WAKE ROBIN CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wake Robin Corporation and Subsidiary
Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Wake Robin Corporation (a Vermont nonprofit corporation) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net deficit, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Board of Directors
Wake Robin Corporation and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wake Robin Corporation and Subsidiary as of December 31, 2019 and 2018, and the results of their operations, changes in their net deficit, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Residents' Assistance Fund presented in Schedule 1 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 27, 2020

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 6,228,107	$ 5,444,914
Investments	12,123,971	8,780,811
Resident Accounts Receivable and Other Receivables	550,677	444,168
Food and Supplies Inventory	18,154	90,303
Prepaid Expenses	309,640	181,969
Total Current Assets	19,230,549	14,942,165
ASSETS LIMITED AS TO USE		
Under Priority Deposits and Donor Restrictions	5,236,579	7,222,688
Under Bond Indenture Agreement - Held by Trustee	6,802,205	7,606,857
Total Assets Limited as to Use	12,038,784	14,829,545
ASSET UNDER INTEREST RATE SWAP AGREEMENTS	-	213,579
PROPERTY AND EQUIPMENT, NET	93,201,142	89,871,154
Total Assets	$ 124,470,475	$ 119,856,443

See accompanying Notes to Consolidated Financial Statements.

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 5,442,806	$ 1,865,000
Estimated Liability for Refunds of Entrance Fees	945,000	558,000
Accounts Payable	800,776	463,156
Accrued Expenses	653,407	533,748
Accrued Interest	451,479	456,215
Construction Payable - 2017 Project	2,232,181	5,688,748
Priority and Interim Deposits	512,100	491,100
Deposits - 2017 Project	459,755	2,774,380
Entrance Fee Deposits	403,532	1,138,800
Total Current Liabilities	11,901,036	13,969,147
LONG-TERM LIABILITIES		
Long-Term Debt - Bonds, Net of Current Portion	77,345,073	79,755,917
Liability Under Interest Rate Swap Agreements	1,102,297	30,047
Deferred Revenue - Amortizable Entrance Fees	57,458,887	48,708,204
Refundable Entrance Fee Liability	1,330,002	2,965,951
Annuity Obligations	98,508	105,644
Total Long-Term Liabilities	137,334,767	131,565,763
Total Liabilities	149,235,803	145,534,910
NET ASSETS (DEFICIT)		
Without Donor Restriction	(29,084,481)	(29,112,525)
With Donor Restriction	4,319,153	3,434,058
Total Net Assets (Deficit)	(24,765,328)	(25,678,467)
Total Liabilities and Net Assets (Deficit)	$ 124,470,475	$ 119,856,443

See accompanying Notes to Consolidated Financial Statements.

WAKE ROBIN CORPORATION WAKE ROBIN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUE, GAINS, AND OTHER SUPPORT		
Resident Service Revenue	$ 14,527,363	$ 12,673,096
Amortization of Entrance Fees	5,776,967	5,018,572
Termination Fees	1,320,022	1,924,824
Health Care Revenue	3,804,065	3,574,043
Ancillary and Other Resident Revenue	588,164	493,996
Investment Income and Realized Gains	549,096	900,689
Contributions	-	1,635
Net Assets Released from Restrictions Used for Operations	82,388	14,808
Net Assets Released for Donor Related Restrictions	-	68,636
Total Revenue, Gains, and Other Support	26,648,065	24,670,299
EXPENSES		
General and Administrative	4,316,350	3,766,884
Dining Services	2,663,865	2,427,052
Resident Services	1,073,891	1,012,874
Linden Health Center	4,403,978	4,316,744
Environmental Services	2,936,985	2,805,866
Property Tax and Insurance	1,516,167	1,264,538
Utilities	1,155,733	1,057,402
Depreciation	5,215,038	4,132,576
Interest	3,116,861	2,593,575
Total Expenses	26,398,868	23,377,511
INCOME FROM OPERATIONS	249,197	1,292,788
NONOPERATING LOSS		
Change in Fair Value of Gift Annuities	(9,941)	(12,737)
Net Unrealized Gain (Loss) on Equity Security Investments	316,305	(255,490)
Total Nonoperating Loss	306,364	(268,227)
EXCESS OF REVENUE OVER EXPENSES	555,561	1,024,561
OTHER CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Change in Fair Value of Derivative Instrument	(1,285,829)	339,211
Net Unrealized Gain (Loss) on Fixed Income Securities and Other Investments	758,312	(541,535)
Total Other Changes in Net Deficit Without Donor Restrictions	(527,517)	(202,324)
DECREASE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS	$ 28,044	$ 822,237

See accompanying Notes to Consolidated Financial Statements.

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
DECREASE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS	$ 28,044	$ 822,237
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	244,161	121,917
Net Assets Released from Restrictions Used for Operations	(82,388)	(14,808)
Net Assets Released for Donor-Related Restrictions	-	(68,636)
Investment Income	112,469	43,651
Realized Gain on Investments	10,429	378,239
Unrealized Gain (Loss) on Investments	600,424	(576,056)
Increase (Decrease) in Net Assets With Donor Restrictions	885,095	(115,693)
DECREASE IN NET DEFICIT	913,139	706,544
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(21,158)
Net Deficit - Beginning of Year	(25,678,467)	(26,363,853)
NET DEFICIT - END OF YEAR	$ (24,765,328)	$ (25,678,467)

See accompanying Notes to Consolidated Financial Statements.

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Deficit	$ 913,139	$ 706,544
Adjustments to Reconcile Decrease in Net Deficit to Net Cash Provided by Operating Activities:		
Amortization of Entrance Fees and Termination Income	(7,096,989)	(6,943,396)
Proceeds from Entrance Fees and Deposits	7,840,517	5,256,061
Proceeds from Entrance Fees and Deposits - 2017 Project	7,069,426	6,584,076
Amortization of Bond Premium	(156,144)	(156,144)
Depreciation and Amortization	5,215,038	4,132,576
Amortization of Deferred Financing Costs	208,008	208,006
Loss on Disposal of Property and Equipment	73,853	32,581
Change in Fair Value of Swap Agreements, Net	1,285,829	(339,211)
Net Realized and Unrealized (Gain) Loss on Investments	(1,899,529)	530,932
(Increase) Decrease in Operating Assets:		
Resident Accounts Receivable and Other Receivables	(106,509)	(191,828)
Supplies Inventory	72,149	(803)
Prepaid Expenses and Other Assets	(127,671)	(27,845)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(2,999,288)	2,596,829
Accrued Interest	(4,736)	39,711
Priority, Interim, and Entrance Fee Deposits	(2,938,212)	918,350
Annuity Obligation	(7,136)	(4,979)
Net Cash Provided by Operating Activities	7,341,745	13,341,460
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(8,618,879)	(31,407,999)
Sales (Purchases) of Investments, Net	(1,443,631)	2,224,697
Increase in Assets Whose Use is Limited	2,790,761	5,178,075
Net Cash Used by Investing Activities	(7,271,749)	(24,005,227)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long-Term Debt	(8,255,870)	(8,147,445)
Proceeds from Long-Term Debt	9,370,968	23,541,496
Refunds of Entrance Fees - 2017 Project	(153,750)	(1,135,515)
Refunds of Entrance Fees	(248,151)	(456,260)
Net Cash Provided by Financing Activities	713,197	13,802,276
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	783,193	3,138,509
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	5,444,914	2,306,405
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 6,228,107	$ 5,444,914

See accompanying Notes to Consolidated Financial Statements.

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 1,570,803	$ 2,297,125
Construction and Equipment Expenditures within Accounts Payable and Accrued Expenses	$ 2,232,181	$ 2,999,070

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wake Robin Corporation and Subsidiary (the Corporation) was organized in 1984, as a Vermont nonprofit corporation, to operate a retirement community and provide continuing and long-term care for the elderly. The Corporation operates a Life Plan Community (LPC) known as Wake Robin. The LPC consists of 212 independent living homes, a community center, and a health center consisting of 31 residential care units and 51 nursing care units, all arranged in a campus setting on 136 acres in Shelburne, Vermont. In November 2018, the Maple apartment building (See Note 15) was completed, which increased the total independent living homes to 250. An additional 10 residential care homes and 6 skilled nursing homes were added in 2019 as part of the 2017 Project (See Note 15). The LPC provides residents with a home, use of the health center and other common facilities, and services for the resident's lifetime. Residents began occupying the LPC in June 1993.

In 2011, the Corporation formed Wake Robin Management, LLC (WRM), as a wholly owned subsidiary that manages a retirement community. WRM offers management services, financial and accounting procedures, and personnel administration to provide quality independent living and assisted living services to the community's residents. WRM is incorporated under the laws of the state of Vermont as a limited liability company. WRM had no activity in 2019 and 2018.

Principles of Consolidation

The consolidated financial statements include the accounts of Wake Robin Corporation and Wake Robin Management, LLC. There was no activity in Wake Robin Management, LLC in 2019 or 2018. Any intercompany transactions would be eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include valuation of derivative financial instruments, deferred revenue from entrance fees, and the obligation to provide future services and use of facilities to current residents. Actual results could differ from those estimates.

Basis of Presentation

Net assets of the LPC and changes therein are classified in two categories and reported as follows:

Net Assets Without Donor Restrictions – Those resources over which the board of directors has discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restriction – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Corporation or passage of time. The principal amount of restricted contributions and the related earnings can be spent for donor-restricted purposes.

Those resources subject to a donor-imposed restriction that must be maintained permanently by the Corporation. The principal amount of these restricted contributions cannot be spent by the LPC.

Excess (Deficit) of Revenue Over Expenses

The consolidated statements of operations include the excess (deficit) of revenues over expenses as the performance indicator. Changes in net assets without donor restriction which are excluded from such amounts, consistent with industry practice, include unrealized gains and losses on fixed income securities and other investments, the effective portion of the interest rate swap agreements that are designated as hedging agreements, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets, if any).

Income Taxes

The Corporation is recognized by the Internal Revenue Service as a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC.

The Corporation follows the provisions of the income tax accounting standards regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on the Corporation's financial statements.

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

Cash, Cash Equivalents, and Restricted Cash

The Corporation considers cash and cash equivalents to include all highly liquid investments with original maturity dates of three months or less, excluding amounts that are limited as to use under trust agreements, priority deposits, or donor restrictions. Restricted cash includes cash held in operating accounts before use or transfer under trust agreements, priority deposits, or donor restrictions. The Corporation had no restricted cash as of December 31, 2019 and 2018. From time to time, the Corporation's restricted investments held by third-party custodians and bond trustee may contain cash balances for or from investing activities. As these activities are not accounted for internally by the Corporation, such cash amounts are not considered restricted cash. The Corporation deposits its temporary cash investments in financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Corporation provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice or as the claim is submitted for third-party payors. Accounts past due more than 30 days are individually analyzed for collectability.

In addition, an allowance is estimated for other accounts based on historical experience. The allowance for doubtful accounts at December 31, 2019 and 2018 was $15,500 and $-0-, respectively.

Food and Supplies Inventory

Inventories of food and supplies are stated at the lower of cost (determined by the first-in, first-out method), or net realizable value.

Investments and Investment Income

Investments are comprised of U.S. government and government agency and corporate obligations, certificates of deposit, fixed income mutual funds, and common stock, and are stated at fair value in the statement of financial position. Investment income or loss, including realized gains and losses on investment, interest and dividends, and write down of impaired investments, if any, are included in income from operations. The unrealized gains or losses from equity securities are recorded in excess of revenue over expenses. The unrealized gains and losses from fixed income securities and other types of investments are recorded below excess of revenue over expenses.

A decline in the market value of any security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to the operating loss and a new cost basis for the security is established. To determine whether impairment is other than temporary, the Corporation considers whether it has the ability and intent to hold the investment security until a market price recovery occurs and considers whether evidence indicating the cost of the investment security is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity, and duration of the impairment, changes in market value subsequent to year-end, and forecasted performance of the investment security.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Limited as to Use

Assets limited as to use are comprised of cash and cash equivalents, U.S. government and government agency and corporate obligations, certificates of deposit, fixed income mutual funds, and common stock and are stated at fair value, based on quoted market prices. Assets limited as to use consist of assets set aside by the board of directors in accordance with donor restrictions, deposit agreements, and terms of loan and trust agreements in connection with the issuance of the bonds. These deposits become available to the Corporation upon satisfaction of certain criteria outlined by each donor stipulation and in each agreement. Amounts required to meet current liabilities of the LPC have been reclassified to current assets in the consolidated statements of financial position at December 31, 2019 and 2018.

Fair Value

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

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

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

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

The fair values of financial instruments are summarized further in Note 12.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. The Corporation's policy is to capitalize expenditures for major improvements and to charge maintenance and repairs that do not extend the useful lives of the related assets. Donated property and equipment are recorded at their estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset. Estimated lives generally fall into the following ranges: four years for transportation equipment, 3 to 12 years for furniture and equipment, 20 years for land improvements, and 40 years for buildings. The Corporation capitalizes property and equipment with a cost basis of $5,000 or greater and a useful life of greater than one year.

The Corporation records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimation process, no impairment losses have been recorded as of December 31, 2019 and 2018.

Projects in Progress

Construction in progress consists of costs related primarily to ongoing projects in process. Depreciation of these costs is being deferred until the projects have been completed. When the planned projects are completed, the construction in progress costs are capitalized and depreciated over the life of the projects. Projects in progress include approximately $482,600 and $18,452,000 of expenditures related to the 2017 Project (Phase III) as of December 31, 2019 and 2018, respectively (see Note 15) and other ongoing Projects in Process.

Deferred Financing Costs (Net)

Financing costs relating to the issuance of the 2012, 2014, and 2017 Vermont Economic Development Authority Revenue Bonds are being amortized by the straight-line method which approximates the effective interest method over the lives of the related bond issues. Interest expense attributable to the expensing of deferred financing costs was $208,008 and $208,006 for the years ended December 31, 2019 and 2018, respectively.

Deferred Marketing Costs (Net)

Deferred marketing costs that represented costs incurred with obtaining the initial Residence and Care Agreements of the community were being amortized on a straight-line basis over the estimated remaining lives of the community's first residents, 12 years. Costs related to the initial marketing of additional units were being amortized over 12 years commencing in 2007 when these units were occupied. As of December 31, 2017, the Corporation had such direct marketing costs of $183,000 and accumulated amortization was $161,842. Amortization expense for the year ended December 31, 2017 was $20,108. In conjunction with the adoption of ASU 2014-09 in 2018, the Corporation wrote off deferred marketing costs which are no longer permitted to be capitalized under the new standard. The Corporation also incurs advertising costs associated with the marketing of the LPC, on an ongoing basis. Costs of this advertising are expensed as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits

Priority and interim deposits are received from prospective residents and deposited into an escrow account. Both deposits are fully refundable upon demand with the interest income accruing to the Corporation. Priority deposits are made in order for the prospective resident to receive a priority number. The number enables the prospective resident to receive priority status prior to move in and home selection. Prospective residents typically make an interim deposit when they are within approximately one year of their expected move in date. Priority deposits totaled $428,100 and $415,000 at December 31, 2019 and 2018, respectively. Interim deposits totaled $84,000 and $76,000 at December 31, 2019 and 2018, respectively.

Upon execution of a Residence and Care Agreement and prior to move in, residents must pay a deposit equal to 25% of the entrance fee amount. The resident pays the balance of the entrance fee upon move in. The entrance fee deposits are part of the Corporation's unrestricted cash and the liability is recorded as a refundable entrance fee deposit.

Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated net assets. When a donor restriction expires (this 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 and changes in net deficit as net assets released from restrictions.

The Corporation reports gifts of property and equipment (or other long-lived assets) as support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Derivative Financial Instrument

The Corporation utilizes derivative financial instruments to reduce its exposure to the market risk from changes in interest rates. The instruments used to mitigate this risk are interest rate swaps. The instruments held by the Corporation are designated as a highly effective cash flow hedge of interest rate risk on variable rate debt and, accordingly, the changes in the fair value of these instruments is excluded from the performance indicator in other changes in net assets without donor restrictions for the year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance Fees

The Corporation offers three options for Residence and Care Agreements: the Fully Amortizing Entrance Fee, the 50% Partially Amortizing Entrance Fee and the 90% Partially Amortizing Entrance Fee. Under these agreements, the prospective resident is required to pay a deposit in the amount of 25% of the entrance fee at the time the Agreement is executed, with the balance of the entrance fee paid at the time of move in. Upon the occupancy of the home, entrance fees are recorded as deferred revenue and amortized into revenue. Under the Partially Amortizing Entrance Fee Agreement, it is the policy of the Corporation to amortize up to the contractually refundable amount. In 2015, Wake Robin began offering a Long-Term Care Insurance Benefit, which provides for a discount on entrance fees and a feature converting to a per diem rate for a specified number of days while in skilled nursing.

In the event of termination of the Residence and Care Agreement due to withdrawal, death, or dismissal, a refund may be paid. The refund is based upon the type of entrance fee agreement executed. If a resident enters into a Fully Amortizing Entrance Fee Agreement, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move in to and including the month of termination. No refund will be paid after 50 months of occupancy.

If a resident enters into a 50% Partially Amortizing Entrance Fee Agreement and the termination is during the first 25 months after move in, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move in to and including the month of termination. If the termination is after 25 months, the resident will be refunded 50% of their entrance fee at any time the termination occurs.

If a resident enters into a 90% Partially Amortizing Entrance Fee Agreement and the termination is during the first 5 months after move in, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move in to and including the month of termination. If the termination is after 5 months, the resident will be refunded 90% of their entrance fee at any time the termination occurs. Partially Amortizing Entrance Fee Agreements require a premium payment for the entrance fee.

Under all of these refund policies, entrance fees totaling approximately $25,420,100 and $19,882,000 remained unexpired and contractually refundable at December 31, 2019 and 2018, respectively.

In 2015, the Corporation added a Long-Term Care Insurance Benefit addendum to their Residence and Care Agreements. The addendum provides the option for a $40,000 reduction of the standard entrance fee per person. The monthly fee changes after the first 120 days in skilled nursing from the standard fee to the per diem rate. The per diem rate is charged for up to 850 days while in skilled nursing and after that the fee reverts back to the standard monthly fee.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities to current residents). The obligation is discounted at 4% for the first five years and 6% thereafter. As of December 31, 2019 and 2018, the calculation did not result in a liability.

Charity Care

The mission of the Corporation is to create an active community of adults that honors both mutual support and independence and addresses the health and wellness needs of each resident. The Corporation provides financial assistance on an as needed basis through the Wake Robin Residents' Assistance Fund. The fund was initially funded by the Corporation with the majority of subsequent funding from residents or their estates. The Wake Robin Residents' Assistance Fund is administered by a committee comprised of three staff of the Corporation and two residents.

The Corporation received contributions to the Wake Robin Residents' Assistance Fund of $14,550 and $27,200 for the years ended December 31, 2019 and 2018, respectively.

The financial assistance provided to several residents of the community from the Wake Robin Residents' Assistance Fund was $14,700 and $21,000 for years ended December 31, 2019 and 2018, respectively. The amounts of charity provided are transferred out of the Wake Robin Residents Assistance Fund in the year following the charity provided.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue

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

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or residents receiving services in the facility. The Corporation measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or termination of the resident contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, guest meals) and the Corporation does not believe it is required to provide additional goods or services related to that sale.

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

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

Medicare

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

Medicare (Continued)

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

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

Other

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Corporation’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlement are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2019 or 2018.

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

The Corporation has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service line, method of reimbursement, and timing of when revenue is recognized. All resident services revenue for the Corporation is provided at the single campus located in Shelburne, Vermont. The method of reimbursement is prospective payments and the timing of revenue recognition is health care services transferred over time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

The composition of resident services revenue by primary payor for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Medicare	$ 467,073	$ 379,141
Private Pay and Other	18,452,519	16,361,994
Total	$ 18,919,592	$ 16,741,135

The composition of resident care service revenue based on its lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Service Lines:		
Skilled Care	$ 1,497,097	$ 1,599,325
Memory Care	858,060	839,529
Residential Care	1,454,055	1,138,421
Independent Living	15,110,380	13,163,860
Total	$ 18,919,592	$ 16,741,135
Method of Reimbursement:		
Fee for Service	$ 18,919,592	$ 16,741,135
Total	$ 18,919,592	$ 16,741,135
Timing of Revenue and Recognition:		
Services Transferred Over Time	$ 18,919,592	$ 16,741,135
Total	$ 18,919,592	$ 16,741,135

Health Care Services Revenue

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

Revenues from the Medicare program accounted for approximately 10% and 11%, respectively, of the Corporation's health service revenues for the years ended December 31, 2019 and 2018. Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received and unconditional promises to give are recorded as revenue with and without donor restrictions depending on the existence of donor restrictions and the nature of such restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

New Accounting Pronouncements – ASU 2016-02

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Corporation adopted the requirements of the guidance effective January 1, 2019, and has elected to apply the provisions of this standard to the beginning of the period of adoption. After evaluating active leases held by the Corporation, management has determined that the adoption of the standard has no impact on the consolidated financial statements.

New Accounting Pronouncements – ASU 2016-18

In November 2016, the FASB issued ASU No. 2018-16, *Statement of Cash Flows (Topic 230).* The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or cash equivalents. Therefore, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Corporation adopted ASU 2016-18 during the year ended December 31, 2019. The adoption of this accounting standard did not have an impact on the Corporation’s consolidated financial position or changes in its net assets. The Corporation’s restricted cash resides in its investment portfolio, which is inclusive of assets held by the bond trustee, thus the adoption of the standard resulted in no changes to the reporting and disclosure of cash flows as the changes in cash balances within investment accounts are not accounted for as internal transfers. The adoption of the standard was retrospectively applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 27, 2020, the date the consolidated financial statements were issued. The results of this evaluation indicated that there are subsequent events or transactions that are required to be disclosed in these financial statements (see Note 16).

NOTE 2 LIQUIDITY

As of December 31, 2019 and 2018, the Corporation had working capital of $7,329,513 and $973,018, respectively. The Corporation had 385 days cash on hand as of December 31, 2019.

Financial assets available for general expenditure within one year of the balance sheet dates consisted of the following:

	2019	2018
Cash and Cash Equivalents	$ 4,941,169	$ 5,444,914
Accounts Receivable, Net	345,554	340,691
Investments	9,071,530	8,780,811
Assets Limited to Use:		
Board-Designated	1,054,700	873,040
Donor-Restricted	-	21,000
Total Financial Assets	$ 15,412,953	$ 15,460,456

Wake Robin Corporation has certain board-designated and donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. Wake Robin has other assets limited to use for donor-restricted purposes and debt service. These assets limited to use, which are more fully described in Note 3 are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary.

As part of Wake Robin Corporation's investment guidelines, cash in excess of normal operating requirements are invested in in money market funds, certificates of deposits, municipal or government agencies, corporate bonds or readily marketable equities. Under the bond indenture, Wake Robin Corporation must maintain at least 180 days cash on hand. As of December 31, 2019 and 2018, the Corporation was in compliance with this bond covenant.

NOTE 3 INVESTMENTS

Assets Limited as to Use

The composition of assets limited as to use, stated at fair value at December 31, is set forth in the following table:

	2019	2018
Under Deposits and Donor Restrictions:		
Cash and Cash Equivalents	$ 815,151	$ 3,277,031
Certificates of Deposit	353,472	516,567
Equities	2,758,248	2,209,886
U.S. Government Agencies	202,612	-
Corporate Bonds	1,107,096	1,219,204
Subtotal	5,236,579	7,222,688
Under Bond Indenture Agreement and Held by Trustee:		
Cash and Cash Equivalents	1,317,852	2,639,290
U.S. Government Agencies	5,484,353	4,967,567
Subtotal	6,802,205	7,606,857
Total	$ 12,038,784	$ 14,829,545

Other Investments

The composition of other investments stated at fair value at December 31 is set forth in the following table:

	2019	2018
Certificates of Deposit	$ 1,857,666	$ 2,485,412
U.S. Government Agencies	1,539,206	981,903
Corporate Bonds	5,158,503	2,498,772
Equity Mutual Funds	3,568,596	2,814,724
Total	$ 12,123,971	$ 8,780,811

Management conducts due diligence on its investments. Unrealized losses were analyzed by management as of December 31, 2019 and the unrealized losses were deemed to be immaterial in relation to the financial statements.

As of December 31, 2019, declines in the fair value of investments and investments limited as to use reflect declines in the overall equities market. The Corporation does not believe that any individual unrealized loss as of December 31, 2019 represents an other-than-temporary impairment. The Corporation has the intent and ability to hold these investments for the time necessary to recover the amortized cost.

NOTE 4 PROPERTY AND EQUIPMENT

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

	2019	2018
Land	$ 2,133,946	$ 2,133,946
Land Improvements	12,654,433	12,703,044
Buildings and Improvements	127,396,278	102,380,759
Furniture and Equipment	5,212,260	3,510,933
Transportation Equipment	464,930	635,459
Projects in Process - Other	539,625	19,282,277
Total	148,401,472	140,646,418
Less: Accumulated Depreciation	(55,200,330)	(50,775,264)
Property and Equipment, Net	$ 93,201,142	$ 89,871,154

Depreciation expense for the years ended December 31, 2019 and 2018 was $5,215,038 and $4,132,576, respectively. Projects in Process as of December 31, 2018 include amounts related to the 2017 Project and other ongoing projects in process.

Substantially all of the Corporation’s property and equipment is pledged as security for the bonds described in Note 6.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

	2019	2018
Subject to Expenditure for Specific Purpose:		
Purchase of Property and Equipment	$ 239,897	$ 205,204
Resident Activities	158,012	12,860
Stickney Scholarship Fund	152,757	91,651
Residents Assistance Fund	2,623,562	2,184,175
Gift Annuity Fund	113,303	86,614
Expenditure Subject to Board Authorization:		
The Fund for Wake Robin	74,157	64,781
Endowment Fund	796,247	658,799
Assets Maintained in Perpetuity:		
Memorial Garden Fund	161,218	129,974
Total	$ 4,319,153	$ 3,434,058

During 2019 and 2018, $82,388 and $83,444, respectively, of net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 6 LONG-TERM DEBT

Bonds Payable and Derivative Financial Instrument

On July 11, 2017, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont, acting by and through the Vermont Economic Development Authority (the Authority) pursuant to which the Authority issued the Series 2017A, 2017B, and 2017C Bonds. The proceeds of the Series 2017A Bonds, along with other available funds, were used: 1) to refund the outstanding balance of the Series 2006B Bonds ($14,225,000), 2) to finance a portion of the costs for the renovation and reconfiguration of the Linden Health Care Center, renovate and build out of the existing unfinished lower level of the long-term care memory wing, renovate of the Community Center, and construct the new independent living apartment building, 3) to fund the debt service reserve funds for the Series 2017A Bonds and 4) to pay the costs of issuing the Series 2017A Bonds. The Series 2017A Bonds bear interest at fixed rates between 2.5% and 5.0%.

The proceeds of the Series 2017B Bonds and the Series 2017C Bonds are to be used to 1) finance a portion of the costs of the Project, and 2) to pay the cost of issuing the Series 2017B and 2017C Bonds. The Series 2017B Bonds bear interest at .72% of one-month London Interbank Offered Rate (LIBOR) plus 2.05% (1.85% after the Certificate of Occupancy is received), a rate which was converted to a fixed rate of 1.72% using a derivative instrument through July 1, 2024. The Series 2017C Bonds bear interest at .72% of LIBOR plus 2.05%. The total amounts available under for each of the 2017 Series of bonds is as follows:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

Vermont Economic Development Authority Bonds:	
Series 2017A Mortgage Revenue Bonds	$ 21,590,000
Series 2017B Mortgage Revenue Bonds	29,500,000
Series 2017C Mortgage Revenue Bonds	16,000,000
Total	$ 67,090,000

On July 11, 2017, the Corporation entered into an Interest Rate Swap Agreement with Manufacturers & Traders Trust to enact a variable to fixed rate swap for the Series 2017B Bonds, effective March 1, 2018. The swap agreement will hedge the Series 2017B Bonds by effectively converting interest payments from variable rate to a fixed rate. The swap agreement, designated as a derivative, is recorded at fair value as an asset (liability) in the consolidated statements of financial position with the unrealized gain (loss) reported in the consolidated statements of operations below the performance indicator. The expiration of the swap is July 1, 2024 and the effective fixed rate of the swap is 1.72%. The fair value of the interest rate swap is recorded as an asset (liability) of ($721,632) and $55,120 as of December 31, 2019 and 2018, respectively.

The fair value of the Corporation's interest rate swap is obtained from the market values provided by the brokers. The values represent the estimated amount the Corporation would pay to terminate the agreement, taking into consideration the difference between the contract rate of interest and the rate currently quoted for the agreement. The change in the fair value of the interest rate swap resulted in an unrealized gain (loss) of ($776,752) and $192,157 for the years ended December 31, 2019 and 2018, respectively.

On December 1, 2014, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont, acting by and through the Vermont Economic Development Authority (the Authority) pursuant to which the Authority sold the Series 2014 Bond in the amount of $19,955,000 on December 11, 2014 to Manufacturers & Traders Trust. The Series 2014 Bond bears a variable interest rate equal to 75% of the 30-Day LIBOR Rate plus 1.85%.

On December 10, 2014, the Corporation entered into an Interest Rate Swap Agreement with Manufacturers & Traders Trust to enact a variable to fixed rate swap for the Series 2014 Bond, effective December 11, 2014. The swap agreement will hedge the Series 2014 Bond by effectively converting interest payments from variable rate to a fixed rate. The swap agreement, designated as a derivative at December 31, 2019 and 2018 is recorded at fair value as an asset (liability) in the consolidated statements of financial position with the unrealized gain (loss) reported in the consolidated statements of operations below the performance indicator. The expiration of the swap is December 1, 2021 and the effective fixed rate of the swap is 1.492%. As of December 31, 2019 and 2018, the fair value of the interest rate swap is recorded as an asset (liability) of ($103,858) and $158,459, respectively.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

The fair value of the Corporation's interest rate swap is obtained from the market values provided by the brokers. The values represent the estimated amount the Corporation would pay to terminate the agreement, taking into consideration the difference between the contract rate of interest and the rate currently quoted for the agreement. For the years ended December 31, 2019 and 2018, the change in the fair value of the interest rate swap resulted in unrealized gains (losses) of ($262,317) and $114,609, respectively.

On July 11, 2017, the Corporation entered into an extension of the Interest Rate Swap Agreement with Manufacturers & Traders Trust to enact a variable to fixed rate swap for the Series 2014 Bond, effective December 1, 2021. The swap agreement will hedge the Series 2014 Bonds by effectively converting interest payments from variable rate to a fixed rate. The swap agreement, designated as a derivative at December 31, 2019 and 2018, is recorded at fair value as a liability in the consolidated statements of financial position with the unrealized gain (loss) reported in the consolidated statements of operations below the performance indicator. The expiration of the swap extension is July 1, 2024 and the effective fixed rate of the swap is 1.92%. The fair value of the interest rate swap is recorded as a liability of $276,807 and $30,047 as of December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, the change in the fair value of the interest rate swap resulted in an unrealized gain (loss) of ($246,760) and $32,445, respectively.

On May 31, 2012, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont, acting by the Vermont Economic Development Authority (the Authority) pursuant to which the authority sold the following issues of bonds:

Vermont Economic Development Authority Bonds:	
Series 2012 Serial Bonds	$ 10,480,000
Series 2012 Term Bonds	2,655,000
Series 2012 Term Bonds	10,700,000
Total	$ 23,835,000

From the proceeds, the Corporation borrowed $23,835,000 of Mortgage Revenue Bonds (Wake Robin Corporation Project), Series 2012 (referred to as the Series 2012 Bonds). The Series 2012 Bonds are comprised of 1) $10,480,000 of Serial Bonds bearing interest at fixed rates between 2.75% and 5.125% with a yield ranging between 2.75% and 5.125% over the life of the issuance; 2) $2,655,000 of term bonds at a fixed rate of 5.3% and with a yield of 5.3%; and 3) $10,700,000 of term bonds at a fixed rate of 5.4% and with a yield of 5.3%.

A portion of the proceeds from the sale of the Series 2012 Bonds were used to fund a debt service reserve fund and to pay costs of issuance relating to the Series 2012 Bonds.

On June 1, 2006, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont with the Vermont Economic Development Authority pursuant to which the authority sold the following issues of bonds and lent the proceeds to the Corporation:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

Vermont Economic Development Authority Bonds:	
Series 2006A, Mortgage Revenue Bonds	$ 23,500,000
Series 2006B, Variable Rate Demand Mortgage Revenue Bonds	16,455,000
Series 2006C, Variable Rate Demand Mortgage Revenue Bonds	8,250,000
Series 2006D, Variable Rate Demand Mortgage Revenue Bonds - Taxable	2,250,000
Total	$ 50,455,000

The proceeds of these bonds were used to finance the construction and equipping of an additional 38 independent living units, 6 skilled nursing units and 10 residential care units; to advance refund the Wake Robin Mortgage Revenue Bonds Series 1999B Bonds; to establish reserves required to be maintained by the trustee; for acquisition, improvement, and development of the facility site; for routine capital expenditures of the Corporation; and to pay for the costs of bond issuance.

During 2017, the 2006B bonds were fully repaid with the proceeds from the issuance of the Series 2017A Bonds.

On December 30, 2013, the Corporation executed a Letter of Credit with M & T Bank with an expiration date of December 30, 2016. The Letter of Credit had been extended annually and the expiration date of the Letter of Credit was December 30, 2018, prior to its termination upon the refunding of the 2006B Bonds.

The Corporation is subject to various covenants under the bond agreements. These covenants require various reporting, financial, and operational requirements. As of December 31, 2019, the Corporation is not aware of any instances of noncompliance with these covenants.

Capitalized interest costs amounted to $483,357 and $539,900 for December 31, 2019 and 2018, respectively.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

A summary of long-term debt financed through the Vermont Economic Development Authority at December 31 is as follows:

Description	2019	2018
Series 2017A Fixed Rate Mortgage Revenue Bonds, principal due in graduated annual installments through May 1, 2047. Interest is payable semi-annually at fixed rates ranging from 2.5% to 5.0%.	$ 21,380,000	$ 21,590,000
Series 2017B Variable Rate Mortgage Revenue Bonds, due in monthly interest-only installments through June 1, 2020 followed by monthly installments of principal and interest through maturity date of May 1, 2045. Interest is payable at 72% of one-month LIBOR plus 2.05% (1.85% upon obtaining Certificate of Occupancy) during Project construction. Until July 1, 2024, the variable rate was effectively converted to a fixed rate using a derivative with a rate of 1.72%.	25,007,567	15,636,599
Series 2017C Variable Rate Mortgage Revenue Bonds, due in monthly interest-only installments through maturity on January 1, 2021. Monthly repayments of principal to commenced in 2018 using entrance fees from the Project. Interest is payable at 72% of one-month LIBOR plus 2.05% (1.85% upon obtaining Certificate of Occupancy) during Project construction.	3,009,168	9,400,038
Series 2014 Variable Rate Mortgage Revenue Bonds, due in varying monthly installments through May 1, 2036. Interest is payable monthly at 75% of one-month LIBOR plus 1.85%. Until July 1, 2024, the variable rate was effectively converted to a fixed rate using a derivative with a rate of 1.92%.	16,845,000	17,445,000
Series 2012 Fixed Rate Mortgage Revenue Bonds, due in graduated annual installments through May 1, 2033. Interest is payable semi-annually at rates ranging from 3.25% to 3.5%.	17,165,000	18,220,000

NOTE 6 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

	2019	2018
Total Debt	$ 83,406,735	$ 82,291,637
Add: Unamortized Bond Premium, Series 2012	110,552	119,120
Add: Unamortized Bond Premium, Series 2017	879,342	1,026,918
Less: Unamortized Debt Issuance Costs	(1,608,750)	(1,816,758)
Total Debt, Net Unamortized Debt Issuance Costs and Unamortized Original Issue Premium	82,787,879	81,620,917
Current Portion of Long-Term Debt	(5,442,806)	(1,865,000)
Total Long-Term Debt, Net of Current Portion	$ 77,345,073	$ 79,755,917

Future maturities of long-term debt as of December 31 are as follows:

Year Ending December 31,	Amount
2020	$ 5,442,806
2021	2,898,316
2022	2,685,731
2023	3,102,800
2024	3,116,716
Thereafter	66,160,366
Total	$ 83,406,735

The Series 2012, 2014, and 2017 bonds are secured by a first mortgage and security interest on property and equipment, certain tangible and intangible property interests, the gross revenues and entrance fees (subject to certain provisions) of the Corporation, and by certain funds held by the Trustee as defined in the Loan and Trust Agreement.

NOTE 7 RELATED PARTY TRANSACTIONS

A director emeritus of the Corporation serves as the Corporation's legal counsel. The director's law firm was paid $39,377 and $52,896 for legal services provided in 2019 and 2018, respectively.

NOTE 8 LIABILITY INSURANCE

The Corporation's general liability and resident health care facility professional liability insurance are covered under an "occurrence" policy. There are no claims outstanding as of December 31, 2019 and 2018.

NOTE 9 AMENDED CERTIFICATE OF AUTHORITY (THE COA)

In April 2006, The Department of Financial Regulation (the Department), formerly the Vermont Department of Banking, Insurance and Health Care Administration, issued the Corporation a Certificate of Authority approving the execution of Residence and Care Agreements, as well as the collection of deposits from prospective residents of Phase II.

In July 2006, the Department issued another Certificate of Authority (COA) approved the Phase II expansion project and the issuance of the 2006 Bond to fund it. Among other conditions the COA required the Corporation to maintain the reserve fund required by 8 V.S.A. Section 8009, the Statutory Reserve in a separate account. The Statutory Reserve required is to be funded to no less than the greater of the following: the total annual principal and interest payments on all debt, or 15% of all operating expenses, determined at the end of the fiscal year based on projected amounts for the following fiscal year (Required Balance).

As required by the COA, Wake Robin maintains a separate investment account, the Cash Reserve Account, with a Vermont investment company. The Corporation is required to transfer cash to the Cash Reserve Account, until such times as the balance in the accounts equals the required balance. The COA permits the Corporation to expend funds from the Statutory Reserve Account without approval from the Department after first exhausting all other unrestricted funds of the Corporation, or to the extent that the balance in the Cash Reserve Account exceeds the Required Balance.

As soon as practicable after December 31, 2022 or earlier date as determined by the Department at its discretion, the Corporation will transfer the required balance in the Cash Reserve Account to a Statutory Reserve Account with the Vermont State Treasurer's Office. Thereafter, the Corporation will make deposits to the Statutory Reserve Account sufficient to maintain the required balance. All income or gain on investment of the funds held in the Statutory Reserve Account will be retained in and become part of such account.

When the funds are transferred to the Statutory Reserve Account with the Vermont Treasurer's Office, the Corporation will not permit any person or entity other than the Department to acquire a perfected lien or security interest in the Statutory Reserve Account.

As of December 31, 2019 and 2018, the amount in the Cash Reserve Account of the Corporation exceeded the required balance.

NOTE 9 AMENDED CERTIFICATE OF AUTHORITY (THE COA) (CONTINUED)

On November 8, 2016, the Department issued an amendment to the COA which authorized Wake Robin to begin entering into Residence and Care agreements and accepting 25% entrance fee deposits for the proposed Maple apartment building.

On June 19, 2017, the Department issued an amendment to the COA approving the Phase III Project and related financing.

As of December 31, 2019 and 2018, deposits totaling $459,755 and $2,774,380, respectively, have been received from residents that had not occupied Maple homes. Residents began moving into the Maple apartment building in November 2018 and their deposits were used to retire a portion of the 2017C Bonds. The deposits as of December 31, 2019 represent deposits for residents scheduled to move into a Maple home in 2020. Beginning in July of 2020, these funds no longer need to be segregated from other resident deposits.

NOTE 10 RESIDENT FUNDS HELD BY THIRD PARTY (UNAUDITED)

Under an agreement with the Vermont Community Foundation, The Norman Winde Residents' Fund (the Fund) was established on May 26, 1999 by residents of the LPC. The contributions and earnings thereon are held by the Vermont Community Foundation. The purposes of the Fund are to provide support to the Corporation to benefit its residents, primarily for, but not limited to, the provision of financial assistance in connection with the monthly fees due from residents of the LPC, such residents having demonstrated financial need. The Vermont Community Foundation shall accumulate, grant, or expend for the purposes of the Fund as much of the net income and/or principal of the Fund as the Vermont Community Foundation from time to time deems advisable.

A summary of the Fund, which is not reflected in the accompanying consolidated financial statements, at December 31, is as follows:

	2019	2018
Contribution	$ 33,659	$ -
Investment Return	154,744	(42,551)
Administrative Fee	(7,619)	(13,046)
Excess (Deficit) of Revenue over Expenses	180,784	(55,597)
Balance - Beginning of Year	881,141	936,738
Balance - End of Year	$ 1,061,925	$ 881,141

NOTE 11 EMPLOYEE BENEFIT PLAN

The Corporation has a 403(b) thrift plan, which is a defined contribution voluntary retirement savings plan for all employees with no minimum age or service requirement. Employees can contribute any percentage of their salary, limited only by the maximum contribution amounts defined by the Internal Revenue Service. The Corporation matches employee contributions at the lesser of 50% of employee contributions or $2,000 for each of the years ended December 31, 2019 and 2018. The Corporation contributed $132,451 and $129,154 to the plan in 2019 and 2018, respectively.

NOTE 12 FAIR VALUE MEASUREMENTS

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

	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Limited as to Use - Investments	$ 12,038,784	$ -	$ -	$ 12,038,784
Investments	12,123,971	-	-	12,123,971
Liabilities:				
Obligation Under Interest Rate Swap Agreement	-	(1,102,297)	-	(1,102,297)
Total	$ 24,162,755	$ (1,102,297)	$ -	$ 23,060,458

	2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Limited as to Use - Investments	$ 14,829,545	$ -	$ -	$ 14,829,545
Investments	8,780,811	-	-	8,780,811
Asset Under Interest Rate Swap Agreement	-	213,579	-	213,579
Liabilities:				
Obligation Under Interest Rate Swap Agreement	-	(30,047)	-	(30,047)
Total	$ 23,610,356	$ 183,532	$ -	$ 23,793,888

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include money market funds and bank deposits, certificates of deposit, U.S. government agency securities, corporate bonds, equities, and mutual funds.

Liabilities utilizing Level 2 inputs are derivatives. The carrying amount represents fair market value and is based on a price estimated by a third party using the income approach, which uses valuation techniques to convert future cash flows to a discounted value, using current market expectations.

NOTE 13 FUNCTIONAL EXPENSES

The Corporation provides residential living services and general health care services to its residents. All natural classes of expenses that are not directly related to the Corporation's programs are allocated to one or more management and supporting functions based on the estimates of time and effort involved or on a basis of square-foot. Expenses related to providing these services are as follows for the years ending December 31:

	2019			
	Independent Living	Health Center	Management, General, and Administrative	Total
Wages and Benefits	$ 3,788,855	$ 6,070,968	$ 956,186	$ 10,816,009
Food and Supplies	676,804	358,232	20,881	1,055,917
Depreciation and Amortization	4,584,466	813,572	25,008	5,423,046
Interest	2,460,446	435,036	13,372	2,908,854
Insurance	272,746	173,370	28,330	474,446
Purchased Services	471,368	128,852	362,019	962,239
Occupancy Expenses	1,681,241	455,866	4,532	2,141,639
Repairs and Maintenance	756,538	133,765	4,112	894,415
Other	1,041,167	550,393	130,743	1,722,303
Totals	$ 15,733,631	$ 9,120,054	$ 1,545,183	$ 26,398,868

	2018			
	Independent Living	Health Center	Management, General, and Administrative	Total
Wages and Benefits	$ 3,809,894	$ 5,487,963	$ 1,029,058	$ 10,326,915
Food and Supplies	744,284	354,400	16,209	1,114,893
Depreciation and Amortization	3,477,167	646,386	9,022	4,132,576
Interest	1,890,917	540,932	161,723	2,593,573
Insurance	231,353	215,530	14,852	461,734
Purchased Services	213,185	75,350	143,132	431,667
Occupancy Expenses	1,547,755	304,885	7,559	1,860,199
Repairs and Maintenance	598,477	122,706	4,050	725,233
Other	1,011,203	627,644	91,874	1,730,722
Totals	$ 13,524,235	$ 8,375,798	$ 1,477,479	$ 23,377,511

NOTE 14 CUMULATIVE EFFECT – CHANGE IN ACCOUNTING PRINCIPLE FOR DEFERRED MARKETING COSTS

During the year ended December 31, 2018, the Corporation adopted ASU 2014-09. Previously, the Corporation deferred costs of acquiring initial continuing-care contracts that were expected to be recovered from future revenues. These costs included salaries and commissions paid to sales office personnel located at the community, direct response advertising costs, and initial branding of the projects. The costs were amortized on a straight-line basis over the average expected remaining lives of the residents under the contract or the contract term, if shorter. Amortization began upon the earlier of one year from initial occupancy of the independent living units or upon stabilized occupancy of those units. Under ASU 2014-09, these deferred marketing costs no longer qualify for capitalization as the new guidance only allows for capitalization of incremental costs of obtaining a contract with a customer if the entity expects to recover those costs.

The adoption of ASU 2014-09 results in a prior period adjustment increasing net deficit by $21,158 and decreasing the asset for deferred marketing costs as of January 1, 2018. The following table presents the opening net deficit, as adjusted for the cumulative effect of the change in accounting for deferred marketing costs.

Net Deficit As Originally Reported - January 1, 2018	$ (26,363,853)
Cumulative Effect of Change in Accounting for Deferred Marketing Costs	(21,158)
Net Deficit As Restated - January 1, 2018	$ (26,385,011)

NOTE 15 COMMITMENTS AND CONTINGENCIES

As of December 31, 2019, Wake Robin is in the process of construction of a capital project that commenced in 2017 (“Phase III”). The project encompasses renovations to existing buildings, additions, and new ground up construction. The three major program spaces impacted by the 2017 Project are the Linden Health Care Center (skilled nursing, residential care), the Community Center (dining and campus amenities), and a new 38 independent living apartment building (Maple).

The original commitment related to the 2017 Project was $55,601,000. As of December 31, 2019, the remaining commitment is $3,643,372, including retainage. As of December 31, 2018, the remaining commitment is $13,437,055, including retainage. The commitment will be funded primarily from future draws on the 2017B Bonds.

The remaining areas to complete are 2 homes in within the skilled nursing area and half of the lower level of the Community Center. The project is expected to complete in March of 2020.

In conjunction with receiving the building permit for Phase III, Wake Robin agreed to construct a second water tower for the Town of Shelburne. The water tower was complete in 2019 and cost approximately $280,000. Title is in the process of being transferred to the Town of Shelburne as of year-end, therefore, the Corporation recorded a contribution expense of the same amount, removing the water tower from the balance of Property and Equipment as of December 31, 2019.

NOTE 16 SUBSEQUENT EVENTS

Phase III Project

As of December 31, 2019, current liabilities associated with the Project totaled $2,232,181, which includes requisitions of November and December and retainage payable $1,653,648. The November requisition was funded in January 2020 and the December requisition was funded in February 2020.

Change in Corporate Structure

In response to dramatic changes in the demographics of the next generation of seniors, increased competition, evolving needs and interests of residents, and the expansion of Wake Robin’s existing campus to its fullest extent, the Wake Robin board recognizes that it must plan to diversify the nature, scope and possible geographic location of its services to seniors in order to fulfill its fiduciary obligations. While the exact nature of this diversification has not yet been determined, the Wake Robin board has approved a revised corporate structure to accommodate any future strategic initiatives.

NOTE 16 SUBSEQUENT EVENTS (CONTINUED)

Change in Corporate Structure (Continued)

Wake Robin governance approved the creation of a supporting organization which will be responsible for identifying and evaluating strategic opportunities, establishing a delivery network (the "System") comprised of separate nonprofit entities to provide future services beyond Wake Robin's campus or menu of life care services ("System Participants"), and managing the System in furtherance of the charitable missions of Wake Robin and future System Participants.

In March, 2020, the Corporation obtained approval from the Vermont Department of Financial Regulation to revise its corporate structure in the creation of this new supporting organization.

Other

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Corporation, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Corporation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

During the period from January 1, 2020 through April 27, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the consolidated financial statements as of and for the year ended December 31, 2019.

WAKE ROBIN CORPORATION AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE 1 – RESIDENTS' ASSISTANCE FUND
DECEMBER 31, 2019 AND 2018

The following represents the activity of the Residents' Assistance Fund, which is included in net assets without donor restriction and net assets with donor restriction.

	2019	2018
REVENUE, GAINS, AND OTHER SUPPORT		
Investment Income	$ 71,820	$ 29,143
Contributions	14,500	27,200
Realized Gain on Investments, Net	-	264,518
Unrealized Gain (Loss) on Investments	358,361	(401,961)
Total Revenue, Gains, and Other Support	444,681	(81,100)
EXPENSES		
Investment Management Fee	-	3,528
Assistance Transferred	21,000	13,118
Total Expenses	21,000	16,646
EXCESS (DEFICIT) OF REVENUE, GAINS, AND OTHER SUPPORT OVER EXPENSES	423,681	(97,746)
Net Assets - Beginning of Year	2,199,881	2,297,627
NET ASSETS - END OF YEAR	$ 2,623,562	$ 2,199,881
(A) NET ASSETS ARE COMPRISED OF:		
Without Donor Restriction - Board-Designated	$ -	$ 15,706
With Donor Restriction	$ 2,623,562	$ 2,184,175