

CONSOLIDATED FINANCIAL STATEMENTS
OF
BARTELS LUTHERAN RETIREMENT COMMUNITY
AND AFFILIATE
WAVERLY, IOWA
AT
DECEMBER 31, 2019 AND 2018

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Certified Public Accountants
Stephen D. Givens, CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bartels Lutheran Retirement Community and Affiliate
Waverly, Iowa

We have audited the accompanying consolidated financial statements of Bartels Lutheran Retirement Community (a nonprofit health care entity) and affiliate, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
Bartels Lutheran Retirement Community and Affiliate
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bartels Lutheran Retirement Community and affiliate as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Organization adopted ASU 2016-18, the new accounting pronouncement, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statements of cash flows, and has adjusted the presentation of these statements accordingly. Our opinion is not modified with respect to this matter.

RYUN, GIVENS & COMPANY, P.L.C.



Certified Public Accountants

March 27, 2020

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,892,831	\$ 2,110,235
Certificates of Deposit	335,418	327,921
Investments	9,088,369	7,844,636
Resident Receivables, Net of Allowance for Doubtful Accounts of \$103,000 in 2019 and \$47,500 in 2018	745,964	336,945
Prepaid Expenses and Other Current Assets	272,683	470,061
Total Current Assets	12,335,265	11,089,798
Assets Limited as to Use	370,589	342,200
Property and Equipment:		
Land	1,836,847	1,801,847
Buildings and Improvements	39,099,340	37,633,789
Equipment and Furniture	4,768,932	4,420,757
Construction in Progress	732,947	1,019,965
Total Property and Equipment	46,438,066	44,876,358
LESS - Accumulated Depreciation	16,352,426	15,012,878
Net Property and Equipment	30,085,640	29,863,480
Other Assets:		
Restricted Cash	20,970	16,398
Unconditional Promises to Give	104,967	195,062
Certificates of Deposit	958,846	947,334
Other Assets	118,270	116,311
Franchise Fees, Net of Accumulated Amortization of \$65,626 in 2019 and \$59,064 in 2018	196,874	203,436
Long-Term Investments Restricted for Endowment	2,551,810	2,195,336
Total Other Assets	3,951,737	3,673,877
TOTAL ASSETS	\$ 46,743,231	\$ 44,969,355

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018**

	2019	2018
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 733,623	\$ 709,545
Accounts Payable	322,206	433,832
Accrued Salaries and Benefits	534,641	450,379
Other Current Liabilities	129,681	139,742
Total Current Liabilities	1,720,151	1,733,498
Long-Term Liabilities:		
Long-Term Debt, Less Current Maturities	8,727,427	9,446,518
Deferred Revenue from Advance Fees	2,108,881	2,145,567
Refundable Advance Fees	18,075,641	16,317,826
Deferred Compensation	370,589	342,200
Total Long-Term Liabilities	29,282,538	28,252,111
Total Liabilities	31,002,689	29,985,609
Net Assets:		
Without Donor Restrictions:		
Board Designated, Chaplaincy Endowment	771,126	771,126
Undesignated	12,681,868	12,330,005
Total Net Assets Without Donor Restrictions	13,452,994	13,101,131
Net Assets With Donor Restrictions	2,287,548	1,882,615
Total Net Assets	15,740,542	14,983,746
TOTAL LIABILITIES AND NET ASSETS	\$ 46,743,231	\$ 44,969,355

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, Gains and Other Support:		
Resident Service Revenue, Including Amortization of Advance Fees of \$355,345 for 2019 and \$316,271 for 2018	\$ 12,573,749	\$ 11,031,290
Investment Income	388,594	323,467
Contributions	93,513	492,589
Other Operating Revenue	42,514	42,740
Net Assets Released from Restrictions Used for Operations	182,022	136,404
Total Revenues, Gains and Other Support	13,280,392	12,026,490
Expenses:		
Salaries and Benefits	8,125,629	7,569,388
Contracted and Outsourced Services	1,058,983	967,737
Food and Departmental Supplies	1,036,839	928,075
Occupancy	894,108	857,403
Other Expenses	431,969	288,600
Depreciation and Amortization	1,367,625	1,240,608
Interest and Amortization	367,568	349,581
Total Expenses	13,282,721	12,201,392
Operating Income (Loss)	(2,329)	(174,902)
Change in Net Unrealized Gains (Losses) on Investments	449,550	(419,529)
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	14,642	361,773
Increase (Decrease) in Net Assets Without Donor Restrictions	461,863	(232,658)
NET ASSETS WITH DONOR RESTRICTIONS		
Investment Income	183,806	158,222
Contributions	20,059	119,073
Change in Net Unrealized Gains (Losses) on Investments	287,732	(306,063)
Net Assets Released from Restrictions	(196,664)	(198,177)
Increase (Decrease) in Net Assets With Donor Restrictions	294,933	(526,945)
Increase (Decrease) in Net Assets	756,796	(759,603)
Net Assets, Beginning of Year	14,983,746	15,743,349
Net Assets, End of Year	\$ 15,740,542	\$ 14,983,746

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			
	Program Services	Management and General	Fundraising	Total
Expenses:				
Salaries and Benefits	\$ 6,946,286	\$ 1,179,343	\$ -	\$ 8,125,629
Contracted and Outsourced Services	1,055,407	3,576	-	1,058,983
Food and Departmental Supplies	1,027,677	9,162	-	1,036,839
Occupancy	766,252	127,856	-	894,108
Other Expenses	87,457	344,512	-	431,969
Depreciation and Amortization	1,367,625	-	-	1,367,625
Interest and Amortization	367,534	34	-	367,568
Total Functional Expenses	\$ 11,618,238	\$ 1,664,483	\$ -	\$ 13,282,721

	2018			
	Program Services	Management and General	Fundraising	Total
Expenses:				
Salaries and Benefits	\$ 6,423,398	\$ 1,145,990	\$ -	\$ 7,569,388
Contracted and Outsourced Services	965,671	2,066	-	967,737
Food and Departmental Supplies	914,713	13,362	-	928,075
Occupancy	746,115	111,288	-	857,403
Other Expenses	21,662	255,713	11,225	288,600
Depreciation and Amortization	1,240,608	-	-	1,240,608
Interest and Amortization	348,671	910	-	349,581
Total Functional Expenses	\$ 10,660,838	\$ 1,529,329	\$ 11,225	\$ 12,201,392

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 756,796	\$ (759,603)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Gain on Sale of Investments	(307,025)	(266,023)
Change in Net Unrealized (Gains) Losses on Investments	(737,282)	725,592
Depreciation and Amortization	1,382,126	1,255,109
Loss on Disposal of Property and Equipment	5,355	4,547
Discount on Unconditional Promises to Give	(4,091)	(19,048)
Uncollectable Promises to Give	(3,701)	34,932
Investment Income Restricted for Long-Term Purposes	(3,452)	(1,116)
Contributions Restricted for Long-Term Purposes	(1,240)	(49,790)
Proceeds from Advance Fees	2,562,839	3,558,163
Amortization of Advance Fees	(355,345)	(316,271)
Change in Deferred Compensation	28,389	30,074
(Increase) Decrease in:		
Resident Receivables	(409,019)	95,027
Prepaid Expenses and Other Current Assets	197,378	(195,699)
Other Assets	(1,959)	(8,442)
Increase (Decrease) in:		
Accounts Payable	(169,551)	(394,835)
Accrued Salaries and Benefits	84,262	35,173
Other Current Liabilities	(10,061)	(3,240)
Net Cash Provided (Used) by Operating Activities	3,014,419	3,724,550
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificates of Deposit	(19,009)	(30,862)
Purchase of Investments	(868,927)	(2,473,639)
Proceeds from Sale of Investments	313,147	3,742,865
Purchase of Property and Equipment	(1,530,653)	(2,707,058)
Proceeds from Sale of Property and Equipment	-	500
Purchase of Assets Restricted for Long-Term Purposes	(120)	(21,060)
Net Cash Provided (Used) by Investing Activities	(2,105,562)	(1,489,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Assets Limited as to Use	(28,389)	(30,074)
Proceeds from Investment Income Restricted for Long-Term Purposes	3,452	1,116
Proceeds from Contributions Restricted for Long-Term Purposes	99,127	188,431
Principal Payments on Long-Term Debt	(709,514)	(685,368)
Refunds of Advance Fees	(486,365)	(1,294,694)
Net Cash Provided (Used) by Financing Activities	(1,121,689)	(1,820,589)

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(212,832)	414,707
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	2,126,633	1,711,926
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 1,913,801	\$ 2,126,633

Supplemental Disclosure of Cash Flow Information:

Cash Paid for Interest, Net of Capitalized Interest	\$ 354,078	\$ 336,057
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Supplemental Schedule of Noncash Investing and Financing Activities:

At December 31, 2019, accounts payable included \$57,925 for the purchase of property and equipment.

At December 31, 2018, accounts payable included \$214,073 for refunds of advance fees.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Bartels Lutheran Retirement Community and Memorial Foundation of Bartels Lutheran Retirement Community (hereinafter the Organization). Intra-entity transactions and balances have been eliminated in the consolidation.

Nature of Business

Bartels Lutheran Home d/b/a Bartels Lutheran Retirement Community is an Iowa nonprofit corporation organized for the purpose of operating a nursing facility and a retirement facility in Waverly, Iowa. The retirement community includes 36 independent living units (Eichhorn Haus), 30 assisted living units (Linden Place), 20 memory care assisted living units (Aspen Cottage), and a 120 bed licensed nursing facility (Woodland Terrace). The Organization is also in the process of developing an independent living community (Eisenach Village) consisting of townhomes that currently consists of 71 completed units. Of the 120 nursing facility beds, 112 are dually certified for Medicare and Medicaid participation, including 30 beds that are for residents with Alzheimer's or dementia (Evergreen Arbor), and 8 are certified for Medicare only.

Bartels Lutheran Home Memorial Foundation d/b/a Memorial Foundation of Bartels Lutheran Retirement Community is an Iowa nonprofit corporation organized for the purpose of operating a foundation to exclusively support and benefit Bartels Lutheran Retirement Community through the solicitation of gifts, grants, and other contributions.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited by bond indenture or contractual obligation, board designation and contributions restricted for long term purposes.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in operating income (loss) unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from operating income (loss) unless the investments are trading securities.

Resident Receivables

Receivables for resident accounts reflect the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing care and services. These amounts are due from residents, third party payors (including health insurers and government programs), and others. As a service to the resident, the Organization bills third-party payers directly and bills the resident when the resident's responsibility for co-pays, insurance, and deductibles is determined. Accounts receivable are due in full when billed. Management provides for probable uncollectible amounts through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Assets Limited as to Use

Assets limited as to use consist of assets set aside by the Board of Directors for deferred compensation in the amount of \$370,589 and \$342,200 at December 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment is stated at cost and is being depreciated by the straight-line method over the following estimated useful lives:

Buildings and Improvements	3-60 Years
Equipment and Furniture	5-15 Years

Depreciation expense totaled \$1,361,062 and \$1,234,045 for the years ended December 31, 2019 and 2018, respectively.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals of \$1,000 or more are capitalized. When property, plant and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Franchise Fees

Franchise fees are amortized using the straight-line method over the life of the buildings constructed for the Eisenach Village project. Amortization expense charged to operations was \$6,563 for both the years ended December 31, 2019 and 2018. Estimated amortization expense for each of the next five years is \$6,563 per year.

Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the debt.

Advance Fees

Advance fees paid by a resident upon entering into a residency agreement for Eichhorn Haus, net of the portion thereof that is refundable to the resident, are amortized into income in accordance with the terms of the residency agreement. The refundable portion is recorded as refundable advance fees. The amount of refund is based on the amount of the advance fee paid by the vacating resident less a transfer and refurbishing fee of 10% of the advance fee.

Advance fees paid by a resident upon entering into a Type A residency agreement for Eisenach Village, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and amortized into income over the life of the resident. The refundable portion is recorded as refundable advance fees. Under the terms of the contract, upon resale of the unit, the advance fee is refunded to the resident or the resident's estate. The amount of refund is based on the new advance fee paid by the incoming resident less transfer and refurbishing fee not to exceed 15%, or 85% of the original advance fee paid by the vacating resident, whichever is greater.

Advance fees paid by a resident upon entering into a Type B residency agreement for Eisenach Village, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and amortized into income over the life of the resident. The refundable portion is recorded as deferred revenue from advance fees. Under the terms of the contract, upon resale of the unit, the advance fee is refunded to the resident or the resident's estate. The amount of refund is based on the new advance fee paid by the incoming resident less transfer and refurbishing fee not to exceed 20%, or 80% of the new advance fee paid by the incoming resident, whichever is greater.

Operating Income (Loss)

The consolidated statements of activities include operating income (loss). Changes in net assets without donor restrictions which are excluded from operating income (loss), consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Revenue

Resident Care Revenues

Resident care revenue for the nursing facility is reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments from estimated reimbursements, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident care revenue is recognized as performance obligations are satisfied.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue (Continued)

Resident Care Revenues (Continued)

The Organization enters into contracts to provide resident health, hospice, and outpatient therapy services. Each service provided under the contract is capable of being distinct, and thus, the services are considered individual and separate performance obligations. The performance obligations are satisfied as services are provided and revenue is recognized as services are provided.

The Organization receives payment for services under various third-party payor programs which include Medicare, Medicaid, and other third-party payors. Estimates for settlements with third-party payors for retroactive adjustments from estimated reimbursements due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Organization estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor, and historical payment trends. Changes to these estimates for retroactive adjustments are recognized in the period the change or adjustment becomes known or when final settlements are determined.

Assisted Living Revenues

Assisted living provides apartment housing with assistance for elderly citizens. The residents pay a monthly rent based on the type of unit and the level of care provided. Residents are required to pay an application fee when entering into a residency agreement retained by the Organization upon occupancy. The Organization has determined that the services included under the Organization's assisted living residency agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time.

Retirement Community Revenues

Apartment and townhome revenues consist of monthly maintenance fees and amortization of the retained portion of the fee paid to occupy the apartment or townhome. When an individual enters into a residency agreement, a portion of the residency fee is retained by the Retirement Community, and generally accepted accounting principles require the retained portion be amortized into revenue over the expected life of the resident. The unamortized balance of this retained portion is included in deferred revenue on advance fees on the consolidated statements of financial position. The remaining portion of the residency fee is refundable to the resident (or the resident's estate) when the apartment or townhome is vacated. The refundable balance is included in long-term liabilities on the consolidated statements of financial position as refundable advance fees.

Residents occupying independent living units pay a monthly maintenance fee amount. The Organization has determined that services included under the Organization's residency rental agreement have the same timing and pattern of transfer and are performance obligations that are satisfied over time.

Home Health Revenues

The Organization enters into contracts to provide various types of services to clients on their campus. Each service provided under the contract is capable of being distinct, and thus, the services are considered individual and separate performance obligations. The performance obligations are satisfied as services are provided and revenue is recognized as services are provided.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Donor-Restricted Funds

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed Services

Volunteers provide assistance to the Organization on its programs and other activities. No value has been assigned to these services and, as such, the value of these services is not reflected in the financial statements as revenue and expense.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$20,425 and \$26,131 for the years ended December 31, 2019 and 2018, respectively.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on a reasonable basis that is consistently applied.

Expenses are allocated using cost reporting guidelines set forth by the Iowa Administrative Code.

Income Taxes and Accounting for Uncertain Tax Positions

Bartels Lutheran Retirement Community and the Memorial Foundation of Bartels Lutheran Retirement Community are exempt under Code Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is presented in these financial statements.

The Organization has adopted the accounting standard regarding "Accounting for Uncertain Tax Positions." This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the entity's financial statements. It requires an entity to recognize the financial statement benefit of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Organization's financial position, results of operations, or cash flow. The Organizations' federal Returns of Organization Exempt from Income Tax (Forms 990) for 2016, 2017, and 2018 remain subject to examination by the IRS, generally for three years after they were filed.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

On November 17, 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) – *Restricted Cash*. The update requires that restricted cash and cash equivalents be included in beginning and ending cash in the statements of cash flows. The Organization has adjusted the presentation of these statements accordingly. The adoption of ASU 2016-18 using the retrospective method resulted in the reclassification of certain items related to restricted cash in the consolidated statements of cash flows for the year ended December 31, 2018.

Reclassifications

Certain items in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on the 2018 increase (decrease) in net assets as previously stated. As a result of ASU 2016-18, Statement of Cash Flows (Topic 230) – *Restricted Cash*, the following increases (decreases) for 2018 were made in the consolidated statements of financial position and cash flows:

	As Previously Reported	Increase (Decrease)	After Reclassification
Consolidated Statements of Financial Position:			
Restricted Cash	\$ 0	\$ 16,398	\$ 16,398
Certificates of Deposit	\$ 821,754	\$ 125,580	\$ 947,334
Other Assets	\$ 128,988	\$ (12,677)	\$ 116,311
Long-Term Investment Restricted for Endowment	\$ 2,324,637	\$ (129,301)	\$ 2,195,336
Consolidated Statements of Cash Flows:			
Investment Income Restricted for Long-Term Purposes	\$ 0	\$ (1,116)	\$ (1,116)
Contributions Restricted for Long-Term Purposes	\$ (48,790)	\$ (1,000)	\$ (49,790)
Other Assets	\$ 36,909	\$ (45,351)	\$ (8,442)
Net Cash Provided (Used) by Operating Activities	\$ 3,772,017	\$ (47,467)	\$ 3,724,550
Purchase of Investments	\$ (2,475,755)	\$ 2,116	\$ (2,473,639)
Net Cash Provided (Used) by Investing Activities	\$ (1,491,370)	\$ 2,116	\$ (1,489,254)
Proceeds from Investment Income Restricted for Long-Term Purposes	\$ 0	\$ 1,116	\$ 1,116
Proceeds from Contributions Restricted for Long-Term Purposes	\$ 187,431	\$ 1,000	\$ 188,431
Net Cash Provided (Used) by Financing Activities	\$ (1,822,705)	\$ 2,116	\$ (1,820,589)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	\$ 457,942	\$ (43,235)	\$ 414,707
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	\$ 1,652,293	\$ 59,633	\$ 1,711,926
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 2,110,235	\$ 16,398	\$ 2,126,633

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Organization's financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 1,892,831	\$ 2,110,235
Certificates of Deposit	1,294,264	1,275,255
Investments	9,088,369	7,844,636
Resident Receivables, Net	745,964	336,945
Restricted Cash	20,970	16,398
Unconditional Promises to Give, Net	104,967	195,062
Assets Limited as to Use	370,589	342,200
Long-Term Investments Restricted for Endowment	<u>2,551,810</u>	<u>2,195,336</u>
Total Financial Assets	<u>\$ 16,069,764</u>	<u>\$ 14,316,067</u>
Less Amounts Not Available to be Used Within One Year:		
Assets Limited as to Use Designated by the Board	\$ 370,589	\$ 342,200
Less Net Assets with Donor Restrictions to be Met in Less Than One Year	(122,765)	(52,324)
Unconditional Promises to Give, Net, Not Expected to be Collected Within One Year	35,500	104,920
Assets to Repay Debt Designated by the Board	833,266	821,754
Chaplaincy Endowment Established by the Board	771,126	771,126
Net Assets With Donor Restrictions	<u>2,287,548</u>	<u>1,882,615</u>
Total	<u>\$ 4,175,264</u>	<u>\$ 3,870,291</u>
Financial Assets Available for General Expenditures Within One Year	<u>\$ 11,894,500</u>	<u>\$ 10,445,776</u>

The Organization has assets limited to use that are board designated and could be made available, if necessary.

The Organization has certain investments which are available for general expenditures within one year in the normal course of operations. The Organization has other investments which are not available for general expenditures within the next year. However, the amounts that are board designated could be made available, if necessary. (See Note 8.)

NOTE 3 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 1,892,831	\$ 2,110,235
Cash Restricted for Long-Term Purposes	<u>20,970</u>	<u>16,398</u>
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidated Statements of Cash Flows	<u>\$ 1,913,801</u>	<u>\$ 2,126,633</u>

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 4 - INVESTMENT INCOME

Investment income is summarized as follows:

	<u>2019</u>	<u>2018</u>
Increase in Net Assets Without Donor Restrictions:		
Interest and Dividend Income, Net	\$ 224,874	\$ 180,848
Gain on Sale of Investments	<u>163,720</u>	<u>142,619</u>
	<u>\$ 388,594</u>	<u>\$ 323,467</u>
Increase in Net Assets With Donor Restrictions:		
Interest and Dividend Income, Net	\$ 40,497	\$ 34,818
Gain on Sale of Investments	<u>143,309</u>	<u>123,404</u>
	<u>\$ 183,806</u>	<u>\$ 158,222</u>
Total Investment Income	<u>\$ 572,400</u>	<u>\$ 481,689</u>
Change in Net Unrealized Gains (Losses) on Investments:		
Net Assets Without Donor Restrictions	\$ 449,550	\$ (419,529)
Net Assets With Donor Restrictions	<u>287,732</u>	<u>(306,063)</u>
Total Change in Net Unrealized Gains (Losses) on Investments	<u>\$ 737,282</u>	<u>\$ (725,592)</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair Values Measured on a Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2019 and 2018:

	<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>December 31, 2019</u>			
Cash Alternatives	\$ 283,492	\$ 283,492	\$ 0
Certificates of Deposit	4,450,000	0	4,450,000
Equity Securities	4,201,116	4,201,116	0
Fixed Income Securities	2,759,554	2,759,554	0
International Equity Securities	<u>316,606</u>	<u>316,606</u>	<u>0</u>
Total	<u>\$ 12,010,768</u>	<u>\$ 7,560,768</u>	<u>\$ 4,450,000</u>
<u>December 31, 2018</u>			
Cash Alternatives	\$ 287,574	\$ 287,574	\$ 0
Certificates of Deposit	4,200,000	0	4,200,000
Equity Securities	3,363,532	3,363,532	0
Fixed Income Securities	2,281,132	2,281,132	0
Mutual Funds International	193,546	193,546	0
International Equity Securities	<u>56,388</u>	<u>56,388</u>	<u>0</u>
Total	<u>\$ 10,382,172</u>	<u>\$ 6,182,172</u>	<u>\$ 4,200,000</u>

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

Fair Values Measured on a Recurring Basis (Continued)

Assets measured at fair value consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Investments	\$ 9,088,369	\$ 7,844,636
Assets Limited as to Use	370,589	342,200
Long-Term Investments Restricted for Endowment	<u>2,551,810</u>	<u>2,195,336</u>
Total	<u>\$ 12,010,768</u>	<u>\$ 10,382,172</u>

Financial Accounting Standards Board for *Fair Value Measurements and Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures the fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

Fair values for investments and assets limited as to use are determined by reference to quoted market prices and other relevant information generated by market transactions.

Level 2 Fair Value Measurements

Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

NOTE 6 - CONSTRUCTION IN PROGRESS

Projects included in construction in progress are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Eisenach Village independent living townhome development with a potential of 92 units to be constructed as units are sold, estimated total cost is unknown	<u>\$ 732,947</u>	<u>\$ 1,019,965</u>

NOTE 7 - UNCONDITIONAL PROMISES TO GIVE

The Organization conducted a capital campaign, "More than Bricks", to fund the expansion of Bartels' services and respond to preferences in elder care supports. Promises to give are restricted to the campaign objectives. Unconditional promises to give are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Promises to give expected to be collected in:		
One Year or Less	\$ 83,615	\$ 118,880
One to Five Years	<u>35,500</u>	<u>104,920</u>
Total Unconditional Promises to Give	\$ 119,115	\$ 223,800
LESS: Allowance for Uncollectable Promises to Give	(12,000)	(22,500)
LESS: Discount on Promises to Give	<u>(2,148)</u>	<u>(6,238)</u>
Net Unconditional Promises to Give	<u>\$ 104,967</u>	<u>\$ 195,062</u>

Unconditional promises to give are discounted at 3.75%.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 8 - NET ASSETS

Net assets with donor restrictions are restricted for the following purposes for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific Purpose:		
More than Bricks Campaign	\$ 70,852	\$ 72,666
Good Shepherd Fund	169,147	192,329
Donor Restrictions	918	6,754
Employee Scholarships and Chaplaincy	<u>114,957</u>	<u>41,850</u>
	<u>355,874</u>	<u>313,599</u>
Spending Policy and Appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$770,330), which, once appropriated, is expendable to support:		
Employee Scholarships	133,725	129,301
Chaplaincy Endowment	<u>1,797,949</u>	<u>1,439,715</u>
	<u>1,931,674</u>	<u>1,569,016</u>
Total	<u>\$ 2,287,548</u>	<u>\$ 1,882,615</u>

Net assets without donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 12,681,868	\$ 12,330,005
Board Designated, Chaplaincy Endowment	<u>771,126</u>	<u>771,126</u>
Total	<u>\$ 13,452,994</u>	<u>\$ 13,101,131</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
Purchase of Equipment	\$ 14,642	\$ 361,773
Chaplaincy	110,000	50,000
Other Donor Restrictions	<u>72,022</u>	<u>86,404</u>
Total	<u>\$ 196,664</u>	<u>\$ 498,177</u>

NOTE 9 - ENDOWMENT

The Organization's endowment fund consists of two individual funds established for employee scholarships and chaplaincy. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the 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 Organization classifies as net assets with donor restrictions the original value of gifts donated to the endowment as a fund of perpetual duration.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 9 - ENDOWMENT (Continued)

Interpretation of Relevant Law (Continued)

The Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gifts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater. The income from the funds held in perpetuity is classified as net assets with donor restrictions until appropriated for expenditure by the Board of Directors.

<i>Endowment Net Asset Composition by Fund as of December 31, 2019</i>	Board Designated	Net Assets With Donor Restrictions	Total
Donor Restricted Endowment Funds	\$ 0	\$ 1,931,674	\$ 1,931,674
Board Designated Endowment Funds	771,126	0	771,126
Total Funds	<u>\$ 771,126</u>	<u>\$ 1,931,674</u>	<u>\$ 2,702,800</u>

<i>Endowment Net Asset Composition by Fund as of December 31, 2018</i>	Board Designated	Net Assets With Donor Restrictions	Total
Donor Restricted Endowment Funds	\$ 0	\$ 1,569,016	\$ 1,569,016
Board Designated Endowment Funds	771,126	0	771,126
Total Funds	<u>\$ 771,126</u>	<u>\$ 1,569,016</u>	<u>\$ 2,340,142</u>

<i>Changes in Endowment of Net Assets for the year ended December 31, 2019</i>	Board Designated	Net Assets With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 771,126	\$ 1,569,016	\$ 2,340,142
Investment Return:			
Investment Income	\$ 0	\$ 183,806	\$ 183,806
Change in Net Unrealized Gains (Losses) on Investments	0	287,732	287,732
Total Investment Return	<u>\$ 0</u>	<u>\$ 471,538</u>	<u>\$ 471,538</u>
Contributions	\$ 0	\$ 1,120	\$ 1,120
Appropriation of Endowment for Expenditure	<u>\$ 0</u>	<u>\$ (110,000)</u>	<u>\$ (110,000)</u>
Endowment Net Assets, End of Year	<u>\$ 771,126</u>	<u>\$ 1,931,674</u>	<u>\$ 2,702,800</u>

<i>Changes in Endowment of Net Assets for the year ended December 31, 2018</i>	Board Designated	Net Assets With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 771,126	\$ 1,765,657	\$ 2,536,783
Investment Return:			
Investment Income	\$ 0	\$ 158,222	\$ 158,222
Change in Net Unrealized Gains (Losses) on Investments	0	(306,063)	(306,063)
Total Investment Return	<u>\$ 0</u>	<u>\$ (147,841)</u>	<u>\$ (147,841)</u>
Contributions	\$ 0	\$ 1,200	\$ 1,200
Appropriation of Endowment for Expenditure	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>
Endowment Net Assets, End of Year	<u>\$ 771,126</u>	<u>\$ 1,569,016</u>	<u>\$ 2,340,142</u>

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 9 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both unrealized gains and interest and dividends.

Spending Policy

The Organization has a policy of appropriating earnings on funds to be used for employee scholarships and future chaplaincy related expenses.

NOTE 10 - LONG-TERM DEBT

<u>Description</u>	<u>2019</u>	<u>2018</u>
Iowa Finance Authority, Retirement Facility Revenue Refunding Note (Bartels Lutheran Retirement Community), Series 2015, payable in monthly payments of \$61,107, including interest at 3.375%, and a balloon payment on November 15, 2027. Note is secured by the First Amendment to Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated November 1, 2015.	\$ 6,671,127	\$ 7,166,879
Iowa Finance Authority, Retirement Facility Revenue Refunding Note (Bartels Lutheran Retirement Community), Series 2016, payable in monthly payments of \$26,808, including interest at 3.525%, and a balloon payment on November 15, 2027. Note is secured by the First Amendment to Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated November 1, 2015.	<u>2,903,852</u>	<u>3,117,614</u>
Total Long-Term Debt	\$ 9,574,979	\$ 10,284,493
LESS: Unamortized Debt Issuance Costs	<u>(113,929)</u>	<u>(128,430)</u>
Total Long-Term Debt, Less Unamortized Debt Issuance Costs	\$ 9,461,050	\$ 10,156,063
LESS: Current Maturities of Long-Term Debt	<u>733,623</u>	<u>709,545</u>
Long-Term Debt, Less Current Maturities	<u>\$ 8,727,427</u>	<u>\$ 9,446,518</u>

Maturities required on long-term debt as of December 31, 2019, are due in the future years as follows:

Year ending December 31:	
2020	\$ 733,623
2021	760,393
2022	787,186
2023	814,922
2024	843,018
Thereafter	<u>5,635,837</u>
	<u>\$ 9,574,979</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 10 - LONG-TERM DEBT (Continued)

The Series 2015 and Series 2016 Notes contain certain restrictive covenants which include liquidity covenants for the maintenance of 120 days cash on hand and historical debt service coverage must be at least 1.20.

The amount of interest incurred for the year ended December 31, 2019 was \$353,067, all of which was charged to operations. The amount of interest incurred for the year ended December 31, 2018 was \$379,886 of which \$44,806 was capitalized and \$335,080 was charged to operations. Amortization expense for debt issuance costs charged to operations was \$14,501 for both years ended December 31, 2019 and 2018.

NOTE 11 - RETIREMENT PLAN

The Organization sponsors a 401(k) defined contribution retirement plan. For eligible employees, as defined by the plan, the Organization contributes 100% of the first 3% of employee contributions and 50% of the next 2%. Employer contributions to the plan were \$111,875 and \$101,089 for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

At December 31, 2019 and 2018, the Organization had amounts deposited with organizations which were affiliated with members of the Board of Directors totaling \$1,921,123 and \$2,213,719, respectively.

During the years ended December 31, 2019 and 2018, the Organization received \$11,678 and \$69,629, respectively, from residents related to members of the Organization's Board of Directors.

During the years ended December 31, 2019 and 2018, the Organization received contributions from members of the Board of Directors in the amount of \$9,792 and \$8,910, respectively. Unconditional promises to give due from members of the Board of Directors at December 31, 2019 and 2018 were \$5,000 and \$24,667, respectively.

NOTE 13 - CONCENTRATION OF CREDIT RISK

Most of the Organization's business activity is with residents of the facility. Bartels Lutheran Home is under a contractual agreement with the Iowa Department of Human Services and Iowa's Managed Care Organizations as a licensed provider of Title XIX care (Medicaid). Revenue received from Medicaid approximated \$3,105,000 and \$2,852,000 for the years ended December 31, 2019 and 2018, respectively. Included in revenue for the years ended December 31, 2019 and 2018 was provider tax revenue net of provider tax paid of \$168,492 and \$135,307, respectively. Receivables from Medicaid on behalf of residents at December 31, 2019 and 2018 were \$474,424 and \$211,907, respectively.

The Organization is under a contractual agreement with the Department of Health and Human Services – Centers for Medicare and Medicaid Services as a licensed provider of Title XVIII care (Medicare). Revenue received from this source approximated \$1,549,000 and \$1,273,000 for the years ended December 31, 2019 and 2018, respectively. Receivables from Medicare on behalf of residents at December 31, 2019 and 2018 were \$126,315 and \$73,844, respectively.

The Organization has funds deposited in certain banks, which at times exceed the FDIC insurance provided in these banks of \$250,000 at December 31, 2019 and 2018. At December 31, 2019 and 2018, the amounts in excess of the FDIC insurance totaled \$2,253,935 and \$2,552,030, respectively.

**BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

NOTE 13 - CONCENTRATION OF CREDIT RISK (Continued)

At December 31, 2019 and 2018, the Organization had investments and assets limited as to use with a fair value of \$12,010,768 and \$10,382,172, respectively, which are not federally insured and are subject to the market risks inherent in the individual investments.

NOTE 14 - CONCENTRATION IN STATE MEDICAID PROGRAM

The Organization has all of its nursing beds designated for care of patients under the state's Medicaid program. The current funding of that program is 30 to 90 days behind filed claims. The current state budget has no provision for reducing that lag, and the proposed budget for next year includes no assurance of increased funding.

NOTE 15 - THIRD PARTY RATE ADJUSTMENTS AND REVENUE

Revenue from the Medicaid program accounted for approximately 25% and 26% of the Organization's resident service revenue for the years ended December 31, 2019 and 2018, respectively. Revenue from the Medicare program accounted for approximately 12% of the Organization's resident service revenue for both years ended December 31, 2019 and 2018. Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 16 - SUBSEQUENT EVENT

The date to which events occurring after December 31, 2019, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is March 27, 2020, which is the date the financial statements were available to be issued.