

WILLOW VALLEY COMMUNITIES

DISCLOSURE STATEMENT

April 30, 2020

The issuance of a certificate of authority does not constitute approval, recommendation or endorsement of Willow Valley Communities by the Pennsylvania Department of Insurance, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set out in the disclosure statement.

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SUMMARY PAGE

1. Communities:	Willow Valley Manor 211 Willow Valley Square Lancaster, PA 17602 • Providence Park at Willow Valley
	Willow Valley Lakes Manor 300 Willow Valley Lakes Drive Willow Street, PA 17584 • Willow Gables • Spring Run at Willow Valley
	Willow Valley Manor North 600 Willow Valley Square Lancaster, PA 17602 • Willow Valley Manor North Garden Apartments
2. Owner and licensed provider:	Willow Valley Communities 600 Willow Valley Square Lancaster, PA 17602
3. To discuss how you may becom	ne a Resident, contact: Brian Rutter Willow Valley Communities 600 Willow Valley Square Lancaster, PA 17602 Phone: 1-800-770-5445 Fax: 1-717-464-6641 Web Site: www.WillowValleyCommunities.org
4. Community descriptions:	Willow Valley Manor is located in a suburban setting on 20 acres of land. The community offers 278 residential living apartments in three-story buildings with extensive common areas.
	The expansion of Willow Valley Manor, known as Providence Park at Willow Valley, includes 54 villas and 53 residential living apartments in a five-story building on 25 acres.
	Willow Valley Lakes Manor is located in a suburban setting on 40 acres of land. The community offers 424 residential living units, primarily comprised of apartments in four-story buildings with extensive common areas. The community also includes midrise apartments and villas. Skilled nursing care is provided in Willow Valley Lakes Manor's 80-bed supportive living component. The first expansion on the Lakes Manor campus, known as Willow

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Gables, includes 25 acres and is comprised of 80 residential living townhomes.

The second expansion on the Lakes Manor campus, known as Spring Run at Willow Valley, includes 34 acres and is comprised of 210 residential living apartments in five-story buildings. In addition, personal care is provided in an adjacent building with 138 beds available.

Willow Valley Manor North is located in a suburban setting on 42 acres of land. The community offers 416 residential living apartments in connected four or five story buildings. In addition, a separate building consists of 50 Garden Apartments. Personal care, memory support (dementia care) and skilled nursing care are provided in Willow Valley Manor North's 353-bed supportive living component.

- 5. Minimum age for entrance: Willow Valley Communities accepts qualified applicants who have attained the age of 55.
- 6. Affiliations: Willow Valley Communities formed the Willow Valley Communities Charitable Foundation, a 501(c)(3) organization. Operations of the Foundation began January 1, 2019. Willow Valley Communities does not have affiliation with any religious, fraternal, or other non-profit organization.
- Resident population: As of December 31, 2019, Willow Valley Manor had 606 Lifecare Residents; Willow Valley Lakes Manor had 1,120 Lifecare Residents; and Willow Valley Manor North had 700 Lifecare Residents.
- 8. Sample fees: Willow Valley Manor

33% Refund	
Entrance Fee	Monthly Fee
Buildings A-D	<u>Current (2020)</u>
\$ 167,700	\$ 2,323
198,700	3,672
	Entrance Fee <u>Buildings A-D</u> \$ 167,700

Willow Valley Lakes Manor

	33% Refund	
Prescott/Watson	Entrance Fee	Monthly Fee
(<u>One Bedroom Unit)</u>	Buildings A-E	<u>Current (2020)</u>
One person	\$ 167,700	\$ 2,323
Two persons	198,700	3,672
	Willow Valley Manor North	

Pennington/Kingston	33% Refund	Monthly Fee
(<u>One Bedroom Unit)</u>	Entrance Fee	<u>Current (2020)</u>
One person	\$ 197,700	\$ 2,412
Two persons	228,700	3,761

COMMUNITY BACKGROUND

The owner and licensed provider is Willow Valley Communities, 600 Willow Valley Square, Lancaster, PA 17602.

Willow Valley Communities is a Pennsylvania non-profit corporation.

The names and business addresses of all of the officers and directors of Willow Valley Communities are as follows:

Jill Gilbert, CPA, President, 732 Buckingham Boulevard, Elizabethtown, PA 17022

Mrs. Gilbert is an Audit Partner with RKL, LLP. She has over 20 years of experience in public accounting. She specializes in audits of local governments, employee benefits, and non-profit organizations. She received a B.S. in Business Administration with concentration in accounting and finance from Elizabethtown College in 1995. Mrs. Gilbert is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants.

Helen C. Foster, Vice President, 1820 Milan Street, New Orleans, LA 70115

Mrs. Foster is the owner and principal of Foster Strategy, L.L.C., a marketing and development consultancy specializing in age qualified (55+) real estate. Based in New Orleans, Louisiana, the firm serves a select base of clients across the United States, many of which are "best in class" in their respective markets or business sectors. Mrs. Foster is Chair of the Urban Land Institute's Lifestyle Residential (55+) Development Council, and she actively participates as an advisor, speaker, and awards judge for other leading organizations including the National Association of Home Builders, Leading Age and the Pacific Coast Builders Conference.

Leslie W. Brant, Treasurer, 1130 Putters Cove, York, PA 17408

Mr. Brant is a retired financial executive. His professional experience includes 35 years at Bank of New York Mellon. He progressed through the ranks to Senior Director, providing wealth management services. He achieved solid results for BNY Mellon and built relationships with clients and community leaders. Over the years, Mr. Brant served on various boards and committees as a volunteer or member, and as chairman of several professional organizations. He currently serves on the Foundation Board of the Margaret Moul Home and is Chair of the Investment Committee. Mr. Brant serves on the Investment Committee of First Presbyterian Church of York. He also serves as a Board Member of AAA Southern Pennsylvania, which is headquartered in York.

Jane R. Barley, Secretary, 192 Chestnut Grove Road, Conestoga, PA 17516

Mrs. Barley, a graduate of Millersville University with a B.S. in Elementary Education, taught second grade in the Penn Manor School District for several years and was the business administrator for Star Rock Farms. She attends Grace Community Church, is active in the community, and serves on the Superintendent's Council for Penn Manor School District. Mrs. Barley is actively involved with fifteen grandchildren and their sports activities, and plays tennis and pickleball.

Joseph F. McDonald, Assistant Secretary, 950 Willow Valley Lakes Drive, Willow Street, PA 17584

Mr. McDonald has had a rewarding career in the field of education. He taught in elementary schools and has served as a Vice-Principal, Elementary Principal, and Assistant Superintendent. He also taught in Athens, Greece and served as the High School Principal there, as well as at Hillingdon, England and the prestigious Nido De Aguilas International School in Santiago, Chile. Throughout his career, Mr. McDonald has been a member of a number of professional organizations and has held various positions in his local communities.

Dr. J. Donald Kemrer, 152 Greenview Drive, Lancaster, PA 17601

Dr. Kemrer is a retired physician from his family practice in Lancaster, Pennsylvania. From 1999 to 2004 he served as President of the Willow Valley Communities Board of Directors. Dr. Kemrer is a member of Neffsville Mennonite Church.

Rev. Dr. John Stephen Smith, 1521 Rolling Meadow Road, Lebanon, PA 17046

Rev. Dr. Smith attended Juniata College, graduating in 1971. Subsequent to graduation, he enlisted in the United States Marines Corps, after which he taught at the community college level while simultaneously earning a Master's Degree in Counseling Psychology. He began his professional career as a school psychologist, working in a number of school districts in Lancaster and Lebanon counties. Rev. Smith retired from his work as a school psychologist in 2003. He also studied at Evangelical Theological Seminary earning Master of Arts and Master of Divinity degrees. He completed his academic training by earning a Ph.D. Degree from Newburgh Theological Seminary in Christian Counseling. Rev. Smith is currently serving as a pastor at the Rexmont Evangelical Congregational Church in Lebanon County, Pennsylvania. He is blessed to be married to Vicki Lehman Smith and has two daughters and six grandchildren.

Willow Valley Communities operates the following Lifecare communities: the Willow Valley Manor community, opened in 1984, with the Providence Park at Willow Valley expansion opening in 2013; the Willow Valley Lakes Manor community, opened in 1986, with expansions Willow Gables and Spring Run at Willow Valley opening in 1999 and 2003, respectively; and the Willow Valley Manor North community, opened in 1993, with the North Garden Apartments expansion opening in 2000.

Willow Valley Communities offers a Lifecare at home membership program called SmartLife VIA Willow Valley which began operations in June 2014. SmartLife VIA Willow Valley provides Lifecare protection for individuals who wish to remain in their homes.

Willow Valley Communities is the sole member of Connections At Home VIA Willow Valley, a Limited Liability Company. Connections At Home VIA Willow Valley is a home care agency.

Willow Valley Communities is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

COMMUNITY DESCRIPTIONS

WILLOW VALLEY MANOR

Willow Valley Manor is located in a suburban setting on 20 acres of land. The community offers 278 residential living apartments in three-story buildings with extensive common areas. The living units are offered in the following basic styles:

- Waverly (Studio)
- Prescott/Watson (One Bedroom)
- Charleston (Two Bedroom)
- Kensington (Two Bedroom Deluxe)

A center core building of approximately 46,000 square feet provides common areas for dining, recreation, and meetings, as well as administrative offices.

Construction of the community began in August 1983 and was completed in December 1985. The first residential buildings were occupied in April 1984, and full occupancy was achieved in early 1986.

The expansion of Willow Valley Manor, known as Providence Park at Willow Valley, is located in a suburban setting on 25 acres of land. This community offers 54 villa style residential living units. The addition of 53 luxury residential apartments in a 5-story new construction called The Vistas at Providence Park was completed in 2017. Personal care, memory support (dementia care), and skilled nursing care is provided in an adjacent supportive living component.

Phase One of construction for the Willow Manor expansion (42 villas) began in 2012, with occupancy beginning in June 2013. Phase Two construction (12 townhomes) began in the fall of 2013, with occupancy beginning in October 2014, and full occupancy was achieved in 2015. Phase Three construction (The Vistas at Providence Park) began in 2016 with occupancy beginning in July 2017.

WILLOW VALLEY LAKES MANOR

Willow Valley Lakes Manor is located in a suburban setting on 65 acres of land. The community offers 504 residential living units, primarily comprised of apartments in four-story buildings with extensive common areas. The community also includes Midrise apartments, Villas and Willow Gables townhomes. The living units are offered in the following basic styles:

- Ashford (Studio)
- Prescott/Watson (One Bedroom)
- Charleston (Two Bedroom)
- Richmond (Two Bedroom Deluxe)

Skilled nursing care is provided in Lakeside at Willow Valley, Willow Valley Lakes Manor's 80bed supportive living component.

A center core building of approximately 62,000 square feet provides common areas for dining, recreation, and meetings, as well as administrative offices.

Construction of the community began in July 1985 and was completed in September 1988. The first residential buildings were occupied in July 1986; full occupancy was achieved in December 1988. Willow Gables occupancy began in April 1999, with full occupancy achieved in 2002.

The expansion of Willow Valley Lakes Manor, known as Spring Run at Willow Valley, is located in a suburban setting on 34 acres of land. This expansion offers an additional 210 residential living

apartments in five-story buildings. Personal care is provided adjacent to Spring Run in Meadow Ridge at Willow Valley, a 138-bed supportive living component.

A center core building of approximately 28,952 square feet provides common areas for dining, recreation, and meetings, as well as administrative offices.

Construction of the Spring Run buildings began in late 2002, with Phase One (90 residential living units) with occupancy beginning in October 2003. Phase Two construction (120 residential living units) began in late summer 2003, with occupancy beginning in August 2004. Full occupancy was achieved in 2006.

WILLOW VALLEY MANOR NORTH

Willow Valley Manor North is located in a suburban setting on 42 acres of land. The community offers 416 residential living units in four and five story buildings. In addition, a separate building consists of 50 Garden Apartments. The apartments in the community are offered in the following basic styles:

- Pennington/Kingston (One Bedroom)
- Wellington (Two Bedroom)
- Chelsea (Two Bedroom Deluxe)
- Huntingdon (Two Bedroom Deluxe Special)

Personal care, memory support (dementia care) and skilled nursing care are provided in The Glen at Willow Valley, Willow Valley Manor North's 353-bed supportive living component, with 281 skilled nursing beds, and accommodations for 72 in personal care. Expansion of The Glen at Willow Valley began in 2017 with completion in late 2019.

A center core building of approximately 77,000 square feet provides common areas for dining, recreation and meetings, as well as administrative offices.

Construction of the Manor North community began in July 1992 and was completed in 1995. The first residential buildings were occupied in October 1993, and full occupancy was achieved in late 1995. Construction of the 50 unit Garden Apartment expansion was completed in November 2000, with full occupancy achieved in 2002.

COMMUNITY SERVICES

Residential nursing services provided as part of the Resident Agreement:

1. Residential Services

Willow Valley has medical professionals available twenty-four (24) hours a day to respond to emergency calls in the Residence.

Each Residence has an emergency call system connected directly to a centrally monitored station.

Nursing support is provided to Residents for short-term illnesses through brief visits to the Residence to monitor progress and assess continuing needs.

Willow Valley encourages residents to remain healthy. Programs promoting wellness are offered providing exercise, as well as nutrition and lifestyle counseling. Other programs offered by Willow Valley include blood pressure testing and weight clinics.

Long term care services provided as part of the Resident Agreement:

1. Temporary Care

If a Resident is in need of temporary care in Supportive Living, it shall take place after consultation among Willow Valley Communities Administration, Resident's spouse, and/or Resident's responsible party. Willow Valley Communities shall provide care in a semi-private accommodation in the skilled nursing, memory support, or personal care area of a Willow Valley supportive living community as well as required medical supplies at no additional cost over the Resident's monthly service fee. Medical supplies do not include personal hygiene items or durable medical goods, such as wheelchairs and walkers.

2. Permanent Care

If a Resident is in need of permanent care in supportive living, it shall take place after consultation among Willow Valley Communities Administration, Resident, Resident's spouse, and/or Resident's responsible party. Willow Valley Communities shall provide care in a semi-private accommodation in the skilled nursing, memory support, or personal care area of a Willow Valley supportive living community as well as required prescription medicines and medical supplies at no additional cost over the Resident's monthly service fee. Prescription medicines shall be subject to a maximum annual allowance, which is \$5,041 for 2020. Medical supplies do not include personal hygiene items or durable medical goods, such as wheelchairs and walkers.

Resident Agreements for Providence Park at Willow Valley and all new Resident Agreements effective October 2014 do not include prescription drugs coverage.

3. Spring Run at Willow Valley and Providence Park at Willow Valley Contracts Accommodations Provided

Resident Agreements for Spring Run at Willow Valley and Providence Park at Willow Valley provide for private accommodations in personal care in a Willow Valley supportive living community, subject to availability.

4. Willow Gables and North Garden Apartment Contracts Accommodations Provided

Resident Agreements effective October 2014 for Willow Gables townhomes and North Garden Apartments provide for private accommodations in personal care in a Willow Valley supportive living community, subject to availability.

Services included as part of Resident's Monthly Fee:

1. Culinary Services

Willow Valley Manor, Lakes Manor, and Manor North will furnish each Resident two (2) meals a day: breakfast and dinner. The meals will be attractive, nutritionally well-balanced, and properly cooked. Reasonable special dietary needs will be accommodated on request. Resident Agreements for Midrise units, Lakes Villas, Willow Gables townhomes, Garden Apartments, Spring Run at Willow Valley, and Providence Park at Willow Valley do not include meals.

All Resident Agreements effective October 2014 do not include two (2) meals a day, but include a Dining Credit program that allows Residents to purchase meals at a discounted price. Residents may opt out of this program for a reduced monthly fee.

2. Meal Delivery Service

Willow Valley Communities will provide meal delivery service to the Residence if the Resident is receiving care for minor illness and if such service is ordered by the Resident's physician or Willow Valley Communities Administration. This service will be limited to a maximum of fourteen (14) consecutive days. A Resident requiring further meal delivery service will be evaluated by Willow Valley Communities Administration and/or the Resident's personal physician for possible placement in Willow Valley Communities supportive living community for whatever nursing services are required.

3. Utilities and Related Services

Willow Valley Communities will furnish water, heat, electricity, sewer, and air-conditioning to each apartment unit and be responsible for trash removal, sidewalk and roadway snow removal, and grounds maintenance.

4. Housekeeping

Willow Valley Communities will be responsible for the housekeeping in all public areas; it is the Resident's responsibility to maintain a clean, sanitary apartment unit and to perform all routine housekeeping tasks.

Willow Valley Communities will provide annual housecleaning services to maintain the Residence. Willow Valley Communities reserves the right to inspect the Residence periodically and, if the Residence appears to be in need of additional cleaning as determined by Willow Valley Communities, to schedule periodic maid service. The Resident will be charged for this service.

Resident Agreements for Willow Gables townhomes and Providence Park at Willow Valley include weekly housekeeping services.

5. Storage

The Resident will have a designated storage area available for those items not required for daily use. Administration reserves the right to define the types of items that cannot be stored in the storage area.

6. Maintenance

Willow Valley Communities will be responsible for all necessary repairs, maintenance and replacement of property and equipment owned by Willow Valley Communities, as determined by the administrative staff. The Resident will be responsible for his or her own property.

7. Linen Service

Linen service will be provided for bed linens supplied by Willow Valley Communities on a weekly schedule at no charge. Personal items may be laundered by the Resident using the washers and dryers in the conveniently located laundry rooms. The use of these appliances is provided at no charge to the Resident.

Resident Agreements for Midrise units, Lakes Villas, Willow Gables townhomes, Garden Apartments, Spring Run at Willow Valley, and Providence Park at Willow Valley, as well as all Resident Agreements effective October 2014, do not provide for linen services.

8. Social Services and Activities

Willow Valley Communities will provide a planned schedule of social, educational, recreational, and spiritual activities designed to stimulate and support the overall physical, spiritual, and emotional well-being of Residents. Residents are encouraged to participate in as many activities as they wish.

9. Transportation

Willow Valley Communities will provide regularly scheduled transportation, at no charge to Residents, for shopping trips to local malls and shopping centers, as well as transportation between the Communities, Cultural Center, and Clubhouse.

10. The Center for Vitality

The Center for Vitality offers a wellness program focused on increasing the vitality of the Residents of Willow Valley Communities. The comprehensive program includes exercise and aquatic programs in addition to educational programs and nutritional counseling. The Center for Vitality is located at the Cultural Center with a satellite fitness and aquatics center at Manor North and satellite exercise rooms and classes at Manor and Lakes Manor.

Services available for an extra charge:

1. Dining Room Guest Privilege

Residents are encouraged to host and register guests for meals served in the Dining Rooms. Prices charged for these guest meals will be billed on the Resident's monthly statement.

2. Trips and Tours

Trips and tours (other than shopping trips) will be available to Residents.

3. Cultural Center Amenities

The Day Spa and Vitality Café offer services to Residents for a fee. In addition, Residents may be charged a fee for certain performances at the Cultural Center Performing Arts Theater and certain fitness and aquatics classes.

4. Clubhouse Amenities

Local Table restaurant is open for evening dining and entertainment. Residents can purchase dinner meals and beverages.

The Clubhouse Café and Ice Cream Parlor is open weekends and during the week on a seasonal basis.

Residents may be charged for certain events and classes offered in the Sports Center.

5. Cable TV, Internet, and Telephone

Willow Valley provides standard cable television, internet service, and telephone service for a fee. The charge will be added to the Resident's monthly statement.

6. Maid Service

Maid service is available from the housekeeping department. If a Resident uses this service, the Resident will be charged at the current hourly rate for the service. The charge will be added to the Resident's monthly statement.

7. Café

Cafés located in the communities are open for lunch. Residents can purchase soups, sandwiches, salads, beverages, and many other hot and cold food items.

8. Beauty Salon

Barber/beauty salons located in the communities will be open standard hours several days each week.

9. Transportation

Individual transportation for a Resident's appointments may be provided on a fee-for-service basis.

COMMUNITY FEES

The entrance fees listed below are the current fees for resale of the various apartment styles. Entrance fees are subject to change without notice. Willow Valley Communities reserves the right to limit the number of contracts issued under each pricing plan.

The monthly fees listed below are the current fees for the various apartment styles. Monthly fees will be reviewed periodically and may be increased or decreased based on the financial needs of the Provider. Factors that influence the financial needs of the Provider include, but are not limited to, increased expenses, government regulations, reserve fund maintenance, and occupancy levels. Residents will receive prior written notice of such adjustments.

As all Resident Agreements are not signed at the same time, the monthly fees paid by Residents for similar apartment units may vary.

Residents may be subject to the Internal Revenue Service imputed interest rules and should contact their tax advisor for more information.

WILLOW VALLEY MANOR	Current Entrance Fees			2020 C Month	
Apartment Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Waverly (Studio)	\$99,600	\$116,700	\$172,800	\$2,000	\$3,349
Prescott/Watson (One Bedroom)	141,600	167,700	246,800	2,323	3,672
Raleigh (One Bedroom w/Study)	180,600	213,700	314,800	2,526	3,875
Madison (One Bedroom w/Study)	207,600	244,700	360,800	2,701	4,050
Charleston (Two Bedroom)	241,600	284,700	419,800	2,745	4,094
Covington (Two Bedroom)	256,600	302,700	445,800	2,916	4,265
Arlington (Two Bedroom)	257,600	304,700	448,800	2,935	4,284
Kensington (Two Bedroom)	257,600	304,700	448,800	2,935	4,284
Essex (Two Bedroom w/Study)	327,600	386,700	569,800	3,606	4,955
Second Person Lifecare Fee	26,000	31,000	45,000		

• Entrance fees and monthly fees listed above are the current fees for Buildings A through D.

• Fees for Building E are higher because the apartment units are larger.

PROVIDENCE PARK AT WILLOW VALLEY	Current Entrance Fees				Current ly Fees
Villa Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
The Bedford	\$341,600	\$403,700	\$594,800	\$3,615	\$4,964
The Bristol	341,600	403,700	594,800	3,615	4,964
The Warwick	401,600	473,700	698,800	4,109	5,458
The Newport	406,600	479,700	707,800	4,109	5,458
The Newport (detached)	409,600	483,700	712,800	4,144	5,493
Second Person Lifecare Fee	26,000	31,000	45,000		

• An additional entrance fee and monthly fee will be charged for villas with basements.

• Lake view premium entrance fee: \$10,000 (all styles)

PROVIDENCE PARK AT WILLOW VALLEY	Current Entrance Fees				Current ly Fees
Townhome Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Lyon w/ Basement – Lake View	\$490,600	\$578,700	\$853,800	\$4,581	\$5,930
Versailles w/Basement – Lake View	605,600	714,700	1,053,800	5,524	6,873
Second Person Lifecare Fee	26,000	31,000	45,000		

PROVIDENCE PARK AT WILLOW VALLEY	Current Entrance Fees				Current ly Fees
The Vistas	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Chatham (Two Bedroom)	\$395,600	\$466,700	\$688,800	\$3,619	\$4,968
Danbury (Two Bedroom)	395,600	466,700	688,800	3,619	4,968
Hudson (Two Bedroom w/Study)	429,600	506,700	747,800	4,310	5 <i>,</i> 659
Vernon (Two Bedroom w/Study)	438,600	517,700	763,800	4,392	5,741
Second Person Lifecare Fee	26,000	31,000	45,000		

• Top Floor premium entrance fee: \$18,000

Average Monthly Fee Increases for the Current and Previous Four Years - Willow Valley Manor and Providence Park

Date of Increase	Single Occupancy	Double Occupancy
01/01/16	100	132
01/01/17	94	131
01/01/18	90	125
01/01/19	91	126
01/01/20	94	130

WILLOW VALLEY LAKES MANOR	Current Entrance Fees			2020 Current Monthly Fees	
Apartment Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Ashford (Studio)	\$99,600	\$116,700	\$172,800	\$2,000	\$3,349
Prescott/Watson (One Bedroom)	141,600	167,700	246,800	2,323	3,672
Raleigh (One Bedroom w/Study)	180,600	213,700	314,800	2,526	3,875
Madison (One Bedroom w/Study)	207,600	244,700	360,800	2,701	4,050
Charleston (Two Bedroom)	241,600	284,700	419,800	2,745	4,094
Covington (Two Bedroom)	256,600	302,700	445,800	2,916	4,265
Arlington/Kensington (Two Bedroom)	257,600	304,700	448,800	2,935	4,284
Richmond (Two Bedroom w/Study)	279,600	329,700	486,800	3,031	4,380
Charleston w/Study (Two Bedroom w/Study)	269,600	318,700	468,800	2,892	4,241
Covington w/Study (Two Bedroom w/Study)	277,600	327,700	482,800	3,064	4,413
Second Person Lifecare Fee	26,000	31,000	45,000		

• Entrance fees and monthly fees listed above are the current fees for Buildings A through E.

• Fees for Building F are higher because the living units are larger.

WILLOW VALLEY LAKES MIDRISE & VILLAS	Current Entrance Fees			2020 Current Monthly Fees	
Midrise Apartment Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Charleston (Two Bedroom)	\$256,600	\$302,700	\$445,800	\$2,802	\$4,151
Covington (Two Bedroom)	269,600	318,700	469,800	2,962	4,311
Charleston w/Study (Two Bedroom w/Study)	279,600	329,700	486,800	2,936	4,285
Covington w/Study (Two Bedroom w/Study)	291,600	343,700	507,800	3,107	4,456
Villa Style					
Warrington (Two Bedroom)	307,600	362,700	535,800	3,076	4,425
Pickering (Two Bedroom w/Study)	318,600	375,700	554,800	3,300	4,649
Henley (Two Bedroom)	319,600	377,700	556,800	3 <i>,</i> 305	4,654
Scarborough (Two Bedroom w/Study)	344,600	406,700	599,800	3,508	4,857
Second Person Lifecare Fee	26,000	31,000	45,000		

WILLOW GABLES	Current Entrance Fees			2020 Cu Monthl	
Townhome Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Lyon	\$425,600	\$502,700	\$740,800	\$4,483	\$5,832
Marseille	489,600	577,700	851,800	4,826	6,175
Versailles	550,600	649,700	957,800	5,427	6,776
Second Person Lifecare Fee	26,000	31,000	45,000		

• An additional entrance fee and monthly fee will be charged for townhomes with basements.

• Lake view premium entrance fee: \$10,000

SPRING RUN AT WILLOW VALLEY	Current Entrance Fees			2020 Current Monthly Fees	
Apartment Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Conestoga	\$204,600	\$240,700	\$354,800	\$2 <i>,</i> 660	\$4,009
Delaware	299,600	353,700	520,800	3,279	4,628
Susquehanna	331,600	391,700	576,800	3,523	4,872
Lehigh	368,600	434,700	641,800	3,837	5,186
Brandywine	385,600	455,700	670,800	3,894	5,243
Chesapeake	394,600	465,700	686,800	3,982	5,331
Second Person Lifecare Fee	26,000	31,000	45,000		

- An underground parking space is included with the Chesapeake, Brandywine, and Lehigh.
- A parking space may be reserved with the other styles of apartments for a deposit of \$10,000 and a monthly fee of \$30, subject to availability.
- Park view premium entrance fee: \$10,000 (all styles)
- Top floor premium entrance fees, featuring higher ceilings: \$3,000 \$7,000 (based on apartment style)

Average Monthly Fee Increases for the Current and Previous Four Years - Willow Valley Lakes Manor

Date of Increase	Single Occupancy	Double Occupancy
01/01/16	96	129
01/01/17	99	137
01/01/18	92	127
01/01/19	93	128
01/01/20	96	133

WILLOW VALLEY MANOR NORTH	Current Entrance Fees			2020 Current Monthly Fees	
Apartment Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Pennington/Kingston (One Bedroom)	\$167,600	\$197,700	\$290,800	\$2,412	\$3,761
Wellington (Two Bedroom)	202,600	238,700	351,800	2,850	4,199
Windsor (Two Bedroom 1½ Bath)	213,600	252,700	371,800	2,933	4,282
Chelsea (Two Bedroom)	277,600	327,700	482,800	3,194	4,543
Huntingdon (Two Bedroom w/Study)	289,600	341,700	503,800	3,171	4,520
Chelsea (Two Bedroom w/Study)	303,600	358,700	528,800	3,493	4,842
Stratford (Two Bedroom w/Study)	303,600	358,700	528,800	3,493	4,842
Astoria (Two Bedroom w/Study)	308,600	363,700	536,800	3,613	4,962
Grantham (Two Bedroom w/Study)	398,600	470,700	693,800	4,036	5,385
Second Person Lifecare Fee	26,000	31,000	45,000		

- A parking space may be reserved in the covered garage for a deposit ranging from \$9,000 to \$12,000 and a monthly fee of \$30, subject to availability.
- Top floor premium entrance fees, featuring higher ceilings: \$3,000-\$7,000 (based on apartment style)

WILLOW VALLEY MANOR NORTH GARDEN APTS.	Current Entrance Fees			2020 Current Monthly Fees	
Apartment Style	Zero Refund Plan	33% Refund Plan	90% Refund Plan	Single	Double
Monterey (One Bedroom)	\$173,600	\$204,700	\$301,800	\$2,319	\$3,668
Denton (One Bedroom)	198,600	234,700	345,800	2,608	3,957
Pembrooke (One Bedroom)	199,600	235,700	347,800	2,615	3,964
Claremont (Two Bedroom)	325,600	384,700	566,800	3,393	4,742
Buchanan (Two Bedroom w/Study)	380,600	449,700	662,800	4,079	5,428
Edinburg (Two Bedroom w/Study, End Unit)	380,600	449,700	662,800	4,094	5,443
Second Person Lifecare Fee	26,000	31,000	45,000		

- Ground floor premium entrance fees for Garden Apartments: \$4,000 (patio) or \$8,000 (deck)
- Top floor premium entrance fees, featuring higher ceilings, crown molding and chair rail: \$3,000 \$7,000 (based on apartment style)

Date of Increase	Single Occupancy	Double Occupancy
01/01/16	86	122
01/01/17	105	148
01/01/18	97	132
01/01/19	98	133
01/01/20	101	142

Average Monthly Fee Increases for the Current and Previous Four Years - Willow Valley Manor North

COMMUNITY MANAGER

The Community Manager of Willow Valley Communities is Willow Valley Retirement Management, Inc. dba Willow Valley Living ("Willow Valley Living"), 100 Willow Valley Lakes Drive, Willow Street, PA 17584. The officers of Willow Valley Living have provided these services to Willow Valley Communities since its opening. Currently, Marlin H. Thomas and John G. Swanson hold the positions of Chairman and CEO, respectively, of Willow Valley Living.

In April 2014, Willow Valley Communities entered into a five-year contract with Willow Valley Living for management services. Willow Valley Living provides general management and supervision, accounting, human resources, purchasing, and other services needed to manage the facility on a day-to-day basis. In return for these services, Willow Valley Living received a monthly fee based on the number of apartments and healthcare beds within each facility and SmartLife VIA Willow Valley collected revenue and membership sales. On March 20, 2019, a new five-year contract with an effective date of May 1, 2019 was entered into with Willow Valley Living for management services. Under this new contract, the monthly fee based on the number of apartments and healthcare beds within each facility is replaced with a collected revenue based fee. The projected cost of these services for 2020 is \$3,324,253.

Annually, the Executive Committee of Willow Valley Communities' Board of Directors evaluates the services provided by Willow Valley Living. Prior to the renewal of the Management Contract, the Executive Committee engages independent counsel to review the terms and conditions of the contract.

Additionally, an independent accounting firm is engaged by independent counsel to verify that the management fees are reasonable by comparing the fees to other management contracts. Upon receipt of all information, including the recommendation of the Executive Committee, the full Board of Directors takes action on the renewal of the Management Contract.

Willow Valley Communities has entered into real estate development service contracts with Willow Valley Development Corporation. The Willow Valley Development Corporation ownership group includes officers of the Community Manager. The services, performed for specific Board of Directors designated projects, include feasibility analysis, governmental and regulatory approvals, design, planning, financing, and equipping.

These designated projects may include both new construction and renovation of existing structures. The anticipated cost for these services in 2020 is \$950,000.

Willow Valley Communities has entered into construction contracts with CCS Building Group LLC ("CCS"), a general contracting and construction management firm specializing in retirement housing and long-term care. The CCS ownership group includes officers of the Community Manager. Willow Valley Communities chose CCS for these "design build" construction contracts because the President of CCS successfully managed design build contracts in the past when he was employed as a project manager by another contractor for Willow Valley Communities projects. The Board of Directors of Willow Valley Communities has established extensive policies and procedures, including direct Board involvement, in the contracting process with CCS. It is anticipated that construction project costs will total \$39,704,000 in 2020.

RESERVE FUNDS

Willow Valley Communities has established a cash reserve fund as required by the Continuing Care Provider Registration and Disclosure Act. Under the Act, Willow Valley Communities is required to maintain liquid reserves in an amount equal to or exceeding the greater; (1) the total amount of all principal and interest payments due during the next 12 months; or (2) 10 percent of the projected annual operating expenses of the program, exclusive of depreciation. This fund is held by the TD Bank Trust Department, which will invest the funds with special consideration given to safety of principal, a fair rate of return, and liquidity. As of December 31, 2019 there was a balance of \$8,368,908 in this fund.

LONG-TERM FINANCING

Willow Valley Communities secured long-term financing through a Lancaster Industrial Development Authority bond issue, Adjustable Rate Demand Revenue Bonds, Series A, B, and C of 2009. The 2009 Bonds were used to refinance an existing line of credit indebtedness, payment of the costs and expenses of issuing the bonds, and for renovation of the existing healthcare facilities known as The Glen at Willow Valley. As part of the bond issue the Company has entered into a direct pay letter of credit facility with a local bank for these bonds.

Issued in July 2009, the Series A, B and C each had an aggregate principal balance of \$20,000,000. Each of the series of bonds are variable rate, adjusting every seven days. As of December 31, 2019, \$16,680,000 of the Series A and B Bonds and \$20,000,000 of the Series C Bonds was outstanding.

The 2009 bonds have varying maturities, from December 2032 through and including 2039. The 2009 bonds are subject to mandatory sinking fund redemptions beginning in 2032.

On November 19, 2015, Willow Valley Communities entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable-rate demand bonds 2009 Series C with a notional amount of \$10,000,000 to pay a fixed rate of interest of 0.705% and receive a variable rate of interest based on SIFMA Municipal Swap Index to manage interest rate exposure related to its variable interest rate payment obligations on the 2009 Series C Bonds. On December 1, 2018 this swap agreement terminated.

On December 13, 2018, Willow Valley Communities entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable-rate demand bonds 2009 Series C with a notional amount of \$10,000,000 to pay a fixed rate of interest of 2.32% and receive a variable rate of interest based on SIFMA Municipal Swap Index to manage interest rate exposure related to its variable interest rate payment obligations on the 2009 Series C Bonds. This swap agreement terminates on December 1, 2031.

Willow Valley Communities secured long-term financing through a Lancaster Industrial Development Authority Revenue Note, Series of 2010 (the "2010 Bank Qualified Loan"). The 2010 Bank Qualified Loan was used to advance refund the 1997, 1998 and a portion of the 2001 Health Center Revenue Bonds and to pay the costs of issuance of the 2010 Bank Qualified Loan.

Issued in December 2010, with a fixed interest rate for seven years of 3.04% and variable thereafter, the 2010 Bank Qualified Loan is due December 2011 through 2031. As of December 31, 2019, \$16,290,000 was outstanding on the loan.

On April 24, 2017, Willow Valley Communities entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable-rate 2010 Bank Qualified Loan with a notional amount of \$18,480,000 to pay a fixed rate of interest of 2.742% and receive a variable rate of interest based on 65% of USD LIBOR BBA plus 1.10% to manage interest rate exposure related to its variable interest rate payment obligations on the 2010 Bank Qualified Loan. This swap agreement terminates on December 1, 2031.

Willow Valley Communities secured long-term financing through a Paradise Township Sewer Authority Tax Exempt Revenue Note, Series of 2012 (the "2012 Bank Qualified Loan"). The 2012 Bank Qualified Loan was used to advance refund the 2001 Health Center Revenue Bonds, to pay the costs of issuance of the 2012 Bank Qualified Loan and for the construction of independent living units at Providence Park.

Issued in December 2012, with a fixed interest rate for seven years of 2.08%, the 2012 Bank Qualified Loan has monthly principal payments beginning January 2014 through December 2032. As of December 31, 2019, \$7,245,176 was outstanding on the Ioan.

On December 6, 2019, Willow Valley Communities entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable-rate 2012 Bank Qualified Loan with a notional amount of \$7,245,176 to pay a fixed rate of interest of 2.5165% and receive a variable

rate of interest based on 79% of USD LIBOR BBA plus 1.10% to manage interest rate exposure related to its variable interest rate payment obligations on the 2012 Bank Qualified Loan. This swap agreement terminates on November 1, 2032.

In February 2016, Willow Valley Communities secured long-term financing through an East Hempfield Industrial Development Authority bond issue (the "2016 Bond Series"). The 2016 Bond Series was used to advance refund a portion of the 2009 Series A and B Bonds, to pay the costs of issuance of the 2016 Bond, and for the construction of the 53 unit apartment building at Providence Park.

The 2016 Bond Series proceeds totaled \$38,225,000. The 2016 Bond Series has varying maturities, from December 2016 through and including 2039. As of December 31, 2019, \$33,130,000 was outstanding.

In August 2019, Willow Valley Communities secured long-term financing through a Lancaster Industrial Development Authority bond issue (the "2019 Bond Series"). The 2019 Bond Series was used for the construction of 88 villas at SouthPointe and to pay the costs of issuance.

The 2019 Bond Series proceeds totaled \$37,250,000. The 2019 Bond Series has varying maturities, from December 2040 through and including 2049. As of December 31, 2019, \$37,250,000 was outstanding.

Security for 2009, 2010, 2012, 2016 and 2019 Debt

Willow Valley Communities pledges and grants to the Authorities a lien on and security interest in all its revenues, income, rents, and other monies received by Willow Valley Communities. The gross revenue pledge is shared equally and ratably with the 2009, 2010, 2012, 2016, and 2019 Debtholders.

The 2009, 2010, 2012, 2016, and 2019 Debt are further secured by a mortgage lien on the property of Willow Valley Manor, Willow Valley Lakes Manor, and Willow Valley Manor North. This mortgage is granted to the PNC Bank, N.A. The Mortgage is also subject to permitted encumbrances, which include the rights of Residents under the Resident's Agreements now or hereafter in effect.

Willow Valley Communities has covenanted to establish rates and charges each year, which, together with other available funds, will be sufficient to maintain a debt service coverage ratio not less than 1.20 of Willow Valley Communities' annual debt service requirements in such year.

ACTUAL VS. BUDGET For the Year Ended December 31, 2019

	ACTUAL	BUDGET	VARIANCE
Revenues			
Resident Services	\$ 68,207,376	\$ 67,902,708	\$ 304,668
Amortization of Deferred Revenue	21,028,656	19,188,000	1,840,656
Healthcare Services	10,341,637	10,241,919	99,718
Investment Income	4,101,230	2,324,246	1,776,984
Other	6,025,337	5,953,998	71,339
Net Assets Released from Restrictions	468,448	0	468,448
	110,172,684	105,610,871	4,561,813
Expenses			
Administrative	5,999,444	5,813,188	186,256
Culinary Services	17,807,437	17,264,443	542,994
Healthcare Services	25,322,830	24,473,979	848,851
Housekeeping	4,048,099	4,050,153	(2,054)
Property Management & Services	3,275,931	3,419,957	(144,026)
Information Technology	1,283,560	1,265,552	18,008
Maintenance	7,635,203	7,397,551	237,652
Resident Services	4,711,104	4,305,928	405,176
Marketing and Sales	2,464,033	2,054,504	409,529
Real Estate Taxes	4,852,770	5,064,288	(211,518)
Insurance	782,101	795,984	(13,883)
Interest and Financing Costs	2,864,951	3,073,142	(208,191)
Depreciation and Amortization	23,289,907	24,630,228	(1,340,321)
	104,337,370	103,608,897	728,473
Operating Income (Loss)	\$5,835,314	\$2,001,974	\$3,833,340

WILLOW VALLEY COMMUNITIES COMMENTARY ON MATERIAL DIFFERENCES ACTUAL VS. BUDGET Year Ended December 31, 2019

Revenues:

Resident Services

Resident Services revenue was higher than budgeted due to occupancy levels exceeding projected 2019 levels at three communities within Willow Valley Communities.

Amortization of Deferred Revenue

Amortization of Deferred Revenue was greater than budget due to occupancy levels reaching 2019 levels more quickly than budgeted. In addition, contract termination income exceeded budget significantly at the Lakes Manor community.

Investment Income

Investment income was higher than budgeted due to capital gain distributions and realized gains recognized in the investment portfolio.

Net Assets Released from Restrictions

This item is not included in the annual budgeting process.

Operating Expenses:

Administrative

Administrative expenses were higher than budgeted due to higher than anticipated management and professional fees.

Culinary Services

Culinary Services expenses were higher than budgeted due to food and fringe benefit costs being higher than anticipated.

Healthcare Services

Healthcare expenses were higher than budgeted due to wages and fringe benefit costs being higher than anticipated.

Property Management and Services

Property Management and Services Expenses were lower than budgeted due to lower than anticipated fire/emergency response costs, outside services, and landscaping material costs.

Maintenance

Maintenance expenses were higher than budgeted due to building, equipment, and land improvement repairs being higher than anticipated.

Resident Services

Resident Services expenses were higher than budgeted due to the inclusion of Net Assets Released from Restrictions as an unbudgeted expense item.

Marketing and Sales

Marketing and Sales expenses were higher than budgeted due to the budget including an allowance to capitalize marketing costs associated with acquiring initial care contracts. This allowance to offset expense is much more restrictive under new generally accepted accounting principles; therefore the reduction of expense in 2019 was much lower than budgeted.

Real Estate Taxes

Real Estate Taxes were lower than budgeted due to a lower than anticipated millage rate increases.

Interest and Financing Costs

Interest and Financing Costs were lower than anticipated due to a lower than budgeted variable rate debt interest rate and the earlier than budgeted payoff of the \$7 million line of credit.

Depreciation and Amortization

Depreciation and Amortization expense was lower than anticipated due to a change in the estimated useful life of buildings from 40 years to 55 years.

WILLOW VALLEY COMMUNITIES 2020 OPERATING BUDGET

Revenues Resident Services Amortization of Deferred Revenue Healthcare Services Investment Income Other	\$ 71,760,540 20,485,400 9,531,719 2,625,968 6,209,573 110,613,200
Expenses	
Administrative	6,097,049
Culinary Services	18,497,560
Healthcare Services	25,729,028
Housekeeping	4,900,902
Property Management & Services	3,560,048
Information Technology	1,323,464
Maintenance	4,062,946
Resident Services	4,510,213
Marketing and Sales	2,424,118
Real Estate Taxes	5,325,480
Insurance	924,996
Utilities	3,529,712
Interest and Financing Costs	2,803,568
Depreciation and Amortization	25,158,308
	108,847,392
Operating Income	1,765,808

NOTICE OF RIGHT TO RESCIND

Date rescission period begins:

You may rescind and terminate your Resident's Agreement, without penalty or forfeiture, within seven (7) days of the above date. You are not required to move into the Life Plan community before the expiration of this seven (7) day period. No other agreement or statement you sign shall constitute a waiver of your right to rescind your Agreement within the seven (7) day period.

To rescind your Resident's Agreement, mail or deliver a signed and dated copy of this notice, or any other dated written notice, letter or telegram, stating your desire to rescind, to Willow Valley Communities, 600 Willow Valley Square, Lancaster, PA 17602 not later than midnight of

Pursuant to this notice, I hereby cancel my Resident's Agreement.

DATE

PROSPECTIVE RESIDENT'S SIGNATURE



EXHIBIT A

Services Available For Additional Fees Effective February 1, 2020

Communications and Technology

CampusTV	\$32.50 per month
CampusNet	\$30.00 per month
CampusTV "Vacation" Disconnect Fee	\$150.00
CampusNet "Vacation" Disconnect Fee	\$150.00
Cable Box for TVs with non-compatible tuner	
Optional: Cable Box Installation at Standard Maintenance Service Rate (s	see below)
CampusNet/CampusTel Troubleshooting	
For Willow Valley Communities Equipment	•
For Other Equipment (½ hour minimum, ¼ hour increment thereafter) For Other Equipment, Outside Support may be required and may re	•
CampusTel (unlimited U.S. Long Distance)	•
Voice Mail	\$5.15 per month
Caller ID	\$5.15 per month
Voice Mail/Caller ID combined	\$9.30 per month
Culinary Services (for Residents and Guests)	
Breakfast Buffet	\$9.15
Continental Breakfast	
Dinner at Manor, Lakes, North	\$16.40
Dinner/Brunch at Four Seasons:	
Spring Run Residents and their Guests	\$16.40
Residents with two-meal-per-day contracts	\$4.00
All Other Residents/Guests	
Premium Charge for Holidays Valentine's Formal, Easter, Christmas Eve, New Year's Eve Does not apply to two-meal-per-day contracts.	\$4.00
Children's Meal Charge	ages 0-6 free, ages 7-12 half price
Catering/Banquet Service	Priced per event
Event Coordination (Anniversary, Birthday, Memorial Service)	Priced per event
Residents with two-meal-per-day contracts are eligible for a meal cred written request, when Resident is away from the community for 7 or more Buildings & Grounds	

Billed at minimum indicated, and then at ¼ hour increments beyond minimum.

Maintenance Service to Resident Personal Property (½ hour minimum)	\$34.00 per hour
Housekeeping Service (1 hour minimum)	\$26.00 per hour
Floorcare Service (1 hour minimum)	\$34.00 per hour
Gardening Service (1 hour minimum)	\$34.00 per hour

Health Services

Non-Emergency Residential Nursing Services and SuppliesAvailable in Residential Nursing Office
Audiology Services Available in Audiology Suite & Residential Nursing Office
Other Services
Business Services (copying, faxing, etc.) Prices posted
Guest Room (rate includes sales tax and up to 2 breakfasts)
Roll-away bed (including linens) \$13.00 per night
Guest Staying with Resident (over 8 nights)
Activities & Special Programs/Events by activity
Rental Undercover Garage Parking\$30.00 per month
For Garage Parking availability and deposit pricing please contact your Campus Bookkeeper.
xtra Storage Unit (if available)\$16.00 per month
ransportation Services - 8:00 a.m 5:00 p.m. Monday through Friday (Car & Driver)
Aedical (Doctor, hospital, etc.) and Non-medical (Beauty salon, shopping, Lancaster train station, etc.) services available
one Charges (fees quoted are for round trip transportation on the same day):
20ne 0 - WVC campuses to Lakes Medical Centers
Cone 1 - Willow Street area (1 mile radius) \$18.00
Zone 2 - Lancaster City, Millersville, Strasburg (5 mile radius)\$30.00
one 3 - LGH Campus, Granite Run, Crooked Oak (8 mile radius)
Cone 4 - Quarryville, Heart of Lancaster – Lititz (12 mile radius)

Transportation outside normal working hours, i.e., 8:00 a.m. - 5:00 p.m., will incur an additional charge quoted at the time the appointment is made. These services are available to Residents provided adequate notice is given and if driver(s) and vehicle(s) are available.

There is a \$10.00 cancellation charge if notice is given less than 2 hours prior to any scheduled transport.

Willow Valley reserves the right to direct transportation needs to another party or to cancel at its sole discretion for reasons including, but not limited to, bad weather, driver availability, equipment availability, schedule conflicts, and/or short-notice requests.

Connections at Home

Home Care Services Contact	Connections for Pricing
Caregiver Assisted Personal TransportationContact	Connections for Pricing

Rate cards for all Connections at Home services are available in Residential Nursing Offices.



EXHIBIT B

WILLOW VALLEY COMMUNITIES AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

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KPMG LLP Suite 1000 30 North Third Street PO Box 1190 Harrisburg, PA 17108-1190

Independent Auditors' Report

The Board of Directors Willow Valley Communities:

We have audited the accompanying consolidated financial statements of Willow Valley Communities and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 consolidated financial position of Willow Valley Communities and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2019 and 2018 consolidating information and 2019 statutory minimum liquid reserves 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 audits 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 2019 and 2018 consolidating information and 2019 statutory minimum liquid reserves are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Harrisburg, Pennsylvania April 22, 2020

Consolidated Balance Sheets

December 31, 2019 and 2018

Assets	2019	2018
Current assets: Cash and cash equivalents \$ Investments Investments whose use is limited – current portion Accounts receivable Prepaid expenses	2,745,783 9,768,116 30,029,360 4,206,991 1,879,375	5,012,833 24,782,042 5,584,985 6,112,916 1,507,866
Total current assets	48,629,625	43,000,642
Investments Investments whose use is limited:	109,353,555	90,289,562
Statutory minimum liquid reserves Other Net investment in direct financing lease Property and equipment, net of accumulated depreciation Other assets	8,368,908 16,701,752 	7,897,867 2,662,712 6,197,071 283,312,750
Total assets \$	506,627,861	433,360,604
Liabilities and Net Assets		
Current liabilities: Accounts payable and accrued liabilities \$ Accounts payable – construction Entrance fee deposits Lease liability – current portion Long-term debt – current portion	7,738,569 6,081,253 4,933,158 200,000 3,212,905	6,347,424 5,006,511 5,584,985 3,107,668
Total current liabilities	22,165,885	20,046,588
Line of credit Lease liability Mortgage payable Long-term debt Fair value of interest rate swaps Refund liability Deferred revenue – entrance and membership fees		6,127,486 — 96,241,773 101,952 35,970,221 198,605,460
Total liabilities	412,800,695	357,093,480
Net assets: Without donor restrictions With donor restrictions	91,268,804 2,558,362	73,605,652 2,661,472
Total net assets	93,827,166	76,267,124
Total liabilities and net assets	506,627,861	433,360,604

Consolidated Statements of Operations

Years ended December 31, 2019 and 2018

Changes in net assets without donor restrictions: Operating revenues, gains, and other support: Resident services, including amortization of deferred revenue of \$21,028,656 for 2019 and \$20,514,069 for 2018 Member services, including amortization of deferred revenue of \$860,583 for 2019 and \$656,431 for 2018 Healthcare Investment income Other Other Total operating revenues, gains, and other support Total operating revenues, gains, and other support Healthcare services Resident and member services: Culinary services Healthcare services Culinary services Healthcare services Culinary services Administrative and general: Marketing and sales Administrative Marketing and sales Administrative Marketing and sales Administrative Depreciation and amortization Total expenses: Resident and member services Culinary services Culinary services Administrative and general: Marketing and sales Administrative Marketing and sales Administrative Depreciation and amortization Total expenses Marketing and sales Administrative Marketing and sales Admi		_	2019	2018
Member services, including amortization of deferred revenue of \$860,583 for 2019 and \$656,431 for 2018 2,720,069 2,236,576 Healthcare 10,341,637 10,359,883 Investment income 4,638,304 4,493,012 Other 6,029,157 5,467,775 Net assets released from restrictions 495,163 379,616 Total operating revenues, gains, and other support 113,460,362 108,757,782 Expenses: Resident and member services: 25,322,830 23,982,033 Housekeeping 4,048,099 3,824,322 Property management and services 4,563,519 4,215,395 Maintenance 3,846,130 3,489,086 Resident services 900,626 646,282 Administrative and general: 900,626 646,282 Administrative and general: 2,728,371 2,343,471 Administrative 6,843,421 6,146,418 Occupancy costs (real estate taxes, utilities, and insurance) 9,444,841 9,398,736 Interest and financing costs 2,965,935 2,917,504 Depreciation and amortization 23,289,907	Operating revenues, gains, and other support: Resident services, including amortization of deferred revenue	¢	00 226 022	95 930 030
Total operating revenues, gains, and other support113,460,362108,757,782Expenses: Resident and member services17,807,43717,423,704Culinary services25,322,83023,982,033Housekeeping4,048,0993,824,322Property management and services4,563,5194,215,395Maintenance3,846,1303,489,086Resident services4,711,1044,369,783Member services900,626646,282Administrative and general: Marketing and sales2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance) Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments change in fair value of interest rate swaps11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor113,460,362108,754,960	Member services, including amortization of deferred revenue of \$860,583 for 2019 and \$656,431 for 2018 Healthcare Investment income Other	\$	2,720,069 10,341,637 4,638,304 6,029,157	2,236,576 10,359,883 4,493,012 5,467,775
Expenses: Resident and member services: Culinary services17,807,43717,423,704Healthcare services17,807,43717,423,704Healthcare services25,322,83023,982,033Housekeeping4,048,0993,824,322Property management and services4,563,5194,215,395Maintenance3,846,1303,489,086Resident services4,711,1044,369,783Member services900,626646,282Administrative and general: Marketing and sales2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance) Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments Change in fair value of interest rate swaps11,757,622(8,771,572)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)	Net assets released from restrictions	-	495,163	379,616
Resident and member services:Culinary services17,807,43717,423,704Healthcare services25,322,83023,982,033Housekeeping4,048,0993,824,322Property management and services4,663,5194,215,395Maintenance3,846,1303,489,086Resident services4,711,1044,369,783Member services900,626646,282Administrative and general:900,626646,282Marketing and sales2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)	Total operating revenues, gains, and other support	_	113,460,362	108,757,782
Culinary services 17,807,437 17,423,704 Healthcare services 25,322,830 23,982,033 Housekeeping 4,048,099 3,824,322 Property management and services 4,563,519 4,215,395 Maintenance 3,846,130 3,489,086 Resident services 900,626 646,282 Administrative and general: 900,626 646,282 Marketing and sales 2,728,371 2,343,471 Administrative 6,843,421 6,146,418 Occupancy costs (real estate taxes, utilities, and insurance) 9,444,841 9,398,736 Interest and financing costs 2,965,935 2,917,504 Depreciation and amortization 23,289,907 24,900,492 Total expenses 106,472,220 103,657,226 Operating income 6,988,142 5,100,556 Net unrealized gains (losses) on investments 11,757,622 (8,771,572) Change in fair value of interest rate swaps (1,082,612) (83,944) Excess (deficit) of operating revenues, gains, and other support over expenses 17,663,152 (3,754,960) <tr< td=""><td>•</td><td>-</td><td></td><td></td></tr<>	•	-		
Healthcare services 25,322,830 23,982,033 Housekeeping 4,048,099 3,824,322 Property management and services 4,563,519 4,215,395 Maintenance 3,846,130 3,489,086 Resident services 4,711,104 4,369,783 Member services 900,626 646,282 Administrative and general: 728,371 2,343,471 Marketing and sales 2,728,371 2,343,471 Administrative 6,843,421 6,146,418 Occupancy costs (real estate taxes, utilities, and insurance) 9,444,841 9,398,736 Interest and financing costs 2,965,935 2,917,504 Depreciation and amortization 23,289,907 24,900,492 Total expenses 106,472,220 103,657,226 Operating income 6,988,142 5,100,556 Net unrealized gains (losses) on investments 11,757,622 (8,771,572) Change in fair value of interest rate swaps (1,082,612) (83,944) Excess (deficit) of operating revenues, gains, and other support over expenses 17,663,152 (3,754,960)			17,807,437	17,423,704
Property management and services4,563,5194,215,395Maintenance3,846,1303,489,086Resident services3,846,1303,489,086Resident services4,711,1044,369,783Member services900,626646,282Administrative and general:2,728,3712,343,471Marketing and sales2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)				
Maintenance3,846,1303,489,086Resident services4,711,1044,369,783Member services900,626646,282Administrative and general:900,626646,282Marketing and sales2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)	Housekeeping		4,048,099	3,824,322
Resident services4,711,1044,369,783Member services900,626646,282Administrative and general:2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)	Property management and services		4,563,519	4,215,395
Member services900,626646,282Administrative and general:Marketing and sales2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)	Maintenance		3,846,130	3,489,086
Administrative and general:Marketing and sales2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)	Resident services		4,711,104	4,369,783
Marketing and sales2,728,3712,343,471Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)			900,626	646,282
Administrative6,843,4216,146,418Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)			0 700 074	0 0 4 0 4 7 4
Occupancy costs (real estate taxes, utilities, and insurance)9,444,8419,398,736Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps11,757,622(8,771,572)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)	•			
Interest and financing costs2,965,9352,917,504Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps11,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)				
Depreciation and amortization23,289,90724,900,492Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments Change in fair value of interest rate swaps11,757,622(8,771,572)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)				
Total expenses106,472,220103,657,226Operating income6,988,1425,100,556Net unrealized gains (losses) on investments11,757,622(8,771,572)Change in fair value of interest rate swaps(1,082,612)(83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)				
Operating income6,988,1425,100,556Net unrealized gains (losses) on investments Change in fair value of interest rate swaps11,757,622 (1,082,612)(8,771,572) (83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor17,663,152(3,754,960)	Depreciation and amortization	-	23,289,907	24,900,492
Net unrealized gains (losses) on investments11,757,622 (1,082,612)(8,771,572) (83,944)Excess (deficit) of operating revenues, gains, and other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor	Total expenses	-	106,472,220	103,657,226
Change in fair value of interest rate swaps (1,082,612) (83,944) Excess (deficit) of operating revenues, gains, and other support over expenses 17,663,152 (3,754,960) Increase (decrease) in net assets without donor 17,663,152 (3,754,960)	Operating income		6,988,142	5,100,556
other support over expenses17,663,152(3,754,960)Increase (decrease) in net assets without donor	- · · ·	_		(· · · /
		_	17,663,152	(3,754,960)
		\$	17,663,152	(3,754,960)

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2019 and 2018

	-	2019	2018
Net assets without donor restrictions:			
Total operating revenues, gains, and other support	\$	113,460,362	108,757,782
Total expenses		(106,472,220)	(103,657,226)
Net unrealized gains (losses) on investments		11,757,622	(8,771,572)
Change in fair value of interest rate swaps	-	(1,082,612)	(83,944)
Increase (decrease) in net assets without donor			
restrictions	_	17,663,152	(3,754,960)
Net assets with donor restrictions:			
Contributions		392,053	735,799
Net assets released from restrictions	-	(495,163)	(379,616)
(Decrease) increase in net assets with donor restrictions	-	(103,110)	356,183
Increase (decrease) in net assets		17,560,042	(3,398,777)
Net assets, beginning of year	_	76,267,124	79,665,901
Net assets, end of year	\$	93,827,166	76,267,124

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Increase (decrease) in net assets	\$	17,560,042	(3,398,777)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	·	, , -	(-,, ,
Depreciation		23,230,893	24,841,478
Losses on disposal of property, plant, and equipment		510,557	907,035
Amortization of deferred revenue		(21,889,239)	(21,170,500)
Amortization of deferred financing costs		67,167	59,014
Accretion of bond premium		(592,663)	(558,460)
Accretion of finance lease interest		2,459	—
Net unrealized (gains) losses on investments		(11,757,622)	8,771,572
Net realized gains on sales of securities		(1,484,391)	(1,803,846)
Change in fair value of interest rate swaps		1,082,612	83,944
Proceeds from unit deposits, membership, and resident entrance fees		38,642,034	32,162,957
Change in donor restricted funds Changes in operating assets and liabilities:		103,110	(356,183)
Accounts receivable		1,905,925	(1,128,105)
Prepaid expenses		(371,509)	(267,272)
Accounts payable and accrued liabilities	-	1,291,145	(263,354)
Net cash provided by operating activities	-	48,300,520	37,879,503
Cash flows from investing activities:			
Acquisition of property, plant, and equipment		(54,065,585)	(33,584,770)
Change in accounts payable – construction		1,074,742	1,838,599
Costs of acquiring initial contracts		(102,340)	—
Proceeds from direct financing lease		6,197,071	(3,020)
Purchases of investments and investments whose use is limited		(84,405,292)	(66,593,437)
Sales of investments and investments whose use is limited	-	54,642,782	66,992,372
Net cash used in investing activities		(76,658,622)	(31,350,256)
Cash flows from financing activities:			
Proceeds from additional borrowings		41,112,098	_
Payments of long-term debt		(3,106,858)	(3,008,035)
Payments on line of credit		(6,127,486)	(35,749)
Payments on financing lease		(300,000)	_
Refunds of membership and resident entrance fees		(5,383,592)	(4,619,809)
Change in donor restricted funds	_	(103,110)	356,183
Net cash provided by (used in) financing activities	-	26,091,052	(7,307,410)
Net decrease in cash and cash equivalents		(2,267,050)	(778,163)
Cash and cash equivalents, beginning of year		5,012,833	5,790,996
Cash and cash equivalents, end of year	\$	2,745,783	5,012,833
Supplemental disclosure of cash flow information: Interest paid during the year, net of capitalized interest	\$	2,556,740	2,610,923
Supplemental schedule of noncash investing and financing activities: Purchase of property in accounts payable and mortgage payable	\$	9,060,000	_

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(1) Description of Operations and Summary of Significant Accounting Policies

(a) Description of Operations

Willow Valley Communities, formerly Willow Valley Retirement Communities, is a Pennsylvania not-for-profit corporation whose facilities are located in Lancaster, Pennsylvania. Willow Valley Communities provides life care to residents of Willow Valley Manor (Manor), a retirement facility that includes 277 residential units and a 58-bed healthcare facility; Willow Valley Lakes Manor (Lakes Manor), a retirement facility that includes 371 residential units, an 80-bed healthcare facility, 16 villa apartments, 36 midrise apartments, and 80 duplex and triplex residential units (the duplex and triplex units are collectively known as Willow Gables); Willow Valley Manor North (Manor North), a retirement facility that includes 458 residential units and a 251-bed healthcare facility; and Spring Run at Willow Valley (Spring Run), a retirement facility that includes 210 residential units and a 138-bed healthcare facility. As an expansion of the Manor, Willow Valley Communities has constructed 54 duplex and triplex units known as Providence Park at Willow Valley and a five-story building with 53 apartment units known as The Vistas at Providence Park, which was completed in 2017.

Residents pay a one-time entrance fee plus a monthly fee for room, board, housekeeping, and certain other resident services. Upon admission to a healthcare facility, residents continue to pay the monthly service fee. There is no additional charge for nursing care for life care residents. Individuals who enter a healthcare facility and are not covered under a life care contract are charged a per diem fee during their stay. Both residents and nonresidents are charged for optional goods and services such as household supplies, laundry, cable television, etc.

(b) Description of Subsidiaries

In 2014, Willow Valley Communities entered in to an operating agreement as the sole member of Connections at Home VIA Willow Valley, LLC, a home care agency. Services provided include companion and homemaking, as well as wellness visits and personal and hospice assistance.

In 2019, Willow Valley Communities formed the Willow Valley Communities Charitable Foundation, a 501(c)(3) organization. This Foundation is a supporting organization of Willow Valley Communities with the purpose of obtaining, investing, and disbursing charitable contributions in support of Willow Valley Communities projects.

In 2019, Willow Valley Communities created a new subsidiary, Mosaic Real Estate, LLC, of which it is the sole member. Services provided include real estate acquisition, ownership, and management.

(c) Basis of Consolidation

The accompanying consolidated financial statements have been prepared to focus on Willow Valley Communities and the controlled affiliates (collectively, the Organization) as a whole. All significant intercompany balances and transactions have been eliminated in consolidation.

(d) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and present balances and transactions according to the existence or absence of donor-imposed restrictions.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as net assets released from restrictions in the consolidated statements of operations and changes in net assets.

There are two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. The board has not designated any portion of net assets for a specific purpose.

With donor restrictions – Net assets that are subject to donor-imposed restrictions that expire through the passage of time or can be fulfilled by the actions of the Organization pursuant to those restrictions.

(e) Use of Estimates

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

(f) Cash and Cash Equivalents

Cash and cash equivalents can include investments in highly liquid debt instruments with a maturity of three months or less.

Cash equivalents that are held by outside investment managers and are pooled with other investments are classified as investments. Cash, cash equivalents, and investments that are restricted per contractual or regulatory requirements are classified as donor restricted funds.

(g) Investments and Investments Whose Use Is Limited

Investments and investments whose use is limited, comprised of cash and money market funds, marketable equity securities, and fixed income securities, are classified as trading investments and recorded at fair value.

Investment income or loss is recognized when earned. Investments and investments whose use is limited are classified as current or noncurrent based on the Organization's expected use of the funds.

Investments and investments whose use is limited are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

changes could materially differ from the amounts reported in the accompanying consolidated financial statements.

Investments whose use is limited represents cash and other liquid investments that have been reserved by the board of directors or through law or contract. The amounts are invested within the parameters provided to the fund manager by the board of directors. Investments whose use is limited consist of certain liquid reserves required by the Pennsylvania Continuing Care Provider Registration and Disclosure Act, deposits with trustees under debt agreements related to proceeds of debt issuance, and debt service reserves required under the respective bond indentures. Also, included in these amounts are the entrance fee deposits of prospective residents held in escrow.

(h) Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for assets placed in service over their estimated useful lives, which range from 4 years for certain furniture, fixtures, and equipment to 55 years for buildings. Assets are depreciated using the straight-line method. When assets are sold or retired, the asset values and related accumulated depreciation are eliminated from these accounts and any resulting gain or loss is included in operating income. The cost of maintenance and repairs are expensed as incurred; significant renewals and betterments are capitalized. Interest cost from tax-exempt bonds, net of amounts earned on unexpended bond proceeds, is capitalized for assets constructed that require a period of time to prepare them for their intended use. For 2019, capitalized interest totaled \$633,353. There was no capitalized interest in 2018.

(i) Other Assets

Other assets include right of use asset and deferred costs related to costs of acquiring initial care contracts.

The right of use asset is a building, known as Southern Market, located in downtown Lancaster, PA. Under the terms of the lease agreement, Willow Valley Communities has rights to renovate and use the building for varied purposes such as a food hall, event space, and offices.

Costs of acquiring initial care contracts include direct costs of acquiring SouthPointe contracts. These costs are capitalized through the date of substantial occupancy of the residential units. Costs of acquiring initial care contracts are amortized on a straight-line basis over the average expected lives of the original residents.

(j) Operating Income

The consolidated statements of operations include an intermediate measure of operations labeled as "operating income." Changes in the performance indicator, which are excluded from this measure, are changes in the fair value of interest rate swaps and net unrealized gain/loss on investments.

(k) Performance Indicator

The consolidated statements of operations include a performance indicator of operations labeled as "excess (deficit) of operating revenues, gains, and other support over expenses."

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(I) Derivative Instruments

Willow Valley Communities enters into interest rate swap agreements to limit its exposure to interest rate changes on its variable-rate demand bonds. Hedge accounting has not been designated; therefore, variations in fair value of a derivative is reported within the Organization's performance indicator in the consolidated statements of operations.

By using derivative products to manage exposures to changes in interest rates, the Organization is subject to credit risk and market risk. Credit risk is the failure of the counterparty on the derivative instrument to perform under the terms of the derivative instrument. Depending on interest rate movements, one party will owe the other party a payment under the applicable derivative contract. The Organization attempts to manage the credit or repayment risk in derivative instruments by entering into transactions with high-quality counterparties rated "A" or better by Moody's Investor Service. The swap payments and termination payments under the derivative agreements are not on parity with the outstanding debt obligations.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring internal parameters and reviews that limit the types and degree of market risk that may be undertaken. Neither Willow Valley Communities nor the counterparty to these agreements is required to deposit collateral dependent on the market valuation of the derivatives contracts. Therefore, a negative market valuation of these instruments will not have an adverse impact on the cash flows of the Organization.

(m) Entrance Fee Deposits

Entrance fee deposits represent amounts received from individuals currently awaiting residency or desiring residency at a future date. These amounts are fully refundable. Upon occupancy, these amounts are reclassified to either "deferred revenue – entrance and membership fees" and/or "refund liability" based upon terms of the resident's contract.

(n) Refund Liability and Deferred Revenue – Entrance and Membership Fees

Willow Valley Communities has various entrance fee contracts, which requires the resident to pay an entrance fee based on the unit to be occupied. These entrance fee contracts contain refund provisions that either guarantee a specified refund amount or a declining portion of the entrance fee is refundable for a stated period of time upon execution of the agreement. A resident, upon termination of occupancy, is entitled to receive a refund of a portion of the entrance fee pursuant to the terms of their contract, however, the refund is required to be paid only upon subsequent receipt of the resale proceeds for that independent living unit. The gross amount of entrance fees subject to contractual refund provisions under existing contracts is \$98,717,442 and \$98,684,057 as of December 31, 2019 and 2018, respectively, of which \$36,191,390 and \$35,970,221 is classified as "refund liability" on the consolidated balance sheets and \$62,526,052 and \$62,713,836 as "deferred revenue – entrance and membership fees" as of December 31, 2019 and 2018, respectively.

Willow Valley Communities amortizes nonrefundable deferred revenue from entrance fees over the actuarially determined remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit.

Notes to the Consolidated Financial Statements

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(o) Revenue Recognition

Resident and member services revenue is reported at the amount that reflects the consideration of which Willow Valley Communities expects to receive in exchange for providing services to its residents and members. These amounts are due from residents and members and are billed monthly after the services have been performed. Resident and member services revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Willow Valley Communities. The Organization has determined that the services included in the resident monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation satisfied over time. This revenue is based on actual charges incurred in relation to total expected (or actual) charges. 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 Organization's facility receiving skilled nursing care, assisted living, independent living services, or services performed in accordance with the resident agreement. The Organization measures the performance obligation from admission to a level of care provided at the Organization's facility to the point when the Organization is no longer required to provide services to that resident, which is generally at the time of discharge or satisfactory completion of nursing or personal care.

Revenue for performance obligations satisfied at a point in time is recognized when services are provided to the resident in a retail setting and the Organization is not required to provide additional goods or services related to that sale.

The Organization enters into contracts to provide various healthcare services such as therapy, skilled nursing care, and personal care assistance. Each service provided under the contract is capable of being distinct, and thus, the services are considered individual and separate performance obligations, which are satisfied as services are provided and revenue is reported at the amount that reflects the consideration to which the Organization expects to receive. The Organization records healthcare revenue based on standard charges for services provided, reduced by variable considerations resulting from explicit contractual adjustments provided to Medicare and other third-party payors as reductions from established billing rates. The Organization determines its estimates of explicit price concessions based on the terms of the contract with the payor and historical data from experience. Explicit price concessions to healthcare revenue are recorded at the time the performance obligations are satisfied in exchange for providing services to residents. Any changes to these concessions, as a result of subsequent reassessment, are recognized in the period the change is identified as adjustments to healthcare revenue. The amount recognized due to changes in its estimates of explicit price concessions for the years ended December 31, 2019 and 2018 is not significant. Subsequent changes that are determined to be a result of an adverse change in the resident's ability to pay is recorded as bad debt expense. There was no bad debt expense for the years ended December 31, 2019 and 2018.

(p) Future Service Obligation

Willow Valley Communities annually prepares a calculation of the present value of the cost of future services and use of the retirement community facilities to be provided to current residents in excess of related anticipated future revenues, and compares that amount with the balance of deferred revenue

Notes to the Consolidated Financial Statements

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from entrance fees. If this calculated amount exceeds the deferred revenue from entrance fees less unamortized initial marketing costs, a liability is recorded with a corresponding charge to income. The calculation was performed assuming a discount rate of 5% for 2019 and 2018, and an inflation rate of 3.5% for expense and maintenance fees for 2019 and 2018. As of December 31, 2019 and 2018, the present value of the cost of future services and use of facilities in excess of related anticipated revenues does not exceed the balance of deferred revenue from entrance fees, less unamortized initial marketing costs. Therefore, no additional liability for the obligation to provide future services is required to be recorded.

(q) Donor Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements. Contributions restricted for the acquisition of property and equipment are released from restriction when the asset is placed in service.

(r) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Organization has no impaired long-lived assets as of December 31, 2019 and 2018.

(s) Statutory Reserve Requirement

The Pennsylvania Continuing Care Provider Registration and Disclosure Act requires a statutory reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loan or 10% of the projected annual operating expenses of the facilities exclusive of depreciation and amortization, computed only on the proportional share of financing or operating expenses that is applicable to residents under entrance agreement contracts. Willow Valley Communities has calculated the statutory minimum liquid reserve of \$8,368,908 and \$7,897,867 as of December 31, 2019 and 2018, respectively, and reports this amount in the caption "investments whose use is limited: statutory minimum liquid reserves" within the consolidated balance sheets.

(t) Income Taxes

Willow Valley Communities and Willow Valley Communities Charitable Foundation both have been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from income taxes pursuant to Section 501(a) of the Internal Revenue Code.

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Connections at Home VIA Willow Valley, LLC and Mosaic Real Estate, LLC are disregarded entities of Willow Valley Communities for federal tax purposes.

(u) Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statement of operations. The new standard was adopted on January 1, 2019 and did not have a material effect on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The Organization adopted ASU 2016-18 on January 1, 2019, using a retrospective transition approach. This update was intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the financial statements. Restricted cash and restricted cash equivalents are to be included as components of total cash, cash equivalents, and restricted cash as presented on the consolidated statement of cash flows. The Organization is required to reconcile the total of cash, cash equivalents, and restricted cash to those amount presented on the consolidated balance sheet. This standard did not have material effect on the consolidated financial statements.

(2) Property and Equipment

A summary of property and equipment at December 31 is as follows:

	_	2019	2018
Land and improvements	\$	61,026,826	51,830,323
Buildings		428,775,323	419,368,465
Furniture, fixtures, and equipment		41,051,189	40,080,666
Construction in progress		50,693,588	16,938,041
		581,546,926	528,217,495
Less accumulated depreciation		258,845,588	244,904,745
	\$	322,701,338	283,312,750

Depreciation expense for the years ended December 31, 2019 and 2018 was \$23,226,440 and \$24,841,478, respectively.

Construction in progress as of December 31, 2019 principally consisted of expenditures to date on the Glen Supportive Living expansion, SouthPointe new construction and apartment unit renovations community wide.

Notes to the Consolidated Financial Statements

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(3) Investments

(a) Investments Whose Use Is Limited

The composition of investments whose use is limited at December 31 is set forth in the following table:

		2019	2018
Funds held in escrow for entrance fee deposits: Cash equivalents	\$	4,933,158	5,584,985
Limited under debt indentures: Debt service:			
Cash equivalents Construction funds:		3	1,240
Cash equivalents		9,917,176	_
U.S. Treasury obligations		25,462,549	—
Other federal agency obligations		1,462,102	—
Certificates of deposit		2,454,447	
		39,296,277	1,240
Limited under Pennsylvania continuing care: Provider registration and disclosure act:			
Cash equivalents		174,588	38,694
U.S. Treasury obligations		7,609,693	7,004,685
Other federal agency obligations	_	584,627	854,488
		8,368,908	7,897,867
Donor Restricted:			
Cash equivalents		9,808	—
U.S. Treasury obligations		2,491,869	2,447,741
Corporate obligations			213,731
Total investments whose use is limited		55,100,020	16,145,564
Investments whose use is limited – current portion	_	(30,029,360)	(5,584,985)
Investments whose use is limited – noncurrent	\$	25,070,660	10,560,579

Notes to the Consolidated Financial Statements

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(b) Other Investments

Investments monitored by the board of directors, but without donor restrictions at December 31 include the following:

	_	2019	2018
Cash equivalents	\$	9,230,536	11,105,134
U.S. Treasury obligations	_	537,580	13,676,908
Total investments – current	\$_	9,768,116	24,782,042
Marketable equity securities	\$	58,116,919	40,083,148
U.S. Treasury obligations		11,765,163	12,928,158
Other federal agency obligations		7,582,513	6,520,756
Foreign bonds		458,693	151,909
Municipal bonds		834,629	825,227
Corporate debt obligations		20,282,922	19,043,458
Mutual funds	_	10,312,716	10,736,906
Total investments – noncurrent	\$	109,353,555	90,289,562

(4) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of funds restricted to advance educational opportunities for Willow Valley Communities' employees. These assets totaled \$1,061,349 and \$1,085,828 at December 31, 2019 and 2018, respectively. Funds are available to supplement the monthly fees of residents who may be temporarily unable to pay. These assets totaled \$1,312,406 and \$1,462,201 at December 31, 2019 and 2018, respectively. In addition, funds are available for the expansion of Willow Valley Communities' Memory Support Service. These assets totaled \$118,114 and \$113,443 at December 31, 2019 and 2018, respectively. Willow Valley Communities Charitable Foundation also holds funds with donor restriction for the Memory Care project. These assets totaled \$66,493 at December 31, 2019. These are included as investments whose use is limited in the accompanying consolidated financial statements.

(5) Long-Term Debt, Mortgage Payable, and Line of Credit

Willow Valley Communities is the obligated group for the Organization's long-term debt and line of credit.

Notes to the Consolidated Financial Statements

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Long-term debt consists of the following at December 31:

	2019	2018
2009 Series A Bonds, interest payable semiannually with variable interest rates (1.75% as of December 31, 2019); annual principal payments ranging from \$875,000 beginning in 2032 to \$1,225,000 in 2039; collateralized		
by gross revenues and all buildings and equipment 2009 Series B Bonds, interest payable semiannually with variable interest rates (1.75% as of December 31, 2019); annual principal payments ranging from \$875,000 beginning in 2032 to \$1,225,000 in 2039; collateralized	\$ 8,340,000	8,340,000
by gross revenues and all buildings and equipment 2009 Series C Bonds, interest payable semiannually with variable interest rates (1.75% as of December 31, 2019); annual principal payments ranging from \$2,105,000 beginning in 2032 to \$2,935,000 in 2039; collateralized	8,340,000	8,340,000
by gross revenues and all buildings and equipment 2010 Bank Qualified Loan, interest payable monthly with variable interest rates (2.26% as of December 31, 2019); annual principal payments ranging from \$1,145,000 in 2020 to \$1,590,000 in 2031; collateralized by gross	20,000,000	20,000,000
revenues and all buildings and equipment 2012 Bank Qualified Loan, interest payable monthly at 2.08% for seven years; monthly principal payments ranging from \$492,095 in 2020 to \$52,756 in 2032; collateralized by gross revenues and all buildings	16,290,000	17,400,000
and equipment 2016 Bonds, interest payable semiannually at rates ranging from 4.00% to 5.00%; annual principal payments ranging from \$1,575,000 in 2020 to \$985,000 in 2039; collateralized by gross revenues and all	7,245,176	7,727,034
buildings and equipment 2019 Bonds, interest payable semiannually at rates ranging from 4.00% to 5.00%; annual principal payments ranging from \$3,000,000 in 2040 to \$4,550,000 in 2049; collateralized by gross revenues and all	33,130,000	34,645,000
buildings and equipment	37,250,000	
Total long-term debt	130,595,176	96,452,034

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December 31, 2019 and 2018

		2019	2018
Add:			
Unearned bond premium	\$	7,748,969	3,886,007
Less:			
Long-term debt – current portion		(3,212,905)	(3,107,668)
Unamortized deferred financing costs	_	(1,514,960)	(988,600)
Long-term debt	\$	133,616,280	96,241,773

The proceeds of the 2009 Series A, B, and C Bonds were \$20,000,000 each for a total of \$60,000,000. These funds were utilized to refinance an existing line of credit, to finance the renovation of the existing healthcare facilities, and to pay the costs of issuance of the 2009 Bonds. Willow Valley Communities has entered into a direct pay letter of credit liquidity facility (the Letter of Credit) with PNC Bank, N.A. to provide liquidity to the Organization. The annual fee for the Letter of Credit is 0.65% of outstanding bonds. The Letter of Credit expires on January 31, 2023. The 2009 Bond Trust Indenture requires Willow Valley Communities to maintain certain financial covenants.

Should Willow Valley Communities be required to access the letter of credit liquidity facilities securing the 2009 Series A, B, and C variable-rate demand bonds due to an inability to remarket the bonds, Willow Valley Communities would be required to repay such draws that are shorter than the stated maturity terms of the bonds. The amounts classified as long-term debt – current portion in the accompanying consolidated balance sheet at December 31, 2019 are those payments that would be due within one year of the consolidated balance sheet date assuming Willow Valley Communities' inability to remarket outstanding variable-rate demand bonds.

The proceeds of the 2010 Bank Qualified Loan totaled \$25,235,000 and were used to advance refund the 1997, 1998, and a portion of the 2001 Bonds and to pay the costs of issuance of the 2010 Bank Qualified Loan.

The proceeds of the 2012 Bank Qualified Loan totaled \$10,000,000 and were used to refund the remaining portion of the 2001 Bonds, to pay the costs of issuance of the 2012 Bank Qualified Loan and were utilized in the construction of independent living units at Providence Park at Willow Valley.

The proceeds of the 2016 Bond Series totaled \$38,225,000 and were used to advance refund a portion of the 2009 Series A and B Bonds totaling \$19,170,000. The balance of the proceeds were utilized to finance the costs of construction of a 53-unit apartment building and costs of issuance.

The proceeds of the 2019 Bond Series totaled \$37,250,000 and were utilized to finance the costs of construction of a 88 villas and costs of issuance.

Deferred financing costs and bond premiums are amortized over the terms of the related financing, using a method that approximates the effective-interest method.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

The following is a summary of the annual maturities of debt over the next five years and thereafter assuming that the bonds will be repaid based on their original maturity schedules and assuming that liquidity facilities have been accessed due to the inability to remarket the bonds:

	_	2009 Bonds	2010 Bank Ioan	2012 Bank Ioan	2016 Bonds	2019 Bonds	Scheduled maturity	Assumes liquidity facility accessed
2020	\$	_	1,145,000	492,905	1,575,000	_	3,212,905	3,212,905
2021		_	1,180,000	502,518	1,640,000	_	3,322,518	40,002,518
2022		_	1,215,000	512,751	1,720,000	_	3,447,751	3,447,751
2023		_	1,255,000	523,193	1,805,000	_	3,583,193	3,583,193
2024		_	1,290,000	533,559	1,900,000	_	3,723,559	3,723,559
Thereafter		36,680,000	10,205,000	4,680,250	24,490,000	37,250,000	113,305,250	76,625,250
	\$	36,680,000	16,290,000	7,245,176	33,130,000	37,250,000	130,595,176	130,595,176

Willow Valley Communities secured a \$7 million nonrevolving line of credit with a local bank to finance the construction of the City of Lancaster water line and pump station. Debt and related interest were reimbursed to Willow Valley Communities by the City of Lancaster until their completed purchase of the water line and pump station, which occurred April 1, 2019. The unsecured line of credit had a variable interest rate with interest payable monthly. The interest rate on the line of credit was 5.00% at December 31, 2018. Borrowings outstanding under the line of credit totaled \$0 and \$6,127,486 at December 31, 2019 and 2018, respectively.

On September 12, 2019, Mosaic Real Estate LLC secured a \$8,960,000 note payable to Asset Preservation, Inc. for the purchase of property. The interest rate is fixed at 3.75%. No principal or interest payments were made in 2019. Interest of \$100,984 was accrued as payable at December 31, 2019.

(6) Derivative Instruments

In 2015, Willow Valley Communities entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable-rate demand bonds 2009 Series C with a notional amount of \$10,000,000 to pay a fixed rate of interest of 0.705% and receive a variable rate of interest based on SIFMA Municipal Swap Index to manage a portion of its interest rate exposure related to its variable interest rate payment obligations on a portion of its 2009 Series C Bonds. This swap agreement terminated on December 1, 2018.

On April 24, 2017, Willow Valley Communities entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable-rate 2010 Bank Qualified Loan with a notional amount of \$18,480,000 to pay a fixed rate of interest of 2.742% and receive a variable rate of interest based on 65% of USD LIBOR BBA plus 1.10% to manage interest rate exposure related to its variable interest rate payment obligations on the 2010 Bank Qualified Loan. This swap agreement terminates on December 1, 2031.

On December 13, 2018, Willow Valley Communities entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable-rate demand bonds 2009 Series C with a notional amount of \$10,000,000 to pay a fixed rate of interest of 2.32% and receive a variable rate of interest based

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on SIFMA Municipal Swap Index to manage interest rate exposure related to its variable interest rate payment obligations on the 2009 Series C Bonds. This swap agreement terminates on December 1, 2028.

On December 6, 2019, Willow Valley Communities entered into an interest rate swap agreement to limit its exposure to interest rate changes on its variable-rate 2012 Bank Qualified Loan with a notional amount of \$7,245,176 to pay a fixed rate of interest of 2.5165% and receive a variable rate of interest based on 79% of USD LIBOR BBA plus 1.10% to manage interest rate exposure related to its variable interest rate payment obligations on the 2012 Bank Qualified Loan. This swap agreement terminates on November 1, 2032.

The following table summarizes the changes in fair values for the 2009 Series C Bonds, 2010 Bank Qualified Loan and 2012 Bank Qualified Loan derivative instruments reported in the statements of operations for the years ended December 31:

	_	2019	2018
Accumulated swap liability, beginning of year Net change	\$	101,952 1.082.612	18,008 83,944
Net change		1,002,012	03,944
Accumulated swap liability, end of year	\$	1,184,564	101,952

(7) Retirement Plan

Willow Valley Communities has a defined-contribution retirement plan covering substantially all employees of Willow Valley Communities who have completed 6 months of service or 500 hours or more and have reached the age of 18 years. A participant is fully vested for the employee contribution upon participation in the plan. Willow Valley Communities may make matching contributions to each participant based on his or her elective deferrals in a percentage set by Willow Valley Communities prior to the end of each plan year, up to 3%. In addition, Willow Valley Communities may make a discretionary contribution as determined by Willow Valley Communities. The amount a participant is vested in Willow Valley Communities match is dependent upon their length of service.

For the years ended December 31, 2019 and 2018, retirement plan expense totaled \$482,285 and \$440,616, respectively.

(8) Commitments and Contingencies

Willow Valley Communities and Connections at Home VIA Willow Valley have entered into a five-year contract through April 30, 2019 with a management company to manage each facility, the membership program and home care services program. In return for services provided, the management company receives a monthly fee based on the number of all residential units, apartments, and health center beds available for occupancy, membership sales, collected membership, and home care services revenue. Total expenses under this agreement for the years ended December 31, 2019 and 2018 were \$3,360,640 and \$3,080,107, respectively. A new five-year agreement was approved March 20, 2019 with an effective date of May 1, 2019 through April 30, 2024. Under the new agreement, the portion of the monthly fee based on units available for occupancy is replaced with a revenue based fee. The contract may be terminated at any time by mutual written agreement of the parties. In addition, Willow Valley Communities purchased

Notes to the Consolidated Financial Statements

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development services from the management company in 2019 and 2018. These development services were \$9,537 and \$1,198,830 for the years ended December 31, 2019 and 2018.

Beginning in 2019, Willow Valley Communities entered in to an agreement for Willow Valley Development Corporation to provide development services. Willow Valley Development Corporation is related to the management company. The total paid in development fees for year ended December 31, 2019 was \$1,312,285.

Willow Valley Communities purchases construction services from a company that is related to the management company. The total construction costs from the related company were \$42,031,044 and \$26,378,120 for the years ended December 31, 2019 and 2018. Willow Valley Communities is obligated under certain construction commitments totaling \$57,264,022 and \$31,537,778 as of December 31, 2019 and 2018, respectively.

Willow Valley Communities has a letter of credit with Fulton Bank, N.A. in the amount of \$6,000,000 at December 31, 2019, under which separate letters of credit may be granted. As of December 31, 2019, there were five letters of credit totaling an aggregate amount of \$3,769,037 offsetting the available balance of \$6,000,000, which are as follows:

A letter of credit required by the Captive Insurance Company (CARE, LTD) to fund the difference between CARE, LTD's loss fund and the aggregate (reinsurance loss level) and to secure payment of potential claims, in the amount of \$1,005,468 at December 31, 2019. Two letters of credit required by West Lampeter Township to secure site improvements for the Lakes Manor expansion, in the amount of \$2,179,907 and the Manor North expansion, in the amount of \$428,205. Two letters of credit for the Millwood Facility Service Center in the amounts of \$138,457 and \$17,000 required by Pequea Township and the Commonwealth of Pennsylvania, respectively. There were no draws on these letters of credit as of December 31, 2019.

The Organization is also party to various litigation arising in the ordinary course of business. Management, after consultation with legal counsel, does not believe that the resolution of these matters will have a material effect on the Organization's consolidated financial position.

(9) Fair Value

(a) Financial Instruments

The fair value of a financial instrument is 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. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Organization's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Organization based on the best information available in the circumstances.

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The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, entrance fee deposits, refund liability, and deferred revenue – entrance and membership fees. The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Investments and investments whose use is limited – These assets are carried at fair value, which is based primarily on quoted market prices at the reporting date. When quoted prices in active markets are not available the Organization relies on a pricing service to estimate fair value.

Fair value of interest rate swaps – The carrying amount for interest rate swaps are fair value estimated based on the anticipated discounted cash flows using indicative midmarket levels, adjusted to reflect counterparty nonperformance risk of both Willow Valley Communities and the counterparty. The fair value estimates are derived from proprietary models based upon financial principles and reasonable estimates about relevant future market conditions.

(b) Fair Value Hierarchy

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

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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The following table presents investments that are measured at fair value on a recurring basis at December 31, 2019 and 2018:

			December	31,2019		Redemption or
		Level 1	Level 2	Level 3	Total	liquidation
Assets: Trading securities: Cash equivalents Certificates of deposit	\$	24,265,270 2,454,447			24,265,270 2,454,447	Daily Daily
Marketable equity securities: Mutual Funds and ETFs Equities Real estate investment		62,322,094 5,673,025			62,322,094 5,673,025	Daily Daily
trusts		434,515	_	_	434,515	Daily
	•	68,429,634			68,429,634	
U.S. Treasury obligations Other federal agency		47,866,854	—	—	47,866,854	Daily
obligations		_	9,629,242	_	9,629,242	Daily
Municipal bonds		_	834,629	_	834,629	Daily
Foreign bonds		_	458,693	_	458,693	Daily
Corporate debt obligations			20,282,922		20,282,922	Daily
Total	\$	143,016,205	31,205,486		174,221,691	

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

			Describe			Redemption
	_			r 31, 2018		or
	-	Level 1	Level 2	Level 3	Total	liquidation
Assets: Trading securities:						
Cash equivalents	\$	16,730,053	—	_	16,730,053	Daily
Marketable equity securities:						
Mutual Funds and ETFs		46,319,448		_	46,319,448	Daily
Equities		4,060,244	_	_	4,060,244	Daily
Real estate investment		.,,			.,,	
trusts	_	440,362			440,362	Daily
		50,820,054	_	_	50,820,054	
U.S. Treasury obligations Other federal agency		36,057,492	—	—	36,057,492	Daily
obligations			7,375,244		7,375,244	Daily
5		_	, ,	_	, ,	,
Municipal bonds		_	825,227	_	825,227	Daily
Foreign bonds		_	151,909	_	151,909	Daily
Corporate debt obligations	-		19,257,189		19,257,189	Daily
Total	\$	103,607,599	27,609,569		131,217,168	

(10) Natural Classification of Expenses

Operating expenses classified by function in the combined statements of operations and changes in net assets are presented in following by their natural classification for the years ended December 31, 2019 and 2018.

	December 31, 2019			
	Resident and member services	Administrative and general	Total expenses	
Wages and benefits	\$ 44,512,715	3,477,654	47,990,369	
Food and beverage costs	6,057,120	_	6,057,120	
Other operating costs	11,665,790	5,058,258	16,724,048	
Total operating expenses	62,235,625	8,535,912	70,771,537	

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	December 31, 2019				
	Resident and member services	Administrative and general	Total expenses		
Occupancy costs	\$ 9,407,062	37,779	9,444,841		
Interest and financing costs	2,954,071	11,864	2,965,935		
Depreciation and amortization	23,196,747	93,160	23,289,907		
Total direct expenses	\$ 97,793,505	8,678,715	106,472,220		

		December 31, 2018	
	Resident and member services	Administrative and general	Total expenses
Wages and benefits	\$ 42,084,741	2,989,989	45,074,730
Food and beverage costs	5,948,860	_	5,948,860
Other operating costs	9,917,004	5,499,900	15,416,904
Total operating expenses	57,950,605	8,489,889	66,440,494
Occupancy costs	9,360,791	37,945	9,398,736
Interest and financing costs	2,905,834	11,670	2,917,504
Depreciation and amortization	24,799,116	101,376	24,900,492
Total direct expenses	\$ 95,016,346	8,640,880	103,657,226

Other operating costs are comprised primarily of repairs, maintenance costs, supplies, contracted services, and professional fees. Occupancy costs are comprised of real estate taxes, utilities, and insurance expenses.

Due to the nature of some expenses being attributable to more than one activity, an allocation is required and applied on a consistent basis. Allocations for nonoperating expenses are based on the proportionate square footage. Expenses attributable to specific activities are assigned directly as expenses are incurred.

(11) Disaggregation of Revenue

The following table disaggregates revenue by payor source, as the Organization believes it best depicts how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

For the years ended December 31, 2019 and 2018:

				Health	ncare	
	_	Resident services	Member services	Therapy	Other healthcare	Total
Medicare Insurance – therapy	\$	_		2,806,930 13,974	1,767,965	4,574,895 13.974
Lifecare – private pay Other private pay		89,236,032	2,720,069		3,738,311 2,014,457	95,694,412 2,014,457
	\$	89,236,032	2,720,069	2,820,904	7,520,733	102,297,738

				Health	ncare	
	_	Resident services	Member services	Therapy	Other healthcare	Total
Medicare	\$	—	—	1,805,640 63,907	2,654,758	4,460,398 63.907
Insurance – therapy Lifecare – private pay		85,820,920	2,236,576	03,907	3,545,519	91,603,015
Other private pay	-				2,290,059	2,290,059
	\$	85,820,920	2,236,576	1,869,547	8,490,336	98,417,379

(12) Net Investment in Direct Financing Lease

The following lists the components of the net investment in direct financing as of December 31:

	2019	2018
Total minimum lease payments to be received \$		6,197,071
Minimum lease payments receivable	—	6,197,071
Less unearned income		
Net investment in direct financing \$		6,197,071

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(13) Leases

Willow Valley Communities has a single financing lease that commenced in October 2019 and the total term of the lease is 29 years. As of December 31, 2019, the right of use (ROU) asset for this financing lease totals \$770,343 and is reported within other assets on the consolidated balance sheet. The components of lease cost for the year ended December 31, 2019 were as follows:

Finance Lease Expense	 2019
Amortization of ROU assets Interest on lease liabilities	\$ 4,453 2,459
Total expense	\$ 6,912

Supplemental quantitative information related to the lease at December 31, 2019 follows.

Other Information:	
Cash paid for amounts included in the	
measurement of finance lease	
liability:	
Financing cash flows	\$ 300,000
ROU assets obtained in exchange for	
lease liabilities:	
Finance leases	
Weighted average remaining lease	
term (in years):	
Finance leases	29
Weighted average discount rate:	
Finance leases	3 %

Future minimum lease payments as of December 31, 2019 are as follows:

Maturity Analysis	 Finance
2020	\$ 200,000
2021	 300,000
Total	500,000
Less: Present value discount	 (22,745)
Lease liability	\$ 477,255

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(14) Liquidity and Availability of Resources

Cash and cash equivalents, investments, and accounts receivable, as reported on the consolidated balance sheets at December 31, 2019 and 2018, are the primary liquid resources used by Willow Valley Communities and Subsidiaries to meet the general expenditure needs within the next year. As part of liquidity management, Willow Valley Communities and Subsidiaries' policy is to structure and manage its financial assets to be available to meet its general expenditure needs.

Willow Valley Communities and Subsidiaries' financial assets available for general expenditures at December 31, 2019 and 2018 are as follows:

	_	2019	2018
Cash and cash equivalents	\$	2,745,783	5,012,833
Accounts receivable		4,206,991	6,112,916
Current investments		9,768,116	24,782,042
Investments	-	109,353,555	90,289,562
	\$ _	126,074,445	126,197,353

(15) Subsequent Events

The Organization has evaluated subsequent events from the consolidated balance sheet date through April 22, 2020, the date at which the consolidated financial statements were available to be issued.

On February 13, 2020, Mosaic Real Estate LLC entered in to a financing agreement for the property at Vine and Queen Street in Lancaster, PA. Proceeds from the new debt settled the \$8,960,000 note payable to Asset Preservation, Inc. and covered costs of financing. The five-year note has interest payable monthly with a final payment of outstanding principal, accrued interest, costs, and fees due February 15, 2025.

Schedule of Consolidating Information, Balance Sheet

December 31, 2019

Current assets: Cash and cash equivalents \$ 2,700,751 34,554 10,478 - - 2,745,783 Investments 9,768,116 - - - - - 30,223,360 Accounts receivable 5,305,533 39,766 15,000 - 1,213,713 42,0691 Prepaid expenses 1,857,561 18,547 3,267 - - 1,879,375 Total current assets 49,661,726 92,867 88,745 - (1,213,713) 48,620,625 Investments 109,353,555 109,353,555 109,355,555 109,355,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,353,555 109,350,553 109,353,555 109,353,555 109,353,555 109,363,555 109,363,555 109,363,555 109,363,555 109,363,555 109,363,555 109,363,555 109,363,555 109,363,555 16,661,363 - - 16,671,752	Assets	-	Obligated group Willow Valley Communities	Connections at Home VIA Willow Valley	Willow Valley Communities Charitable Foundation	Mosaic Real Estate LLC	Elimination entries	Total
Investments 109,353,555 109,353,555 Investments whose use is limited: 31,364,938 - - - 8,368,908 Other - - - 8,368,908 - - - 8,368,908 Other - - - 8,368,908 - - - 16,701,752 Property and equipment, net of accumulated depreciation 313,641,338 - - - - 872,683 Total assets \$ 498,509,154 92,867 98,553 9,060,000 (1,213,713) 506,627,861 Liabilities and Net Assets Current liabilities: Accounts payable - construction 6,081,253 - - - 6,081,253 Accounts payable - construction 3,212,905 - - - 4,933,158 Lease liability 200,000 - - - 3,212,905 Total current liabilities 22,106,204 859,982 212,428 200,984 (1,213,713) 22,165,885 Lease liability 277,255 - - - -<	Cash and cash equivalents Investments Investments whose use is limited – current portion Accounts receivable	\$	9,768,116 30,029,360 5,305,938	39,766	75,000		 (1,213,713) 	9,768,116 30,029,360 4,206,991
Investments whose use is limited: 3,368,908	Total current assets		49,661,726	92,867	88,745	_	(1,213,713)	48,629,625
Liabilities and Net Assets Current liabilities: Accounts payable and accrued liabilities \$ 7,678,888 859,982 212,428 200,984 (1,213,713) 7,738,569 Accounts payable – construction 6,081,253 — — — — 6,081,253 Entrance fee deposits 4,933,158 — — — — 4,933,158 Lease liability – current portion 200,000 — — — 200,000 Long-term debt – current portion 3,212,905 — — — 3,212,905 Total current liabilities 22,106,204 859,982 212,428 200,984 (1,213,713) 22,165,885 Lease liability 277,255 — — — — 277,255 Mortgage payable	Investments whose use is limited: Statutory minimum liquid reserves Other Property and equipment, net of accumulated depreciation		8,368,908 16,691,944 313,641,338		-)	9,060,000		8,368,908 16,701,752 322,701,338
Current liabilities: Accounts payable and accrued liabilities \$ 7,678,888 859,982 212,428 200,984 (1,213,713) 7,738,569 Accounts payable – construction 6,081,253 — — — 6,081,253 Entrance fee deposits 4,933,158 — — — — 4,933,158 Lease liability – current portion 200,000 — — — 200,000 Long-term debt – current portion 3,212,905 — — — 3,212,905 Total current liabilities 22,106,204 859,982 212,428 200,984 (1,213,713) 22,165,885 Lease liability	Total assets	\$	498,590,154	92,867	98,553	9,060,000	(1,213,713)	506,627,861
Accounts payable and accrued liabilities \$ 7,678,888 859,982 212,428 200,984 (1,213,713) 7,738,569 Accounts payable – construction 6,081,253 — — — — 6,081,253 Entrance fee deposits 4,933,158 — — — — 4,933,158 Lease liability – current portion 200,000 — — — 200,000 Long-term debt – current portion 3,212,905 — — — 3,212,905 Total current liabilities 22,106,204 859,982 212,428 200,984 (1,213,713) 22,165,885 Lease liability 277,255 — — — 8,960,000 — 8,960,000 Long-term debt 133,616,280 — — — — 133,616,280 Fair value of interest rate swaps 1,184,564 — — — 133,616,280 Fair value of interest rate swaps 1,184,564 — — — — 1,184,564 Refund liability 36,191,390 — — — — 210,405,321 To	Liabilities and Net Asse	ts						
Lease liability 277,255 - - - 277,255 Mortgage payable - - - 8,960,000 - 8,960,000 Long-term debt 133,616,280 - - - - 133,616,280 Fair value of interest rate swaps 1,184,564 - - - 133,616,280 Fair value of interest rate swaps 1,184,564 - - - 133,616,280 Deferred revenue – entrance and membership fees 210,405,321 - - - - 36,191,390 Total liabilities 403,781,014 859,982 212,428 9,160,984 (1,213,713) 412,800,695 Net assets (deficit): - - - - - 210,405,321	Accounts payable and accrued liabilities Accounts payable – construction Entrance fee deposits Lease liability – current portion	\$	6,081,253 4,933,158 200,000	859,982 — — — —	212,428 	200,984 		6,081,253 4,933,158 200,000
Mortgage payable 8,960,000 8,960,000 Long-term debt 133,616,280 133,616,280 Fair value of interest rate swaps 1,184,564	Total current liabilities		22,106,204	859,982	212,428	200,984	(1,213,713)	22,165,885
Net assets (deficit):	Mortgage payable Long-term debt Fair value of interest rate swaps Refund liability		133,616,280 1,184,564 36,191,390			8,960,000 — — — —		8,960,000 133,616,280 1,184,564 36,191,390
	Total liabilities		403,781,014	859,982	212,428	9,160,984	(1,213,713)	412,800,695
Without donor restrictions 92,317,271 (767,115) (180,368) (100,984) — 91,268,804 With donor restrictions 2,491,869 — 66,493 — 2,558,362	Without donor restrictions	-	92,317,271 2,491,869	(767,115)	(180,368) 66,493	(100,984)		91,268,804 2,558,362
Total net assets (deficit) 94,809,140 (767,115) (113,875) (100,984) — 93,827,166	Total net assets (deficit)	-	94,809,140	(767,115)	(113,875)	(100,984)		93,827,166
Total liabilities and net assets (deficit) \$ 498,590,154 92,867 98,553 9,060,000 (1,213,713) 506,627,861	Total liabilities and net assets (deficit)	\$	498,590,154	92,867	98,553	9,060,000	(1,213,713)	506,627,861

Schedule of Consolidating Information, Statement of Operations

Year ended December 31, 2019

	Obligated group Willow Valley Communities	Connections at Home VIA Willow Valley	Willow Valley Communities Charitable Foundation	Mosaic Real Estate LLC	Elimination entries	Total
Changes in net assets (deficit) without donor restrictions: Operating revenues, gains, and other support:						
Resident services, including amortization of deferred revenue of \$21.028.656	\$ 89.236.032					89.236.032
Member services, including amortization of deferred revenue of \$860,583	\$ 69,236,032 2.264.612	455.457	_	_	_	2,720,069
Healthcare	10,341,637		_	_	_	10,341,637
Investment income	4,638,304	_	_	_	_	4,638,304
Other	6.029.157	_	_	_	_	6.029.157
Net assets released from restrictions	468,448		26,715			495,163
Total operating revenues, gains, and other support	112,978,190	455,457	26,715			113,460,362
Expenses:						
Resident and Member Services:						
Culinary services	17,807,437	_	_	_	_	17,807,437
Healthcare services	25,322,830	_	_	_	_	25,322,830
Housekeeping	4,048,099	_	_	_	_	4,048,099
Property management and services	4,563,519	_	_	_	_	4,563,519
Maintenance	3,833,202	12,928	_	_	_	3,846,130
Resident services	4,711,104	_	_	_	_	4,711,104
Member services	603,296	297,330	_	-	_	900,626
Administrative and general:					_	
Marketing and sales	2,726,774	1,597	_	-	_	2,728,371
Administrative	6,410,054	226,284	207,083	_	—	6,843,421
Occupancy costs (real estate taxes, utilities, and insurance)	9,444,841	_	_	_	_	9,444,841
Interest and financing costs	2,864,951	_	_	100,984	_	2,965,935
Depreciation and amortization	23,289,907					23,289,907
Total expenses	105,626,014	538,139	207,083	100,984		106,472,220
Operating income (loss)	7,352,176	(82,682)	(180,368)	(100,984)	_	6,988,142
Net unrealized gains on investments	11.757.622	_	_	_	_	11.757.622
Change in fair value of interest rate swaps	(1,082,612)					(1,082,612)
Excess (deficit) of operating revenues, gains, and other support						
over expenses	18,027,186	(82,682)	(180,368)	(100,984)		17,663,152
Increase (decrease) in net assets (deficit) without donor restrictions	\$ 18,027,186	(82,682)	(180,368)	(100,984)		17,663,152

Schedule of Consolidating Information, Statement of Changes in Net Assets (Deficit)

Year ended December 31, 2019

	-	Obligated group Willow Valley Communities	Connections at Home VIA Willow Valley	Willow Valley Communities Charitable Foundation	Mosaic Real Estate LLC	Elimination entries	Total
Net assets without donor restrictions:							
Total operating revenues, gains, and other support	\$	112,978,190	455,457	26,715	(400.004)	—	113,460,362
Total expenses Net unrealized gains on investments		(105,626,014) 11,757,622	(538,139)	(207,083)	(100,984)	_	(106,472,220) 11,757,622
Change in fair value of interest rate swaps		(1,082,612)	_	_	_	_	(1,082,612)
Increase (decrease) in net assets without donor restrictions	-	18,027,186	(82,682)	(180,368)	(100,984)		17,663,152
Net assets with donor restrictions:							
Contributions		298,845	—	93,208	—	—	392,053
Net assets released from restrictions	-	(468,448)		(26,715)			(495,163)
(Decrease) increase in net assets with donor restrictions	_	(169,603)		66,493			(103,110)
Increase (decrease) in net assets (deficit)		17,857,583	(82,682)	(113,875)	(100,984)	_	17,560,042
Net assets (deficit), beginning of year	_	76,951,557	(684,433)				76,267,124
Net assets (deficit), end of year	\$	94,809,140	(767,115)	(113,875)	(100,984)		93,827,166

Schedule of Consolidating Information, Statement of Cash Flows

Year ended December 31, 2019

	Obligated group Willow Valley Communities	Connections at Home VIA Willow Valley	Willow Valley Communities Charitable Foundation	Mosaic Real Estate LLC	Elimination entries	Total
Cash flows from operating activities: Increase (decrease) in net assets (deficit)	¢ 47.057.500	(00,000)	(110.075)	(100,984)		17 500 040
Adjustments to reconcile increase (dericit) net cash provided by operating activities:	\$ 17,857,583	(82,682)	(113,875)	(100,984)	_	17,560,042
Depreciation	23,230,893	_	—	—	—	23,230,893
Losses on disposal of property, plant, and equipment	510,557	—	_	_	_	510,557
Amortization of deferred revenue	(21,889,239)		_		_	(21,889,239)
Amortization of deferred financing costs Accretion of bond premium	67,167 (592,663)	_	_	_	_	67,167 (592,663)
Accretion of finance lease interest	(392,003)	_	_	_	_	(392,003)
Net unrealized gains on investments	(11,757,622)	_	_	_	_	(11,757,622)
Net realized gains on sales of securities	(1,484,391)	_	_	_	_	(1,484,391)
Change in fair value of interest rate swaps	1,082,612	_	_	_	_	1,082,612
Proceeds from unit deposits, membership, and resident entrance fees	38,642,034	_	_	_	_	38,642,034
Change in net assets with donor restrictions Changes in operating assets and liabilities:	169,603	—	(66,493)	—	—	103,110
Accounts receivable	1,536,925	8,834	(75,000)	_	435,166	1,905,925
Prepaid expenses	(367,493)	(749)	(3,267)	_	—	(371,509)
Accounts payable and accrued liabilities	1,339,859	73,040	212,428	100,984	(435,166)	1,291,145
Net cash provided by (used in) operating activities	48,348,284	(1,557)	(46,207)			48,300,520
Cash flows from investing activities: Acquisition of property, plant, and equipment Change in accounts payable – construction Costs of acquiring initial contracts Proceeds from direct financing lease Purchases of investments and investments whose use is limited	(54,065,585) 1,074,742 (102,340) 6,197,071 (84,395,484)		 			(54,065,585) 1,074,742 (102,340) 6,197,071 (84,405,292)
Sales of investments and investments whose use is limited	54,642,782	_	(0,000)	_	_	54,642,782
Net cash used in investing activities	(76,648,814)		(9,808)			(76,658,622)
Cash flows from financing activities: Proceeds from additional borrowings Payments of long-term debt Payments on line of credit Payments on financing lease Refunds of membership and resident entrance fees Change in net assets with donor restrictions	41,112,098 (3,106,858) (6,127,486) (300,000) (5,383,592) (169,603)		 			41,112,098 (3,106,858) (6,127,486) (300,000) (5,383,592) (103,110)
Net cash used in financing activities	26,024,559		66,493	_	_	26,091,052
Net (decrease) increase in cash and cash equivalents	(2,275,971)	(1,557)	10,478			(2,267,050)
Cash and cash equivalents, beginning of year	4,976,722	36,111	_	_	_	5,012,833
Cash and cash equivalents, end of year	\$ 2,700,751	34,554	10,478			2,745,783
Supplemental schedule of noncash investing and financing activities: Purchase of property in accounts payable and mortgage payable	\$			9,060,000		9,060,000

Schedule of Consolidating Information, Balance Sheet

December 31, 2018

Assets	Obligated group Willow Valley Communities	Connections at Home VIA Willow Valley	Elimination entries	Total
Current assets: Cash and cash equivalents Investments Investments whose use is limited – current portion Accounts receivable Prepaid expenses Total current assets Investments Investments Investments whose use is limited: Statutory minimum liquid reserves Other Net investment in direct financing lease Property and equipment, net of accumulated depreciation	\$ 4,976,722 24,782,042 5,584,985 6,842,863 1,490,068 43,676,680 90,289,562 7,897,867 2,662,712 6,197,071 283,312,750	36,111 	(778,547) (778,547) (778,547) – –	5,012,833 24,782,042 5,584,985 6,112,916 1,507,866 43,000,642 90,289,562 7,897,867 2,662,712 6,197,071 283,312,750
Total assets	\$ 434,036,642	102,509	(778,547)	433,360,604
Liabilities and Net Assets				
Current liabilities: Accounts payable and accrued liabilities Accounts payable – construction Entrance fee deposits Long-term debt – current portion	\$ 6,339,029 5,006,511 5,584,985 3,107,668	786,942 — — —	(778,547)	6,347,424 5,006,511 5,584,985 3,107,668
Total current liabilities	20,038,193	786,942	(778,547)	20,046,588
Line of credit Long-term debt Fair value of interest rate swaps Refund liability Deferred revenue – entrance and membership fees	6,127,486 96,241,773 101,952 35,970,221 198,605,460			6,127,486 96,241,773 101,952 35,970,221 198,605,460
Total liabilities	357,085,085	786,942	(778,547)	357,093,480
Net assets (deficit): Without donor restrictions With donor restrictions	74,290,085 2,661,472	(684,433)		73,605,652 2,661,472
Total net assets (deficit)	76,951,557	(684,433)		76,267,124
Total liabilities and net assets (deficit)	\$ 434,036,642	102,509	(778,547)	433,360,604

Schedule of Consolidating Information, Statement of Operations

Year ended December 31, 2018

	-	Obligated group Willow Valley Communities	Connections at Home VIA Willow Valley	Elimination entries	Total
Changes in net assets (deficit) without donor restrictions: Operating revenues, gains, and other support: Resident services, including amortization of deferred revenue of					
\$20,514,069 Member services, including amortization of deferred revenue of \$656,431 Healthcare Investment income Other Net assets released from restrictions	\$	85,820,920 1,797,542 10,359,883 4,493,012 5,467,775 379,616	439,034 		85,820,920 2,236,576 10,359,883 4,493,012 5,467,775 379,616
Total operating revenues, gains, and other support	-	108,318,748	439,034		108,757,782
Expenses: Resident and Member Services: Culinary services Healthcare services Housekeeping Property management and services Maintenance Resident services Member services Administrative and general: Marketing and sales Administrative Occupancy costs (real estate taxes, utilities, and insurance) Interest and financing costs Depreciation and amortization	_	17,423,704 23,982,033 3,824,322 4,215,395 3,480,860 4,369,783 358,475 2,341,610 5,919,328 9,398,736 2,917,504 24,900,492			17,423,704 23,982,033 3,824,322 4,215,395 3,489,086 4,369,783 646,282 2,343,471 6,146,418 9,398,736 2,917,504 24,900,492
Total expenses	-	103,132,242	524,984		103,657,226
Operating income (loss)	_	5,186,506	(85,950)		5,100,556
Net unrealized losses on investments Change in fair value of interest rate swaps	_	(8,771,572) (83,944)			(8,771,572) (83,944)
Deficit of operating revenues, gains, and other support over expenses	_	(3,669,010)	(85,950)		(3,754,960)
Decrease (increase) in net assets (deficit) without donor restrictions	\$	(3,669,010)	(85,950)		(3,754,960)

Schedule of Consolidating Information, Statement of Changes in Net Assets (Deficit)

Year ended December 31, 2018

	Obligated group			
	Willow Valley Communities	Connections at Home VIA Willow Valley	Elimination entries	Total
Net assets without donor restrictions: Total operating revenues, gains, and other support \$ Total expenses Net unrealized losses on investments Change in fair value of interest rate swaps	108,318,748 (103,132,242) (8,771,572) (83,944)	439,034 (524,984) 		108,757,782 (103,657,226) (8,771,572) (83,944)
Decrease in net assets without donor restrictions	(3,669,010)	(85,950)		(3,754,960)
Net assets with donor restrictions: Contributions Net assets released from restrictions	735,799 (379,616)			735,799 (379,616)
Increase in net assets with donor restrictions	356,183			356,183
(Decrease) increase in net assets (deficit)	(3,312,827)	(85,950)	—	(3,398,777)
Net assets (deficit), beginning of year (as restated – see note 1(i))	80,264,384	(598,483)		79,665,901
Net assets (deficit), end of year \$	76,951,557	(684,433)		76,267,124

Schedule of Consolidating Information, Statement of Cash Flows

Year ended December 31, 2018

	Obligated group Willow Valley Communities	Connections at Home VIA Willow Valley	Elimination entries	Total
Cash flows from operating activities: Decrease in net assets (deficit) Adjustments to reconcile increase (decrease) in net assets (deficit) to net cash provided by operating activities:	\$ (3,312,827)	(85,950)	_	(3,398,777)
Depreciation Losses on disposal of property, plant, and equipment Amortization of deferred revenue Amortization of bond premium Net unrealized losses on investments Net realized gains on sales of securities Change in fair value of interest rate swaps Proceeds from unit deposits, membership, and resident entrance fees	24,841,478 907,035 (21,170,500) 59,014 (558,460) 8,771,572 (1,803,846) 83,944 32,162,957			24,841,478 907,035 (21,170,500) 59,014 (558,460) 8,771,572 (1,803,846) 83,944 32,162,957
Change in net assets with donor restrictions Changes in operating assets and liabilities: Accounts receivable Prepaid expenses Accounts payable and accrued liabilities Net cash provided by (used in) operating activities	(356,183) (1,179,734) (266,982) (261,538) 37,915,930	(15,076) (290) <u>64,889</u> (36,427)	66,705 	(356,183) (1,128,105) (267,272) (263,354) 37,879,503
Cash flows from investing activities: Acquisition of property, plant, and equipment Change in accounts payable – construction Proceeds from direct financing lease Purchases of investments and investments whose use is limited Sales of investments and investments whose use is limited	(33,584,770) 1,838,599 (3,020) (66,593,437) 66,992,372		 	(33,584,770) 1,838,599 (3,020) (66,593,437) 66,992,372
Net cash used in investing activities Cash flows from financing activities: Payments of long-term debt Payments on line of credit Refunds of membership and resident entrance fees Change in net assets with donor restrictions	(31,350,256) (3,008,035) (35,749) (4,619,809) 356,183			(31,350,256) (3,008,035) (35,749) (4,619,809) 356,183
Net cash used in financing activities	(7,307,410)			(7,307,410)
Net decrease in cash and cash equivalents	(741,736)	(36,427)	—	(778,163)
Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year	\$ 5,718,458 4,976,722	72,538 36,111		5,790,996 5,012,833

Statutory Minimum Liquid Reserves

December 31, 2019

2020 budgeted operating expenses Less depreciation and amortization expense	\$	108,847,392 (25,158,308)
Expenses subject to minimum liquid assets requirement		83,689,084
Statutory requirement	_	10 %
Statutory minimum liquid assets requirement	\$	8,368,908 (a)
Next 12 months debt service payments: Mortgage principal payments Mortgage interest ¹	\$	3,212,905 4,887,848
Total debt service for next 12 months	\$	8,100,753 (b)
Assets satisfying statutory minimum liquid asset requirement as of December 31, 2019: Investments whose use is limited: Pennsylvania continuing care reserve	\$	8,417,086
Statutory minimum liquid reserves - greater of (a) or (b)	_	8,368,908
Assets in excess of statutory minimum liquid asset requirement ²	\$	48,178
⁽¹⁾ Interest rate for variable-rate debt is based on the 2019 average. See note 5 for information regarding debt structure.	-	

⁽²⁾ Excess assets held in the Pennsylvania continuing care reserve are reported as unrestricted long term investments.