



THE MYRON STRATTON HOME

Financial Statements

For the Year Ended December 31, 2019

And

Independent Auditors' Report

THE MYRON STRATTON HOME

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Myron Stratton Home

We have audited the accompanying financial statements of The Myron Stratton Home (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Myron Stratton Home as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Myron Stratton Home's 2018 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 29, 2019. In our opinion, the summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

April 28, 2020

THE MYRON STRATTON HOME

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019 (with comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,331,263	\$ 1,303,927
Receivables		
Royalties	1,192,973	1,166,407
Interest and dividends	581,788	24,931
Other	82,553	121,201
Supplies and prepaid expenses	113,676	90,756
Note receivable	800,000	
Investments	177,959,134	152,858,845
Home property, net	<u>25,284,747</u>	<u>25,766,123</u>
TOTAL	<u>\$ 207,346,134</u>	<u>\$ 181,332,190</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	566,924	536,762
Grants payable	100,000	65,000
Promises to give payable - Consortium	<u>367,208</u>	<u>655,709</u>
Total liabilities	<u>1,034,132</u>	<u>1,257,471</u>
 NET ASSETS		
Without donor restrictions	202,889,124	176,795,704
With donor restrictions	<u>3,422,878</u>	<u>3,279,015</u>
Total net assets	<u>206,312,002</u>	<u>180,074,719</u>
TOTAL	<u>\$ 207,346,134</u>	<u>\$ 181,332,190</u>

See notes to financial statements.

THE MYRON STRATTON HOME

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restriction	With Donor Restriction	Total	
REVENUES AND GAINS				
Investment income (loss)	\$ 26,536,058	\$ 143,863	\$ 26,679,921	\$ (11,298,375)
Royalty fees	4,266,798		4,266,798	4,087,402
Home operating revenues	1,170,922		1,170,922	980,783
Consortium rental income	458,880		458,880	458,769
Other	10,207		10,207	4,569
Total	<u>32,442,865</u>	<u>143,863</u>	<u>32,586,728</u>	<u>(5,766,852)</u>
EXPENSES				
Program expenses:				
Assisted Living	2,752,595		2,752,595	2,512,219
Independent Living	1,810,630		1,810,630	1,652,415
Grants	754,028		754,028	560,268
Consortium	479,467		479,467	407,718
Total program expenses	5,796,720	—	5,796,720	5,132,620
Support services	552,725		552,725	479,866
Total	<u>6,349,445</u>	<u>—</u>	<u>6,349,445</u>	<u>5,612,486</u>
CHANGE IN NET ASSETS	26,093,420	143,863	26,237,283	(11,379,338)
NET ASSETS, Beginning of year	<u>176,795,704</u>	<u>3,279,015</u>	<u>180,074,719</u>	<u>191,454,057</u>
NET ASSETS, End of year	<u>\$ 202,889,124</u>	<u>\$ 3,422,878</u>	<u>\$ 206,312,002</u>	<u>\$ 180,074,719</u>

See notes to financial statements.

THE MYRON STRATTON HOME

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

EXPENSES	2019							2018 Total
	Program Services				Total Program Services	Support Services		
	Assisted Living	Independent Living	Grants	Consortium		General and Administrative	Total	
Salaries, benefits and related	\$ 1,950,045	\$ 965,273	\$ 55,251	\$ 100,753	\$ 3,071,322	\$ 178,754	\$ 3,250,076	\$ 2,944,965
Grants to other 501(c)(3) organizations			657,500		657,500		657,500	468,500
Utilities	72,627	88,765		91,832	253,224	15,762	268,986	249,257
Insurance	64,544	78,886		34,017	177,447	61,603	239,050	207,101
Dining supplies	131,944	87,963			219,907		219,907	202,160
Repairs and maintenance	39,413	44,440		32,297	116,150	18,517	134,667	132,355
Contracted services	23,053	23,053	18,445	36,449	101,000	5,316	106,316	119,696
Professional fees	5,347	1,808	3,342	2,740	13,237	74,157	87,394	39,392
Trustees fees						78,000	78,000	85,000
Housekeeping supplies	27,064	25,258	2,501	3,283	58,106	4,311	62,417	58,614
Grounds maintenance	16,957	20,395		19,261	56,613	3,654	60,267	81,928
Office expense	11,811	6,741	27	28	18,607	30,834	49,441	44,605
Telecomm and information technology	9,553	9,974	7,689	1,990	29,206	12,984	42,190	63,413
Transportation	12,402	6,353		5,040	23,795		23,795	22,664
Recreation and resident engagement	2,523	16,185			18,708	3,615	22,323	23,173
Public relations	98	149	2,972	297	3,516	11,135	14,651	11,831
Employee relations	654	720			1,374	12,363	13,737	7,538
Meetings and staff development	4,687	3,425	100		8,212	3,206	11,418	3,885
Travel and entertainment	97	97	2,355		2,549	8,272	10,821	8,117
Dues and subscriptions	1,270	2,747	1,487		5,504	3,790	9,294	9,250
Medical supplies	5,974	1,055			7,029		7,029	4,698
Advertising and marketing	342	470	46	71	929	3,718	4,647	2,731
State mandated staff screenings	2,554	680			3,234		3,234	3,726
Miscellaneous	576	354	2,313		3,243	3,422	6,665	1,412
Subtotal	2,383,535	1,384,791	754,028	328,058	4,850,412	533,413	5,383,825	4,796,011
Depreciation	369,060	425,839		151,409	946,308	19,312	965,620	816,475
TOTAL	\$ 2,752,595	\$ 1,810,630	\$ 754,028	\$ 479,467	\$ 5,796,720	\$ 552,725	\$ 6,349,445	
PERCENT OF TOTAL	43%	29%	12%	8%	92%	8%	100%	
COMPARATIVE TOTALS – 2018	<u>\$ 2,512,219</u>	<u>\$ 1,652,415</u>	<u>\$ 560,268</u>	<u>\$ 407,718</u>	<u>\$ 5,132,620</u>	<u>\$ 479,866</u>		<u>\$ 5,612,486</u>
PERCENT OF TOTAL – 2018	45%	29%	10%	7%	91%	9%		100%

See notes to financial statements.

THE MYRON STRATTON HOME

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 26,237,283	\$ (11,379,338)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	965,620	816,475
Realized and unrealized (gains) losses on investments	(24,100,855)	14,084,109
Other	5,719	
Changes in operating assets and liabilities:		
Receivables	(544,775)	(864,834)
Supplies and prepaid expenses	(22,920)	(16,774)
Accounts payable and accrued expenses	30,162	(465,568)
Grants payable	35,000	14,000
Promises to give payable - Consortium	<u>(288,501)</u>	<u>(289,949)</u>
Net cash provided by operating activities	<u>2,316,733</u>	<u>1,898,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	41,019,707	21,482,942
Purchases of investments	(42,019,141)	(21,411,555)
Purchases of Home property	(489,963)	(2,805,211)
Impairment on Home property		220,353
Payments on note receivable		400,000
Issuance of note receivable	<u>(800,000)</u>	
Net cash used in investing activities	<u>(2,289,397)</u>	<u>(2,113,471)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,336	(215,350)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,303,927</u>	<u>1,519,277</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,331,263</u>	<u>\$ 1,303,927</u>

See notes to financial statements.

THE MYRON STRATTON HOME

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Myron Stratton Home (the Home) was founded in accordance with the provisions of the will of Winfield Scott Stratton. The will directed that, after payment of all bequests, legal costs and expenses, the remainder of his estate be used to create an organization to provide a home for indigent persons who are unable to earn a livelihood by reason of old age, youth, sickness or other infirmity. The provisions of the will are subject to the jurisdiction of the District Court of El Paso County, Colorado and administered by the trustees and management of the Home. The Home's revenues are substantially provided by investment return (investment income and realized and unrealized gains on investments), royalties and home operating revenues.

Basis of Presentation — The Home reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time and resources whose use by the Home is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Home.

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Change in Accounting Principle — In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers.

The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. During the year ended December 31, 2019, management implemented ASU 2014-09 and adjusted the presentation in these financial statements accordingly. The ASU has been applied using a modified retrospective approach during the year ended December 31, 2019. The implementation of the ASU had no effect on the financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides clarity related to determination of contributions, including conditional contributions, and exchange transactions. During the year ended December 31, 2019,

management implemented ASU 2018-08 and adjusted the presentation in these financial statements accordingly. The ASU has been applied using a modified-prospective approach during the year ended December 31, 2019 and had no effect on the financial statements.

Cash and Cash Equivalents — The Home considers all liquid investments with original maturities of three months or less and which are not held for long term investment purposes, to be cash equivalents. Cash and highly liquid financial instruments held for long term purposes, regardless of original length to maturity, are reported as investments and are excluded from this definition. The net amount of operating cash added to, or withdrawn from, the long-term investments is reported as an investing activity in the statement of cash flows.

Receivables — Receivables consist primarily of accrued and unpaid interest and dividends, royalties and amounts due from Medicaid. The fair value of receivables approximates the carrying amounts.

Home Operations Revenue and Accounts Receivable — The Home's Home Operations Revenue consists primarily of revenue derived from its assisted living facility and its independent living community. Residential fees consist of monthly charges for basic housing and support services and fees for additional requested services, such as assisted living services, personalized health services and ancillary services. Fees are specified in agreements with residents, which are generally short-term and billed on a monthly basis. The home has determined that services performed under those contracts are considered on performance obligation in accordance with ASC Topic 606 as such services are regarded as a series of distinct events with the same timing and pattern of transfer to the resident.

Revenue for basic housing and support services and additional requested services is recognized in accordance with ASC Topic 606 and measured based on the consideration specified in the resident agreement and is recorded with the services are provided.

Fees for services in the Home's assisted living facility are primarily received based on fixed daily rates from governmental payers and private pay. The fixed daily rates and certain other fees are billed monthly in arrears. The Home currently uses the "most likely amount" technique to estimate revenue in accordance with ASC Topic 606, although rates are generally known and considered fixed prior to services being performed. Rate adjustments from Medicaid are recorded when known (without regard to when the assessment is paid or withheld), and subsequent adjustments to these amounts are recorded in revenues when known. Revenue is recognized when performance obligations are satisfied by transferring control of the service provided to the resident, which is generally when services are provided over the duration of care.

The Home is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Home accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes. Based on historical collection trends and other analyses, the Home has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Home has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to

performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed within days or weeks of the end of the reporting period.

Grants Payable — Grants payable represents unconditional grants that have been authorized but remain unpaid as of the balance sheet date. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. There were no conditional grants at December 31, 2019 or 2018.

Home Property — Home property is recorded at cost and depreciated using the straight-line method over estimated useful lives which range from three to fifty years. The Home's policy is to capitalize acquisitions of property costing in excess of \$2,500 and having a useful life exceeding one year.

Investments — Investments in equity securities having a readily determinable fair value and all debt securities and alternative investments are carried at fair value. Other investments are valued at the lower of cost or net realizable value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Income Taxes — The Home is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Home believes that it does not have any uncertain tax positions that are material to the financial statements.

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

Reclassifications — Certain reclassifications to prior year amounts have been made to conform to the current year presentation.

Subsequent Events — The Home has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Home's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year include net assets with donor restrictions.

As part of the Home's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Home's policy to manage an emergency cash flow need is to maintain one to two million dollars in the US Bank

cash account. The Home manages their cash flow through a one year cycle through monthly review of aggregate available funds from investment and monthly review of cash account balance.

	2019	2018
Cash and cash equivalents	\$ 1,331,263	\$ 1,303,927
Receivables	1,857,314	1,312,539
Investments	<u>177,959,134</u>	<u>152,858,845</u>
Total financial assets	<u>181,147,711</u>	<u>155,475,311</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors in perpetuity	<u>3,422,878</u>	<u>3,279,015</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$177,724,833</u>	<u>\$152,196,296</u>

3. HOME PROPERTY

Home property is comprised of the following as of December 31:

	2019	2018
Land	\$ 1,207,184	\$ 1,207,184
Buildings and improvements	37,787,207	37,430,876
Furniture and fixtures	1,625,416	1,522,904
Construction in progress	<u>33,077</u>	<u>154,766</u>
Total	40,652,884	40,315,730
Less accumulated depreciation	<u>15,368,137</u>	<u>14,549,607</u>
Home property, net	<u>\$ 25,284,747</u>	<u>\$ 25,766,123</u>

4. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Home. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include property and liability insurance, utilities and maintenance repairs, which are allocated on the basis of building square footage, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

5. INVESTMENTS AND FAIR VALUE DISCLOSURES

The Home is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Home has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

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

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

Level 3: Prices determined using significant unobservable inputs.

Investments for which fair value is measured using the net asset value per share practical expedient are not categorized with the fair value hierarchy.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Debt and Equity Securities — The Home invests in various equity securities and both equity and fixed income mutual funds. Where quoted market prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy.

The Home has classified equity and fixed income mutual funds and exchange traded equities in the Level 1 category. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Securities with these observable inputs are classified as Level 2 securities in the valuation hierarchy.

Alternative Investments — The Home's alternative investments consist of equity hedge funds, absolute return funds and limited partnerships. As a group, the alternative investments invest in a variety of securities including, but not limited to, foreign and domestic publicly traded equity securities, foreign and domestic fixed income investments, options, warrants, derivatives and contracts. These are valued at net asset value of the respective investments as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the investment will be sold for an amount different from the reported net asset value.

See below for further information on these investments measured using the net asset value practical expedient.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Home believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Home does not have any unfunded commitments in any of their alternative investments. Written notice is required to redeem amounts held by these funds which are described below.

Other Investments — Other investments consist of interest in mining rights and are carried at cost.

The following table represents the cost and fair value of the Home's investments as of December 31:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Temporary cash investments	\$ 3,986,939	\$ 3,986,939	\$ 7,591,166	\$ 7,591,166
Corporate stocks	35,296,780	47,003,634	30,258,171	36,766,852
Equity mutual funds	27,685,925	36,611,685	24,144,990	23,691,035
Bond mutual funds	7,238,279	7,322,027	7,143,430	6,767,553
Alternative investments	52,306,744	82,999,189	50,351,765	78,006,579
Other (carried at cost)	<u>35,660</u>	<u>35,660</u>	<u>35,660</u>	<u>35,660</u>
Total	<u>\$ 126,550,327</u>	<u>\$ 177,959,134</u>	<u>\$ 119,525,182</u>	<u>\$ 152,858,845</u>

The following tables summarize the financial instruments reported within the statements of financial position carried at fair value as of December 31, 2019 and 2018, by caption and level within the fair value accounting hierarchy:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
2019:				
Temporary cash investments	\$ 3,986,939	\$ 3,986,939		
Corporate stocks	47,003,634	47,003,634		
Equity mutual funds	36,611,685	36,611,685		
Bond mutual funds	<u>7,322,027</u>	<u>7,322,027</u>		
Total investments in the fair value hierarchy	94,924,285	<u>\$ 94,924,285</u>	<u>\$ —</u>	<u>\$ —</u>
Investments measured at net asset value	82,999,189			
Other investments (held at cost)	<u>35,660</u>			
Total investments	<u>\$ 177,959,134</u>			

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2018:				
Temporary cash investments	\$ 7,591,166	\$ 7,591,166		
Corporate stocks	36,766,852	36,766,852		
Equity mutual funds	23,691,035	23,691,035		
Bond mutual funds	<u>6,767,553</u>	<u>6,767,553</u>		
Total investments in the fair value hierarchy	74,816,606	<u>\$ 74,816,606</u>	<u>\$ —</u>	<u>\$ —</u>
Investments measured at net asset value	78,006,579			
Other investments (held at cost)	<u>35,660</u>			
Total investments	<u>\$ 152,858,845</u>			

Arbitrage Funds: The Home invests in two funds, Davidson Kempner Institutional Partners LP and Holowesko Global Fd LTD, that use arbitrage as their primary investment strategy. These funds seek capital appreciation through various arbitrage situations. The funds seek returns through investing in international and domestic securities of issuers that are in financial distress, completing an out-of-court restructuring, involved in bankruptcy, mergers, unsolicited merger proposals, spin-offs, liquidations, recapitalizations, distressed or are illiquid. Investment portfolios consist of common stock, preferred stock, convertible securities, debt instruments, real estate assets, options futures, swaps, credit default swaps, other derivatives and structured products, including collateralized loan obligations. The funds may utilize leverage in its investment programs, and its portfolios may include both long and short positions.

Diversified Investment Fund: The Home invests in one diversified investment fund, Newport Asia, which primarily invests in traditional securities in the Asia-Pacific region of the world. The fund is currently invested in common stocks as well as real estate investment trusts.

Hedge Fund of Funds: The Home invests in one fund, Maverick Stable Fund, LTD, that holds a mix of other hedge funds and securities. The investment objective of the fund is to achieve consistent, positive returns, which are not dependent upon a rising equity market, while attempting to reduce risk and volatility. The fund invests with hedge funds and other experienced portfolio managers or other investment managers employing a variety of trading styles or strategies, including but not limited to, direct lending, convertible arbitrage, merger or risk arbitrage and other event-driven investing, distressed and long/short credit, long/short equity, multi-strategy and other relative value strategies. The investment managers have discretion to make all investment and trading decisions, including the selection of the fund's portfolio managers.

Common Trust Funds Trust: The Home is invested in one fund, Wellington Trust Company, NA, CTF Emerging Companies Portfolio that is primarily invested in investments in small and emerging companies. The fund's investment objective is to provide long-term total returns in excess of the Russell 2000 Index.

Emerging Market Non-Hedge: The Home is invested in one fund, GQG Partners Emerging Markets Equity Fund that is primarily invested in equity securities or equity-linked instruments of companies located anywhere in the world, including, but not limited to, emerging markets countries and the United States. The investment objective of the fund is to maximize long-term capital appreciation. The Fund has no limitation on the capitalization size of the companies in which it invests nor its ability to invest in foreign securities. The Fund may invest in any country.

Traditional Hedge Funds: The Home is invested in nine traditional hedge funds. These are Canyon Value, Maverick Fund Ltd, Steadfast International Ltd, Marshall Wace Eureka Fund, Fir Tree International Value Fund, King Street Capital Ltd, Farallon Capital Institutional Partners, L.P., Select Equity Offshore Ltd, and Kabouter International Opportunities Fund. These funds seek to preserve and grow capital through all market conditions. They invest primarily in a variety of domestic and international equity securities. These funds hedge their primary securities positions with a variety of hedging methods. The hedging methods include but are not limited to: call, put, and currency options, various swaps and futures contracts.

Funds in Liquidation: The Home has four funds that are currently in liquidation. The funds are currently paying out the remainder of the investment. Management believes that they will receive substantially all their remaining investments in those funds and that the fair market values accurately presents the fair values.

Investments that Calculate Net Asset Value — The following summarizes liquidity considerations for investments measured at fair value that calculate net asset value per share as a practical expedient at December 31, 2019 and 2018:

Investments	Fair Value	Redemption Frequency	Redemption Notice Period
2019:			
Arbitrage Funds:			
Davidson Kempner			
Institutional Partners LP	\$ 5,767,130	Quarterly	65 days advance written notice
Holowesko Global Fd LTD	4,894,809	Quarterly	30 days advance written notice
Diversified Investment Fund:			
Newport Asia LLC	11,587,027	Monthly	30 days advance written notice
Hedge Fund of Funds:			
Maverick table Fund LTD	6,701,043	Quarterly	95 days advance written notice
Common Trust Funds Trust:			
Wellington WTC-CTF	4,590,258	Monthly	Written notice before 22 nd of prior month
Emerging Markets Non-Hedge:			
GQG Partners	4,484,346	Monthly	Written notice before 15 th of month
Traditional Hedge Funds:			
Kabouter Intl Opp Fund	5,470,081	Monthly	30 days advance written notice
Farallon Capital	6,035,156	Annually	60 days advance written notice
Canyon Value	6,055,810	Quarterly	60 days advance written notice
Marshall Wace Eureka Fund	5,103,269	Monthly	30 days advance written notice
Select Equity Offshore LTD	4,593,889	Monthly	30 days advance written notice
Maverick Fund LTD	5,424,200	Quarterly	60 days advance written notice
King Street Capital LTD	2,965,672	Quarterly	65 days advance written notice
Steadfast International LTD	3,243,256	Quarterly	60 days advance written notice
Fir Tree Intl Value Fd	1,918,863	Monthly	90 days advance written notice
Funds in Liquidation:			
Highfields Capital Fund LTD	189,410	Bi-annually	N/A
Indus Asia Pacific Fd LTD	3,676,297	Quarterly	N/A
Och Ziff Overseas Fund	289,051	Annually	N/A
Raptor Private Portfolio FD	<u>9,622</u>	N/A	N/A
Total	<u>\$ 82,999,189</u>		

Investments	Fair Value	Redemption Frequency	Redemption Notice Period
2018:			
Arbitrage Funds:			
Davidson Kempner			
Institutional Partners LP	\$ 5,385,187	Quarterly	65 days advance written notice
Holowesko Global Fd LTD	4,361,626	Quarterly	30 days advance written notice
Diversified Investment Fund:			
Newport Asia LLC	9,374,000	Monthly	30 days advance written notice
Fixed Income Fund:			
Convexity Capital			
Offshore LP	4,892,002	Quarterly	60 days advance written notice
Hedge Fund of Funds:			
Maverick table Fund LTD	6,202,960	Quarterly	95 days advance written notice
Common Trust Funds Trust:			
Wellington WTC-CTF	6,305,780	Monthly	Written notice before 22 nd of prior month
Emerging Markets Non-Hedge:			
GQG Partners	3,663,879	Monthly	Written notice before 15 th of month
Traditional Hedge Funds:			
Kabouter Intl Opp Fund	4,637,773	Monthly	30 days advance written notice
Farallon Capital	5,280,000	Annually	60 days advance written notice
Canyon Value	4,612,604	Quarterly	60 days advance written notice
Indus Asia Pacific Fd LTD	3,725,780	Quarterly	30 days advance written notice
Marshall Wace Eureka Fund	4,531,725	Monthly	30 days advance written notice
Maverick Fund LTD	4,630,864	Quarterly	60 days advance written notice
King Street Capital LTD	3,664,548	Quarterly	65 days advance written notice
Steadfast International LTD	2,782,664	Quarterly	60 days advance written notice
Fir Tree Intl Value Fd	1,841,454	Monthly	90 days advance written notice
Funds in Liquidation:			
Highfields Capital Fund LTD	1,495,400	Bi-annually	N/A
Och Ziff Overseas Fund	601,047	Annually	N/A
Raptor Private Portfolio FD	<u>17,286</u>	N/A	N/A
Total	<u>\$ 78,006,579</u>		

Investment income consists of the following for the years ended December 31:

	2019	2018
Net realized gains (losses)	\$ 8,305,127	\$ 5,033,285
Net unrealized gains (losses)	15,795,728	(18,705,108)
Dividends and interest	2,848,348	2,655,773
Investment fees	<u>(269,282)</u>	<u>(282,325)</u>
Total	<u>\$ 26,679,921</u>	<u>\$(11,298,375)</u>

6. NOTE RECEIVABLE

During the year ended December 31, 2019, the Home entered into a promissory note with another not-for-profit organization, to assist the organization in its operations. Under the agreement, the Home loaned \$800,000 to the not-for-profit. The note is receivable at maturity on October 4, 2021 with interest only payments due quarterly. The note bears interest at the 13 week daily treasury rate (1.71% at December 31, 2019) and is secured by real estate.

7. HOME OPERATING REVENUES

The composition of Home Operation by primary payor and service provider for the years ended December 31, 2019 and 2018 consists of the following:

	2019	2018
Independent living	\$ 282,665	\$ 279,110
Assisted living private pay	435,955	404,923
Medicaid	416,050	258,003
Additional requested services	36,252	38,747
Other third-party payors		
Self-pay		
Total	<u>\$ 1,170,922</u>	<u>\$ 980,783</u>

8. ENDOWMENT

The State of Colorado has adopted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA or the Act). The Act provides statutory guidance for management, investment and expenditures of endowment funds held by not-for-profit organizations. Amongst other provisions, the Act eliminates the "historical dollar value" rule for endowment funds, in favor of guidelines regarding what constitutes prudent spending and explicitly requires consideration of the following factors (if relevant):

1. The duration and preservation of the endowment fund
2. The purposes of the institution and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Home; and
7. The investment policies of the Home

The Home's endowment consists of one donor-restricted endowment fund established and restricted for the purpose of creating a Home for indigent people who are unable to earn a livelihood by reason of old age, youth, sickness or other infirmity.

As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Home's governing body has interpreted the State of Colorado's UPMIFA as permitting preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Home classifies the original value of gift donated to the permanent endowment, as net assets with donor restrictions. Investment returns (losses) earned by the investment portfolio are recognized as without donor restrictions in accordance with the original will of Winfield Scott Stratton.

The composition of net assets by type of endowment fund at December 31 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Donor-restricted endowment funds	\$ <u>—</u>	\$ <u>3,422,878</u>	\$ <u>3,422,878</u>

2018			
Donor-restricted endowment funds	\$ <u>—</u>	\$ <u>3,279,015</u>	\$ <u>3,279,015</u>

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Endowment net assets, beginning of year	\$ —	\$ 3,279,015	\$ 3,279,015
Investment return:			
Investment gain on endowment funds	<u> </u>	<u>143,863</u>	<u>143,863</u>
Endowment net assets, end of year	\$ <u>—</u>	\$ <u>3,422,878</u>	\$ <u>3,422,878</u>

2018			
Endowment net assets, beginning of year	\$ —	\$ 3,422,878	\$ 3,422,878
Investment return:			
Investment loss on endowment funds	<u> </u>	<u>(143,863)</u>	<u>(143,863)</u>
Endowment net assets, end of year	\$ <u>—</u>	\$ <u>3,279,015</u>	\$ <u>3,279,015</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Home is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2019 and 2018.

The Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Under the Home's policies, the endowment assets are invested in a manner that is intended to produce the highest possible rate of return consistent with stated risk tolerances.

To satisfy its long-term rate of return objectives, the Home relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized).

The Home targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Equity-based investments include large-cap, small-cap and international equities. The Home also uses fixed income securities and alternative investments, such as hedge funds, to achieve its objectives.

8. RETIREMENT PLAN

The Home has a 401(k) plan for employees who are older than twenty years six months and have performed one year of service for the Home. Contributions are made by employees before or after tax. The plan is a safe harbor plan and the employer may make additional elective contributions to the plan.

The Home contributes a Qualified Non-Election (Safe Harbor) amount of 3% of each eligible employee's salary but may contribute an additional discretionary amount. Employer elective contributions vest over a five year period. During the year ended December 31, 2019 and 2018, the Home recognized expenses of \$203,138 and \$192,259, respectively, for contributions into the plan.

9. LESSOR COMMITMENTS

As of December 31, 2019, the Home has three lease arrangements with three not-for-profit entities (the Consortium) to lease space on its property. As of December 31, 2018, the Home has four lease arrangements with four not-for-profit entities. The leases call for the Consortium to pay annual rents of \$1 each, plus a maintenance fee, and to reimburse the Home for all utility costs. During 2019 and 2018, the Home received reimbursements of \$235,659 and \$228,668, respectively, for maintenance, utilities and other costs. Two of the leases, which commenced in 2006, carried a term of five years, with the lessee having the option to renew up to four additional terms of five years each. One of the leases, which commenced in 2006, was amended in 2012 to allow the lessee to renew up to twenty terms of one year. One of the leases, which commenced in 2016, carried an initial term of fourteen months, the agreement was renewed multiple times until it expired without renewal on June 30, 2019.

The Home records a promise to give payable when they enter or renew a lease equal to the present value of the fair rental value for the entire term of the lease. Revenue is recognized as use of facilities occurs and reduces the payable commitment.

During the years ended December 31, 2019 and 2018, the Home recognized \$458,880 and \$458,769, respectively, in revenue relating to the Consortium, which are reflected as Consortium rental income in the accompanying statement of activities. During the years ended December 31, 2019 and 2018, the Home incurred \$46,147 and \$60,746, respectively, in net maintenance costs relating to the Consortium, as well as \$170,379 and \$168,820, respectively related to recording promise to give- payable related to updated leases, which are reflected as Consortium expenses in the accompanying statement of activities.

Future rental income as of December 31, 2019 will be recognized as follows:

2020	\$ 318,753
2021	<u>48,455</u>
Total	<u>\$ 367,208</u>

Leased property is carried at the following amounts as of December 31:

	2019	2018
Property	\$ 9,906,784	\$ 9,906,784
Accumulated depreciation	<u>4,292,997</u>	<u>4,095,274</u>
Total	<u>\$ 5,613,787</u>	<u>\$ 5,811,510</u>

10. CONCENTRATIONS, RISKS AND UNCERTAINTIES

The Home maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. The Home has not experienced any losses in such accounts.

The Home's investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of those investments will occur in the near term and that such changes could materially affect the recorded amount of investments in the Home's financial statements.

The Home's alternative investments are recorded at their estimated fair market value as determined by the funds (see Note 5). Actual fair value of the investments upon liquidation could vary significantly from the current estimated fair value.

11. SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Home's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Home is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.