

**Financial Statements and
Independent Auditor's Report**

**Brevillier Village Foundation, Inc. and Affiliates
(nonprofit organizations)**

June 30, 2018 and 2017

Brevillier Village Foundation, Inc. and Affiliates
Financial Statements and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brevillier Village Foundation, Inc.

Report on Financial Statements

I have audited the accompanying financial statements of Brevillier Village Foundation, Inc. and Affiliates (nonprofit organizations), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brevillier Village Foundation, Inc. and Affiliates as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SEAN T. SULLIVAN, CPA, PC

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October 23, 2018
Erie, Pennsylvania

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NOTES TO FINANCIAL STATEMENTS

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Brevillier Village Foundation, Inc. and its affiliates ("Brevillier") operate a supervised nursing care facility, a community-based, semi-independent, personal care living facility and an independent living facility.

2. Combined Financial Statements

These financial statements include the accounts of Brevillier Village Foundation, Inc., The Ball Pavilion, Conrad House and Brevillier Trust. All material inter-entity transactions have been eliminated.

3. Basis of Accounting

The financial statements of Brevillier have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

4. Cash and Cash Equivalents

For purposes of the *Statements of Cash Flows*, Brevillier considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Long-term Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial positions. Unrealized gains and losses are included in the change in net assets.

6. Property and Equipment and Related Depreciation

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows - Buildings - 40 years, Furniture and fixtures - 5-10 years, Improvements - 5-20 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is reflected in operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and improvements are capitalized.

7. Leasehold

The land upon which Conrad House is built is leased from the Cathedral of St. Paul, Erie, Pennsylvania, for a term of sixty years. The lease had an original cost of \$21,000 that was amortized on a straight-line basis over forty years.

8. Investment in Healthcare Ventures Alliance, Inc.

Effective January 1, 1997, Brevillier acquired a twenty percent interest in Healthcare Ventures Alliance, Inc. (herein, "HVA"), a Pennsylvania nonprofit corporation. HVA was created as a regional system of independently owned nonprofit long-term care facilities for the general purpose of (a) developing

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES [continued]

8. Investment in Healthcare Ventures Alliance, Inc.

economies of scale; (b) combining resources to reduce costs; (c) creating new services and new business ventures to strengthen each member in its service market; (d) providing excellence in quality care at the most affordable price; (e) establishing long-term working relationships with healthcare providers; and (f) positioning for managed care alternatives.

9. Real Estate Taxes

The taxing bodies overseeing the taxability of Brevillier's real estate have resolved that Brevillier was fully exempt from real estate taxes. However, the Erie County Board of Tax Assessment Appeals challenged the real estate tax exemption of certain not-for-profit organizations in Erie County, of which Brevillier was included. Brevillier has executed a "fifty-percent agreement" with its respective tax authorities whereby it has agreed to pay fifty percent of its real estate tax assessments in order to retain its tax-exempt status.

10. Restrictions on Assets

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income that is expendable for the support of certain residents, and the maintenance of the administrative facility of Brevillier.

11. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor, or other third-party, restrictions. Revenue and support that is restricted by the donor, or other third-party, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when the stipulated time restriction ends or the purpose of the restriction expires, whether or not in the reporting period in which the support is recognized), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the *Statements of Activities* as net assets released from restrictions.

12. Donated Services

No amounts have been reflected in the financial statements for donated services. Brevillier pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Brevillier with specific assistance programs, campaign solicitations, and various committee assignments. Brevillier received 7,575 volunteer hours during the year ended June 30, 2018 and 11,218 volunteer hours during the year ended June 30, 2017.

13. Resident Service Revenue

Patient service revenue is recorded at rates established by the Board of Directors for services rendered to all patients. Since a portion of the service fees are provided for under Medicare, Medicaid and private insurance, payments for services covered by these cost-based programs may generally be less than the amounts recorded at the established rates. Contractual allowances are recorded to reduce the

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES [continued]

13. Resident Service Revenue

recorded revenue for service fees not reimbursed by Medicare, Medicaid and private insurance companies. Final determination of amounts to be reimbursed is made by the respective administrative agencies, at which time adjustments are made to the recorded revenue as contractual allowances.

14. Promises to Give, Gifts and Bequests

Unconditional promises to give, gifts and bequests are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized when conditions on which they depend are substantially met. Promises to give, gifts and bequests, including property and equipment, are recorded at quoted or estimated fair market value at the date recognized.

15. Pension Plan

Brevillier maintains an employer non-matching, salary reduction plan under Internal Revenue Code Section 401(k). The plan covers all employees who have completed two years of service and attained age twenty-one. Annual contributions to the plan equal three- percent of each eligible employee's compensation. Pension contributions amounted to \$131,877 in 2018 and \$182,303 in 2017.

16. Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the *Statement of Activities*. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

17. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

18. Concentration of Credit Risks

Brevillier maintains cash and investment balances at several financial institutions and financial institution trust departments. Cash accounts in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per entity. Amounts in trust accounts are not insured unless invested in United States government investment. Amounts held in these institutions in excess of insured limits were approximately \$3,284,389 in 2018 and \$2,739,225 in 2017.

19. Nursing School Tuition Program

Brevillier maintains a tuition program for the development of skilled nursing care. Brevillier will pay up to 100% of the nursing school tuition for a qualifying individual. Amounts paid by Brevillier on behalf of a qualifying individual will not have to be repaid if the individual provides a specified level of services to Brevillier. Amounts paid by Brevillier for an individual are written-off as service is provided to Brevillier. An individual not completing the service requirement will be required to repay up to 100% of the tuition costs paid for by Brevillier.

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES [continued]

20. Income taxes

The Ball Pavilion and Conrad House qualify as organizations exempt from federal and state income tax under Internal Revenue Code (IRC) Section 501(c)(3). However, income from activities not directly related to the Organizations' tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organizations qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A) and have been classified as organizations that are not a private foundation under IRC Section 509(a)(2). The Organizations' Forms 990s, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2018, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Brevillier Village Foundation, Inc. qualifies as a non-exempt charitable trust exempt from federal and state income tax under IRC Section 4947(a)(1). The IRC imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on net investment income of private foundations.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consists of -

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 214,974	\$ 214,974
Land improvements	1,209,061	1,148,071
Buildings and improvements	17,157,708	17,048,588
Fixed equipment	3,121,809	3,031,569
Furniture and equipment	3,087,514	3,038,971
Vehicles	89,186	89,186
Construction in progress	148,272	37,430
	<u>25,028,524</u>	<u>24,608,789</u>
Less accumulated depreciation	18,536,493	17,764,733
	<u>\$ 6,492,031</u>	<u>\$ 6,844,056</u>

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE B - PROPERTY AND EQUIPMENT [continued]

Included in property and equipment is a residential rental property consisting of -

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 128,876	\$ 128,876
Building	585,075	547,571
	713,951	676,447
Less accumulated depreciation	127,136	96,694
	<u>\$ 586,815</u>	<u>\$ 579,753</u>

NOTE C - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying *Statements of Financial Position*. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2	Inputs to the valuation methodology include <ul style="list-style-type: none">○ quoted prices for similar assets or liabilities in active markets;○ quoted prices for identical or similar assets or liabilities in inactive markets;○ inputs other than quoted prices that are observable for the asset or liability;○ inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE C - FAIR VALUE MEASUREMENTS [continued]

Level 2	If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
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Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Common Stocks: Valued at the daily closing price as reported by the stocks' respective trading exchange.

Level 1 – Fair Value Measurement - The Organization has measured fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The fair value of all investments is based on quoted net asset values of the shares held by the Organization at year-end.

The following table sets forth, by level within the fair value hierarchy, the Organization's investments at fair value as of –

	Fair value measurement as of June 30, 2018 using -			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Observable Inputs other than quoted markets (Level 2)	Unobservable Inputs (Level 3)
Common stocks	\$ 380,441	\$ 380,441	\$ -	\$ -
Common equity funds	1,816,136	1,816,136	-	-
Common fixed income funds	771,572	771,572	-	-
Money market funds and cash	72,933	72,933	-	-
	\$ 3,041,082	\$ 3,041,082	\$ -	\$ -

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE C - FAIR VALUE MEASUREMENTS [continued]

	Fair value measurement as of June 30, 2017 using -			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Observable Inputs other than quoted markets (Level 2)	Unobservable Inputs (Level 3)
Common stocks	\$ 404,403	\$ 404,403	\$ -	\$ -
Common equity funds	1,617,920	1,617,920	-	-
Common fixed income funds	817,123	817,123	-	-
Money market funds and cash	126,428	126,428	-	-
	<u>\$ 2,965,874</u>	<u>\$ 2,965,874</u>	<u>\$ -</u>	<u>\$ -</u>

Change in fair value of the Organization's Level 1 investments consist of –

	For the year ended June 30,	
	2018	2017
Fair value at beginning of year	\$ 2,965,874	\$ 2,759,129
Interest and dividends	111,548	73,121
Net realized gains (losses)	91,463	97,307
Net unrealized gains (losses)	55,494	182,800
Investment fees	(33,274)	(32,268)
Withdrawals	(150,023)	(114,215)
	<u>\$ 3,041,082</u>	<u>\$ 2,965,874</u>

NOTE D - LONG-TERM INVESTMENTS

Investment revenue from long-term investments consists of -

	For the year ended June 30, 2018		
	Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ 37,936	\$ 73,612	\$ 111,548
Net realized gains (losses)	75,940	15,523	91,463
Net unrealized gains (losses)	7,041	48,453	55,494
	120,917	137,588	258,505
Less investment fees	(12,089)	(21,185)	(33,274)
	<u>\$ 108,828</u>	<u>\$ 116,403</u>	<u>\$ 225,231</u>

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE D - LONG-TERM INVESTMENTS [continued]

	<u>For the year ended June 30, 2017</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 19,897	\$ 53,224	\$ 73,121
Net realized gains (losses)	30,132	67,175	97,307
Net unrealized gains (losses)	105,606	77,194	182,800
	155,635	197,593	353,228
Less investment fees	(12,252)	(20,016)	(32,268)
	<u>\$ 143,383</u>	<u>\$ 177,577</u>	<u>\$ 320,960</u>

NOTE E - LINE-OF-CREDIT

Ball Pavilion, Inc. has a \$500,000 variable rate, line-of-credit. Interest is payable monthly. Brevillier Village Foundation, Inc. is a guarantor of the line-of-credit up to a maximum liability of \$1,200,000. The line-of-credit is collateralized by certain long-term investments of Brevillier Village Foundation, Inc., and any assets assigned to the Lender or to which the Lender acquires title (of which there are none at June 30, 2018 or 2017).

NOTE F - LONG-TERM DEBT

Long-term debt consists of -

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
4.75% bank mortgage ⁽¹⁾	\$ 59,617	\$ 402,579
Variable rate bank mortgage ⁽²⁾	3,672,999	3,756,473
4.40% bank mortgage ⁽³⁾	87,080	90,678
4.50% bank mortgage ⁽⁴⁾	79,507	83,082
	3,899,203	4,332,812
Less current maturities	168,864	431,264
	<u>\$ 3,730,339</u>	<u>\$ 3,901,548</u>

⁽¹⁾ Due 2018, payable in monthly installments of \$29,550 including interest.

⁽²⁾ Variable rate bank mortgage due February 01, 2039 bearing interest at a variable rate equal to 2.75% above the Federal Home Loan Bank five-year fixed advance rate (5.0% as of June 30, 2018 and 2017).

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE F - LONG-TERM DEBT [continued]

The loan agreement requires maintenance of a restricted replacement reserve account which (a) requires a monthly deposit equal to one-twelfth of 3% of the prior year's gross rents, and (b) prior approval of the Bank for withdrawals from the account.

The loan requires minimum debt service coverage as of the last day of each fiscal year, on a consolidated basis of all the borrowers, of not less than 125% of the prior year's current portion of long-term debt. The calculated minimum debt service coverage was 181% as of June 30, 2018 and 157% as of June 30, 2017.

Any additional borrowing in excess of \$100,000 from a third-party lender require the prior written consent of the Bank.

⁽³⁾ Due September 2034, payable in monthly installments of \$631 including interest through August 2019 and \$636 including interest through September 2034.

⁽⁴⁾ Due July 2032, payable in monthly installments of \$636 including interest.

Future maturities of long-term debt consist of –

For the year ending June 30,

2019	\$ 168,864
2020	114,511
2021	120,075
2022	125,908
2023	132,027
2024 – 2028	762,823
2029 – 2033	959,043
2034 – 2038	1,147,087
2039	368,865
	<u>\$ 3,899,203</u>

NOTE G - LEASES

The Organization owns and leases residential property recorded as an operating lease. The leases have an initial lease term of one year. Lease income amounted to \$27,233 for the year ended June 30, 2018 and \$37,206 for the year ended June 30, 2017.

The Organization also leases space on its rooftop antennae to a communications company. The lease has an initial lease term of five years commencing December 2007, with automatic five-year renewal options. Lease payments are \$1,000 monthly for the initial five years of the lease, with a 15% increase of the prior base rent for each renewal period. Lease income amounted to \$18,008 for the year ended June 30, 2018 and \$13,800 for each of the years ended June 30, 2017.

Brevillier Village Foundation Inc. and Affiliates

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE H - SUBSEQUENT EVENTS

The Organizations' have evaluated subsequent events through October 23, 2018, the date which the financial statements are available to be issued.

FINANCIAL STATEMENTS

Brevillier Village Foundation, Inc. and Affiliates

COMBINED STATEMENTS OF FINANCIAL POSITION

	As of June 30,	
	2018	2017
ASSETS		
Cash and cash equivalents (Note A4.)	\$ 622,660	\$ 397,869
Receivables, net		
Residents, net (net of allowance for doubtful accounts \$20,201)	899,489	696,793
Third party payers and other	573,028	583,058
Affiliated entities	-	-
Nursing tuition loan program (Note A19.)	71,722	65,997
Inventories, at cost	62,389	56,531
Prepaid expenses	90,579	236,450
Residents' funds	35,902	24,563
Tenants' security deposits	164,528	167,868
Property and equipment, net (Note A6., B, F, G)	6,492,031	6,844,056
Leasehold, net (Note A7.)	-	-
Investment in Healthcare Ventures Alliance Inc. (Note A8.)	74,277	74,277
Long-term investments (Note A5., C, D, E)	3,041,082	2,965,874
Total assets	<u>\$ 12,127,687</u>	<u>\$ 12,113,336</u>
LIABILITIES		
Current maturities of long-term debt (Note F)	\$ 168,864	\$ 431,264
Line-of-credit (Note E)	-	-
Trade accounts payable	333,021	248,137
Due to affiliated entities	1,035	1,144
Accrued payroll and liabilities	482,520	468,528
Residents' funds	36,099	24,726
Deferred revenue	634,553	641,333
Accrued expense	-	-
Tenants' security deposits	166,282	167,094
Long-term debt (Note F)	3,730,339	3,901,548
Total liabilities	<u>5,552,713</u>	<u>5,883,774</u>
NET ASSETS		
Unrestricted	4,751,326	4,472,294
Permanently restricted (Note A10.)	1,823,648	1,757,268
Total net assets	<u>6,574,974</u>	<u>6,229,562</u>
Total liabilities and net assets	<u>\$ 12,127,687</u>	<u>\$ 12,113,336</u>

The accompanying *Notes to Financial Statements* are an integral part of the financial statements.

Brevillier Village Foundation Inc. and Affiliates

COMBINED STATEMENTS OF ACTIVITIES

	For the year ended June 30,					
	2018			2017		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
Support and Revenue						
Net resident service revenue <i>(Note A13.)</i>	\$ 11,039,230	\$ -	\$ 11,039,230	\$ 10,485,924	\$ -	\$ 10,485,924
Rents, net	896,354	-	896,354	889,426	-	889,426
Other revenue and support <i>(Note A14.)</i>	372,336	116,403	488,739	398,308	177,577	575,885
	<u>12,307,920</u>	<u>116,403</u>	<u>12,424,323</u>	<u>11,773,658</u>	<u>177,577</u>	<u>11,951,235</u>
Expenses						
Program Services						
Nursing care	6,456,081	-	6,456,081	6,451,204	-	6,451,204
Personal care	2,811,926	-	2,811,926	2,606,164	-	2,606,164
Independent living	1,257,203	-	1,257,203	1,008,961	-	1,008,961
Supporting Services						
Management	1,553,701	-	1,553,701	1,542,833	-	1,542,833
	<u>12,078,911</u>	<u>-</u>	<u>12,078,911</u>	<u>11,609,162</u>	<u>-</u>	<u>11,609,162</u>
Change in net assets before net assets released from restrictions	229,009	116,403	345,412	164,496	177,577	342,073
Net assets released from restrictions <i>(Note A11.)</i>	50,023	(50,023)	-	114,214	(114,214)	-
CHANGE IN NET ASSETS	279,032	66,380	345,412	278,710	63,363	342,073
Net assets at beginning of year	4,472,294	1,757,268	6,229,562	4,193,584	1,693,905	5,887,489
Net assets at end of year	<u>\$ 4,751,326</u>	<u>\$ 1,823,648</u>	<u>\$ 6,574,974</u>	<u>\$ 4,472,294</u>	<u>\$ 1,757,268</u>	<u>\$ 6,229,562</u>

The accompanying *Notes to Financial Statements* are an integral part of the financial statements.

Brevillier Village Foundation Inc. and Affiliates

COMBINED STATEMENTS OF UNRESTRICTED FUNCTIONAL EXPENSE

	For the year ended June 30,									
	2018					2017				
	Nursing care	Personal care	Independent		Total	Nursing care	Personal care	Independent		Total
Living			Management	Living				Management		
Salaries and employee benefits										
Salaries	\$ 3,913,083	\$ 1,686,750	\$ 342,319	\$ 882,573	\$ 6,824,725	\$ 3,965,514	\$ 1,523,948	\$ 158,681	\$ 860,379	\$ 6,508,522
Taxes and employee benefits	744,127	310,248	57,964	168,023	1,280,362	776,433	281,862	28,107	166,540	1,252,942
	<u>4,657,210</u>	<u>1,996,998</u>	<u>400,283</u>	<u>1,050,596</u>	<u>8,105,087</u>	<u>4,741,947</u>	<u>1,805,810</u>	<u>186,788</u>	<u>1,026,919</u>	<u>7,761,464</u>
Other Operating Expenses										
Professional and outside services	315,805	15,487	11,621	29,362	372,275	232,143	19,657	12,037	33,687	297,524
Utilities	131,889	137,160	151,369	18,363	438,781	128,639	132,181	143,664	17,594	422,078
Maintenance and supplies	191,080	136,899	84,049	44,553	456,581	197,040	122,066	77,179	44,888	441,173
Food	246,015	175,032	15,494	-	436,541	245,055	198,960	12,541	-	456,556
Medical supplies	357,995	19,124	-	-	377,119	363,131	25,649	-	-	388,780
Other supplies	146,522	113,991	10,746	30,350	301,609	125,247	92,641	1,455	37,323	256,666
Insurance	41,189	35,976	35,781	21,336	134,282	47,241	42,439	41,236	24,749	155,665
Dues and meetings	17,598	-	1,029	28,227	46,854	11,588	-	1,628	33,238	46,454
Telephone	2,008	-	770	16,137	18,915	2,244	-	1,921	13,920	18,085
Management fee	-	-	-	-	-	-	-	-	-	-
Financial service fee	-	-	-	-	-	-	-	-	-	-
Printing and advertising	-	-	-	67,492	67,492	-	-	-	70,417	70,417
Office expense	47,058	-	18,374	33,905	99,337	46,289	-	1,063	42,159	89,511
Nursing tuition loan program expense	10,193	-	-	-	10,193	4,912	-	-	-	4,912
Beauty and barber expense	907	655	-	-	1,562	375	384	-	-	759
Miscellaneous	6,707	1,972	6,934	2,641	18,254	4,677	1,607	8,525	2,039	16,848
Service coordinator expense	-	-	-	-	-	-	-	-	-	-
	<u>1,514,966</u>	<u>636,296</u>	<u>336,167</u>	<u>292,366</u>	<u>2,779,795</u>	<u>1,408,581</u>	<u>635,584</u>	<u>301,249</u>	<u>320,014</u>	<u>2,665,428</u>
Real estate taxes	71,121	28,401	55,027	18,153	172,702	68,830	27,912	50,718	17,568	165,028
Depreciation	201,143	150,231	277,170	112,774	741,318	204,305	136,858	277,534	115,818	734,515
	<u>6,444,440</u>	<u>2,811,926</u>	<u>1,068,647</u>	<u>1,473,889</u>	<u>11,798,902</u>	<u>6,423,663</u>	<u>2,606,164</u>	<u>816,289</u>	<u>1,480,319</u>	<u>11,326,435</u>
Rental expenses	-	-	-	79,812	79,812	-	-	-	62,182	62,182
Interest	11,641	-	188,556	-	200,197	27,541	-	192,672	332	220,545
	<u>11,641</u>	<u>-</u>	<u>188,556</u>	<u>-</u>	<u>200,197</u>	<u>27,541</u>	<u>-</u>	<u>192,672</u>	<u>332</u>	<u>220,545</u>
Total expenses	<u>\$ 6,456,081</u>	<u>\$ 2,811,926</u>	<u>\$ 1,257,203</u>	<u>\$ 1,553,701</u>	<u>\$ 12,078,911</u>	<u>\$ 6,451,204</u>	<u>\$ 2,606,164</u>	<u>\$ 1,008,961</u>	<u>\$ 1,542,833</u>	<u>\$ 11,609,162</u>

Brevillier Village Foundation, Inc. and Affiliates

COMBINED STATEMENTS OF CASH FLOWS

	For the year June 30,	
	2018	2017
<i>Cash flows from operating activities -</i>		
Change in net assets	\$ 345,412	\$ 342,073
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	741,318	734,515
Net realized and unrealized investment (gains) losses	(146,957)	(280,106)
(Increase) decrease in receivables	(192,666)	16,475
(Increase) decrease in inventories	(5,858)	14,423
(Increase) decrease in prepaid expenses	145,871	(85,099)
Increase (decrease) in payables and accrued expenses	98,767	44,499
Increase (decrease) in deferred revenues	(6,780)	53,451
Net cash provided by operating activities	979,107	840,231
<i>Cash flows from investing activities -</i>		
Net (additions to) repayments of nursing tuition loans	(5,725)	(14,134)
Net capital expenditures	(389,294)	(322,834)
Net (increase) decrease to resident funds/tenant security deposits	2,562	(4,113)
Net (increase) decrease in long-term investments	71,749	73,361
Net cash used in investing activities	(320,708)	(267,720)
<i>Cash flows from financing activities -</i>		
Net additions to (repayments of) line-of-credit	-	(111,000)
Repayments of long-term debt	(433,609)	(413,888)
Net cash provided by (used in) financing activities	(433,609)	(524,888)
Net increase (decrease) in cash	224,790	47,623
Cash at beginning of year	397,869	350,246
Cash at end of year	<u>\$ 622,660</u>	<u>\$ 397,869</u>
<i>Supplemental data -</i>		
Interest paid	\$ 200,197	\$ 220,545

***INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION***

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
Brevillier Village Foundation Inc.

I have audited the financial statements of Brevillier Village Foundation Inc. and Affiliates, which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated October 23, 2018, which contained an unmodified opinion on those financial statements. My audits were performed for the purpose of forming an opinion on the financial statements as a whole. The following supplemental information is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling

g such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SEAN T. SULLIVAN, CPA, PC

SEAN T. SULLIVAN, CPA, PC

October 23, 2018

SUPPLEMENTAL INFORMATION

Brevillier Village Foundation Inc. and Affiliates

COMBINING SCHEDULES OF FINANCIAL POSITION

	As of June 30,						
	2018						2017
	The Ball Pavilion	Conrad House	Brevillier Trust	Brevillier Village Foundation Inc.	Eliminations	Total	Total
ASSETS							
Cash and equivalents	\$ 106,281	\$ 70,978	\$ 33,943	\$ 411,458	\$ -	\$ 622,660	\$ 397,869
Receivables, net						-	-
Residents, net	845,442	54,047	-	-	-	899,489	696,793
Third party payers and other	571,560	-	-	1,468	-	573,028	583,058
Affiliated entities	3,488,597	-	-	10,143,023	(13,631,620)	-	-
Nursing tuition loan program	-	-	-	71,722	-	71,722	65,997
Inventories, at cost	62,389	-	-	-	-	62,389	56,531
Prepaid items	18,410	30,899	1,403	39,867	-	90,579	236,450
Residents' funds	10,124	-	-	25,778	-	35,902	24,563
Tenants' security deposits	83,299	81,229	-	-	-	164,528	167,868
Property and equipment, net	1,877,021	3,150,581	39,823	1,424,606	-	6,492,031	6,844,056
Leasehold, net	-	-	-	-	-	-	-
Investment in Healthcare Ventures Alliance Inc.	-	-	-	74,277	-	74,277	74,277
Long-term investments	1,429,479	-	394,169	1,217,434	-	3,041,082	2,965,874
Total assets	<u>\$ 8,492,602</u>	<u>\$ 3,387,734</u>	<u>\$ 469,338</u>	<u>\$ 13,409,633</u>	<u>(\$ 13,631,620)</u>	<u>\$ 12,127,687</u>	<u>\$ 12,113,336</u>
LIABILITIES							
Current maturities of long-term debt	\$ 59,617	\$ 101,469	\$ -	\$ 7,778	\$ -	\$ 168,864	\$ 431,264
Line-of-credit	-	-	-	-	-	-	-
Trade accounts payable	-	-	-	333,021	-	333,021	248,137
Due to affiliated entities	8,454,024	1,657,102	87,552	3,433,977	(13,631,620)	1,035	1,144
Accrued payroll and liabilities	-	-	-	482,520	-	482,520	468,528
Residents' funds	10,321	-	-	25,778	-	36,099	24,726
Deferred revenue	634,553	-	-	-	-	634,553	641,333
Accrued expense	-	-	-	-	-	-	-
Tenants' security deposits	83,299	79,433	-	3,550	-	166,282	167,094
Long-term debt	-	3,571,530	-	158,809	-	3,730,339	3,901,548
Total liabilities	<u>9,241,814</u>	<u>5,409,534</u>	<u>87,552</u>	<u>4,445,433</u>	<u>(13,631,620)</u>	<u>5,552,713</u>	<u>5,883,774</u>
NET ASSETS							
Unrestricted	(2,178,691)	(2,021,800)	(12,383)	8,964,200	-	4,751,326	4,472,294
Permanently restricted	1,429,479	-	394,169	-	-	1,823,648	1,757,268
Total net assets	<u>(749,212)</u>	<u>(2,021,800)</u>	<u>381,786</u>	<u>8,964,200</u>	<u>-</u>	<u>6,574,974</u>	<u>6,229,562</u>
Total liabilities and net assets	<u>\$ 8,492,602</u>	<u>\$ 3,387,734</u>	<u>\$ 469,338</u>	<u>\$ 13,409,633</u>	<u>(\$ 13,631,620)</u>	<u>\$ 12,127,687</u>	<u>\$ 12,113,336</u>

See Independent Auditor's Report on Supplemental Information .

Brevillier Village Foundation Inc. and Affiliates

COMBINING SCHEDULES OF UNRESTRICTED ACTIVITIES

	For the year ended June 30,						2017
	2018						
	The Ball Pavilion	Conrad House	Brevillier Trust	Brevillier Village Foundation Inc.	Eliminations	Total	
Support and Revenue							
Net resident service revenue	\$ 10,672,802	\$ 330,180	\$ -	\$ 36,248	\$ -	\$ 11,039,230	\$ 10,485,924
Rents, net	-	870,321	36,000	44,033	(54,000)	896,354	889,426
Other revenue and support	60,722	19,624	13	1,529,072	(1,237,095)	372,336	398,308
	<u>10,733,524</u>	<u>1,220,125</u>	<u>36,013</u>	<u>1,609,353</u>	<u>(1,291,095)</u>	<u>12,307,920</u>	<u>11,773,658</u>
Expenses							
Salaries and employee benefits	6,919,511	400,283	-	785,293	-	8,105,087	7,761,464
Other operating expenses	3,371,626	447,378	22,487	229,399	(1,291,095)	2,779,795	2,665,428
	<u>10,291,137</u>	<u>847,661</u>	<u>22,487</u>	<u>1,014,692</u>	<u>(1,291,095)</u>	<u>10,884,882</u>	<u>10,426,892</u>
Net operating revenue before other operating expenses	442,387	372,464	13,526	594,661	-	1,423,038	1,346,766
Real estate taxes	99,522	55,027	10,046	8,107	-	172,702	165,028
Depreciation and amortization	351,374	277,170	8,618	104,156	-	741,318	734,515
Net operating revenue (expense)	(8,509)	40,267	(5,138)	482,398	-	509,018	447,223
Rental expenses	-	-	-	79,812	-	79,812	62,182
Interest expense	11,641	188,556	-	-	-	200,197	220,545
Change in net assets before release of restrictions	(20,150)	(148,289)	(5,138)	402,586	-	229,009	164,496
Net assets released from restrictions	34,368	-	15,655	-	-	50,023	114,214
CHANGE IN NET ASSETS	14,218	(148,289)	10,517	402,586	-	279,032	278,710
Unrestricted net assets at beginning of year	(2,192,909)	(1,873,511)	(22,900)	8,561,614	-	4,472,294	4,193,584
Unrestricted net assets at end of year	<u>(\$ 2,178,691)</u>	<u>(\$ 2,021,800)</u>	<u>(\$ 12,383)</u>	<u>\$ 8,964,200</u>	<u>\$ -</u>	<u>\$ 4,751,326</u>	<u>\$ 4,472,294</u>

See Independent Auditor's Report on Supplemental Information .

Brevillier Village Foundation Inc. and Affiliates

COMBINING SCHEDULES OF UNRESTRICTED EXPENSE

	For the year ended June 30,						2017 Total
	2018					Total	
	The Ball Pavilion	Conrad House	Brevillier Trust	Brevillier Village Foundation Inc.	Eliminations	Total	
Salaries and employee benefits							
Salaries	\$ 5,822,584	\$ 342,319	\$ -	\$ 659,822	\$ -	\$ 6,824,725	\$ 6,508,522
Taxes and employee benefits	1,096,927	57,964	-	125,471	-	1,280,362	1,252,942
	<u>6,919,511</u>	<u>400,283</u>	<u>-</u>	<u>785,293</u>	<u>-</u>	<u>8,105,087</u>	<u>7,761,464</u>
Other Operating Expenses							
Professional and outside services	338,991	11,621	430	21,233	-	372,275	297,524
Utilities	269,049	151,369	10,105	8,258	-	438,781	422,078
Maintenance and supplies	341,174	84,049	6,055	25,303	-	456,581	441,173
Food	407,415	15,494	-	13,632	-	436,541	456,556
Medical supplies	377,119	-	-	-	-	377,119	388,780
Other supplies	266,524	11,746	705	22,634	-	301,609	256,665
Insurance	81,378	40,168	1,592	11,144	-	134,282	155,665
Dues and meetings	29,230	4,684	-	12,940	-	46,854	46,454
Telephone	3,196	770	-	14,949	-	18,915	18,085
Management fee	683,182	84,239	2,160	-	(769,581)	-	-
Financial service fee	455,454	3,420	1,440	-	(460,314)	-	-
Printing and advertising	37,813	14,510	-	15,169	-	67,492	70,417
Office expense	68,219	18,374	-	73,944	(61,200)	99,337	89,512
Nursing tuition loan program expense	-	-	-	10,193	-	10,193	4,912
Beauty and barber expense	1,562	-	-	-	-	1,562	759
Miscellaneous	11,320	6,934	-	-	-	18,254	16,848
Service coordinator expense	-	-	-	-	-	-	-
	<u>3,371,626</u>	<u>447,378</u>	<u>22,487</u>	<u>229,399</u>	<u>(1,291,095)</u>	<u>2,779,795</u>	<u>2,665,428</u>
Real estate taxes	99,522	55,027	10,046	8,107	-	172,702	165,028
Depreciation	351,374	277,170	8,618	104,156	-	741,318	734,515
	<u>10,742,033</u>	<u>1,179,858</u>	<u>41,151</u>	<u>1,126,955</u>	<u>(1,291,095)</u>	<u>11,798,902</u>	<u>11,326,435</u>
Rental expenses	-	-	-	79,812	-	79,812	62,182
Interest	11,641	188,556	-	-	-	200,197	220,545
Total expenses	<u>\$ 10,753,674</u>	<u>\$ 1,368,414</u>	<u>\$ 41,151</u>	<u>\$ 1,206,767</u>	<u>(\$ 1,291,095)</u>	<u>\$ 12,078,911</u>	<u>\$ 11,609,162</u>
	2017						
Total expenses	<u>\$ 10,528,221</u>	<u>\$ 1,119,184</u>	<u>\$ 53,143</u>	<u>\$ 1,153,127</u>	<u>(\$ 1,244,513)</u>	<u>\$ 11,609,162</u>	

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