Messiah Lifeways and Controlled Entities

Consolidated Financial Statements and Supplementary Information

June 30, 2015 and 2014

BAKER TILLY

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Independent Auditors' Report

Board of Directors
Messiah Lifeways and Controlled Entities

We have audited the accompanying consolidated financial statements of Messiah Lifeways and Controlled Entities (the "Corporation"), which comprise the consolidated balance sheet as of June 30, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Messiah Lifeways and Controlled Entities as of June 30, 2015 and 2014, and the results of their operations, changes in their net assets, 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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 28 through 31 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and changes in net assets of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Lancaster, Pennsylvania
September 23, 2015

Messiah Lifeways and Controlled Entities

Consolidated Balance Sheet
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 3,793,418	$ 6,121,678
Assets whose use is limited	75	100
Accounts receivable:		
Residents, net of estimated allowance for doubtful collections of $373,000 in 2015 and $360,000 in 2014	4,239,001	4,264,656
Other	17,632	220,788
Inventories	185,432	180,078
Pledges receivable	54,318	90,131
Prepaid expenses	583,298	613,076
Total current assets	8,873,174	11,490,507
Assets Whose Use Is Limited	10,483,608	1,294,973
Investments	41,654,168	42,867,837
Act 82 Reserve	1,916,000	1,510,000
Property and Equipment, Net	61,696,333	55,161,434
Pledges Receivable, Net	105,177	47,832
Property Held for Sale	-	376,847
Deferred Costs, Net	1,585,880	1,195,958
Other Assets	1,134,324	1,149,263
Total assets	$ 127,448,664	$ 115,094,651

See notes to consolidated financial statements

Messiah Lifeways and Controlled Entities

Consolidated Balance Sheet
June 30, 2015 and 2014

	2015	2014
Liabilities and Net Assets		
Current Liabilities		
Line of credit	$ 2,066,776	$ 2,127,365
Current maturities of long-term debt	924,443	740,160
Accounts payable:		
Trade	844,956	1,014,717
Construction	759,617	767,483
Entrance fees	79,647	186,884
Accrued expenses	2,550,974	2,039,984
Deferred revenue	97,223	78,282
Split-interest obligations	97,912	102,024
Resident funds	25,720	56,329
Refundable entrance fees	760,000	600,000
Total current liabilities	8,207,268	7,713,228
Long-Term Debt	34,178,185	26,650,000
Refundable Entrance Fees and Deposits	12,818,525	11,127,291
Deferred Revenues from Entrance Fees	22,824,161	22,005,587
Derivative Financial Instrument	1,097,233	1,037,857
Split-Interest Obligations	442,530	450,457
Total liabilities	79,567,902	68,984,420
Net Assets		
Unrestricted	30,207,636	28,531,083
Temporarily restricted	5,396,076	5,469,166
Permanently restricted	12,277,050	12,109,982
Total net assets	47,880,762	46,110,231
Total liabilities and net assets	$ 127,448,664	$ 115,094,651

See notes to consolidated financial statements

Messiah Lifeways and Controlled Entities

Consolidated Statement of Operations and Changes in Net Assets
Years Ended June 30, 2015 and 2014

	2015	2014
Revenues		
Net resident service revenues	$ 38,544,244	$ 37,778,349
Other revenues	2,080,602	2,136,330
Net assets released from restriction	898,143	814,856
Total revenues	41,522,989	40,729,535
Expenses		
Salaries, wages, and benefits	22,751,042	21,520,680
Fees, purchased services, and supplies	7,258,490	7,062,290
Administrative	1,532,476	1,706,502
Building operations and maintenance	2,375,660	2,203,565
Insurance and real estate taxes	1,161,875	1,126,318
Interest	1,204,790	1,130,179
Depreciation and amortization	5,198,533	5,078,500
Total expenses	41,482,866	39,828,034
Operating income	40,123	901,501
Nonoperating Gains (Losses)		
Investment return	925,769	3,854,672
Unrestricted contributions	571,999	903,731
Change in value of split-interest obligations	(38,250)	29,169
Change in fair value of derivative financial instruments	(59,376)	49,502
Loss on refinancing	(170,025)	-
Other	177,739	(46,478)
Revenues in excess of expenses	1,447,979	5,692,097
Net Assets Released from Restriction	228,574	57,721
Increase in unrestricted net assets	1,676,553	5,749,818
Temporarily Restricted Net Assets		
Contributions	367,468	9,972
Investment return	692,257	2,687,074
Change in value of split-interest obligation	(1,138)	4,595
Change in cash surrender value of life insurance, net of expense	(4,960)	22,020
Net assets released from restrictions used for		
Operations	(898,143)	(814,856)
Purchase of property and equipment	(228,574)	(57,721)
(Decrease) increase in temporarily restricted net assets	(73,090)	1,851,084
Permanently Restricted Net Assets		
Contributions	167,068	291,837
Increase in net assets	1,770,531	7,892,739
Net Assets, Beginning	46,110,231	38,217,492
Net Assets, Ending	$ 47,880,762	$ 46,110,231

See notes to consolidated financial statements

Messiah Lifeways and Controlled Entities

Consolidated Statement of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Increase in net assets	$ 1,770,531	$ 7,892,739
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,198,533	5,078,500
Loss on disposal of property and equipment	156,048	36,272
Gain on sale of property held for sale	(221,701)	-
Loss on refinancing	170,025	-
Amortization of bond premium	(27,292)	-
Bad debts	291,300	363,528
Proceeds from entrance fees and entrance fee deposits, existing units	3,605,895	1,903,742
Amortization of entrance fees	(3,024,077)	(3,264,353)
Net realized and unrealized loss (gain) on investments	641,461	(5,667,961)
Change in fair value of derivative financial instrument	59,376	(49,502)
Change in value of split-interest obligations	38,250	(29,169)
Change in cash surrender value of life insurance	(2,682)	(28,478)
Contributions received restricted for long-term purposes	(550,820)	(270,958)
Change in pledges receivable	(21,532)	61,727
Changes in assets and liabilities:		
Accounts and other receivables	(244,987)	(202,381)
Inventories	(5,354)	(5,471)
Prepaid expenses	29,778	(2,776)
Accounts payable, trade	(169,761)	21,556
Accrued expenses	510,990	(87,701)
Deferred revenue	18,941	(27,825)
Resident funds	(30,609)	(56,591)
Refundable deposits	-	77,882
Net cash provided by operating activities	8,192,313	5,742,780
Cash Flows from Investing Activities		
Net purchase of investments and assets whose use is limited	(9,022,402)	(346,892)
Purchase of property and equipment	(11,796,475)	(8,096,569)
Proceeds from sale of property held for sale	598,548	-
Proceeds from disposal of property and equipment	36,229	-
Payment of costs of acquiring initial continuing-care contracts	(121,556)	(110,557)
Decrease in other assets	17,621	10,397
Net cash used in investing activities	(20,288,035)	(8,543,621)
Cash Flows from Financing Activities		
Proceeds (repayments) of line of credit	(60,589)	1,053,557
Proceeds from long-term debt	25,999,920	-
Repayment of long-term debt	(18,260,160)	(710,160)
Payment of deferred financing costs	(567,625)	-
Change in accounts payable, construction	(7,866)	(1,181,730)
Proceeds from entrance fees and deposits, new units	2,026,902	4,347,760
Proceeds from refundable entrance fees, existing units	1,250,749	978,892
Refunds of entrance fees	(1,114,400)	(749,434)
Net repayments on split-interest obligations	(50,289)	(70,359)
Contributions received restricted for long-term purposes	550,820	270,958
Net cash provided by financing activities	9,767,462	3,939,484
Net (decrease) increase in cash and cash equivalents	(2,328,260)	1,138,643
Cash and Cash Equivalents, Beginning	6,121,678	4,983,035
Cash and Cash Equivalents, Ending	$ 3,793,418	$ 6,121,678
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 1,040,686	$ 1,134,416
Supplemental Disclosure of Noncash Investing and Financing Activity		
Obligations incurred for the acquisition of property and equipment	$ 759,617	$ 767,483

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Organization

Messiah Lifeways and Controlled Entities (collectively, the "Corporation") is comprised of the following:

Messiah Lifeways ("ML") is a non-profit holding company (parent) which controls the following: Messiah Home d/b/a Messiah Lifeways at Messiah Village (the "Village"), Messiah Family Services d/b/a Messiah Lifeways at Mount Joy Country Homes ("Mount Joy"), Messiah Lifeways Community Support Services ("MLCSS"). Messiah Lifeways is the sole member of these three entities.

The Village is a not-for-profit corporation that operates a continuing care retirement community. The Village provides housing, health care, and other related services to older adults through the operation of a 184 bed nursing facility, 157 personal care units, 152 independent living cottages, and 124 independent living apartments (as of June 30, 2015). The Village is the sole member of Capital Area Health Associates ("Capital Area").

Mount Joy is a not-for-profit corporation that provides housing to residents 55 and older through the operation of 68 independent living cottages (as of June 30, 2015) located in Mount Joy, Pennsylvania.

MLCSS is a not-for-profit corporation that provides a network of community services for older adults that includes home care, adult care and two adult day care centers.

Capital Area is a not-for-profit corporation that operates exclusively for the support and benefit of the Village by providing physician services to residents of the Village.

As a ministry of the Brethren in Christ Church, the Corporation's mission is to "responsibly enhance the lives of older adults with Christ-like love." The Corporation offers a network of opportunities for adults 55 and older in South Central, PA. All significant intercompany transactions and balances have been eliminated in consolidation.

The Village and Mount Joy both received a Certificate of Authority from the Pennsylvania Insurance Department to operate a Continuing Care Retirement Community ("CCRC") under the Pennsylvania Continuing Care Provider Registration and Disclosure Act ("Act 82").

The Corporation's operations are located in Mechanicsburg and Mount Joy, Pennsylvania. Their primary market area includes the greater Harrisburg area and surrounding communities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited and investments.

Accounts Receivable, Residents

Accounts receivable, residents are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications, and application of historical write-off percentages.

Inventories

Inventories of nursing, dietary, and other supplies are stated at the lower of cost (determined on a first-in, first-out basis) or market.

Investments and Investment Risk

Investments include assets set aside by the board of directors for future capital improvements and charity care, over which the board retains control and may, at its discretion, subsequently use for other purposes; assets to be held by the Corporation in perpetuity; assets whose use by the Corporation has been limited by donors to specific purposes; and assets designated as required reserve in accordance with Act 82.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investment income or loss (including interest, dividends, capital gain distributions and realized and unrealized gains and losses) is included in revenues in excess of (less than) expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured using the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Village and Mount Joy's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated balance sheet could change materially in the near term.

Assets Whose Use Is Limited

Assets whose use is limited generally includes assets held by a bond trustee under trust indentures, escrow funds held by the Borough of Mount Joy in connection with Mount Joy's multi-year expansion plan, and entrance fee deposits for new independent living cottage units. Amounts available to meet current liabilities of the Village have been classified as current assets in the consolidated balance sheet.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation was $5,069,299 in 2015 and $4,946,544 in 2014.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Pledges Receivable

Pledges receivable represent unconditional promises to give that are expected to be collected in future years. The pledges are recorded as either temporarily or permanently restricted contributions at the present value of estimated future cash flows. The discounts on the pledged amounts approximate current market rates at initial recognition. Amortization of the discounts is reported as contributions in the temporarily or permanently restricted net asset class.

Deferred Costs

Deferred expenses consist of the following as of June 30:

	2015	2014
Debt issuance costs	$ 854,966	$ 626,865
Deferred marketing costs	1,308,379	1,185,882
	2,163,345	1,812,747
Less accumulated amortization	(577,465)	(616,789)
	$ 1,585,880	$ 1,195,958

Amortization expense totaled $129,234 and $131,956 during the years ended June 30, 2015 and 2014, respectively.

Debt issue costs are amortized over the terms of the bonds using the effective interest method. Deferred marketing costs relate to the costs of acquiring initial continuing care contracts and are capitalized through the date of substantial occupancy and are being amortized on a straight-line basis over the average expected remaining lives of the residents under the contracts.

Entrance Fees

The Village

Under certain entrance fee plans for independent living units, the Village receives payments in advance, in accordance with the terms of Residency Agreements. Prior to April 2003, the only option offered was a refundable option that had a guaranteed refund component of 25% of the entrance fee paid with the balance refundable on a decreasing basis for 100 months.

Beginning in April 2003 through January 2007, there were three basic refundable options, one enhanced refundable option, and a non-refundable option. The three basic options had a guaranteed refundable component of either 25%, 90%, or 100% of the entrance fee paid with the balance, if any, refundable on a decreasing basis for 100 months. The enhanced refundable option had a guaranteed refund component of 50% of the entrance fee paid with the balance refundable on a decreasing basis for 100 months. In addition, under the enhanced refundable option, residents generally receive 50% of the difference between the entrance fee they paid and the entrance fee paid upon resale of the independent living unit. The nonrefundable option had no guaranteed refund component and is refundable on a decreasing basis for 100 months.

In February 2007, the entrance plan options changed. There are currently two refundable options and a nonrefundable option. The two refundable options have a guaranteed refund component of either 50% or 90% of the entrance fee paid with the balance refundable on a decreasing basis for 50 months. The nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for 50 months.

For Residency Agreements executed prior to April 2003, refunds to residents are paid at the time of resale of the independent living unit by the Village, but not later than six months after termination of the Residency Agreement. For Residency Agreements executed in April 2003 forward, refunds to residents are paid after the independent living unit has been re-occupied by another resident and the entrance fee for the re-occupied independent living unit has been paid in full. At June 30, 2015, the gross amount of contractual refund obligations under the Village's existing resident agreements approximates $13,813,000.

At June 30, 2015 and 2014, the Village owed refunds of $76,647 and $167,403, respectively, to residents who executed Residency Agreements prior to April 2003. These amounts are classified as accounts payable in the consolidated balance sheet. In addition, at the end of each year, management estimates the portion of entrance fee refunds that will be paid the following year to Village residents who executed Residency Agreements. These amounts were $560,000 and $400,000 at June 30, 2015 and 2014, respectively, and are classified as current liabilities in the consolidated balance sheet.

Mount Joy

Under entrance fee plans for its independent living units, Mount Joy receives payments in advance, in accordance with the terms of Residency Agreements. Through March 2004, the entrance fee plan entitled residents to a 90% refund of the original base entrance fee, or 90% of the subsequent base entrance fee for re-occupancy of the independent living unit, whichever is lower.

Beginning in April 2004 through December 2008, the entrance fee plan available to new residents had a guaranteed refund component of 65% of the entrance fee paid with the balance refundable on a decreasing basis for 35 months.

In January 2009, the entrance plan options changed. There are currently three refundable options that have a guaranteed refund component of either 90%, 65%, or 50% of the entrance fee paid with the balance refundable on a decreasing basis for 10, 35, or 50 months.

For Residency Agreements executed prior to January 2009, 30% of the refunds to residents are paid within 30 days after transfer of possession of the independent living unit to Mount Joy; the remaining 70% is paid within 30 days of the re-occupancy of the independent living unit. At June 30, 2015, Mount Joy owed refunds of $-0- to residents who executed Residency Agreements prior to January 2009. These amounts are classified as accounts payable in the consolidated balance sheet. In addition, at the end of each year, management estimates the portion of entrance fee refunds that will be paid the following year to Mount Joy residents who executed Residency Agreements prior to January 2009. These amounts were $200,000 at both June 30, 2015 and 2014 and are classified as current liabilities in the consolidated balance sheet.

For Residency Agreements executed in January 2009 forward, refunds to residents are paid after the independent living unit has been re-occupied by another resident and the entrance fee for the re-occupied independent living unit has been paid in full. At June 30, 2015, the gross amount of contractual refund obligations under Mount Joy's existing resident agreements approximates $7,360,000.

General

The guaranteed refund component of entrance fees received is not amortized to revenue, and is classified as refundable entrance fees and deposits in the accompanying consolidated balance sheet. The balance of entrance fees received is amortized to revenue using the straight-line method over the annually adjusted estimated remaining life expectancies of the residents, and is classified as deferred revenues from entrance fees in the accompanying consolidated balance sheet.

The majority of services provided to the Village's and Mount Joy's independent living residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

Split-Interest Agreements

The Village receives charitable gift annuities as contributions. Under these agreements, the Village recorded the assets at fair value and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by the Village to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as unrestricted contributions, unless otherwise restricted by the donor.

Derivative Financial Instrument

The Village entered into an interest rate swap agreement, which is considered a derivative financial instrument, to manage its interest rate risk on its long-term debt. The interest rate swap agreement is reported at fair value in the consolidated balance sheet and related changes in fair value are reported in the consolidated statement of operations and changes in net assets as change in fair value of derivative financial instrument.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Village, Mount Joy, and MLCSS has been limited by donors to specific purposes or time periods.

Permanently restricted net assets have been restricted by donors to be maintained by the Village in perpetuity.

Net Resident Service Revenues

Net resident service revenues are reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Net resident service revenues include the revenues of the Village, Mount Joy and Capital Area. MLCSS revenues are reported as other revenues in the statement of operations.

Net resident service revenues include amortization of entrance fees of $3,024,077 in 2015 and $3,264,353 in 2014.

Benevolent Care

The Village also provides charity care to residents who meet certain criteria without charge or at amounts less than its established rates. Because the Village does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues. The costs associated with charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the residents receiving charity care. The Village provided charity care at a cost of approximately $793,000 in 2015 and $592,000 in 2014.

Medical Assistance Reimbursement and Cost of Providing Care

The Village provides nursing care to Medical Assistance program beneficiaries at amounts less than its cost of providing care. The Village maintains records to identify and monitor the difference between the cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered. The costs associated with the services provided to Medical Assistance program beneficiaries include both direct costs and estimated indirect costs, as reported by management on the Corporation's internal consolidated financial statements. The difference between the estimated cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered was approximately $1,518,000 in 2015 and $1,677,000 in 2014.

Donor-Restricted Gifts

The Village 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as other revenues in the consolidated financial statements.

Income Taxes

The Corporation accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2015 and 2014.

ML, the Village, Capital Area, Mount Joy, and MLCSS are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code.

The Federal Returns of Organization Exempt from Income Tax for ML, the Village, Capital Area, Mount Joy, and MLCSS for years ended prior to June 30, 2011 are no longer subject to examination by the Internal Revenue Service.

Revenues in Excess of Expenses

The consolidated statement of operations and changes in net assets includes the determination of revenues in excess of expenses. Changes in unrestricted net assets which are excluded from the determination of revenues in excess of expenses, consistent with industry practice, include 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).

Use of Estimates

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

New Accounting Standard

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (residents) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Corporation will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2016 [December 15, 2017 for nonpublic entities]; early application is permitted for non-public entities. The Corporation has not yet determined the impact of adoption of ASU No. 2014-09 on its consolidated financial statements. During July 2015, FASB approved to defer the effective date of ASU 2014-09 for one year for all entities.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through September 23, 2015, the date the consolidated financial statements were issued.

2. Net Resident Service Revenues

The Village has agreements with third-party payors that provide for payments to the Village at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

- Medical Assistance: Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Approximately 9% and 10% of the Village's net resident service revenues in 2015 and 2014, respectively, were derived from the Medical Assistance Program.

- Medicare: Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Approximately 11% of the Village's net resident service revenues in both 2015 and 2014 were derived from the Medicare Part A program.

As described above, the Medical Assistance and Medicare Part A rates are based on clinical, diagnostic, and other factors. The determination of these rates is partially based on the Village's clinical assessment of its residents. The Village is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medical Assistance and Medicare programs.

3. Fair Value Measurements, Assets Whose Use is Limited, Investments and Financial Instruments

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price 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. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The Corporation measures its assets whose use is limited, investments, and derivative financial instrument on a recurring basis at fair value in accordance with accounting principles generally accepted in the United States of America.

The following tables present financial instruments measured at fair value at June 30, 2015 and 2014, by caption on the consolidated balance sheet:

	2015		
	Total	**Level 1**	**Level 2**
Reported at Fair Value:			
Assets:			
Assets whose use is limited,			
Cash and cash equivalents	$ 10,483,683	$ 10,483,683	$ -
Investments:			
Cash and cash equivalents	$ 2,331,060	$ 2,331,060	$ -
Mutual funds:			
Equity funds:			
Large growth	7,380,604	7,380,604	-
Large blend	1,617,409	1,617,409	-
Large value	10,616,278	10,616,278	-
Foreign large blend	1,257,275	1,257,275	-
Mid-cap value	1,886,054	1,886,054	-
Foreign large value	1,382,510	1,382,510	-
Small growth	1,175,735	1,175,735	-
Mid-cap growth	2,228,780	2,228,780	-
Small blend	-	-	-
Small value	1,038,911	1,038,911	-
International equities	1,183,934	1,183,934	-
Other	1,444	1,444	-
Fixed income funds	9,746,138	9,746,138	-
Common trust fund	1,368,065	-	1,368,065
Corporate notes and bonds	2,000	-	2,000
Marketable equity securities	325,879	325,879	-
Other	28,092	28,092	-
Total investments	$ 43,570,168	$ 42,200,103	$ 1,370,065
Liability,			
Derivative financial instrument	$ 1,097,233	$ -	$ 1,097,233
Disclosed at Fair Value:			
Cash and cash equivalents	$ 3,793,418	$ 3,793,418	$ -
Line of credit	$ 2,066,776	$ -	2,066,776
Long-term debt (carrying value of $35,102,628)	$ 35,300,000	$ -	$ 35,300,000

	2014		
	Total	Level 1	Level 2
Reported at Fair Value:			
Assets:			
Assets whose use is limited,			
Cash and cash equivalents	$ 1,295,073	$ 1,295,073	$ -
Investments:			
Cash and cash equivalents	$ 3,104,950	$ 3,104,950	$ -
Mutual funds:			
Equity funds:			
Large growth	7,067,606	7,067,606	-
Large blend	1,646,054	1,646,054	-
Large value	9,491,059	9,491,059	-
Foreign large blend	2,850,952	2,850,952	-
Mid-cap value	2,045,892	2,045,892	-
Foreign large value	1,526,543	1,526,543	-
Small growth	1,147,807	1,147,807	-
Mid-cap growth	2,088,687	2,088,687	-
Small blend	170,580	170,580	-
Small value	932,002	932,002	-
Other	1,444	1,444	-
Fixed income funds	10,359,482	10,359,482	-
Common trust fund	1,331,234	-	1,331,234
Corporate notes and bonds	274,857	-	274,857
Marketable equity securities	309,620	309,620	-
Other	29,068	29,068	-
Total investments	$ 44,377,837	$ 42,771,746	$ 1,606,091
Liability,			
Derivative financial instrument	$ 1,037,857	$ -	$ 1,037,857
Disclosed at Fair Value:			
Cash and cash equivalents	$ 6,121,678	$ 6,121,678	$ -
Line of credit	$ 2,127,365	$ -	2,127,365
Long-term debt (carrying value of $27,390,160)	$ 27,450,645	$ -	$ 27,450,645

The following reconciles assets whose use is limited by caption on the consolidated balance sheet:

	2015	2014
Total	$ 10,483,683	$ 1,295,073
Less amounts available to meet current liabilities	75	100
Noncurrent portion of assets whose use is limited	$ 10,483,608	$ 1,294,973

The following reconciles investments by caption on the consolidated balance sheet:

	2015	2014
Total	$ 43,570,168	$ 44,377,837
Less: Act 82 reserves	1,916,000	1,510,000
Noncurrent portion of investments	$ 41,654,168	$ 42,867,837

Valuation Methodologies

The carrying amounts of cash and cash equivalents, accounts and other receivables, and accounts payable approximate fair value at June 30, 2015 and 2014 due to the short-term nature of these instruments.

Assets whose use is limited and investments are valued at fair value based on quoted market prices in active markets for cash and cash equivalents, marketable equity securities, and mutual funds or estimated using quoted prices for corporate notes and bonds.

Common trust funds are valued at net asset value (“NAV”) of the shares held by the Corporation at the end of the year.

The fair value of the line of credit and long-term debt, excluding bond discount and premium, is based on quoted market prices for the same or similar issues.

The Corporation measures its derivative financial instrument (interest rate swap agreement) at fair value based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments, and considers the credit risk of the Corporation. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would pay to terminate the agreements.

Investment Return

Unrestricted investment return is comprised of the following:

	2015	2014
Interest, dividends and capital gain distributions, net of expenses	$ 1,296,575	$ 460,191
Net realized gain on sales of investments	994,647	1,022,275
Net unrealized gain on investments	(1,365,453)	2,372,206
Total	$ 925,769	$ 3,854,672

Temporarily restricted investment return is comprised of the following:

	2015	2014
Interest, dividends and capital gain distributions, net of expenses	$ 962,912	$ 413,594
Net realized gain on sales of investments	915,555	722,659
Net unrealized (loss) gain on investments	(1,186,210)	1,550,821
Total	$ 692,257	$ 2,687,074

Statutory Reserve Disclosure

In compliance with Act 82, the board of directors designated a portion of investments be "reserved" to meet the requirements of Act 82. The amounts designated were approximately $1,852,000 and $64,000 for the Village and Mount Joy, respectively, at June 30, 2015 and $1,459,000 and $51,000 for the Village and Mount Joy, respectively, at June 30, 2014. At June 30, 2015, the reserve was calculated as follows:

	Village	Mount Joy	
Budgeted operating expenses for the year ending June 30, 2016	$ 40,234,000	$ 1,142,000	
Less budgeted depreciation and amortization expense	(4,804,000)	(498,000)	
Expenses subject to minimum liquid reserve requirement	35,430,000	644,000	
Percentage of residents subject to entrance fee agreements at June 30, 2015	52.26 %	100 %	
Subtotal	18,515,718	644,000	
Statutory requirement	10 %	10 %	
Statutory minimum liquid reserve requirement	$ 1,851,572	$ 64,400	(a)
Budgeted debt service requirements for the year ended June 30, 2016:			
Bonds:			
Principal	$ 765,000	$ -	
Interest	1,718,000	-	
Total budgeted debt service requirements	2,483,000	-	
Percentage of residents subject to entrance fee agreements at June 30, 2015	52.26 %	- %	
Statutory minimum liquid reserve requirement	$ 1,415,201	$ -	(b)
Greater of (a) or (b) above	$ 1,851,572	$ 64,400	

Interest Rate Swap Agreement

In connection with the Term Loan (Note 6), the Village entered into an interest rate swap agreement. According to the terms of the agreement, if 68% of the one-month LIBOR (.184% at June 30, 2015) is less than the fixed rate of 2.985%, the Village must make a monthly payment to the counterparty. Conversely, if 68% of the one-month LIBOR is more than the fixed rate of 2.985%, the counterparty must make a monthly payment to the Village. The monthly payments are calculated by multiplying the notional amount ($9,520,000 at June 30, 2015) by the difference between 68% of the one-month LIBOR and the fixed rate of 2.985%. The agreement is scheduled to expire in July 2027. The payments to or from the counterparty are classified as a component of interest expense in the consolidated statement of operations and changes in net assets. The interest rate swap agreement is still in place after the refinancing of the term loan.

As a result of the agreement, interest expense was increased by approximately $274,000 in 2015 and $289,000 in 2014.

The fair value of the agreement is estimated to be the amount the Village would pay or receive to terminate the agreement at June 30, 2015 and 2014. The Village estimates that it would have paid $1,097,233 and $1,037,857 on June 30, 2015 and 2014, respectively, to terminate the agreement. These amounts are classified as derivative financial instrument in the consolidated balance sheet.

Changes in the fair value of the agreement are included in revenues in excess of expenses since the agreement was not designated as a hedging instrument. The change in the fair value of the agreement is classified as change in fair value of derivative financial instrument in the consolidated statement of operations and changes in net assets and was $(59,376) in 2015 and $49,502 in 2014.

4. Property and Equipment

Property and equipment are as follows:

	2015	2014
Land	$ 2,949,483	$ 2,949,483
Land improvements	4,936,127	4,790,763
Buildings and fixed equipment	96,879,803	89,030,750
Furniture and moveable equipment	10,770,140	10,349,001
Vehicles	776,278	757,612
Total	116,311,831	107,877,609
Less accumulated depreciation	59,191,360	54,886,834
Total	57,120,471	52,990,775
Construction-in-progress	4,575,862	2,170,659
Property and equipment, net	$ 61,696,333	$ 55,161,434

Construction-in-progress at June 30, 2015 primarily includes planning and design expenditures related to Phase I of Project Envision on the Village's campus. Phase I will expand living options in all three levels of living; residential, personal care, and nursing. Residential living building will include 84 apartment homes, under-building parking, a wellness center, an enrichment center, and two new dining venues. The personal care building will add 26 apartments and the skilled nursing building will consist of 32 private suites. Note: skilled nursing bed compliment will remain at 184 as existing semi-private accommodations will be converted to private. Financing and Construction is expected to start in Fall 2015.

Construction-in-progress at June 30, 2015 also includes approximately $656,000 related to Mount Joy's multi-year expansion plan. Phase 2A, consisting of 18 cottages, started in Fall 2014. At June 30, 2015, 10 of the cottages are substantially completed. In July 2015, The Corporation entered into a construction contract for approximately $1,314,000 in connection with the remaining 8 cottages.

5. Property Held for Sale

At June 30, 2010, the Village owned 34.83 acres of land located in Upper Allen Township, Cumberland County, Pennsylvania near the intersection of West Lisburn Road and Grantham Road.

In 2011, the Village sold 19.83 acres of land and recorded a loss of $175,040. The cost basis of the remaining land was $376,847. During the year ended June 30, 2015, the remaining 15 acres were sold for $602,500, which resulted in a gain of $221,701.

In connection with the 2011 sale, the Village received $445,000 in notes receivable. The notes are to be paid over a twenty-year period in annual installments including interest of $34,500. The balance of the notes receivable at June 30, 2015 and 2014 were $386,964 and $402,684, respectively. The current portions of the notes are classified as other receivables and the long-term portion is classified as other assets and in the consolidated balance sheet.

6. Note Payable and Long-Term Debt

Line of Credit

In June 2013, the Corporation obtained a $5,000,000 revolving line of credit at the advantage LIBOR rate, plus 1.75% (changed from 2.125% effective December 11, 2014) (1.935% at June 30, 2015), of which $2,066,776 and $2,127,365 was in use at June 30, 2015 and 2014, respectively.

Series 2008 Bonds

In February 2008, the Cumberland County Municipal Authority (the "Authority") issued, on behalf of the Village, $10,000,000 of tax-exempt fixed revenue bonds, Series 2008A (the "2008A Bonds") and $8,000,000 of tax-exempt variable rate revenue bonds, Series 2008B (the "2008B Bonds") (collectively, the "2008 Bonds"). The proceeds from the 2008 Bonds were used to finance the cost of the Village's Cottages on Willow Way expansion and certain renovations on the Village's Mt. Allen campus, and were used to pay the costs of issuing the 2008 Bonds.

The 2008A Bonds are comprised of $1,210,000 of serial bonds due in varying annual installments through July 2018, plus interest payable semi-annually at rates ranging from 3.7% to 4.625%; $3,095,000 of term bonds due in varying annual installments beginning July 2019 through July 2028, plus interest payable semi-annually at 5.625%; and $5,195,000 of term bonds due in varying annual installments beginning July 2029 through July 2035, plus interest payable semi-annually at 6%.

The 2008B Bonds are due in varying annual installments beginning July 2028 through July 2035 plus interest payable monthly at a variable rate (.015% at June 30, 2014).

The Corporation is joint and severally obligated under the terms of the 2008 bonds. The 2008B Bonds were refinanced with the Series A of 2015 Bonds.

Bank-Qualified Tax-Exempt Term Loan

In September 2009, the Village refinanced the 2002 Bonds with the proceeds from a $12,065,800 bank qualified tax-exempt term loan (the "Term Loan"). The Term Loan is payable in annual installments through July 2027, plus interest payable monthly based on the following formula: (2.65% plus the one-month LIBOR) times 68% (1.91% at June 30, 2014).

The Corporation is joint and severally obligated under the terms of the loan. The term loan was refinanced with the Series A of 2015 Bonds.

Series A of 2015 Bonds

In May 2015, the West Shore Area Authority (the "Authority") issued, on behalf of the Village, $24,080,000, of tax-exempt fixed rate revenue bonds, Series A of 2015 (the "2015 Bonds"). The proceeds from the 2015 Bonds were used to refund the Series 2008B Bonds, the 2009 Term Loan, finance the cost of renovation of existing facilities, finance the costs of expansion, establish a debt service reserve fund, and to pay the costs of issuing the 2015 Bonds.

The 2015 Bonds are comprised of $2,155,000 of serial bonds due in varying annual installments through July 2018, plus interest payable semi-annually at rates ranging from 1.0% to 3.0%; $895,000 of serial bonds due July 2018; plus interest payable semi-annually at 5.0%; $250,000 of serial bonds due July 2018; plus interest payable semi-annually at 4.25%; and $20,780,000 of term bonds due in varying annual installments beginning July 2019 through July 2035, plus interest payable semi-annually at interest rates ranging from 4.0% to 5.0%.

The Corporation is joint and severally obligated under the terms of the 2015 bonds.

Security

In January 2008, the Corporation entered into an amended and restated letter-of-credit agreement with a bank to secure the 2008B Bonds. The letter of credit balance consisted of the 2008B Bonds outstanding plus 34 days of interest on such outstanding bonds at an interest rate not to exceed 12%. The Corporation was obligated to pay annual letter of credit fees ranging from 0.55% to 0.65% of the outstanding letter of credit balance; the actual fee was reset annually based on the Corporation's annual debt service coverage ratio. The agreement was terminated during the refinancing of the 2008B Bonds.

The letter of credit and remarketing fees related to the 2008B Bonds are classified as interest expense in the consolidated statement of operations and changes in net assets.

The 2015 Bonds and 2008A Bonds are secured on a parity basis by a first mortgage lien on and security interest in the Corporation's property and equipment, a security interest in the Corporation's revenues, as defined in the applicable agreements, and funds held by trustee under trust indentures.

Long-Term Debt Summary

Long-term debt is as follows:

	2015	2014
2015 Bonds	$ 24,080,000	$ -
Term Loan	-	10,070,160
2008 Bonds	9,130,000	17,320,000
Long-term debt	33,210,000	27,390,160
Bond premium	1,892,628	-
Less current maturities	(924,443)	(740,160)
Long-term debt, net	$ 34,178,185	$ 26,650,000

Scheduled maturities of long-term debt and bond premium amortization are as follows:

	Debt Maturities	Amortization of Bond Premium
Years ending June 30:		
2016	$ 765,000	$ 159,443
2017	990,000	154,119
2018	1,015,000	148,693
2019	1,050,000	143,098
2020	1,090,000	137,266
Thereafter	28,300,000	1,150,009
Total	$ 33,210,000	$ 1,892,628

The bond premium is being amortized over the life of the 2015 Bonds using the effective interest method. Amortization totaled $27,292 during 2015.

7. Accrued Expenses

Accrued expenses are as follows:

	2015	2014
Salaries and wages and related payroll taxes	$ 777,479	$ 661,696
Paid time off	1,044,281	976,861
Interest	479,576	315,472
Other	249,638	85,955
Total	$ 2,550,974	$ 2,039,984

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following:

	2015	2014
Charity care	$ 5,164,806	$ 5,365,335
Lifeways Connection, capital and other	231,270	103,831
Total	$ 5,396,076	$ 5,469,166

Permanently restricted net assets are restricted to investments to be held in perpetuity, the investment return from which is available for charity care.

9. Retirement Plans

The Corporation sponsors two defined contribution retirement plans. The Corporation's expense to the plans was $468,416 for 2015 and $396,744 for 2014.

10. Medical Malpractice Claims Coverage

The Corporation maintains professional liability coverage on a claims-made basis through commercial insurance carriers. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the consolidated financial statements.

11. Contingencies

Real Estate Taxes

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Village is an organization which receives an exemption from real property taxes relating to portions of its property. However, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have challenged and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future financial effect of this matter on the Village, if any, is not determinable.

Senior Living Industry

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effects of this matter on the Village, if any, are not determinable.

12. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements primarily with Medical Assistance, Medicare, and various commercial insurance companies.

The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

13. Donor-Restricted Endowment Fund

The Village's endowment fund includes donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The purpose of the donor-restricted endowment fund is to provide the Village's operations a perpetual source of support beyond resident fees. Specifically, it is used to mitigate the costs of delivering benevolent and subsidized care to residents of the Village.

The Village interprets relevant Pennsylvania state law governing the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the Village classifies as permanently restricted net assets (a) the original value of all gifts donated as permanently restricted gifts to the endowment fund; and (b) the present value of pledges and planned gifts that are designated as permanently restricted gifts to the endowment fund. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets represents the return on the permanently restricted net assets and is generally classified as temporarily restricted net assets. However, from time to time, the fair value of assets associated with the Village's donor-restricted endowment fund may fall below the level required to be retained as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2015 or 2014.

The Village adopted an investment policy for all investment funds including its donor-restricted endowment fund. The policy states that the donor-restricted endowment fund shall be invested under the assumption that it shall exist in perpetuity. Therefore, the investment guidelines are based upon an investment time horizon of greater than five years so that interim fluctuations shall be viewed with appropriate perspective.

A total-return objective consistent with prudent risk-limits allows the investments to satisfy long-term objectives. In a total return strategy, investment results are achieved through capital appreciation and current yield. Asset allocation guidelines ensure adequate diversification in order to reduce the volatility of investment returns. The donor-restricted endowment fund is invested so as to maintain a risk level no greater than a standard deviation of 75% of the standard deviation of the general market as measured by the S&P 500 Index when measured over a 5 and 10 (if available) year period.

The Village's investment policy, which includes the spending policy, states that the donor-restricted endowment fund shall be invested so as to generate a cash flow equal to a range of 4.0% to 7.0% of the average market value of the donor-restricted endowment fund for the past three years measured as of June 30. As part of the budget process, a specific percentage within the prescribed range is identified on an annual basis and approved by the Corporation's Board of Directors. This approved percentage of the donor-restricted endowment fund balance is generally released from temporarily restricted net assets evenly over four quarters. This policy ensures that the competing needs of current and future generations of residents are in equilibrium.

Changes in permanently restricted and temporarily restricted endowment net assets for the year ended June 30, 2015 and 2014 are comprised of the following:

	2015		
	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 5,365,335	$ 12,109,982	$ 17,475,317
Investment return:			
Interest, dividends, and other, net of expenses	956,814	-	956,814
Net realized gain on investments	915,555	-	915,555
Net unrealized loss on investments	(1,186,210)	-	(1,186,210)
Subtotal	6,051,494	12,109,982	18,161,476
Contributions	-	167,068	167,068
Net assets released from restrictions	(886,688)	-	(886,688)
Endowment net assets, end of year	$ 5,164,806	$ 12,277,050	$ 17,441,856

	2014		
Endowment net assets, beginning of year	$ 3,398,821	$ 11,818,145	$ 15,216,966
Investment return:			
Interest, dividends, and other, net of expenses	440,210	-	440,210
Net realized gain on investments	722,659	-	722,659
Net unrealized gain on investments	1,550,821	-	1,550,821
Subtotal	6,112,511	11,818,145	17,930,656
Contributions	-	291,837	291,837
Net assets released from restrictions	(747,176)	-	(747,176)
Endowment net assets, end of year	$ 5,365,335	$ 12,109,982	$ 17,475,317

14. Functional Expenses

The Corporation provides housing, health care, and other related services to residents and patients within its geographic location. Expenses related to providing these services are as follows:

	2015	2014
Resident and client services	$ 35,600,075	$ 33,892,924
Administrative and support	5,601,333	5,628,535
Fundraising	281,458	306,575
Total	$ 41,482,866	$ 39,828,034

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2015

	Messiah Lifeways	Messiah Village	Capital Area Health Associates	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 443,895	3,087,685	$ 1,581	$ 208,520	$ 51,737	$ -	$ 3,793,418
Assets whose use is limited	-	75		-	-	-	75
Accounts receivable:							
Residents, net	-	4,056,259	34,431	-	148,311	-	4,239,001
Other	-	16,489	-	-	1,143	-	17,632
Affiliate	430,985	3,977,125	-	-	-	(4,408,110)	-
Inventories	-	185,432	-	-	-	-	185,432
Pledges receivable	-	28,618	-	5,700	20,000	-	54,318
Prepaid expenses	167,897	369,203	18,151	26,085	1,962	-	583,298
Total current assets	1,042,777	11,720,886	54,163	240,305	223,153	(4,408,110)	8,873,174
Assets Whose Use is Limited	-	9,565,411	-	918,197	-	-	10,483,608
Investments	-	39,975,374	-	1,678,794	-	-	41,654,168
Act 82 Reserve	-	1,852,000	-	64,000	-	-	1,916,000
Property and Equipment, Net	-	50,004,533	-	11,396,900	294,900	-	61,696,333
Pledges Receivable, Net	-	86,309	-	-	18,868	-	105,177
Property Held for Sale	-	-	-	-	-	-	-
Deferred Costs, Net	-	1,039,830	-	546,050	-	-	1,585,880
Other Assets	-	1,134,324	-	-	-	-	1,134,324
Total assets	$ 1,042,777	$ 115,378,667	$ 54,163	$ 14,844,246	$ 536,921	$ (4,408,110)	$ 127,448,664

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2015

	Messiah Lifeways	Messiah Village	Capital Area Health Associates	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Line of credit	$ -	$ -	$ -	2,066,776	$ -	$ -	$ 2,066,776
Current maturities of long-term debt	-	924,443	-	-	-	-	924,443
Accounts payable:							
Trade	79,419	722,532	3,128	25,049	14,828	-	844,956
Construction	-	618,682	-	140,935	-	-	759,617
Entrance fees	-	79,647	-	0	-	-	79,647
Affiliate	-	-	970,284	2,248,255	1,189,571	(4,408,110)	-
Accrued expenses	392,967	1,851,880	88,555	130,632	86,940	-	2,550,974
Deferred revenue	-	93,968	-	-	3,255	-	97,223
Split-interest obligations	-	97,912	-	-	-	-	97,912
Resident funds	-	25,720	-	-	-	-	25,720
Refundable entrance fees	-	560,000	-	200,000	-	-	760,000
Total current liabilities	472,386	4,974,784	1,061,967	4,811,647	1,294,594	(4,408,110)	8,207,268
Long-Term Debt	-	34,178,185	-	-	-	-	34,178,185
Refundable Entrance Fees and Deposits	-	7,047,225	-	5,771,300	-	-	12,818,525
Deferred Revenues from Entrance Fees	-	19,926,405	-	2,897,756	-	-	22,824,161
Derivative Financial Instrument	-	1,097,233	-	-	-	-	1,097,233
Split-Interest Obligations	-	442,530	-	-	-	-	442,530
Total liabilities	472,386	67,666,362	1,061,967	13,480,703	1,294,594	(4,408,110)	79,567,902
Net Assets (Deficit)							
Unrestricted	570,391	30,099,311	(1,007,804)	1,357,643	(811,905)	-	30,207,636
Temporarily restricted	-	5,335,944	-	5,900	54,232	-	5,396,076
Permanently restricted	-	12,277,050	-	-	-	-	12,277,050
Total net assets (deficit)	570,391	47,712,305	(1,007,804)	1,363,543	(757,673)	-	47,880,762
Total liabilities and net assets (deficit)	$ 1,042,777	$ 115,378,667	$ 54,163	$ 14,844,246	$ 536,921	$ (4,408,110)	$ 127,448,664

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Statement of Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2015

	Messiah Lifeways	Messiah Village	Capital Area Health Associates	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Revenues							
Net resident service revenues	$ -	$ 37,215,323	$ 506,026	$ 822,895	$ -	$ -	$ 38,544,244
Other revenues	5,439,206	967,212	36,760	(1,161)	1,714,877	(6,076,292)	2,080,602
Net assets released from restriction	2,500	887,103	-	-	8,540	-	898,143
Total revenues	5,441,706	39,069,638	542,786	821,734	1,723,417	(6,076,292)	41,522,989
Expenses							
Salaries, wages, and benefits	3,561,671	17,308,155	432,491	-	1,448,725	-	22,751,042
Fees, purchased services, and supplies	549,085	11,970,496	95,837	114,217	392,616	(5,863,761)	7,258,490
Administrative	666,882	855,354	(1,145)	14,472	16,518	(19,605)	1,532,476
Building operations and maintenance	486,544	1,719,220	37,615	229,733	95,388	(192,840)	2,375,660
Insurance and real estate taxes	241	1,000,203	26,877	134,554	-	-	1,161,875
Interest	-	1,176,196	-	28,594	-	-	1,204,790
Depreciation and amortization	-	4,786,210	-	392,801	19,522	-	5,198,533
Total expenses	5,264,423	38,815,834	591,675	914,371	1,972,769	(6,076,206)	41,482,866
Operating income (loss)	177,283	253,804	(48,889)	(92,637)	(249,352)	(86)	40,123
Nonoperating Gains (Losses)							
Investment return	(4,387)	896,101	(5,551)	48,436	(8,830)	-	925,769
Unrestricted contributions	100	528,191	-	-	43,708	-	571,999
Change in value of split-interest obligations	-	(38,250)	-	-	-	-	(38,250)
Change in fair value of derivative financial instrument	-	(59,376)	-	-	-	-	(59,376)
Loss on refinancing		(170,025)					(170,025)
Other	(6,086)	183,739	-	-	-	86	177,739
Revenues in excess of (less than) expenses	166,910	1,594,184	(54,440)	(44,201)	(214,474)	-	1,447,979
Net Assets Released from Restriction	-	1,600	-	16,000	210,974	-	228,574
Change in unrestricted net assets (deficit)	166,910	1,595,784	(54,440)	(28,201)	(3,500)	-	1,676,553

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Statement of Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2015

	Messiah Lifeways	Messiah Village	Capital Area Health Associates	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Temporarily Restricted Net Assets							
Contributions	$ 2,500	$ 173,154	$ -	$ 1,736	$ 190,078	$ -	$ 367,468
Investment return	-	692,257	-	-	-	-	692,257
Change in value of split-interest obligation	-	(1,138)	-	-	-	-	(1,138)
Change in cash surrender value of life insurance, net of expense	-	(4,960)	-	-	-	-	(4,960)
Transfer of Contributions	-	-	-	-	-	-	-
Net assets released from restriction used for:							
Operations	(2,500)	(887,103)	-	-	(8,540)	-	(898,143)
Property, plant and equipment	-	(1,600)	-	(16,000)	(210,974)	-	(228,574)
Change in temporarily restricted net assets	-	(29,390)	-	(14,264)	(29,436)	-	(73,090)
Increase In Permanently Restricted Net Assets							
Contributions	-	167,068	-	-	-	-	167,068
Change in net assets	166,910	1,733,462	(54,440)	(42,465)	(32,936)	-	1,770,531
Net Assets (Deficit), Beginning	403,481	45,978,843	(953,364)	1,406,008	(724,737)	-	46,110,231
Net Assets (Deficit), Ending	$ 570,391	$ 47,712,305	$ (1,007,804)	$ 1,363,543	$ (757,673)	$ -	$ 47,880,762