds of the Series 2017 Bonds were used to refund existing balances from the Prince George's County, Maryland, Revenue Bonds, Collington Episcopal Life Care Community, Inc., Series 2006 (Series 2006 Bonds), repay an existing construction loan, finance the costs of certain capital improvements, fund a deposit to the Debt Service Reserve Fund, and pay the costs of issuance.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Long-term debt as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Series 2017 Bonds	\$ 58,960,000	\$ 60,720,000
Add: Bond Premium	2,775,264	2,775,264
Less: Unamortized Debt Issuance Costs and Bond Premium	(1,632,088)	(1,588,676)
Less: Current Maturities of Long-Term Debt	<u>(1,850,001)</u>	<u>(1,760,000)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 58,253,175</u>	<u>\$ 60,146,588</u>

Principal maturities over the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 1,850,000
2022	1,945,000
2023	2,045,000
2024	2,150,000
2025	2,260,000
Thereafter	<u>48,710,000</u>
Total	<u>\$ 58,960,000</u>

Among other things, the Organization is required to meet certain financial covenants under the security agreements related to the Series 2017 Bonds. As of December 31, 2020, management is not aware of any instances of noncompliance with the required covenants.

**NOTE 6 CAPITAL LEASES**

The Organization has entered into a capital lease agreement for a vehicle. As of December 31, 2019, the gross amount of the capital lease asset and related accumulated depreciation recorded under the leases was \$59,600 and \$17,880, respectively. Capital lease obligations were paid off during 2020.

**NOTE 7 MARYLAND DEPARTMENT OF AGING RESERVE REQUIREMENTS**

The Maryland Department of Aging requires providers of continuing care to maintain certain operating reserves that equal 15% of the facilities' net operating expenses, as defined by the state, relating to continuing care contracts. The reserves must be kept in reasonably liquid form in the judgment of the provider.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.  
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**NOTE 7 MARYLAND DEPARTMENT OF AGING RESERVE REQUIREMENTS (CONTINUED)**

The Organization's required reserves for the years ended December 31, 2020 and 2019 (based on the 12 months ended December 2019 and 2018, respectively) are as follows:

	<u>2020</u>	<u>2019</u>
Maryland Department of Aging Reserves:		
Operating Expenses	\$ 29,816,767	\$ 30,668,333
Less: Depreciation Expense	(4,637,408)	(4,830,095)
Interest Expense	(3,092,386)	(3,182,031)
Net Operating Expenses	<u>\$ 22,086,973</u>	<u>\$ 22,656,207</u>
 Total Operating Reserve (15% of Net Operating Expenses)	 <u>\$ 3,313,046</u>	 <u>\$ 3,398,431</u>
 Required Reserves for the Period Ended December 31 (100% of Total Operating Reserve)	 <u>\$ 3,313,046</u>	 <u>\$ 3,398,431</u>
 Cash and Marketable Securities Available for Operating Reserve	 <u>\$ 4,750,728</u>	 <u>\$ 3,581,555</u>

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Fellowship Fund	\$ 3,716,188	\$ 3,224,707
Scholarship Fund	528,263	460,303
Annual Fund	24,717	23,528
Arts and Culture Fund	39,943	40,508
Capital Campaign Fund	97,695	-
Total	<u>\$ 4,406,806</u>	<u>\$ 3,749,046</u>

**NOTE 9 RETIREMENT PLANS**

**403(b) Plan**

The Organization participates in the Kendal Corporation defined contribution plan (the Plan). The Plan contains an employer discretionary grant and/or match component for eligible employees. Eligible employees must have attained age 21, must complete one eligibility year of service and 1,000 hours of service, and work at least 1,000 hours each year to qualify for a match and/or grant. Pursuant to the terms of the Plan, employees are required to make contributions in order to benefit from the Plan only if the Organization makes a matching contribution.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 9 RETIREMENT PLANS (CONTINUED)**

**403(b) Plan (Continued)**

The Organization's grant or matching contribution is discretionary and eligible employees must have completed 1,000 hours of service during the plan year. Employees are 50% vested in the employer contribution after one (1) year of service; 100% vested after two (2) years of service. All employees are eligible to make contributions to the Plan. The Organization calculated grant and matching contributions to the defined contribution plan of \$142,290 and \$152,099 for the years ended December 31, 2020 and 2019, respectively. These amounts have been accrued as of December 31, 2020 and 2019.

**NOTE 10 RELATED PARTY TRANSACTIONS**

The Organization entered into an affiliation agreement with The Kendal Corporation in June 2011, by the execution of an *Agreement Between The Kendal Corporation and its Affiliates: Mutual Expectations, System Services, and Financial Understandings*. The agreement calls for the Organization to pay The Kendal Corporation a "System Fee," and provides for certain performance requirements and values-based management and governance standards.

The Organization is affiliated with The Kendal Corporation through bylaw requirements. The Kendal Corporation must approve the election of board members of the Organization and amendments to the articles of incorporation and specific sections of the bylaws of the Organization as well as the incurrence of debt of specified value, changes in corporate purpose; use of the name "Kendal," the substance of resident contracts; and the purchase, sale, lease, or other disposition of any real estate or improvements thereon of a specific value; and dissolution, merger with another entity, division, or acquiring control of another entity.

The System Fee has two phases: a pre-stabilization base fee and a post-stabilization base fee. The Organization was in the pre-stabilization phase and agreed to pay The Kendal Corporation a base fee of 5% of expenses, excluding the System Fee. Under a Liquidity Support and Subordination of System Affiliation Agreement, Kendal permitted Collington to defer payment of 30% of the System Fee until the existing debt was replaced.

On May 1, 2017, in conjunction with the Series 2017 Bonds issuance (see Note 5), Kendal determined that the Organization qualified as "stable" and was subject to the post-stabilization fee. Under the post-stabilization phase, the Organization was assessed a base fee of 3.5% of expenses, excluding the System Fee. However, Kendal continued to bill, and the Organization continued to pay, 5% of expenses. Kendal applied 3.5% to the current system fee and 1.5% to the deferred system fee including a nominal interest charge. The deferred System Fee liability was fully repaid in 2020.

The System Fee incurred by the Organization for the years ended December 31, 2020 and 2019 was \$981,744 and \$1,017,048, respectively, under the terms of this agreement. The deferred System Fee liability as of December 31, 2020 and 2019 was \$- and \$302,898, respectively.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)**

The Organization bylaws also specify that the Organization and The Kendal Corporation shall have certain board members in common, and that the president of The Kendal Corporation, or his/her designee, shall be invited to attend the Organization's board meetings ex officio.

The total amounts (due to) and due from affiliates as of December 31, 2020 and 2019 is as follows:

	2020		2019	
	(Due To)	Due From	(Due To)	Due From
The Kendal Corporation	\$ -	\$ -	\$ -	\$ 10,725
Total	\$ -	\$ -	\$ -	\$ 10,725

As of December 31, 2020 and 2019, CELCC has a note payable to CF (the CF Loan) in the amount of \$993,122. Interest expense for the years ended December 31, 2020 and 2019 was \$32,278 and \$32,276, respectively. Accrued interest as of December 31, 2020 and 2019 was \$64,554 and \$32,276, respectively. The note payable of \$993,122 is due on December 31, 2022. The principal and interest amounts related to the CF Loan are eliminated for the purposes of consolidation.

**NOTE 11 FUNCTIONAL EXPENSES**

The Organization provides residential living and general healthcare services to its residents. The Organization has nominal fundraising expenses. The functional expenses as of the year ended December 31, 2020, related to providing these services are as follows:

	Care and Service to Residents Program	Management General and Administrative	Fundraising	Total
Salaries and Wages	\$ 9,084,240	\$ 1,009,360	\$ -	\$ 10,093,600
Payroll Taxes and Fringe Benefits	1,963,846	218,205	-	2,182,051
Other Staff Expenses	81,510	9,057	-	90,567
Medical Supplies	280,852	-	-	280,852
General Supplies	1,492,376	165,820	-	1,658,196
Professional Fees	26,163	2,907	-	29,070
Purchased Services	2,916,716	324,080	-	3,240,796
Purchased Therapy Services	360,418	-	-	360,418
Administrative Expenses	-	1,097,303	16,779	1,114,082
Utilities	1,024,464	113,829	-	1,138,293
Repairs and Maintenance	296,006	32,890	-	328,896
Insurance	-	350,698	-	350,698
Real Estate Taxes	497,395	55,266	-	552,661
Miscellaneous Plant Costs	165	18	-	183
Bad Debt Expense	-	562,674	-	562,674
Depreciation	4,427,559	491,951	-	4,919,510
Interest Expense	-	2,989,724	-	2,989,724
Totals	\$ 22,451,710	\$ 7,423,782	\$ 16,779	\$ 29,892,271

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 11 FUNCTIONAL EXPENSES (CONTINUED)**

The functional expenses as of the year ended December 31, 2019, related to providing these services are as follows:

	Care and Service to Residents Program	Management General and Administrative	Fundraising	Total
Salaries and Wages	\$ 9,174,792	\$ 1,019,421	\$ -	\$ 10,194,213
Payroll Taxes and Fringe Benefits	1,897,275	210,808	-	2,108,083
Other Staff Expenses	141,172	15,686	-	156,858
Medical Supplies	336,423	-	-	336,423
General Supplies	1,738,524	193,169	-	1,931,693
Professional Fees	16,353	1,817	-	18,170
Purchased Services	3,189,343	354,371	-	3,543,714
Purchased Therapy Services	387,403	-	-	387,403
Administrative Expenses	-	357,800	15,184	372,984
Utilities	1,293,069	143,676	-	1,436,745
Repairs and Maintenance	421,118	46,791	-	467,909
Insurance	-	110,297	-	110,297
Real Estate Taxes	491,518	54,613	-	546,131
Miscellaneous Plant Costs	3,629	403	-	4,032
Bad Debt Expense	-	472,317	-	472,317
Depreciation	4,175,095	462,313	-	4,637,408
Interest Expense	-	3,092,387	-	3,092,387
Totals	<u>\$ 23,265,714</u>	<u>\$ 6,535,869</u>	<u>\$ 15,184</u>	<u>\$ 29,816,767</u>

The Organization allocates functional expenses based on the ratio of square footage under roof between Program and Management. Program and Management areas of the Organization's campus are identified and the square footage is determined for each of these identified areas. The ratio between Program and Management is determined by comparing the specified square footage to the total under roof square footage. A percentage is allocated to the Program and Management functional areas and the expense line items are allocated based on this percentage. After the expenses are allocated, Collington reviews the Program and Management functional expenses and makes adjustments. 100% of Medical Supplies and Purchased Therapy Services are Program expenses. 100% of Administrative Expenses, Insurance, Bad Debt Expense and Interest Expense are Management expenses.

**NOTE 12 CONCENTRATION OF CREDIT RISK**

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

	2020	2019
Medicare	40 %	30 %
Medicaid	1	4
Private and Other	59	66
Total	<u>100 %</u>	<u>100 %</u>

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

The following tables present the Organization’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31:

2020	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 6,455,741	\$ -	\$ 6,455,741
Marketable Equity			
Securities	15,482,078	-	15,482,078
U.S. Government and			
Municipals	-	630,732	630,732
Fixed Income Investments	-	353,276	353,276
Subtotal	<u>\$ 21,937,819</u>	<u>\$ 984,008</u>	22,921,827
Investments Measured at Fair Value			
Using Net Asset Value Per Share			610,697
Total			<u>\$ 23,532,524</u>
2019	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 8,663,624	\$ -	\$ 8,663,624
Marketable Equity			
Securities	10,028,818	-	10,028,818
U.S. Government and			
Municipals	-	329,068	329,068
Fixed Income Investments	-	185,595	185,595
Subtotal	<u>\$ 18,692,442</u>	<u>\$ 514,663</u>	19,207,105
Investments Measured at Fair Value			
Using Net Asset Value Per Share			563,765
Total			<u>\$ 19,770,870</u>



**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Investments Measured at Fair Value**

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Investments measured at fair value using net asset value per share include limited partnerships and are considered alternative investments. Alternative investments are those not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not readily available. The Organization follows guidance related to the fair value measurement standard that was issued for estimating the fair value of investments in investment companies that have a calculated value of their capital account or Net Asset Value (NAV) in accordance with, or in a manner consistent with accounting principles generally accepted in the United States of America (U.S. GAAP). As a practical expedient, the Organization is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using reported net asset value (NAV) without further adjustment unless the entity expects to sell the investment at a value other than NAV or if NAV is not calculated in accordance with U.S. GAAP. The Linkage account which is shown as an investment valued using the net asset value per share in the table above has an unfunded capital commitment of \$50,000.

Investment/Strategy	Fair Value	Unfunded Commitments	Redemption Notice Period
(a) Ziegler Link-Age Fund II, LP	\$ 249,118	\$ 28,750	Illiquid
(b) Ceres Orion LP, Class A	\$ 361,579	-	Monthly

- (a) These funds are growth-oriented innovation funds, focused on technology, tech-enabled services and emerging care delivery models in the post-acute and aging markets. Across these verticals, the profile of companies in which the Fund will invest will typically have reached commercialization stage with a differentiated solution and are believed to feature prospects for growing revenue.
- (b) The partnership engages in the speculative trading of a diversified portfolio of commodity interest, including futures, option, swap and forward contracts. The sectors traded include currencies, energy, grains, livestock, indices, U.S. and non U.S. interest rates, softs, and metals. The commodity interest that are traded by the partnership involve a high degree of risk.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Litigation**

The Organization periodically finds itself a defendant in legal suits that have developed in the normal course of business. Although it is impossible to determine the ultimate resolution of matters that remain unresolved at this time, the Organization believes that the matters will be resolved without significant negative financial impact.

**Industry Regulation**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse statutes as well as other applicable government statutes.

**NOTE 15 PROVIDER RELIEF FUNDS AND CARES ACT FUNDING**

Federal Grants – The Organization received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services (HHS). The Organization received PRF payments and recognized revenues in the amount of \$367,722 during fiscal year 2020. The revenues recognized are included in Federal COVID Grant Revenue on the consolidated statements of operations. The PRF payments are subject to potential recoupment by HHS if it is determined that the funds were not spent in accordance with the terms and conditions. Management believes the amounts have been recognized appropriately as of December 31, 2020.

The CARES Act permits employers to defer certain qualifying employer portions of payroll taxes to be paid in 2021. As of December 31, 2020, the Organization has deferred \$406,311 of employer payroll taxes. These amounts are recorded in accrued expenses, payroll and benefits, in the consolidated balance sheets.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
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**NOTE 15 PROVIDER RELIEF FUNDS AND CARES ACT FUNDING (CONTINUED)**

**Payroll Protection Program Loan**

On May 8, 2020, the Organization received a loan from Truist Bank, a North Carolina banking corporation, in the amount of \$2,469,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for seven months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first ten months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

The Organization has classified this loan as a PPP grant for accounting purposes. The Organization recognized \$2,469,000 of other income related to this agreement during the year ended December 31, 2020, which represents the portion of the PPP loan funds for which the performance barriers have been met. As of December 31, 2020, the Organization has satisfied the performance barriers attributable to the PPP loan proceeds. The SBA has not formally forgiven any portion of the Organization's obligation under this PPP Loan but the application for forgiveness is expected to be remitted prior to the due date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Company will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in August 2021 principal and interest payments will be required through the maturity date in May 2022. Management believes that the entire amount of the loan will be forgiven.

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

During the year ended December 31, 2020, the Maryland Department of Health provided COVID-19 testing supplies and conducted COVID-19 testing of residents. Management did not include the market value of testing supplies, personal protective equipment, and labor donated to the Organization on the consolidated statements of operations as they are deemed to be immaterial to the financial statements.

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

<b>ASSETS</b>	Collington Episcopal Life Care Community	Collington Foundation	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 3,398,335	\$ 235,764	\$ -	\$ 3,634,099
Accounts Receivable, Net	969,245	-	-	969,245
Accounts Receivable - Partial Closing	407,106	-	-	407,106
Prepaid Expenses and Other Assets	839,514	-	-	839,514
Assets Whose Use is Limited, Current	1,116,629	-	-	1,116,629
Due from Affiliates	13,943	1,043,736	(1,057,679)	-
Total Current Assets	<u>6,744,772</u>	<u>1,279,500</u>	<u>(1,057,679)</u>	<u>6,966,593</u>
<b>INVESTMENTS</b>	12,309,723	5,168,924	-	17,478,647
<b>ASSETS WHOSE USE IS LIMITED</b>	4,937,248	-	-	4,937,248
<b>PROPERTY AND EQUIPMENT</b>				
Land	909,016	-	-	909,016
Land, Building, and Building Improvements	127,508,525	-	-	127,508,525
Furniture and Equipment	10,395,691	-	-	10,395,691
Construction in Progress	614,116	-	-	614,116
Total	<u>139,427,348</u>	<u>-</u>	<u>-</u>	<u>139,427,348</u>
Less: Accumulated Depreciation	<u>(84,235,818)</u>	<u>-</u>	<u>-</u>	<u>(84,235,818)</u>
Property and Equipment, Net	55,191,530	-	-	55,191,530
<b>INTEREST IN NET ASSETS OF COLLINGTON FOUNDATION, INC.</b>	6,580,579	-	(6,580,579)	-
<b>OTHER ASSETS</b>				
Contributions Receivable from Remainder Trust	<u>-</u>	<u>132,155</u>	<u>-</u>	<u>132,155</u>
Total Assets	<u>\$ 85,763,852</u>	<u>\$ 6,580,579</u>	<u>\$ (7,638,258)</u>	<u>\$ 84,706,173</u>

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2020**

<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>	Collington Episcopal Life Care Community	Collington Foundation	Eliminations	Total
<b>CURRENT LIABILITIES</b>				
Current Portion of Leases Payable	\$ 3,243	\$ -	\$ -	\$ 3,243
Current Portion of Long-Term Debt	1,850,001	-	-	1,850,001
Accounts Payable	1,020,021	-	-	1,020,021
Accrued Salaries and Benefits	1,161,594	-	-	1,161,594
Accrued Interest	564,516	-	(64,557)	499,959
Entrance Fee and Deposits from Prospects Payable	1,305,907	-	-	1,305,907
Total Current Liabilities	<u>5,905,282</u>	<u>-</u>	<u>(64,557)</u>	<u>5,840,725</u>
<b>LONG-TERM LIABILITIES</b>				
Long-Term Debt, Net of Current Maturities	58,253,175	-	-	58,253,175
Note Payable to Collington Foundation Inc., Net of Current Portion	993,122	-	(993,122)	-
<b>REFUNDABLE ENTRANCE FEE LIABILITY</b>	14,460,624	-	-	14,460,624
<b>DEFERRED REVENUE FROM RESIDENT ENTRANCE FEES</b>	<u>35,846,929</u>	<u>-</u>	<u>-</u>	<u>35,846,929</u>
Total Liabilities	115,459,132	-	(1,057,679)	114,401,453
<b>NET ASSETS (DEFICIENCY)</b>				
Net Assets Without Donor Restrictions	(36,275,859)	(98,662)	2,272,435	(34,102,086)
Net Assets With Donor Restrictions	<u>6,580,579</u>	<u>6,679,241</u>	<u>(8,853,014)</u>	<u>4,406,806</u>
Total Net Assets (Deficiency)	<u>(29,695,280)</u>	<u>6,580,579</u>	<u>(6,580,579)</u>	<u>(29,695,280)</u>
Total Liabilities and Net Assets (Deficiency)	<u>\$ 85,763,852</u>	<u>\$ 6,580,579</u>	<u>\$ (7,638,258)</u>	<u>\$ 84,706,173</u>

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND**  
**CHANGES IN NET ASSETS (DEFICIENCY)**  
**YEAR ENDED DECEMBER 31, 2020**

	Collington Episcopal Life Care Community	Collington Foundation	Eliminations	Total
<b>REVENUE</b>				
Net Residential Services Revenue	\$ 16,929,574	\$ -	\$ -	\$ 16,929,574
Health Care Revenue	5,818,536	-	-	5,818,536
Amortization of Deferred Entrance Fees	5,073,518	-	-	5,073,518
Ancillary Income	336,651	-	-	336,651
Investment Income and Realized Gains	251,507	36,438	(32,278)	255,667
Contributions	164,243	171,938	-	336,181
Federal COVID Grant Revenue	2,836,722	-	-	2,836,722
Net Assets Released from Restrictions	-	111,629	-	111,629
Other Income	307,969	-	-	307,969
Total Revenue	<u>31,718,720</u>	<u>320,005</u>	<u>(32,278)</u>	<u>32,006,447</u>
<b>EXPENSES</b>				
General and Administrative	7,469,105	332,696	-	7,801,801
Pandemic Expenses	805,973	-	-	805,973
Plant and Environmental Services	3,267,462	-	-	3,267,462
Health Care	3,159,027	-	-	3,159,027
Dining Services	3,559,028	-	-	3,559,028
Utilities	1,292,667	-	-	1,292,667
Real Estate Taxes	552,661	-	-	552,661
Affiliation and System Fee	981,744	-	-	981,744
Depreciation	4,919,510	-	-	4,919,510
Interest	3,022,002	-	(32,278)	2,989,724
Provision for Bad Debt	562,674	-	-	562,674
Total Expenses	<u>29,591,853</u>	<u>332,696</u>	<u>(32,278)</u>	<u>29,892,271</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	2,126,867	(12,691)	-	2,114,176
<b>NET UNREALIZED GAIN ON INVESTMENTS</b>	<u>1,405,688</u>	<u>85,753</u>	<u>-</u>	<u>1,491,441</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS (DEFICIENCY)</b>	3,532,555	73,062	-	3,605,617
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Increase in Interest in Collington Foundation, Inc.	730,822	-	(730,822)	-
Investment Income and Realized Gains	-	334,920	-	334,920
Unrealized Gain on Investments	-	320,964	-	320,964
Contributions	-	113,505	-	113,505
Net Assets Released from Donor Restrictions and Used in Operations	-	(111,629)	-	(111,629)
Increase in Net Assets with Donor Restrictions	<u>730,822</u>	<u>657,760</u>	<u>(730,822)</u>	<u>657,760</u>
<b>CHANGE IN NET ASSETS (DEFICIENCY)</b>	4,263,377	730,822	(730,822)	4,263,377
Net Assets (Deficiency) - Beginning of Year	<u>(33,958,657)</u>	<u>5,849,757</u>	<u>(5,849,757)</u>	<u>(33,958,657)</u>
<b>NET ASSETS (DEFICIENCY) - END OF YEAR</b>	<u>\$ (29,695,280)</u>	<u>\$ 6,580,579</u>	<u>\$ (6,580,579)</u>	<u>\$ (29,695,280)</u>

**COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

	Collington Episcopal Life Care Community	Collington Foundation	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in Net Assets (Deficiency)	\$ 4,263,377	\$ 730,822	\$ (730,822)	\$ 4,263,377
Adjustments to Reconcile Change in Net Assets (Deficiency) to Net Cash Provided by Operating Activities:				
Depreciation	4,919,510	-	-	4,919,510
Provision for Bad Debts	562,674	-	-	562,674
Amortization of Resident Entrance Fees	(5,073,518)	-	-	(5,073,518)
Amortization of Deferred Financing Costs	49,097	-	-	49,097
Amortization of Bond Premium	(92,509)	-	-	(92,509)
Proceeds from Nonrefundable Entrance Fees	4,540,518	-	-	4,540,518
Net Unrealized and Realized Gains on Investments and Assets Whose Use is Limited	(1,406,066)	(406,717)	-	(1,812,783)
Increase in Interest in Collington Foundation, Inc.	(730,822)	-	730,822	-
(Increase) Decrease in Assets:				
Accounts Receivable	(406,008)	-	-	(406,008)
Prepaid Expenses and Other Assets	(146,237)	(45,012)	-	(191,249)
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Expenses	347,569	-	-	347,569
Accrued Interest Payable	(14,666)	-	-	(14,666)
Due to Affiliates	(188,964)	(103,209)	-	(292,173)
Net Cash Provided by Operating Activities	<u>6,623,955</u>	<u>175,884</u>	<u>-</u>	<u>6,799,839</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Property and Equipment	(2,249,742)	-	-	(2,249,742)
Net Change in Investments	(2,505,491)	(686,062)	-	(3,191,553)
Net Change in Assets Limited as to Use	(57,913)	-	-	(57,913)
Net Cash Used by Investing Activities	<u>(4,813,146)</u>	<u>(686,062)</u>	<u>-</u>	<u>(5,499,208)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from Refundable Entrance Fees	747,319	-	-	747,319
Refunds for Entrance Fees	(1,849,163)	-	-	(1,849,163)
Payments on Capital Lease Obligations	(34,007)	-	-	(34,007)
Principal Payments of Long-Term Debt	(1,760,000)	-	-	(1,760,000)
Net Cash Used by Financing Activities	<u>(2,895,851)</u>	<u>-</u>	<u>-</u>	<u>(2,895,851)</u>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>				
	(1,085,042)	(510,178)	-	(1,595,220)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>4,483,377</u>	<u>745,942</u>	<u>-</u>	<u>5,229,319</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 3,398,335</u>	<u>\$ 235,764</u>	<u>\$ -</u>	<u>\$ 3,634,099</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash Paid for Interest	<u>\$ 3,047,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,047,801</u>

