

**Fahrney-Keedy Home & Village**

**Disclosure Statement**

**April 30,2025**

**NOTE: THE ISSUANCE OF A CERTIFICATE OF REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF THE FACILITY BY THE DEPARTMENT OF AGING, NOR IS IT EVIDENCE OF, OR DOES IT ATTEST TO, THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.**

## TABLE OF CONTENTS

Name and Address .....	1
Description of Facility .....	1
Organizational Structure .....	1-4
Organizational Status .....	5
Organizational Affiliation.....	5
Description of All Fees .....	5-6
Operating Reserve Requirement .....	7
Investment Policy.....	5
Financial Audit.....	5
Cash Flow Statement .....	7
Governance Structure.....	8
Description of Services .....	9
Renovation and Expansion Plans.....	10
Internal Grievance Procedure.....	10-11

**Disclosure Statement**

*[For purposes of this Disclosure Statement, “Provider” shall mean any person who undertakes to provide continuing care and who is (i) the owner or operator of a Facility or (ii) an applicant for or the holder of a certificate of registration. “Facility” shall mean a physical plant in which continuing care is provided in accordance with Human Services Article of the Annotated Code of Maryland.]*

1. Name & Address of Provider:      **Fahrney-Keedy Memorial Home, Inc.  
8507 Mapleville Road  
Boonsboro, Maryland 21713-1818  
Washington County**

2. Name & Address of Facility:      **Fahrney-Keedy  
8507 Mapleville Road  
Boonsboro, Maryland 21713-1818  
Washington County**

3. Description of Facility:

**Fahrney-Keedy Memorial Home, Inc. is a non-profit charitable organization founded in 1905 by the Church of the Brethren that operates sixty-five (65) independent living units, consisting of forty-one (41) cottages and twenty-four (24) apartments, 50 (fifty) assisted living units, one-hundred one (101) Nursing beds – of which 20 beds are certified as continuing care beds, a medical adult day care facility serving up to 40 clients daily, and a residential service agency serving the greater Hagerstown community . Fahrney- Keedy was founded for charitable and benevolent purposes, its mission being to provide loving and compassionate continuing care and other services that will enrich the spiritual, emotional and physical lives of the aging in a Christian, home- like environment. The owner of the land is Fahrney-Keedy Memorial Home, Inc.**

4. Name and Address of any parent or subsidiary group of the Facility:  
**Not Applicable.**

5. Please indicate the organizational structure of the Provider:

  X   *Corporation*

Name: **Fahrney-Keedy Memorial Home, Inc.**

State of incorporation: **Maryland**

Name of CEO: **Stephen Coetzee, CEO/President**

N/A *Limited Liability Company*

Name: \_\_\_\_\_

State of formation: \_\_\_\_\_

Name of CEO: \_\_\_\_\_

N/A *Partnership*

Names of the General Partners\*:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

~~\*For each general partners that is a corporation or limited liability company, please provide the state of incorporation or formation and the name of the CEO.~~

State governing formation of the partnership: \_\_\_\_\_

Name of primary individual responsible for managing the partnership: \_\_\_\_\_

N/A *Unincorporated Association*

Names of Members: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

State governing the association: \_\_\_\_\_

Name of the primary individual responsible for managing the association: \_\_\_\_\_

N/A *Trust*

Name of Trustee: \_\_\_\_\_

Names of the Owners of the Beneficial Interest in the Trust:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

State governing the trust: \_\_\_\_\_

Name of primary individual responsible for overseeing the trust's activities: \_\_\_\_\_

6. Is the Provider qualified, or does it intend to qualify, as a tax-exempt organization under the Internal Revenue Code? **Yes, provider is qualified under Section 501(c)(3).**

7. Is the Provider affiliated with a religious, charitable, or other nonprofit organization? **Yes, the Church of the Brethren.**

If you answered yes above, please describe the extent to which the nonprofit organization is responsible for the financial and contractual obligations of the Provider.

**Church of the Brethren is not responsible for the Provider's obligations.**

8. Provide a description of all fees, including entrance fees, health care fees, and periodic fees, collected by the Provider from subscribers, setting forth the amount and the frequency of the fees charged during each of the previous 5 years. If the Facility has been in operation less than 5 years, please provide this description for each year that the Facility has been in operation.

**FK offers an entrance fee model under a Type C fee-for-service residency agreement. The Residency Agreement remains the same. In addition to the entrance fee, residents are billed monthly for a service fee that includes the following services: water and sewer, trash removal, snow removal, chaplain services, mowing of the lawns, repair and replacement of appliances, and repairs to the residence. Property taxes are billed separately for independent living residences, except for Ausherman Apartments.**

**Ancillary services not included in the monthly maintenance fee include the following:**

**Nursing services in the cottage, meal plans, non-routine maintenance, landscaping, transportation. For a full list of additional items and costs please see attachment A**

**A refund or health care credit may be available to you. A. If you live in your**

residence for less than four years and leave, either by death or by choice, you will be due a partial refund. After five years there is no cash refund.

**B. A lump-sum credit may be available for use in**

**Assisted Living or in Nursing Care (maximum 80%) depending upon the number of months you lived in Independent Living. Carefully read the Residency Agreement for the conditions that must be satisfied before Fahrney-Keedy is required to pay the Entrance Fee refund. Please see ATTACHMENT A (Schedule of Fees) for specific Entrance Fees and Monthly Fees for Independent Living, Assisted Living and Nursing Care with up to five years of costs.**

**Additional services are available for a fee such as dining, housekeeping, personal maintenance, etc.**

**Fahrney Keedy does not assess a non-optional parking fee for any of its community members.**

9a. Describe any and all steps the Provider has taken, and/or will take, to comply with the operating reserve requirement described in Sections 10-420-423 of the Human Services Article (HSA) of the Annotated Code of Maryland, namely, that the Provider demonstrate appropriate efforts to set aside operating reserves equal to fifteen percent (15%) of the Provider's net operating expenses (for the most recent fiscal year for which a certified financial statement is available). As of January 1, 2023 all CCRC's are to increase their operating reserve requirement from 15% to 25%.

**As of December 31, 2024 and 2023, the reserve was \$2881,683 and \$2,727,651, respectively. This amount is calculated using total CCRC operating expenses as of the previous year (\$23,463,786 and \$20,346,577 for the 2024 and 2023 calculations respectively), less depreciation and amortization (\$1,328,057 and \$1,310,884 for the 2024 and 2023 calculations, respectively), to arrive at net operating expenses of \$18,442,773 and \$17,475,963, for the 2024 and 2023 calculations respectively.**

9b. Describe the Provider's investment policy with respect to the required operating reserves, including how often the reserve fund investment is reviewed and by whom (the reserves must be maintained in a reasonably liquid form).

**The oversight of the investment of the operating reserves is performed by the Finance Committee, including the Chief Financial Officer, on a monthly basis to assure that the reserves are maintained in a reasonably liquid form, such as money market funds, investment grade bonds and U.S. Government securities. The review is completed with each monthly close of the financial reports and presented to the financial committee and/or full board at its board and committee meetings.**

10. Please attach to this form a copy of the Provider's most recent certified financial

statement obtainable under generally accepted accounting principles.

**See ATTACHMENT A – Audited Financial Report, Year ending December 31, 2023**

11. Please provide a description of the long-term financing for the Facility.

Fahrney-Keedy currently has 8 long term financing notes provided through USDA. These notes have provided long term financing for capital improvement projects which include the following areas:

Waster water treatment facility upgrades

Water tower and treatment facilities

Memory Care expansion and renovation

Community Center/Adult Day service center addition

Infrastructure development for planned independent living expansion

These notes represent all of the long term financing currently in place for the community.

12. Please describe the financial arrangements made to address the renewal and replacement of the buildings and improvements at the facility such as the establishment of a renewal and replacement fund.

**Fahrney-Keedy maintains a capital construction account that it utilizes to address capital improvements as needed.**

13. If the Facility has not reached 85% occupancy of independent living units, please attach a summary of the feasibility study. N/A

14. Please attach a cash flow forecast statement for the current and the next 2 fiscal years of the Provider.

**See ATTACHMENT B – Cash Flow Statement**

- 15a. Provide below the names and occupations of the officers, directors, trustees, or managing or general partners of the Provider and indicate which of these persons hold a 10% or greater equity or beneficial interest in the Provider, and what the amount and nature of that financial interest is.

Stephen Coetzee, President/CEO

Melanie Anders, Chief Clinical Officer

RKL- Erin Wolfe, CFO- Virtual

Heather Barnes, VP of Finance

No officer has any beneficial interest in the organization.

- 15b. Please provide in the chart below the name and address of any professional service firm, association, trust, partnership, company, or corporation in which a person identified in item 14 above has a 10% or greater financial interest and which is

anticipated to provide goods, premises, or services to the Facility or the Provider of a value of \$10,000 or more within any fiscal year, including a description of the goods, premises, or services and their anticipated cost to the Facility or Provider. (Note: The disclosure of salary, wage, or benefit information of employees of the Provider is not required). Attach additional pages if necessary.

Name of Professional Services Firm, Association, Trust, Partnership, Company, or Corporation	Address	Description of goods, premises or services	Anticipated cost to the Facility or Provider
	NONE		

15c. Please provide as an attachment to this form a description of any matter in which an individual identified in item 15a above

(i) has been convicted of a felony or pleaded nolo contendere to a felony charge, if the felony involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or **NONE**

(ii) has been held liable or enjoined in a civil action by final judgment if the civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation as a fiduciary; or **NONE**

(iii) has been subject to an effective injunctive or restrictive order of a court of record or, within the past 10 years, had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency, arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons. **NONE**

16. If the Facility is or will be managed on a day-to-day basis by a person other than an individual directly employed by the Provider, please provide the name of the proposed manager or management company and a description of the business experience, if any, of the manager or company in the operation or management of similar facilities. **N/A**

17. Please provide a description of the form of governance of the Provider, including the composition of the governing body:

**Fahrney-Keedy is governed by a fifteen member Board of Directors. A community member representative is noted as a full voting member of the Board of Directors. Currently the Board has 3 community members as voting members on the board of directors.**

**Leslie Hart, Board Chair, Business Development Specialist**

**David Lyles, Developer/Construction**  
**Carrie Adams, Healthcare**  
**Mary Bowman, Retired- Healthcare**  
**Colleen Randall, financial advisor**  
**Sue Graff, Nurse Educator**  
**Elizabeth Reeder, Community Member**  
**Starla Ward, Financial**  
**David Gonzalez, Physician**  
**Jackie Draper, Attorney**  
**Charles Angle, Realtor**  
**Barbara Bussard, Community Member**  
**Kathy Morrissey, Registered Nurse**

18. Is the Provider authorized to be issued a certificate of registration?

If so, please provide below a description of the conditions under which the provider may be issued a certificate of registration and may use escrowed deposits, and a statement of the amount of the subscriber's deposit that may be used on issuance of a certificate of registration.

**Not Applicable.**

19. Please provide a description of the services provided or proposed to be provided at the Facility under the continuing care agreement, including the extent to which health related services are furnished, and indicate whether services are indicated in the agreement as included in the basic fee(s) and which services are offered at an extra charge.

In addition to the entrance fee, residents are billed monthly for a service fee that includes the following services: water and sewer, trash removal, snow removal, chaplain services, mowing of the lawns, repair and replacement of appliances, and repairs to the residence. Property taxes are billed separately for independent living residences, except for Ausherman Apartments.

**Ancillary services not included in the monthly maintenance fee include the following:**

Nursing services in the cottage, meal plans, non-routine maintenance, landscaping, transportation.

**See ATTACHMENT C -- Summary of services included in the monthly service fee and summary of services not included in the monthly service fee.**

20. Please describe below any renovation or expansion of the Facility during the preceding fiscal year or proposed for the current fiscal year, regardless of whether this renovation or expansion is subject to review by the Maryland Department of Aging.

## **PRECEDING FISCAL YEAR THROUGH 12/31/2023**

**Fahrney-Keedy Memorial Home, Inc. is planning a cottage expansion project. The community has chosen to close it's current preliminary certificate of registration on a 36 unit expansion project and will be applying for a smaller expansion under it's current certificate of registration.**

### **21. INTERNAL GRIEVANCE PROCEDURE**

**Fahrney-Keedy Memorial Home, Inc. has established an internal grievance procedure to address resident grievances. A resident, A group of residents, or Fahrney-Keedy Memorial, Inc. collectively may submit a grievance in writing to:**

**President/CEO – Fahrney-Keedy Memorial Home, Inc.  
8507 Mapleville Road  
Boonsboro, MD 21713**

**Fahrney-Keedy Memorial Home, Inc. will send a written acknowledgment to the resident within five days after receipt of the written grievance. Fahrney-Keedy Memorial Home, Inc. will assign personnel to investigate the grievance. A resident who files a written grievance is entitled to a meeting with management of Fahrney-Keedy Memorial Home, Inc., within 30 days after receipt of the written grievance, in order to present the grievance. Fahrney-Keedy Memorial Home, Inc., will provide a response within 45 days after receipt of the written grievance as to the investigation and resolution of the grievance.**

**Within 30 days after Fahrney-Keedy Memorial Home, Inc. provides its response to the grievance, a resident, or a group of residents or Fahrney-Keedy Memorial Home, Inc. may seek mediation through one of the community mediation centers in the State or another mediation provider. If a resident, or a group of residents or Fahrney-Keedy Memorial Home, Inc. seeks mediation under the preceding sentence, the mediation shall be nonbinding and the resident, or a group of residents or Fahrney-Keedy Memorial Home, Inc. may be represented by counsel.**

22. You may provide as an attachment any other material information concerning the Facility or the Provider that you may wish to include as part of this Disclosure Statement.

**NONE**

23. Fahrney-Keedy Memorial Home, Inc. utilizes separate assisted living and separate nursing care agreements for all residents. If an independent living resident requires assisted living or nursing care services at Fahrney-Keedy, a separate agreement from the one signed for a cottage or apartment will need to be executed. The separate assisted living and separate nursing care agreements are not required to be reviewed or approved by the Maryland Department of Aging for compliance with the continuing care laws or conformity with Fahrney-Keedy's continuing care agreement. Those agreements are reviewed by the Office of Health Care Quality of Maryland.

24. Fahrney-Keedy Utilizes a type C agreement for all of it's Independent living community members. The entrance fee assessed is not held in escrow as the refundability of the entrance fee is contingent upon resale of the occupied unit. Fahrney Keedy utilizes a 5 year declining refund model.

**NOTE:** Provider acknowledges its obligation under Section 10-426 of the Human Services Article (HSA) of the Annotated Code of Maryland to conduct a meeting, at least annually, of all of its subscribers, at which an authorized officer of the Provider shall present a summary of the Provider’s operations, significant changes from the previous year, and the goals and objectives for the next year. The governing body of the Provider shall make provisions to receive and answer questions from subscribers at the meeting.

Furthermore, the Provider has arranged to have at least one subscriber as a member of its governing body.

Provider has in place a Resident Association, which meets at least once every other month. The Association is set up to inform the subscribers of significant changes to the Provider Operations and to hear and address subscribers’ concerns.

Provider hereby acknowledges that this Disclosure Statement shall be amended if, at any time, in the opinion of the Provider or the Department of Aging, an amendment is necessary to prevent the Disclosure Statement from containing any material misstatement or omission of a material fact.

Provider notes that it does not impose a surcharge on any subscribers. [Under Maryland law, a “surcharge” is a separate and additional charge, other than a second person entrance fee, imposed simultaneously with the entrance fee that may be required of some but not all subscribers because of a condition or circumstance that applies only to those subscribers.]

Audited  
Financial  
Statements

December 31,  
2024



## CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 3
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	4 - 5
Statements of Activities and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 35
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	36
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	37
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENTAL AUDITING STANDARDS</i></b>	38 - 39
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY <i>THE UNIFORM GUIDANCE</i></b>	40- 42
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	43 - 45



Guidance You  
Can Count On.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Fahrney-Keedy Memorial Home, Inc.  
Boonsboro, Maryland

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### *Opinion*

We have audited the accompanying financial statements of Fahrney-Keedy Memorial Home, Inc. (a non-profit organization) (Home), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fahrney-Keedy Memorial Home, Inc. as of December 31, 2024 and 2023, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Home and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Substantial Doubt about the Home's Ability to Continue as a Going Concern*

The accompanying financial statements have been prepared assuming that the Home will continue as a going concern. As discussed in Note 19 to the financial statements, the Home has reported continued operating losses, negative cash flows from operations, and an increase in current liabilities, all of which has contributed to not meeting required debt covenants, which creates substantial doubt about the Home's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Home's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Home's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Home's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for 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 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 our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2025, on our consideration of the Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Home's internal control over financial reporting and compliance.

*Smith Elliott Reardon & Company, LLC*

Hagerstown, Maryland  
April 28, 2025

**FAHRNEY-KEEDY MEMORIAL HOME, INC.**  
**Statements of Financial Position**  
**December 31, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 322,580	\$ 251,193
Patient and resident accounts receivable, less allowance for credit losses of \$223,553 in 2024 and \$249,707 in 2023	3,205,264	3,461,482
Current portion of pledges receivable, less allowance for uncollectible pledges of \$6,025 in 2024 and 2023	49,898	49,898
Prepaid expenses	106,555	90,970
Inventory	38,608	12,003
	<u>3,722,905</u>	<u>3,865,546</u>
<b>Property and Equipment, Net</b>	<u>26,714,985</u>	<u>28,315,726</u>
<b>Other Assets</b>		
Pledges receivable, less current portion and present value discount of \$13,454 in 2024 and \$19,145 in 2023	86,546	130,855
Assets whose use is limited	979,888	817,198
Right-of-use assets, net of accumulated amortization of \$228,065 in 2024 and \$159,224 in 2023	188,581	257,422
Operating reserve	2,881,683	2,727,651
Beneficial interest in trusts	7,063,117	6,388,887
Investments - restricted	300,000	300,000
Investments - restricted for benevolent fund	294,172	571,112
Benevolent fund - restricted in perpetuity	161,344	161,344
Captive insurance collateral deposit	30,635	-
	<u>11,985,966</u>	<u>11,354,469</u>
<b>TOTAL ASSETS</b>	<u>\$ 42,423,856</u>	<u>\$ 43,535,741</u>

**FAHRNEY-KEEDY MEMORIAL HOME, INC.**  
**Statements of Financial Position (Continued)**  
**December 31, 2024 and 2023**

	2024	2023
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current maturities of notes payable - USDA loans	\$ 492,956	\$ 478,851
Current maturities of notes payable - Fulton Bank	8,661	8,179
Current maturities of notes payable - First United Bank & Trust	42,029	-
Lines of credit - First United Bank	-	1,192,000
Investment margin loan	300,000	300,000
Current maturities of finance lease obligations	52,812	51,447
Accounts payable and accrued expenses	4,496,776	3,350,879
Life care credits due to residents	-	57,944
Current portion of deferred revenue - entrance fees	562,224	605,943
	<u>5,955,458</u>	<u>6,045,243</u>
Total Current Liabilities		
<b>Long-Term Liabilities</b>		
Note payable - USDA loans, less current maturities and unamortized debt issuance costs	18,064,177	18,545,690
Note payable - Fulton Bank, less current maturities	385,292	393,549
Note payable - First United Bank & Trust, less current maturities	1,134,753	-
Finance lease obligations, less current maturities	150,988	204,484
Deferred revenue, less current portion	4,701,921	5,096,550
	<u>24,437,131</u>	<u>24,240,273</u>
Total Long-Term Liabilities		
Total Liabilities	<u>30,392,589</u>	<u>30,285,516</u>
<b>Net Assets</b>		
Without donor restrictions	4,191,780	5,803,068
With donor restrictions		
Restricted for specific purpose - benevolent	615,026	896,926
Beneficial interest in trusts restricted in perpetuity	7,063,117	6,388,887
Benevolent fund restricted in perpetuity	161,344	161,344
	<u>7,839,487</u>	<u>7,447,157</u>
Total Net Assets With Donor Restrictions		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 42,423,856</u>	<u>\$ 43,535,741</u>

**FAHRNEY-KEEDY MEMORIAL HOME, INC.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2024 and 2023**

	2024			2023		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUE, GAINS, AND SUPPORT</b>						
Net patient service revenue	24,214,736	\$ -	\$ 24,214,736	\$ 21,586,459	\$ -	\$ 21,586,459
Recovery of bad debts	26,154	-	26,154	20,390	-	20,390
Net Patient Service Revenue Net of Recovery of Bad Debts	24,240,890	-	24,240,890	21,606,849	-	21,606,849
Contributions and bequests	28,764	665,931	694,695	95,767	896,926	992,693
Independent living revenue	504,336	-	504,336	594,042	-	594,042
Amortization of entrance fees and life care credits	1,113,320	-	1,113,320	528,435	-	528,435
Investment income	243,360	-	243,360	4,435	-	4,435
Resident services and other	465,423	-	465,423	879,641	-	879,641
(Loss) on disposal of property and equipment	-	-	-	(2,707)	-	(2,707)
Government grants	-	-	-	268,609	-	268,609
Net assets released from restrictions	896,926	(896,926)	-	-	-	-
Total Revenue, Gains and Support	27,493,019	(230,995)	27,262,024	23,975,071	896,926	24,871,997
<b>EXPENSES</b>						
Nursing care expenses	15,363,837	-	15,363,837	15,147,824	-	15,147,824
Routine service expenses	5,215,913	-	5,215,913	4,729,790	-	4,729,790
Administrative service expenses	4,124,634	-	4,124,634	4,210,722	-	4,210,722
Capital and property service expenses	2,147,734	-	2,147,734	1,609,450	-	1,609,450
Other patient care expenses	736,419	-	736,419	677,050	-	677,050
Independent living expenses	721,285	-	721,285	891,236	-	891,236
Fundraising expenses	143,578	-	143,578	139,233	-	139,233
Bad debts	462,274	-	462,274	211,546	-	211,546
Adult Day Care	384,575	-	384,575	454,539	-	454,539
Staff Development	126,052	-	126,052	196,890	-	196,890
Total Expenses	29,426,301	-	29,426,301	28,268,280	-	28,268,280
Operating Income (Loss)	(1,933,282)	(230,995)	(2,164,277)	(4,293,209)	896,926	(3,396,283)
<b>OTHER INCOME</b>						
Realized and unrealized gains on investments	168,647	776,672	945,319	285,885	1,037,868	1,323,753
Accumulated trust earnings distributions	153,347	(153,347)	-	361,765	(361,765)	-
Total Other Income	321,994	623,325	945,319	647,650	676,103	1,323,753
Change In Net Assets	(1,611,288)	392,330	(1,218,958)	(3,645,559)	1,573,029	(2,072,530)
<b>NET ASSETS - BEGINNING OF YEAR</b>	5,803,068	7,447,157	13,250,225	9,448,627	5,874,128	15,322,755
<b>NET ASSETS - END OF YEAR</b>	\$ 4,191,780	\$ 7,839,487	\$ 12,031,267	\$ 5,803,068	\$ 7,447,157	\$ 13,250,225

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,218,958)	\$ (2,072,530)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Write-offs of bad debt	462,274	211,546
Change in allowance for credit losses	(26,154)	(20,390)
Depreciation and amortization	1,886,472	1,613,234
Non cash lease income	-	(4,515)
Non cash interest expense associated with debt issuance costs	9,165	15,331
Net unrealized (gains) on beneficial interest in trusts	(677,200)	(993,385)
Net realized and unrealized (gains) on investments	(206,080)	(285,885)
Net realized and unrealized (gains) on benevolent fund	(62,039)	(44,483)
Amortization of entrance fees and life care credits, net of contractual adjustments	(1,113,320)	(528,435)
Life care credits given to (used by) residents	(57,944)	57,944
Loss on disposal of property and equipment	-	2,707
Change in present value discount on pledges receivable	(5,691)	9,300
Decrease in pledges receivable	50,000	50,000
(Increase) in patient and residents accounts receivable	(179,902)	(1,136,823)
Decrease in other receivables	-	929,656
(Increase) decrease in prepaid expenses	(15,585)	10,587
(Increase) in inventory	(26,605)	(681)
Increase in accounts payable and other liabilities	1,145,897	913,710
(Increase) in captive insurance collateral deposit	(30,635)	-
Net Cash (Used In) Operating Activities	<u>(66,305)</u>	<u>(1,273,112)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(216,890)	(2,187,205)
Change in operating reserve	-	(21,887)
Deposits made to investment accounts	(47,325)	(354,208)
Net investment income used to purchase investments	(192,419)	(44,483)
Disbursements from investments and beneficial interest in trusts	1,113,847	361,765
Net Cash Provided By (Used In) Investing Activities	<u>657,213</u>	<u>(2,246,018)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from deferred entrance fees, net of refunds	674,972	1,272,442
Net borrowings (repayments) on line of credit	-	95,000
Proceeds from notes payable	-	3,794,000
Payments on notes payable	(499,566)	(1,785,272)
Payments on finance lease obligations	(52,131)	(66,668)
Net Cash Provided By Financing Activities	<u>123,275</u>	<u>3,309,502</u>
Net Increase (Decrease) In Cash and Cash Equivalents	714,183	(209,628)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,068,463</u>	<u>1,278,091</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,782,646</u>	<u>\$ 1,068,463</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 792,763	\$ 670,658
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of equipment through direct lease financing	\$ -	\$ 283,385
Conversion of line of credit to note payable	1,192,000	-
<b>ENDING CASH BALANCE RECONCILIATION</b>		
Cash and cash equivalents	\$ 322,580	\$ 251,193
Cash and cash equivalents - assets whose use is limited	979,888	817,198
Operating reserve, less board designated investments of \$2,401,505 in 2024 and \$2,727,579 in 2023	480,178	72
<b>TOTAL ENDING CASH BALANCE</b>	<u>\$ 1,782,646</u>	<u>\$ 1,068,463</u>

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

---

#### ***Nature of Activities***

Fahrney-Keedy Memorial Home, Inc. (the Home) is a continuing care retirement community (CCRC) providing housing, health care, and other related services. The Home has 41 cottages, 24 apartments, 50 assisted living beds, 98-bed skilled nursing facility, and a community center located in Boonsboro, Maryland. The Home was incorporated in the state of Maryland in 1905.

In October 2022 the Home acquired Coffman Nursing Home, Inc. (Coffman). Coffman is a 60-bed facility incorporated in 1962 in the State of Maryland to provide skilled nursing care and rehabilitation services for residents.

Unless otherwise stated, the entities are collectively referred to as “the Home.”

#### ***Basis of Accounting***

The financial statements are prepared on the accrual method of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

#### ***Financial Statement Presentation***

The Home reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

#### ***Cash and Cash Equivalents and Assets Whose Use is Limited***

Cash and cash equivalents include cash in banks and short-term, highly-liquid investments with original maturities of three months or less. Periodically during the year, cash balances may have exceeded federally insured limits. The Home has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash and cash equivalents. There is \$979,888 and \$817,198 of cash labeled as assets whose use is limited on the statements of financial position at December 31, 2024 and 2023, respectively, for reserve requirements on the Home’s notes payable, unemployment compensation reserve requirement, funds held in an account for the independent living residents’ association, funds restricted by donors, and collateral on notes payable held in escrow. See Note 5 for additional information on the Home’s reserve requirements.

#### ***Receivables and Allowance for Credit Losses***

Accounts receivable arise from services rendered to residents which are billed either to the residents, insurance companies or to governmental agencies. These receivables are stated at the amount management expects to collect from the outstanding balances. The Home utilizes the reserve method of accounting for uncollectible accounts receivable. The allowance for credit losses is based on collectability of delinquent accounts, forecasted economic trends, and management judgment. Receivables are charged off against the allowance when, in the judgment of management, it is unlikely they will be collected. Recoveries of receivables previously written off are recorded when received.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### ***Receivables and Allowance for Credit Losses (Continued)***

Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for credit losses. For receivables associated with services provided to residents who have third-party coverage, the Home analyzes contractually due amounts and provides an allowance for credit losses and a provision for credit losses, if necessary. For receivables associated with private-pay residents, the Home records a provision for credit losses in the period of service on the basis of its past experience and other industry, geographic, and economic indicators, which indicate that some residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for credit losses.

Based on its analysis of the collectability of accounts receivable, management has established an allowance for credit losses of \$223,553 and \$249,707 as of December 31, 2024 and 2023, respectively.

#### ***Inventory***

Inventory is recorded using the specific identification method. The Home measures inventory at the lower of cost or net realizable value.

#### ***Future Service Obligations***

Accounting principles generally accepted in the United States of America require that facilities with continuing care contracts evaluate and accrue losses contingent in their resident contracts. The nature of the Home's continuing care contracts is such that the future costs to provide care is not expected to exceed the future cash flows of those contracts. Accordingly, no accrual is required as of December 31, 2024 and 2023.

#### ***Property and Equipment***

Property and equipment are stated at cost. All property and equipment that costs at least \$2,500 and has a useful life greater than one year is capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Buildings and improvements	10-50 years
Cottages	20-50 years
Equipment	3-10 years
Furniture & fixtures	5-10 years
Software	3-5 years
Vehicles	5 years

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### *Property and Equipment (Continued)*

Expenditures for maintenance, repairs, and improvements, which do not materially extend the useful lives of the assets, are expensed as incurred. When items of property and equipment are removed from service, the cost of the asset and related accumulated depreciation is removed from the accounts. Any gain or loss resulting from the removal from service is taken into current period earnings. Construction in progress is the accumulation of costs of capital assets during the construction phase and will not be depreciated until the project is complete and the assets are placed in use.

#### *Investments*

Investments with readily determinable fair market values are reported at fair market value in the statements of financial position. Realized and unrealized gains and losses are reported as other income in the statements of activities.

Management reviews the Home's investment portfolio performance at least quarterly, including evaluation of any available for sale debt securities in an unrealized loss position for possible impairment. A debt security is deemed impaired if the fair value of the investment is less than its amortized cost. In this evaluation, consideration is given to the issuer of the securities and their creditworthiness, any changes to the rating of the security and any adverse conditions specifically related to the security, among other factors. Also, the business and financial outlook of the issuer, as well as broader economic performance indicators, may be evaluated. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized as unrealized losses in the statements of operations and changes in net assets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the available for sale debt security is confirmed as uncollectible or when there is an intent or requirement to sell the security. The Home has elected to exclude accrued interest receivable on available for sale debt securities from the allowance for credit losses calculation. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days past due. The receivable for interest income that is accrued but not collected is reversed against interest income when the debt security is placed on nonaccrual status. The Home does not have any investments that it considers to be impaired at December 31, 2024 that require an allowance for credit losses.

The Home invests in professionally managed portfolios that contain corporate stocks, mutual funds, bonds of publicly-traded companies, and money market funds. Such investments are exposed to various risks such as interest rate, market, currency and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### *Patient Service Revenue*

Patient service revenue is reported at the amount that reflects the consideration the Home expects to receive in exchange for the services provided. Approximately 58% and 60% of patient service revenue in 2024 and 2023, respectively, were derived under federal and state third-party reimbursement programs. Patient service revenue is recorded at net realizable amounts from patients and third-party payors for services rendered.

Revenue under third-party payor agreements is subject to examination and retroactive adjustment. A provision for estimated third-party payor settlements is provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in the statements of activities in the year of settlement. Contractual allowances amounted to \$6,537,285 and \$5,799,127 for the years ended December 31, 2024 and 2023, respectively.

Performance obligations are determined based on the nature of the services provided. Patient service fee revenue is recognized as performance obligations are satisfied. The performance obligations inherent within the services the Home provides are typically satisfied within specific measurable time periods or through the delivery of a service that is immediately consumed by a customer.

Nursing care, personal care, and independent living are considered to be senior living residency services. Under the senior living residency agreements, services are provided to residents for a stated daily or monthly fee. The Home has determined the senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

In addition to senior living residency services, the Home also offers several ancillary service programs which include physical therapy, occupational therapy, speech therapy, and restorative therapy and enters into contracts to provide these ancillary services. Each service provided under these contracts is capable of being distinct. Accordingly, these services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized as services are provided.

The Home also provides goods and services to residents and non-residents that do not require specific contracts. This includes certain medical ancillary services, pharmacy, beauty and barber services, meals, laundry, transportation, communications services, home based community service, and adult day care. These goods and services are typically provided in a retail setting, where the performance obligations are satisfied, and the revenue recognized once the goods and services have been delivered to or consumed by the customer.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### *Patient Service Revenue (Continued)*

The Home's admissions process for senior living residency services includes a credit assessment of the prospective resident and obtaining an understanding of available third-party reimbursement from health insurers and government programs for the prospective resident. These evaluations typically occur prior to the provision of services. Acceptance of the prospective resident's credit status and applicable coverage from third party payors may require the Home to accept discounts from established billing rates. These discounts for senior living residency services represent explicit price concessions to the transaction price and are recorded as a reduction from resident service revenue.

The Home receives a significant portion of its revenue from Medicare, Medicaid and other third-party payors that receive discounts from established billing rates. Settlements with third party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing services. The Home estimates the transaction price based on terms of the contract with the payors, correspondence with the payors, and historical payment trends. Retroactive adjustments are recognized in future periods as final settlements are determined. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2024 and 2023. Laws and regulations governing Medicare, Medicaid, and other third-party programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Contract receivables from contracts with customers totaled \$2,140,668, net of allowance, at January 1, 2023. Contract liabilities from contracts with customers totaled \$4,663,486 at January 1, 2023.

#### *Financing Component*

The Home has elected the practical expedient allowed under generally accepted accounting principles for revenue recognition and does not adjust the promised amount of consideration from residents or third-party payors for the effects of a significant financing component due to the Home's expectation that the period between the time the service is provided to a resident and the time the resident or third-party payor pays for the service will be one year or less. The Home also enters into independent living contracts which provide for payments at the time of inception and are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the individual contract holders. In these instances, the financing component is not deemed to be significant to the contract.

#### *Contract Costs*

The Home has applied the practical expedient allowed under generally accepted accounting principles for contracts with customers. As a result, all incremental contract acquisition costs are expensed as they are incurred, as the amortization period of the asset the Home would have recognized is one year or less.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### ***Due to Third-Party Payors***

Due to third-party payor represents the estimated settlement amounts due to the Medicare and Medicaid programs. These reports are subject to verification, leading to a final settlement. As of the years ended December 31, 2024 and 2023, no settlement amounts were due to or from third party payors.

#### ***Debt Issuance Costs***

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight line method which is not materially different than the effective interest method.

#### ***Deferred Revenue***

As required under accounting principles generally accepted in the United States of America, the Home recognizes revenue from entrance fees received over the life expectancy of the residents (see Note 8). The unamortized entrance fees are classified as deferred revenue in the statements of financial position.

#### ***Contributions***

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give support are recognized as receivables and as corresponding contribution revenue in the year the pledges are made. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event, are not recognized as revenue until the condition has been met.

#### ***Benevolent Care***

The Home provides care to residents who meet certain criteria under its benevolent care policy without charge or at amounts less than its established rates. Because the Home does not pursue collection of amounts determined to qualify as benevolent care, they are not reported as revenue. The Home's estimated annual cost of providing charity care for the years ended December 31, 2024 and 2023 was \$3,378,685 and \$4,671,742, respectively.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### ***Recognition of Donor Restrictions***

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. Upon the expiration of a restriction, net assets with donor restriction are reclassified to net assets without donor restriction in the statements of activities.

#### ***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Income Taxes***

The Home is exempt from federal income taxes under IRC §501(c)(3). Accordingly, no provision for income taxes is reflected in these financial statements. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Home had no net unrelated business income for the years ended December 31, 2024 and 2023.

The Home follows the FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The Home's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. The Home's income tax returns are subject to examination by the Internal Revenue Service and state and local taxing authorities, generally for a period of three years after the returns are filed.

#### ***Reclassification***

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements in order to make the December 31, 2023 amounts conform to classifications used for year ended December 31, 2024.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### *Net Assets with Donor Restriction*

Net assets with donor restriction are those whose use by the Home has been limited by donors to a specific time period or purpose or are required by the donor to be maintained in perpetuity. During 2021, the Home established a benevolent fund to be maintained in perpetuity. During 2023 and 2024, the Home also received donations restricted for specific purposes. These funds are restricted to be used for benevolent care, though the amounts are not required to be maintained in perpetuity. As eligible costs are incurred, these amounts are released from restriction. The remaining net assets with donor restriction are the Home's beneficial interests in three trusts, which are further described in Note 14. At December 31, 2024 and 2023, the Home had \$615,026 and \$896,926, respectively, in net assets restricted for a specific purpose, and \$7,224,461 and \$6,550,231, respectively, in net assets restricted in perpetuity.

Following is a breakdown of assets that fund these donor restrictions at December 31:

	<b>2024</b>	<b>2023</b>
Beneficial interest in trusts	\$ 7,063,117	\$ 6,388,887
Benevolent fund - restricted in perpetuity	161,344	161,344
Investments - restricted for benevolent fund	294,172	571,112
Pledges receivable	136,444	180,753
Restricted cash	184,410	145,061
	<u>\$ 7,839,487</u>	<u>\$ 7,447,157</u>

### NOTE 2 LIQUIDITY AND AVAILABILITY

---

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<b>Financial Assets at Year-End</b>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents (unrestricted)	\$ 322,580	\$ 251,193
Resident and other receivables, net of allowance	3,205,264	3,461,482
	<u>\$ 3,527,844</u>	<u>\$ 3,712,675</u>

Fahrney-Keedy regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Fahrney-Keedy has various sources of liquidity at its disposal, including cash and cash equivalents, resident and other accounts receivable, and pledges receivable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Fahrney-Keedy considers all expenditures related to its ongoing activities of resident care as well as the conduct of services undertaken to support those activities to be general expenditures.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 2 LIQUIDITY AND AVAILABILITY

---

In addition to financial assets available to meet general expenditures over the next 12 months, Fahrney-Keedy operates with a Board-approved budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization also receives annual distributions from three trusts. While future cash flows cannot be estimated, the average distribution over the past three years has been approximately \$288,000 per year. The Home is also a recipient of distributions from a charitable trust. While distributions are discretionary, the Home has consistently received distributions over the past three years, the average of which has been approximately \$56,000 per year.

### NOTE 3 INVESTMENTS

---

Investments, at fair value, are included in the operating reserve and in other assets, and consist of the following at December 31:

	2024	2023
Corporate stocks	\$ 385,795	\$ 328,550
Mutual funds	54,251	58,558
Fixed income	507,158	713,181
Exchange-traded funds	1,818,757	2,144,994
Real assets	1,845	1,604
Cash and money market funds	389,215	513,148
	<u>\$ 3,157,021</u>	<u>\$ 3,760,035</u>

In an effort to preserve unrestricted cash and continue to increase the Home's CCRC reserve to meet state-mandated requirements, the Board designated the Leonard Mathias endowment investment with a balance of \$507,900 and \$463,904 at December 31, 2024 and 2023, respectively, to be used toward the CCRC reserve requirements. As a result, \$507,900 and \$408,432 of the total investment balance, was reclassified to operating reserve on the statements of financial position for the years ended December 31, 2024 and 2023, respectively. The remaining CCRC operating reserve is funded through other liquid and unrestricted investments and unrestricted cash. See Note 9 for further details of the Home's operating reserve calculation.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 4 PROPERTY AND EQUIPMENT

---

Property and equipment consisted of the following at December 31:

	<b>2024</b>	<b>2023</b>
Land	\$ 672,493	\$ 672,493
Buildings and improvements	40,227,984	36,444,677
Cottages	6,084,061	5,956,729
Equipment	2,387,464	2,195,190
Furniture & fixtures	2,170,096	2,160,775
Software	657,123	546,266
Vehicles	352,679	352,679
Construction in progress	624,288	4,630,489
	<u>53,176,188</u>	<u>52,959,298</u>
Less accumulated depreciation	<u>(26,461,203)</u>	<u>(24,643,572)</u>
Property and Equipment, Net	<u>\$ 26,714,985</u>	<u>\$ 28,315,726</u>

Depreciation expense for the years ended December 31, 2024 and 2023, was \$1,817,631 and \$1,603,431, respectively.

### NOTE 5 NOTES PAYABLE

---

Notes payable at December 31, 2024 and 2023 consist of the following:

	<b>2024</b>	<b>2023</b>
Note payable, USDA (wastewater facility) payable in monthly installments of \$8,824, including interest at a fixed rate of 3.38% through June 2052, secured by all assets of the Home (see following paragraph a)	\$ 1,894,919	\$ 1,936,099
Note payable, USDA (wastewater facility) payable in monthly installments of \$4,220, including interest at a fixed rate of 2.00% through June 2052, secured by all assets of the Home (see following paragraph a)	560,691	599,694
Note payable, USDA (water tank) payable in monthly installments of \$2,744, including interest at a fixed rate of 2.13% through May 2055, secured by all assets of the Home (see following paragraph b)	735,112	749,311
Note payable, USDA (adult day care) interest only payments due first two years at a fixed rate of 3.25%. Remaining monthly payments of \$22,225 are due through June 2049 (see following paragraph d)	4,510,977	4,629,188
Note payable, USDA (adult day care supplemental) interest only payments due first two years at a fixed rate of 3.50%. Remaining monthly payments of \$2,285 are due through June 2049 (see following paragraph d)	451,530	462,976

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 5 NOTES PAYABLE (CONTINUED)

---

	<u>2024</u>	<u>2023</u>
Note payable, USDA (memory care) Interest only payments due first two years at a fixed rate of 3.25%. Remaining monthly payments of \$32,329 are due through June 2049 (see following paragraph e)	6,561,576	6,733,526
Note payable, USDA (memory care supplemental) interest only payments due first two years at a fixed rate of 3.50%. Remaining monthly payments of \$3,327 are due through June 2049 (see following paragraph e)	657,455	674,123
Note payable, Fulton Bank (roof loan) payable in monthly installments of \$2,584, including interest at a fixed rate of 5.74% through February 2033, secured by all assets of the Home (see following paragraph f)	393,953	401,729
Note payable, USDA (stormwater infrastructure) payable in monthly installments of \$2,995 including interest at a fixed rate of 1.38% through June 2063, secured by all assets of the Home (see following paragraph c)	1,073,597	1,094,618
Note payable, USDA (stormwater infrastructure) payable in monthly installments of \$3,716, including interest at a fixed rate of 1.25% through June 2063, secured by all assets of the Home (see following paragraph c)	1,361,061	1,388,454
Note payable, USDA (stormwater infrastructure) payable in monthly installments of \$3,129, including interest at a fixed rate of 2.25% through December 2063, secured by all assets of the Home (see following paragraph g)	<u>971,500</u>	<u>987,000</u>
	\$ 19,172,371	\$ 19,656,718
Less unamortized debt issuance costs	(221,285)	(230,449)
Less current maturities	<u>(501,617)</u>	<u>(487,030)</u>
	<u>\$ 18,449,469</u>	<u>\$ 18,939,239</u>

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 5 NOTES PAYABLE (CONTINUED)

---

- (a) The Home entered into a commitment with USDA to provide permanent financing on a new wastewater treatment facility which was completed in 2012. The first loan for \$2,322,000 requires monthly principal and interest payments of \$8,824 beginning on July 28, 2012 until maturity on June 28, 2052. The interest rate on this loan is fixed at 3.38%. Interest paid on this loan was \$64,708 and \$66,073 for the years ended December 31, 2024 and 2023, respectively. The second loan is for \$1,370,000; however, only \$965,232 was drawn on the loan. The loan requires monthly principal and interest payments of \$4,220 beginning on July 28, 2013 until maturity on June 28, 2052. The interest rate on this loan is fixed at 2%. Interest paid on this loan was \$11,637 and \$12,409 for the years ended December 31, 2024 and 2023, respectively. Collateral on these two loans are all assets of the Home. As part of these loan agreements, the Home established a reserve account at a local bank, in which the balance was \$596,275 and \$508,913 at December 31, 2024 and 2023, respectively. This reserve account is recorded in cash and cash equivalents-restricted on the statements of financial position at December 31, 2024 and 2023.
- (b) In 2014, the Home began construction of a water tank to comply with regulations regarding adequate water supply to support the operation of the facility. This project was funded by the Home until completion. At completion in May 2015, permanent financing was provided by USDA. The USDA financing consists of a 40 year loan for \$885,000, requiring monthly payments of \$2,744, including interest at 2.13% and a grant in the amount of \$291,000. Interest paid on this loan was \$15,818 and \$16,178 for the years ended December 31, 2024 and 2023, respectively. Collateral on this loan are all assets of the Home.
- (c) In July 2022, The Home had obtained temporary financing with First United Bank for the extension of Mountainview Road and a stormwater management project, including new water and sewer facilities, and a new stormwater drainage system and bioretention ponds. The original commitment for this loan was \$2,507,000 and required monthly interest payments through July 2023. The interest rate was equal to floating prime plus 0.25% with a floor of 4.5%. Interest totaling \$12,014 was capitalized for this project for the year ended December 31, 2023. In June 2023 permanent financing through the USDA was obtained (\$1,105,000 under the original loan, \$1,402,000 under a subsequent loan, and \$1,120,000 under a third and final loan, of which \$133,000 was de-obligated subsequent to year-end; see "(g)" for further details on the third loan). The interest rate on the USDA loan is fixed at 1.25%. Total interest on the USDA loan was \$17,199 and \$16,338 for the years ended December 31, 2024 and 2023, respectively. As part of this loan agreement, the Home established a reserve account at a local bank, in which the balance was \$596,275 and \$508,913 at December 31, 2024 and 2023, respectively. This reserve account is recorded in cash and cash equivalents-restricted on the statements of financial position at December 31, 2024 and 2023. These notes payable also contain certain loan covenants that the Home is required to meet. At December 31, 2024, the Home did not meet all required financial covenants; however, USDA determined that failure to meet the covenant would not cause the loans to be in default.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 5 NOTES PAYABLE (CONTINUED)

---

- (d) In 2018, the Home obtained temporary financing with First United Bank for construction of an adult day care center. In July 2019 permanent financing through the USDA was obtained with a total commitment of \$4,800,000. The interest rate on the First United Bank loan was variable at the Wall Street Journal Prime rate + 50 basis points, adjusted monthly. USDA interest is based on a fixed rate of 3.25%. Total interest on the USDA loan for 2024 and 2023, respectively, was \$148,693 and \$152,468. A supplemental loan for the adult day care center was also obtained through the USDA with a total commitment of \$489,000. Interest on the USDA supplemental loan is based on a fixed rate of 3.50%. Total interest on the USDA supplemental loan for 2024 and 2023, respectively was \$16,021 and \$16,414. As part of this loan agreement, the Home established a reserve account at a local bank, in which the balance was \$596,275 and \$508,913 at December 31, 2024 and 2023, respectively. This reserve account is recorded in cash and cash equivalents-restricted on the statements of financial position at December 31, 2024 and 2023. These notes payable also contain certain loan covenants that the Home is required to meet. At December 31, 2024, the Home did not meet all required financial covenants; however, USDA determined that failure to meet the covenant would not cause the loans to be in default.
- (e) In 2018, the Home obtained temporary financing with First United Bank for the expansion and renovation of the Home's memory care building. In July 2019 permanent financing through the USDA was obtained with a total commitment of \$7,126,000. The interest rate on the First United Bank loan was variable at the Wall Street Journal Prime rate + 50 basis points, adjusted monthly. USDA interest is based on a fixed rate of 3.25%. Total interest on the USDA loan for 2024 and 2023, respectively was \$216,286 and \$221,777. A supplemental loan for the memory care building was also obtained through the USDA with a total commitment of \$712,000. Interest on the USDA supplemental loan is based on a fixed rate of 3.50%. Total interest on the USDA supplemental loan for 2024 and 2023, respectively was \$23,328 and \$23,900. As part of this loan agreement, the Home established a reserve account at a local bank, in which the balance was \$596,275 and \$508,913 at December 31, 2024 and 2023, respectively. This reserve account is recorded in cash and cash equivalents-restricted on the statements of financial position at December 31, 2024 and 2023. These notes payable also contain certain loan covenants that the Home is required to meet. At December 31, 2024, the Home did not meet all required financial covenants; however, USDA determined that failure to meet the covenant would not cause the loans to be in default.
- (f) As is further described in Note 19, Fahrney-Keedy assumed a roof loan as part of the Coffman acquisition. During this time, the loan in Coffman's name was paid off and subsequently refinanced under the Home's name. The new note was executed in February 2023, and the loan proceeds were in escrow at December 31, 2022. The note payable requires monthly principal and interest payments of \$2,584 beginning in March 2023 until maturity in February 2033. The interest rate is fixed at 5.74%. Total interest on the roof loan was for \$23,201 and \$19,283 for the years ended December 31, 2024 and 2023, respectively. Collateral on this loan is all assets of the Home.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 5 NOTES PAYABLE (CONTINUED)

---

(g) In December 2023, the Home obtained additional financing of \$987,000 for the Stormwater infrastructure project through the USDA. As noted in “(c)” above, \$1,120,000 was committed, with \$133,000 being de-obligated in January 2024. Interest is based on a fixed rate of 2.25%. Total interest on the loan for was \$22,048 and \$608 for the years ended December 31, 2024 and 2023, respectively. As part of this loan agreement, the Home established a reserve account at a local bank, in which the balance was \$596,275 and \$508,913 at December 31, 2024 and 2023, respectively. This reserve account is recorded in cash and cash equivalents-restricted on the statements of financial position at December 31, 2024 and 2023. These notes payable also contain certain loan covenants that the Home is required to meet. At December 31, 2024, the Home did not meet all required financial covenants; however, USDA determined that failure to meet the covenant would not cause the loans to be in default.

The principal payments on the notes payable for the next five years and thereafter are as follows:

<u>Years Ending December 31,</u>	
2025	\$ 501,617
2026	769,451
2027	532,208
2028	548,243
2029	565,192
Thereafter	<u>16,255,660</u>
	<u>\$ 19,172,371</u>

At December 31, 2024 and 2023, debt issuance costs of \$221,285 and \$230,449, respectively, are reported as a reduction from the face amount of the above debt. Those amounts include capitalized costs of \$338,834 less accumulated amortization of \$117,550 and \$108,385 at December 31, 2024 and 2023, respectively. Total amortization expense was \$9,165 and \$15,331 for the years ended December 31, 2024 and 2023, respectively.

### NOTE 6 FINANCE LEASE OBLIGATIONS

---

The Home follows Accounting Standards Update (ASU) 842. Under the standard, lessees are required to recognize a lease liability and right-of use asset for all leases, except for short-term leases, at the commencement date.

As allowed by ASU 2018-11, the Home elected certain practical expedients within the standard at the implementation date and consistent with such election, did not reassess whether any expired or existing contracts are or contain leases, did not reassess the lease classification for any expired or existing leases, and did not reassess any initial direct costs for existing leases.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 6 FINANCE LEASE OBLIGATIONS (CONTINUED)

---

Lease obligations represent the Home's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Home's incremental borrowing rate in effect at the commencement of the lease. Right-of-use assets represent the Home's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and, if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

The Home's lease agreements are all classified as finance leases. Certain leases do not offer options to extend the lease term; therefore, the lease obligation calculation is based on the current lease term as stated in the lease agreement. Leases that do include renewal options have been evaluated by management to determine the expected term of the lease, based on written terms of the lease agreement and management's prior history with owning/leasing similar assets. None of the lease agreements provide for residual value guarantees, nor do they have any restrictions or covenants that would impact the financial statements or require incurring additional financial obligations.

The Home's leased assets are all equipment. The terms of the leases vary and expire between 2025 and 2028.

Expenses related to leases are allocated to the program for which it relates, or management and general if not directly identifiable. Expenses incurred under leases are as follows:

Interest expense on the finance leases was \$15,800 and \$14,724 for the years ended December 31, 2024 and 2023, respectively. Amortization expense was \$68,841 and \$9,803 in 2024 and 2023, respectively. There were no variable lease costs. Cash paid for amounts included in the measure of lease obligations totaled \$52,131 and \$66,668 for the year ended December 31, 2024 and 2023, respectively.

The Home assumed an incremental borrowing rate of 7.3% in both 2024 and 2023 to discount the future minimum lease payments included in lease obligations. This discount rate was determined based on the Home's average borrowing rate.

The following is a schedule by years of future minimum lease payments due under the finance leases as of December 31, 2024:

<b>Year Ending December 31,</b>	
2025	\$ 65,594
2026	65,594
2027	65,594
2028	29,697
Total minimum lease payments	226,479
Less amount representing interest	(22,679)
Present value of minimum lease payments	203,800
Less current portion of finance lease obligations	(52,812)
Long-term portion of finance lease obligations	<u>\$ 150,988</u>

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 7 OPERATING LEASES

---

The Home has several short-term leases for office equipment and medical equipment that do not qualify for reporting under ASC 842. Rental expense for these leases amounted to \$80,618 and \$66,699 in 2024 and 2023, respectively.

### NOTE 8 DEFERRED REVENUE AND CREDITS DUE TO RESIDENTS

---

#### *Deferred Revenue*

Prior to occupancy in the Home's cottages and apartments, certain residents are required to purchase a life interest in the unit they select. If a resident's life interest in their unit is for less than five years due to death or departure, they are entitled to a refund, subject to certain conditions, based on the following calculation: entrance fee minus 1.667% of entrance fee multiplied by the number of months or partial months occupied.

Deferred revenue represents the unamortized portions of entrance fees received from residents. The entrance fees are amortized over the life expectancy of the residents.

#### *Credits Due to Residents*

Under certain contracts, if a resident of a cottage or apartment permanently transfers to an assisted living unit or to the skilled nursing facility during the first 12 years of occupancy, the resident is entitled to a lump-sum credit against which the monthly charges will be offset. The credit is a percentage of the entrance fee. The percentage is calculated by dividing the number of months remaining within the first 12 years of occupancy by 144 months. Beginning in 2018, new contracts no longer include this credit clause.

### NOTE 9 COMMITMENTS

---

#### *Operating Reserve*

Under State of Maryland Senate Bill 543, passed in 1996, the Home is required to maintain an operating reserve related to total expenses of its retirement community, net of depreciation, amortization, unusual and infrequent expenses, and changes in the obligation to provide future services. The reserve requirement is 25% of net operating expenses, effective January 1, 2023.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

### NOTE 9 COMMITMENTS (CONTINUED)

As of December 31, 2024 and 2023, the reserve was \$2,881,683 and \$2,727,651, respectively. This amount is calculated using total CCRC operating expenses as of the previous year (\$23,463,786 and \$20,346,577 for the 2024 and 2023 calculations, respectively), less Coffman expenses (\$6,574,406 and \$1,004,887, for the 2024 and 2023 calculations, respectively), less depreciation and amortization (\$1,328,057 and \$1,310,884 for the 2024 and 2023 calculations, respectively) and less interest expense (\$632,163 and \$573,853 for the 2024 and 2023 calculations, respectively), to arrive at net operating expenses of \$18,442,773 and \$17,475,963, for the 2024 and 2023 calculations, respectively. Coffman expenses were excluded from the calculation due to Coffman not operating under the Home's CCRC model. A pro-rata portion was calculated taking 135 units certified by the Department of Aging divided by 216 total units, for a percentage of 62.5%. This percentage was applied to net operating expenses for a revised net operating expense of \$11,526,733 and \$10,910,602 for 2024 and 2023, respectively. The required reserve was calculated at 25% of net operating expense, or \$2,881,683 for 2024 and \$2,727,651 for 2023. The reserve is funded through liquid and unrestricted cash and investments.

### NOTE 10 PATIENT SERVICE REVENUE

The Home's major payor sources consist of the Medicaid and Medicare programs, insurance and private pay individuals. Patient service revenue, net of contractual allowances provided (but before the recovery of bad debts), recognized in the statements of activities for the years ended December 31, 2024 and 2023 from these major payor sources is as follows:

	Medicare	Medicaid	Other	Total
<b>2024</b>				
Net patient service revenue	<u>\$ 4,969,382</u>	<u>\$ 8,867,793</u>	<u>\$ 10,377,561</u>	<u>\$ 24,214,736</u>
<b>2023</b>				
Net patient service revenue	<u>\$ 5,368,867</u>	<u>\$ 7,615,431</u>	<u>\$ 8,602,161</u>	<u>\$ 21,586,459</u>

The change in the Home's allowance for credit losses for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Allowance for credit losses, Beginning of Year	\$ 249,707	\$ 270,097
(Recovery of) bad debts	<u>(26,154)</u>	<u>(20,390)</u>
Allowance for credit losses, End of Year	<u>\$ 223,553</u>	<u>\$ 249,707</u>

The Home has agreements with third-party payors that provide for reimbursement to the Home at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the billings at established rates for services and amounts reimbursed by third-party payors. The Home's major third-party payors are Medicare and Medicaid.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 10 PATIENT SERVICE REVENUE (CONTINUED)

---

For the years ended December 31, 2024 and 2023, services rendered to Medicare program beneficiaries were reimbursed on a prospective payment system or fee schedule, depending on the medical services provided. Under the prospective payment system, The Home is reimbursed according to the beneficiaries' acuity level and services provided. Under the fee schedule, the Home is reimbursed the lesser of its charge or the allowable amount per the fee schedule.

Services rendered to Medicaid program beneficiaries are reimbursed based on a retrospective, time-weighted case-mix payment system. Under this system, the nursing facility's residents are categorized into peer groups, according to their clinical and functional status. Reimbursement rates are adjusted quarterly based on the change in case mix.

The Home recognizes patient service revenue associated with services provided to patients who have third party coverage on the basis of contractual rates for the services rendered. For uninsured private pay residents that qualify for charity care, the Home recognizes revenue on the basis of its standard rates for services provided, reduced by the estimated portion of the standard rate the patient is unable to pay. The estimated portion of the standard rate the resident is unable to pay is recognized as a charity care allowance. For uninsured private pay residents that do not qualify for charity care, the Home recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a portion of the Home's uninsured private pay residents that do not qualify for charity care will be unable or unwilling to pay for the services provided. The Home records a provision for credit losses related to these uninsured private pay patients in the period the services are provided.

Generally accepted accounting principles require organizations to disaggregate revenue from contracts with customers to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Home disaggregates its resident service revenue from contracts with customers by payor source and by service type.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

### NOTE 10 PATIENT SERVICE REVENUE (CONTINUED)

A reconciliation of patient service revenue by service type for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Net patient service revenue	\$ 24,214,736	\$ 21,586,459
Independent living revenue	504,336	594,042
Amortization of entrance fees	1,113,320	528,435
Resident services and other	465,423	879,641
	<u>\$ 26,297,815</u>	<u>\$ 23,588,577</u>
Resident care	\$ 27,248,648	\$ 24,259,080
Ancillary revenue from medical services	3,468,418	3,116,210
Entrance fee amortization, net of refunds	1,113,320	546,491
Service fees	95,546	552,925
Home based community and adult day care services	277,363	219,495
Meal sales	31,184	26,800
Medical supplies	87,461	31,005
Transportation	1,606	26,372
Non-medical rental revenue	3,210	3,381
Other	508,344	605,945
	<u>\$ 32,835,100</u>	<u>\$ 29,387,704</u>
Less: Contractual and charity care allowances	<u>(6,537,285)</u>	<u>(5,799,127)</u>
	<u>\$ 26,297,815</u>	<u>\$ 23,588,577</u>

### NOTE 11 RETIREMENT PLAN

Effective January 1, 2002, the Home established a retirement program under IRC §401(k) for the full-time employees of the Home who are at least 18 years of age with more than a 3-month period of service. Under the terms of the plan, employees may contribute pre-tax dollars up to 25% of compensation or the maximum deferral allowed by the IRC. The Home may make a matching contribution in an amount determined by the Board of Directors. In addition, the Home may also make discretionary contributions. Eligible plan participants' contributions are always 100% vested, whereas the Home's contributions become vested as follows:

Years of Service	Percentage
One year	20%
Two years	40%
Three years	60%
Four years	80%
Five years	100%

Pension expense under the 401(k) plan was \$137,763 and \$106,044 for the years ended December 31, 2024 and 2023, respectively.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

### NOTE 12 FUNCTIONAL CLASSIFICATION OF EXPENSES

The Home follows generally accepted accounting principles in classifying costs as program, management and general, or fundraising. Directly identifiable expenses are charged to services to residents and clients, and to fundraising. General and administrative expenses are those not directly identifiable with any specific function, but provide overall support to the Home. No costs are considered to be joint costs.

The following details the functional classification of expenses for the year ended December 31, 2024 and 2023.

For the year ended December 31, 2024:

	Program Services							Support Services			
	Nursing Care	Routine Service	Capital and Property Service	Other Patient Care	Independent Living	Adult Day Care	Staff Development	Total	General & Administrative	Fundraising	Total
Salaries	\$ 10,011,524	\$ 1,604,075	\$ -	\$ 623,215	\$ 125,191	\$ 250,359	\$ 73,339	\$ 12,687,703	\$ 1,243,807	\$ 89,019	\$ 14,020,529
Fringe Benefits and Payroll Taxes	1,656,964	271,555	-	101,565	34,788	47,744	34,520	2,147,136	345,019	20,494	2,512,649
Total Salaries & Related Expenses	11,668,488	1,875,630	-	724,780	159,979	298,103	107,859	14,834,839	1,588,826	109,513	16,533,178
Credit Loss Expense	462,274	-	-	-	-	-	-	462,274	-	-	462,274
Contract Services	2,263,607	2,104,112	-	7,112	113,321	1,994	1,970	4,492,116	680,226	6,791	5,179,133
Depreciation and Amortization	202,854	-	1,341,692	-	284,264	66,827	-	1,895,637	-	-	1,895,637
Dues & Subscriptions	6,193	-	-	688	(770)	3,312	-	9,423	41,963	100	51,486
Employee Costs	1,235	70	-	177	-	195	16,223	17,900	56,526	15,755	90,181
Equipment Rental	101,506	8,050	-	-	155	-	-	109,711	23,037	-	132,748
Food & Nutrition	12,301	205,571	-	153	-	39	-	218,064	3,694	-	221,758
Insurance	-	-	-	-	-	-	-	-	476,902	-	476,902
Interest Expense & Bank Fees	8,942	6,079	806,042	-	9	-	-	821,072	133,369	582	955,023
Licenses & Permits	1,115	352	-	(135)	83,702	(30)	-	85,004	28,273	-	113,277
Marketing & Advertising	-	-	-	-	-	10	-	10	42,712	698	43,420
Miscellaneous	7	690	-	197	25	341	-	1,260	(18,594)	2	(17,332)
Pharmacy & Drug Costs	558,596	-	-	-	-	-	-	558,596	-	-	558,596
Professional Services	63,076	37,681	-	1,615	-	337	-	102,709	657,928	-	760,637
Property Taxes	-	-	-	-	-	-	-	-	358,358	-	358,358
Repairs & Maintenance	28,347	285,139	-	207	35,239	12,563	-	361,495	102	-	361,597
Supplies	427,163	115,335	-	1,506	11,753	100	-	555,857	22,856	10,137	588,850
Travel and Meetings	243	115	-	119	-	-	-	477	444	-	921
Utilities, Cable & Telephone	20,164	577,089	-	-	33,608	784	-	631,645	28,012	-	659,657
	<u>\$ 15,826,111</u>	<u>\$ 5,215,913</u>	<u>\$ 2,147,734</u>	<u>\$ 736,419</u>	<u>\$ 721,285</u>	<u>\$ 384,575</u>	<u>\$ 126,052</u>	<u>\$ 25,158,089</u>	<u>\$ 4,124,634</u>	<u>\$ 143,578</u>	<u>\$ 29,426,301</u>

Nursing care expenses include bad debt expense, which is broken out separately on the statements of activities and changes in net assets.

**FAHRNEY-KEEDY MEMORIAL HOME, INC.**  
**Notes to Financial Statements**

**NOTE 12 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)**

For the year ended December 31, 2023:

	Program Services							Support Services			
	Nursing Care	Routine Service	Capital and Property Service	Other Patient Care	Independent Living	Adult Day Care	Staff Development	Total	General & Administrative	Fundraising	Total
Salaries	\$ 9,636,614	\$ 2,363,827	\$ -	\$ 568,905	\$ 139,550	\$ 254,542	\$ 101,637	\$ 13,065,075	\$ 1,323,736	\$ 101,696	\$ 14,490,507
Fringe Benefits and Payroll Taxes	1,671,895	333,572	-	96,951	63,615	80,679	83,063	2,329,775	251,510	21,977	2,603,262
Total Salaries & Related Expenses	11,308,509	2,697,399	-	665,856	203,165	335,221	184,700	15,394,850	1,575,246	123,673	17,093,769
Credit Loss Expense	211,546	-	-	-	-	-	-	211,546	-	-	211,546
Contract Services	2,193,516	279,515	-	3,048	112,544	6,739	1,846	2,597,208	607,844	258	3,205,310
Depreciation and Amortization	285,280	-	908,494	-	354,383	80,408	-	1,628,565	-	-	1,628,565
Dues & Subscriptions	24,038	-	-	696	-	3,503	-	28,237	17,787	2,376	48,400
Employee Costs	5,655	268	-	289	-	-	10,297	16,509	135,922	-	152,431
Equipment Rental	29,647	8,141	-	-	1,451	-	-	39,239	27,460	-	66,699
Food & Nutrition	6,404	691,415	-	166	-	657	-	698,642	-	-	698,642
Insurance	51,127	-	-	-	13,056	5,423	-	69,606	396,789	-	466,395
Interest Expense & Bank Fees	-	-	700,956	-	-	-	-	700,956	3,078	766	704,800
Licenses & Permits	4,212	25	-	-	-	-	-	4,237	42,046	-	46,283
Marketing & Advertising	-	-	-	1,954	-	-	-	1,954	101,444	923	104,321
Miscellaneous	841	3	-	55	-	-	-	899	215,199	-	216,098
Pharmacy & Drug Costs	580,956	-	-	-	-	-	-	580,956	-	-	580,956
Professional Services	63,069	137,632	-	3,395	604	1,154	-	205,854	410,782	-	616,636
Property Taxes	-	-	-	-	87,517	-	-	87,517	-	-	87,517
Provider Taxes	-	-	-	-	-	-	-	-	599,389	-	599,389
Repairs & Maintenance	24,269	295,111	-	400	67,725	20,337	-	407,842	700	-	408,542
Supplies	550,591	126,885	-	175	16,241	337	-	694,229	38,471	11,237	743,937
Travel and Meetings	1,014	-	-	1,016	252	-	47	2,329	1,068	-	3,397
Utilities, Cable & Telephone	18,696	493,396	-	-	34,298	760	-	547,150	37,497	-	584,647
	<u>\$ 15,359,370</u>	<u>\$ 4,729,790</u>	<u>\$ 1,609,450</u>	<u>\$ 677,050</u>	<u>\$ 891,236</u>	<u>\$ 454,539</u>	<u>\$ 196,890</u>	<u>\$ 23,918,325</u>	<u>\$ 4,210,722</u>	<u>\$ 139,233</u>	<u>\$ 28,268,280</u>

Nursing care expenses include bad debt expense, which is broken out separately on the statements of activities and changes in net assets.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 13 PATIENT CASH FUNDS

---

The Home acts in an agency capacity regarding the holding of patient cash funds. At December 31, 2024 and 2023, the Home was holding approximately \$22,514 and \$28,889, respectively, in patient funds, which have not been reflected in these financial statements.

### NOTE 14 BENEFICIAL INTEREST IN TRUSTS

---

The Home is the beneficiary of three trusts. These trusts provide for the distribution of all of the net income from the trusts to the Home, the timing of which is at the discretion of the trustees, to be used for the general welfare of the Home. The Home will remain a beneficiary of the trusts in perpetuity. The Home may not access the principal amounts of the trusts for operating expenditures.

Generally accepted accounting principles require not-for-profit beneficiaries of such trusts to record, as a contribution and asset, the present value of the estimated future cash receipts to be received from the trust, over the life of the trust. Due to the perpetual nature of the trusts, the future cash flows from these trusts cannot be estimated. Under such circumstances, not-for-profit entities are permitted to base the present value measurement on the fair market value of a trust's assets. Changes in the trust's fair market value are to be recorded as gains or losses with donor restrictions in the statements of activities.

The fair values of the trusts are as follows at December 31:

	<u>2024</u>	<u>2023</u>
Robert N. Boehner Trust	\$ 451,418	\$ 423,947
Harry D. Shelley Trust	972,898	919,415
Henry F. Graff Trust	<u>5,638,801</u>	<u>5,045,525</u>
	<u>\$ 7,063,117</u>	<u>\$ 6,388,887</u>

The values of these trusts have been reflected as an asset of the Home. Unrealized gains of \$677,200 and \$993,385, associated with the trusts' change in fair market value, and accumulated earnings distributions of \$153,347 and \$361,765 have been recognized for the years ended December 31, 2024 and 2023, respectively, in the statements of activities.

The Home is also an income beneficiary of the Mathias Washington County Charitable Trust. Based on the requirements of generally accepted accounting principles, the assets of this trust are not reflected on the statements of financial position of the Home. Income distributions of \$48,890 and \$52,984 have been recognized for the years ended December 31, 2024 and 2023, respectively, in the statements of activities.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 15 CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES

---

The Home receives revenue from Medicare, Medicaid, private insurance, private patients, and other third-party payors. The health care industry is experiencing the effects of the federal and state governments' trend toward cost containment, as government and other third-party payors seek to impose lower reimbursement and utilization rates and negotiate reduced payment schedules with providers.

It is not possible to fully quantify the effect of recent legislation, the interpretation or administration of such legislation, or any other government initiatives on the Home's business. Accordingly, there can be no assurance that any future health care legislation will not adversely affect the Home's business. There can be no assurance that payments under government and private third-party payor programs will be timely, will remain at levels comparable to present levels, or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Home's financial position and change in net assets may be affected by the reimbursement process, which in the Home's industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled.

The Home's investments are exposed to various risks, such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

In addition, recent economic uncertainty and market events have led to unprecedented volatility in currency, commodity, credit, and equity markets. These recent events underscore the level of investment risk associated with the current economic environment, accordingly the level of risk in the Home's investment portfolio.

### NOTE 16 FAIR VALUE MEASUREMENT

---

Accounting Standards Codification (ASC) 820 defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- **Level 1** – Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products, exchange traded equities, and certificates of deposit.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

### NOTE 16 FAIR VALUE MEASUREMENT (CONTINUED)

- Level 2** – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed securities and swap agreements.
- Level 3** – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity’s own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

In determining the appropriate levels, the Home performs a detailed analysis of the assets and liabilities that are subject to ASC 820.

Fair value of assets measured on a recurring basis at December 31 is as follows:

Description	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2024</b>				
Investments and Beneficial Interests in Trusts				
Equity Securities	\$ 2,247,145	\$ 2,247,145	-	-
Exchange-Traded Funds	1,961,061	1,961,061	-	-
Mutual Funds				
Diversified Emerging Mkts	272,324	272,324	-	-
Foreign Large Blend	394,120	394,120	-	-
Foreign Large Growth	316,508	316,508	-	-
Foreign Large Value	373,492	373,492	-	-
Large Blend	789,439	789,439	-	-
Large Growth	537,439	537,439	-	-
Large Value	284,545	284,545	-	-
Money Market Taxable	4,363	4,363	-	-
Multisector Bond	49,888	49,888	-	-
Small Growth	102,125	102,125	-	-
Small Value	196,686	196,686	-	-
Fixed Income	1,753,454	1,753,454	-	-
Real Assets	150,463	150,463	-	-
Hedge Funds	266,746	266,746	-	-
Cash and Money Market Funds	520,340	520,340	-	-
	10,220,138	10,220,138	-	-
Pledges receivable	136,444	-	-	136,444
<b>TOTAL ASSETS</b>	<b>\$ 10,356,582</b>	<b>\$ 10,220,138</b>	<b>\$ -</b>	<b>\$ 136,444</b>

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

### NOTE 16 FAIR VALUE MEASUREMENT (CONTINUED)

Description	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2023</b>				
Investments and Beneficial Interests in Trusts				
Equity Securities	\$ 2,588,222	\$ 2,588,222	-	-
Exchange-Traded Funds	2,271,926	2,271,926	-	-
Mutual Funds				
Diversified Emerging Mkts	302,894	302,894	-	-
Foreign Large Blend	493,239	493,239	-	-
Foreign Large Growth	173,744	173,744	-	-
Foreign Large Value	260,584	260,584	-	-
Large Blend	392,454	392,454	-	-
Large Growth	243,423	243,423	-	-
Large Value	179,282	179,282	-	-
Multisector Bond	47,327	47,327	-	-
Small Growth	97,506	97,506	-	-
Small Value	122,503	122,503	-	-
Fixed Income	1,995,768	1,995,768	-	-
Real Assets	131,329	131,329	-	-
Hedge Funds	249,250	249,250	-	-
Cash and Money Market Funds	599,471	599,471	-	-
	<u>10,148,922</u>	<u>10,148,922</u>	<u>-</u>	<u>-</u>
Pledges receivable	<u>180,753</u>	<u>-</u>	<u>-</u>	<u>180,753</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,329,675</u>	<u>\$ 10,148,922</u>	<u>\$ -</u>	<u>\$ 180,753</u>

The fair values for Level 1 equity securities, exchange-traded funds, mutual funds, fixed income, and real assets, hedge funds, and beneficial interest in trusts are determined by reference to quoted market prices and other relevant information generated by active market transactions. The fair values for Level 2 beneficial interest in trusts are determined by reference to quoted market prices of the underlying assets from quoted market prices of similar assets which are not as actively traded as Level 1 transactions. The fair values for Level 3 assets are determined by calculating the present value of the pledges expected to be received, using a discounted rate of 4.85% (4.15% in 2023).

The total unrealized gains for the assets, listed above, that are included in the change in net assets at December 31, 2024 and 2023 were \$951,010 and \$1,333,453, respectively. The total realized gains (losses) for the assets listed, above, that are included in the change in net assets at December 31, 2024 and 2023 were \$0 and \$0, respectively.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

### NOTE 16 FAIR VALUE MEASUREMENT (CONTINUED)

The changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows at December 31:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2024	2023
Beginning Balance	\$ 180,753	\$ 240,053
Payments received	(50,000)	(69,000)
Change in valuation	5,691	9,700
Ending Balance	<u>\$ 136,444</u>	<u>\$ 180,753</u>
The amount of total gains or losses for the period included in the changes in net assets	<u>\$ 5,691</u>	<u>\$ 9,700</u>

### NOTE 17 PLEDGES RECEIVABLE FROM CAPITAL CAMPAIGN

The Home periodically receives unconditional promises to give over a period beyond one year. Pledges receivable consist of the following as follows at December 31:

	2024	2023
Pledges Receivable, Beginning of Year	\$ 180,753	\$ 240,053
New pledges	-	-
Pledge payments	<u>(50,000)</u>	<u>(69,000)</u>
Gross pledges receivable	130,753	171,053
Present value adjustments	5,691	9,700
Pledges Receivable, End of Year	<u>\$ 136,444</u>	<u>\$ 180,753</u>
Receivable in less than one year	\$ 49,898	\$ 49,898
Receivable in one to five years	<u>100,000</u>	<u>150,000</u>
Total Pledges Receivable	149,898	199,898
Present value discount	<u>(13,454)</u>	<u>(19,145)</u>
	<u>\$ 136,444</u>	<u>\$ 180,753</u>

### NOTE 18 LINE OF CREDIT AND MARGIN LOAN

The Home had a line of credit from a local financial institution. The line had a credit limit of \$1,270,997 and was payable on demand with monthly interest payments due based on the Wall Street Prime Journal prime rate (8.5% at December 31, 2023) plus 50 basis points. The line of credit was secured by a subordinate lien on the Home's real property. The outstanding balance on the line of credit was \$1,192,000 at December 31, 2023. In November 2024, the Home executed a change in terms agreement to effectively create a five-year term loan based on the current outstanding balance of \$1,192,000. The loan calls for a one-time interest only payment of \$8,675 plus 59 monthly payments of principal and interest in the amount of \$11,851 and matures in November 2029. A balloon payment in the amount of \$961,077 is due upon maturity. The interest rate is fixed at 8.54% and collateral remains the same as the original line of credit. Interest expense totaled \$108,048 and \$95,324 for the years ended December 31, 2024 and 2023, respectively. Future principal payments on this loan are as follows:

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 18 LINE OF CREDIT AND MARGIN LOAN (CONTINUED)

---

**Years Ending December 31,**

2025	\$	42,029
2026		45,819
2027		49,950
2028		54,454
2029		984,530
	\$	<u>1,176,782</u>

In May 2023, the Home borrowed against one of its investment accounts by taking a margin loan in the amount of \$300,000. The loan requires interest only payments at 7.75%. Interest expense and interest accrued on the loan was \$49,056 and \$20,090 for the years ended December 31, 2024 and 2023, respectively. The loan is collateralized by the investment portfolio. Because securities pledged as collateral could decline in value, the loan could be called for partial debt repayment if the collateral value falls below a certain amount.

### NOTE 19 GOING CONCERN CONTINGENCY

---

As reported in the accompanying financial statements, the Home reported an operating loss in 2024 of \$2,164,277. Additionally, the Home has current liabilities totaling \$6.0 million, with only \$3.5 million of unrestricted and liquid current assets to cover these liabilities. For several consecutive years, days cash on hand and debt service coverage ratios have been insufficient to meet required debt covenants and the Home continues to show negative cash flows from operations.

The above factors create substantial doubt about the Home's ability to continue as a going concern within one year of the date of this report. Management has evaluated these conditions and has created a plan to mitigate the substantial doubt, which is summarized as follows:

#### **Cost Savings and Expense Management**

- An administrative restructuring completed in 2024 allowed the organization to reduce its leadership by 2 positions. Additionally, a review of staffing ratios identified areas of excess staffing, to which the organization responded by utilizing fewer contract staff. The organization is committed to further reducing labor costs appropriately, primarily in supervisory staff through attrition moving forward.
- Continuing the aggressive recruitment of staff to eliminate agency staffing remains a high priority. The organization has seen a steady decline in contract staff utilization. It is our goal to eliminate this in 2025.
- The facility has reviewed existing vendor contracts and made changes to reduce expenses moving forward into the 2025 fiscal year. Contracts are continually evaluated for potential cost savings.
- The organization implemented a robust and detailed budget development process to continue its cost-cutting measures into 2025 and beyond. Directors are accountable to their budget guidelines to ensure expenses are appropriately managed.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Financial Statements

---

### NOTE 19 GOING CONCERN CONTINGENCY (CONTINUED)

---

#### Revenue Cycle Enhancement

- Management has enacted a progressive plan to increase census in each of its business lines to increase revenue. Focused marketing efforts and working with referral sources has already increased skilled nursing census by 13% from 2024 at Coffman and by 9% at Fahrney-Keedy from 2024.
- The Independent Living expansion remains a high priority in the development of new revenue. Currently our model home is nearing completion, and we expect to be building new homes in 2025.
- Accounts receivable remains a high priority with aggressive collections of our past due accounts. The Finance department is transitioning to an in-house billing function rather than utilizing a contractor. This transition is expected to bring significant cost savings to the organization in 2025.
- Effective January 1, 2025 management increased skilled nursing private pay room and board rates by 5% and implemented independent living monthly service fee increases averaging 6.77% effective January 1, 2025.
- Medicaid reimbursement rates have already increased by over 8% at Coffman Nursing Home and over 3% at Fahrney Keedy in 2025 compared to the 2024 average.

Management believes the plans identified above will be effective in mitigating the risk that the Home will be unable to continue as a going concern.

### NOTE 20 LEGAL CONTINGENCIES

---

The Home has been named as a defendant in two lawsuits. Management has engaged legal counsel to represent the Home in both disputes. In both cases, the parties have expressed interest in resolving the dispute to avoid trial. However, if the matters go to trial and the Home is unsuccessful in defending against either or both claims, insurance coverage is available. Therefore, as of December 31, 2024, no accrual for legal contingency has been recorded.

Legal claims arise from time to time in the normal course of business. The Home's liability exposure is limited by insurance, which covers legal fees in addition to the liability coverage. In the opinion of management, any adverse legal outcomes, including the matter specified above, will have no material effect on the Home's financial statements.

### NOTE 21 SUBSEQUENT EVENTS

---

The Home has evaluated events and transactions subsequent to December 31, 2024 through April 28, 2025, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that require recognition or disclosure in the financial statements.

**FAHRNEY-KEEDY MEMORIAL HOME, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2024**

---

<b>Federal Grantor/Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Grant Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>DEPARTMENT OF AGRICULTURE</b>				
Direct Program:				
Community Facilities Loans and Grants Cluster:				
Community Facilities Loans and Grants	10.766	Adult Day Care Center	\$ -	\$ 5,092,165
Community Facilities Loans and Grants	10.766	Bowman Center	-	<u>7,407,649</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 12,499,814</u>

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Notes to Schedule of Expenditures of Federal Awards

---

### NOTE 1 BASIS OF PRESENTATION

---

The schedule of expenditures of federal awards (the Schedule) reflects the federal grant activity of Fahrney-Keedy Memorial Home, Inc. (Home) under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Home, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Home.

### NOTE 2 FISCAL PERIOD AUDITED

---

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended December 31, 2024.

### NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The accompanying Schedule, presented on the accrual basis of accounting, includes all federal grants and loan programs of the Home which had expenditures or continuing loan compliance requirements. This Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America.

The Home charges only direct costs to federal award programs and has not negotiated an indirect cost rate with grantors or elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

### NOTE 4 FEDERALLY FINANCED LOANS

---

The Home received permanent financing from the United States Department of Agriculture (USDA) under the Facilities Loans and Grants program (Assistance Listing #10.766) to construct an adult day care center and expand the Home's memory care unit.

A summary of the beginning loan program balance, current year expenditures and ending loan program balances related to the USDA Community Facilities Loans and Grants program commitment is as follows:

Loan Balance at December 31, 2023	\$ 12,499,814
Borrowings	-
Payments	<u>(318,276)</u>
Loan Balance at December 31, 2024	<u>\$ 12,181,538</u>



## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Fahrney-Keedy Memorial Home, Inc.  
Boonsboro, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fahrney-Keedy Memorial Home, Inc. (a non-profit organization) (Home), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2025.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the Home's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Home's internal control. Accordingly, we do not express an opinion on the effectiveness of Home's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## REPORT ON COMPLIANCE AND OTHER MATTERS

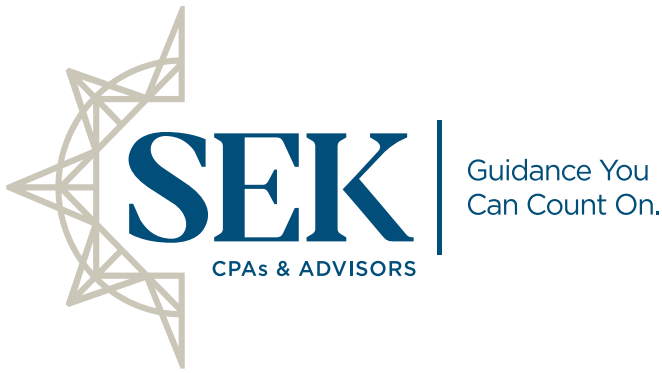
As part of obtaining reasonable assurance about whether the Home's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Home's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith Elliott Ream & Company, LLC*

Hagerstown, Maryland  
April 28, 2025



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Fahrney-Keedy Memorial Home, Inc.  
Boonsboro, Maryland

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### ***Opinion on Each Major Federal Program***

We have audited Fahrney-Keedy Memorial Home, Inc.'s. (Home's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Home's major federal programs for the year ended December 31, 2024. The Home's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Home complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Home and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Home's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Home's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Home's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Home's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Home's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Home's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Home's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item *2024-001*. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Home's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Home's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify an deficiencies in internal control over compliance that we consider to be material weaknesses, as identified above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Smith Elliott Keenan & Company, LLC*

Hagerstown, Maryland  
April 28, 2025

**FAHRNEY-KEEDY MEMORIAL HOME, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2024**

---

**SECTION I SUMMARY OF AUDITOR’S RESULTS**

---

**Financial Statements**

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ X _____ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ X _____ none reported
Noncompliance material to financial statements noted?	_____ yes	_____ X _____ no

**Federal Awards**

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	_____ X _____ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ X _____ none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ X _____ yes	_____ _____ no
--	-------------------	----------------

Identification of major programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

10.766

Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?	_____ yes	_____ X _____ no
--	-----------	------------------

**SECTION II FINANCIAL STATEMENT FINDINGS**

---

There were no financial statement findings.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Schedule of Findings and Questioned Costs

---

### SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

---

#### *CFDA #10.766 USDA Community Facilities Loans and Grants Continuing Compliance Requirement*

#### *Finding 2024-001 – Failure to Meet Required Loan Covenants*

**Criteria:** The USDA loan agreements require the Home to maintain a debt service coverage ratio of 1.25x and 65 days of unrestricted cash on hand, as of December 31, 2024.

**Condition:** At December 31, 2024, the Home did not meet either covenant. The Home has 36 days of unrestricted cash on hand as of December 31, 2024. The debt service coverage ratio was 0.32x as of December 31, 2024.

**Cause:** Due to increased expenses of the Home and negative operating cash flows, as well as certain cash balances which are restricted to use, management was unable to meet the loan covenants.

**Effect:** As a continuing compliance requirement, violation of a loan covenant could place the loan in default status, which could jeopardize future funding from the lender.

**Questioned Costs:** There were no questioned costs.

**Context:** The Home received multiple USDA loans which have ongoing continuing compliance requirements, including maintaining debt covenants.

**Repeat Finding:** This is a repeat finding.

**Recommendation:** We recommend management track cash flows monthly to ensure a minimum of 65 days cash on hand at the end of each six-month reporting period (every June 30<sup>th</sup> and December 31<sup>st</sup>). We further recommend expenses be managed in a way that will allow the Home to meet its debt service requirements.

**Views of Responsible Officials and Planned Corrective Action:** Management agrees with the above finding and has implemented a plan to reduce expenses and increase cash flows going forward. Specifically, we have outlined the following steps that we are taking as an organization to get back on track:

- Cash flow is monitored weekly and forecasted on a rolling 8-week basis.
- Existing vendor contracts were reviewed and changes made to reduce expenses moving forward into the 2025 fiscal year. Contracts are continually evaluated for potential cost savings.
- We implemented a robust and detailed budget development process to continue cost-cutting measures into 2025 and beyond. Directors are accountable to their budget guidelines to ensure expenses are appropriately managed.
- The 36-unit Independent Living expansion project remains a high priority. The model home construction is nearing completion, and new homes are expected to commence construction in 2025. The sale and occupancy of these units are expected to generate substantial future cash flows for the organization.

# FAHRNEY-KEEDY MEMORIAL HOME, INC.

## Schedule of Findings and Questioned Costs

---

- We continue to prioritize aggressive staff recruitment to eliminate agency staffing needs. While the organization has already seen a steady decline in contract staff utilization, it is our goal to fully eliminate agency staffing in 2025.
- An administrative restructuring completed in 2024 allowed the organization to reduce its leadership by 2 positions. Additionally, a review of staffing ratios identified areas of excess staffing, to which the organization responded by utilizing fewer contract staff. The organization is committed to further reducing labor costs appropriately, primarily in supervisory staff through attrition moving forward.
- Management enacted a progressive plan to increase census in each of its business lines to increase revenue, utilizing focused marketing efforts and referral partnerships.

### SECTION IV SCHEDULE OF PRIOR YEAR FINDINGS

---

#### *CFDA #10.766 USDA Community Facilities Loans and Grants Continuing Compliance Requirement*

##### *Finding 2023-001 – Failure to Meet Required Loan Covenants*

**Condition:** The USDA loan agreements require the Home to maintain a debt service coverage ratio of 1.25x and 65 days of unrestricted cash on hand as of December 31, 2023. At December 31, 2023, the Home did not meet either covenant. The Home has 41 days of unrestricted cash on hand as of December 31, 2023. The debt service coverage ratio was -.40x as of December 31, 2023.

**Current Status:** The Home did not meet either covenant for the year ended December 31, 2024. See Finding 2024-001.

## Attachment B

### Fahrney-Keedy Memorial Home Inc. Cash Flow Projections CCRC Renewal - 2025

	<u>2025</u>
<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 939,905
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Write-offs of bad debt	401,000
Depreciation and Amortization	1,879,356
Net realized and unrealized gains on investments	(648,000)
Amortization of entrance fees	(660,000)
(Increase) Decrease in operating assets:	
Pledges receivable	50,000
Patient and residents accounts receivable	(225,000)
Prepaid expenses	15,000
Inventory	(15,000)
Increase (Decrease) in operating liabilities:	
Accounts payable	(225,000)
Accrued expenses	(40,000)
Accrued payroll and benefits	5,000
Other current liabilities	(20,000)
 Net Cash provided by (used in) operating activities	 <u>1,457,261</u>
<b>Cash Flows from Investing Activities</b>	
Acquisition of property and equipment	(1,000,000)
Change in investment value	(172,000)
Change in trusts value	(400,000)
 Net Cash provided by (used in) investing activities	 <u>(1,572,000)</u>
<b>Cash Flows from Financing Activities</b>	
Proceeds from deferred entrance fees, net of refunds	900,000
New issuance of long-term debt	-
Net repayments of long-term debt	(502,000)
 Net Cash provided by (used in) financing activities	 <u>398,000</u>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 <u>283,261</u>
 <b>Cash and Cash Equivalents - Beginning</b>	 <u>1,782,646</u>
 <b>Cash and Cash Equivalents - Ending</b>	 <u>\$ 2,065,907</u>

# Attachment C



## Independent Living Services

Effective January 1, 2025

### Meals

	<b>Rate</b>	
<b>Meal Plan A</b> (1 meal per day)	\$ 218.00	per month
<b>Meal Plan B</b> (2 meals per day)	\$ 364.00	per month
<b>Meal Plan C</b> (3 meals per day)	\$ 485.00	per month
Avg price is \$5-6 per meal on meal plans		
Individual Meals	\$ 9.00	each
Holiday Meals	\$ 14.00	each
Meal delivery (Village-Lunch & Dinner)	\$ 4.00	each plus tax

### Non-Routine Maintenance Services

	<u>Minimum Rate</u>	<u>After minimum:</u>
<i>Scheduled</i>	\$ 12.00	per 1/4 hr Billed in 1/4 hr increments
Monday - Friday, 7:30am - 4:00pm		
Mileage	\$ 0.67	per mile All non emergency miles
Supplies	Prevailing rates	plus tax

### Landscaping Services

Level 1 mulch Annual	\$606	Cottage/Duplex
	\$183	Row apt/Cluster
Level 2 Mulch Annual	\$606	Ancillary beds around cottage property

### Transportation (Local)

Transportation (wheelchair)	\$ 62.00	1 hr min.	billed in 1/4 hr increments thereafter
Transportation (outside of local area)	\$ 121.00	1 hr min.	plus IRS mileage rate (currently \$.67/mile)

### Other

NSF fee for returned checks	\$ 46.00	each	
Lost keys	\$ 35.00	each	
Guest Regular Meals	\$ 9.00	each	plus tax
Holiday Guest Meals	\$ 14.00	each	plus tax

### Guest Room

1 person (includes breakfast)	\$ 79.00	day
2 persons (includes breakfast)	\$ 91.00	day
3 persons (includes breakfast)	\$ 102.00	day
4 persons (includes breakfast)	\$ 118.00	day

### Beauty Shop Charges

Men's Haircut	\$ 19.00
Womens Haircut (no shampoo)	\$ 19.00
Shampoo	\$ 10.00
Shampoo/Cut/Dry	\$ 24.00
Shampoo/Set	\$ 24.00
Curl Only	\$ 12.00
Perm (includes cut & set)	\$ 78.00
Shampoo/Cut and Dry/Curl	\$ 37.00
In Room Service (extra fee)	\$ 13.00
Shampoo/Color/Cut/Set	\$ 62.00
Facial Hair Trim/ Beard Trim	\$ 7.00



## Independent Living Services (cont.)

Effective January 1, 2025

### Companion Services (Non-Medical)

Includes Housekeeping

**\*Minimum 1 hr. service - no 1/4 or 1/2 hour increments**

		<u>Rate</u>	
<b>Hourly Charge</b>	Less than 4 hrs. per day	\$ 31.00	per hour

### In-Home Personal Care / Nursing Services

	<u>1/2 hr</u>	<u>1 hr</u>
Nursing Assistant / Med Tech	\$ 21.00	\$ 42.00
Medication Aide	\$ 24.00	\$ 48.00
Nurse	\$ 35.00	\$ 69.00

<u>Ala Carte Services</u>	<u>Rate</u>		
Blood Pressure Check	\$ 9.00	each	
Injections/Blood Sugar Check	\$ 14.00	each	
Flu Vaccine	per Medicare rate		
Wound dressings	per Market rate		
Labs- wound culture	\$24.00	Each	charges applied if supplies provided by FK
Wound Care Simple	\$12.00	Each	
Wound Care complex	\$24.00	Eacg	



**ENRICHING THE LIVES OF SENIORS**  
**Independent Living Rates**  
**Effective September 1, 2025**

We offer a variety of Independent Living options to suit your needs. We have everything from a one-bedroom apartment to a 2,500 square foot single home with two-car garage.

<u>Village Apartments</u>	<u>Entrance Fee</u>	<u>Monthly Fee</u>
One-Bedroom	\$114,345	\$636
Two-Bedroom	\$139,150	\$726
Two-Bedroom (Cluster)	\$185,130	\$787
<u>Single Homes</u>		
Two-Bedrooms, One Bath, + One-car garage, 1,000 sq. feet +	\$266,200 and up	\$968-1,210
<u>Aushman Apartments (main building)</u>		
One-Bedroom	\$181,500	\$1,150
Two-Bedroom	\$217,800	\$1,210

*Second person fee is \$125 per month for any apartment or cottage*

**What is covered by your monthly maintenance fee for homes, cottages and Village apartments?**

- |                 |                     |
|-----------------|---------------------|
| • Water         | • Snow Removal      |
| • Sewer         | • Chaplain Services |
| • Trash Removal | • Mowing            |

**Repairs to the home, such as, roofs, windows, electrical, plumbing, heating, air conditioning, etc.**

- Repairs or replacement of appliances supplied by the Community
- Transportation for group shopping & activities
- Access to Emergency Nursing Response.
- Onsite Medical Clinic is available 1-day week
- Non-emergency Nursing Service must be scheduled

***Charges for electric, telephone, reimbursement of property taxes and cable TV are the responsibility of the Resident.***

**Additional services covered for Aushman Apartments:**

- |  |                     |
|--|---------------------|
| • Centralized Heat and Air Conditioning    | • Cable TV          |
| • Property Taxes (included in monthly fee) | • Nurse Call System |

**Other Services Available at an Additional Fee**

- |                                 |                                     |
|---------------------------------|-------------------------------------|
| • Meals in the Dining Room      | • Housekeeping and Laundry Services |
| • Beauty Shop / Barber Services | • Transportation                    |

**Meal Plans are Available for an Additional Fee**

One Meal per Day \$198 / month (plus tax)  
Two Meals per Day \$331 / month (plus tax)  
Three Meals per Day \$441 / month (plus tax)

**Guest Room**

1 person - \$72 (includes breakfast); for two persons, \$83; for three, \$93; for four, \$107.

**Entrance Fee (E.F.)**

This is a one-time payment that, along with the Monthly Fee, covers a lifetime lease on the Independent Living cottage or apartment of your choice. Refund provisions are described below.

A. If you live in your cottage or apartment for less than 5 years and leave, either by death or by choice, you will be due a partial refund.

Year 1: 80%, Year 2: 60%, Year 3: 40%, Year 4: 20% Year 5: 0%  
After 60 months there is no cash refund.

***Carefully read the Residency Agreement for the conditions that must be satisfied before Fahrney-Keedy Home & Village is required to pay the Entrance Fee refund.***