AUDITED
FINANCIAL STATEMENTS

GENESEE VALLEY PRESBYTERIAN NURSING CENTER d/b/a KIRKHAVEN

DECEMBER 31, 2015

GENESEE VALLEY PRESBYTERIAN NURSING CENTER
d/b/a KIRKHAVEN

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FreedMaxick CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT

Board of Governors
Genesee Valley Presbyterian Nursing
Center d/b/a Kirkhaven
Rochester, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Genesee Valley Presbyterian Nursing Center d/b/a Kirkhaven which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 reasonable 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 Genesee Valley Presbyterian Nursing Center d/b/a Kirkhaven as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 15, 2016

GENESEE VALLEY PRESBYTERIAN NURSING CENTER
d/b/a KIRKHAVEN

STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	**2015**	**2014**
Current assets:		
Cash and cash equivalents	**$ 40,876**	$ 12,863
Accounts receivable, net of allowance	**1,274,269**	1,471,514
Amounts due from third party payors	**448,860**	103,950
Prepaid expenses and other current assets	**107,223**	121,442
Total current assets	**1,871,228**	1,709,769
Assets whose use is limited	**1,475,402**	1,456,064
Beneficial interest in Foundation	**2,221,467**	2,229,714
Property and equipment, net of accumulated depreciation	**5,728,298**	5,964,490
Mortgage acquisition costs, net	**85,993**	92,462
Resident funds held in trust	**93,225**	54,088
Total assets	**$ 11,475,613**	$ 11,506,587
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	**$ 905,881**	$ 981,248
Deferred revenue	**30,992**	13,865
Line of credit	**-**	454,397
Debt - due within one year	**305,497**	294,417
Due to affiliated parties	**-**	200,149
Total current liabilities	**1,242,370**	1,944,076
Debt - due after one year	**4,902,509**	5,208,006
Pension liability	**3,912,283**	3,550,905
Amounts due to third party payors	**941,353**	759,374
Workers compensation liability	**501,716**	501,716
Deferred compensation liability	**143,585**	122,485
Resident funds held in trust	**93,225**	54,088
Total liabilities	**11,737,041**	12,140,650
Net assets:		
Unrestricted	**(2,482,895)**	(2,863,777)
Temporarily restricted	**1,262,662**	1,272,059
Permanently restricted	**958,805**	957,655
Total net assets	**(261,428)**	(634,063)
Total liabilities and net assets	**$ 11,475,613**	$ 11,506,587

See accompanying notes.

GENESEE VALLEY PRESBYTERIAN NURSING CENTER
d/b/a KIRKHAVEN

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31,

	2015	2014
Service revenue:		
Self pay	$ **972,458**	$ 782,113
Medicare A	**671,657**	726,624
Medicare B	**339,902**	248,275
Medicaid	**6,712,940**	6,483,954
Other insurance	**1,398,953**	1,515,348
PACE managed care	**2,349,150**	1,470,810
NYS cash receipts assessment	**603,622**	568,669
Total service revenue	**13,048,682**	11,795,793
Other operating revenue:		
Miscellaneous revenue	**18,970**	25,620
Cafeteria and vending income	**30,495**	28,012
Foundation support	**136,768**	263,942
Total other operating revenue	**186,233**	317,574
Total operating revenue	**13,234,915**	12,113,367
Operating expenses:		
Nursing services	**4,593,921**	4,065,968
Ancillary services	**1,022,067**	1,127,431
Resident support services	**3,021,684**	3,152,693
Administrative support services	**712,235**	830,484
Employee benefits	**1,545,609**	1,210,003
Property and interest expense	**377,337**	386,865
NYS cash receipts assessment	**677,104**	586,919
Bad debts	**146,869**	149,272
Total operating expenses	**12,096,826**	11,509,635
Depreciation and amortization	**552,667**	549,575
Income from operations	**585,422**	54,157
Non-operating revenue (expense):		
Interest and dividend income	**328**	974
Impairment of assets	**(25,798)**	-
Miscellaneous income	**23,822**	23,128
Total non-operating revenue (expense)	**(1,648)**	24,102
Excess of revenue over expense	**583,774**	78,259

See accompanying notes.

GENESEE VALLEY PRESBYTERIAN NURSING CENTER
d/b/a KIRKHAVEN

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
Years Ended December 31,

	2015	2014
Change in unrestricted net assets related to the pension plan	**(202,892)**	(2,702,066)
Change in unrestricted net assets	**380,882**	(2,623,807)
Temporarily restricted net assets:		
Change in beneficial interest in Foundation	**(9,397)**	19,935
Change in temporarily restricted net assets	**(9,397)**	19,935
Permanently restricted net assets:		
Change in beneficial interest in Foundation	**1,150**	1,244
Change in permanently restricted net assets	**1,150**	1,244
Change in net assets	**372,635**	(2,602,628)
Net assets - beginning of year	**(634,063)**	1,968,565
Net assets - end of year	**$ (261,428)**	$ (634,063)

See accompanying notes.

GENESEE VALLEY PRESBYTERIAN NURSING CENTER
d/b/a KIRKHAVEN

STATEMENTS OF CASH FLOWS
Years Ended December 31,

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 372,635	$ (2,602,628)
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities:		
Increase in allowance for doubtful accounts	35,500	154,500
Depreciation and amortization	552,667	549,575
Impairment of assets	25,798	-
Change in unrestricted net assets related to the pension plan	202,892	2,702,066
Change in beneficial interest in Foundation	8,247	(21,179)
(Increase) decrease in assets:		
Accounts receivable	161,745	(467,707)
Due from third party payors	(344,910)	(103,950)
Prepaid expenses and other current assets	14,219	(12,207)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(75,367)	(59,438)
Deferred revenue	17,127	(19,964)
Due to third party payors	181,979	248,822
Due to affiliated parties	(200,149)	198,652
Pension liability	158,486	(148,382)
Deferred compensation liability	21,100	59,674
Cash provided by operating activities	1,131,969	477,834
Cash flows from investing activities:		
Purchase of property and equipment	(335,804)	(360,224)
Change in assets whose use is limited	(19,338)	113,608
Cash used by investing activities	(355,142)	(246,616)
Cash flows from financing activities:		
Net (decrease) in line of credit	(454,397)	(15,565)
Principal payments on long-term debt	(294,417)	(283,739)
Cash used by financing activities	(748,814)	(299,304)
Net change in cash and cash equivalents	28,013	(68,086)
Cash and cash equivalents - beginning of year	12,863	80,949
Cash and cash equivalents - end of year	$ 40,876	$ 12,863
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 230,190	$ 248,143

See accompanying notes.

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations: Genesee Valley Presbyterian Nursing Center d/b/a Kirkhaven (Kirkhaven) is a 147-bed not-for-profit nursing facility located in Rochester, New York.

Display of Net Assets by Class: The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of accounting principles generally accepted in the United States of America (US GAAP). Such principles require that resources be classified for reporting purposes into three net asset categories (temporarily restricted, permanently restricted and unrestricted) according to the existence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose use has been limited by donors for a specific purpose or time period. Temporarily restricted net assets are purpose restricted for Kirkhaven's general use subject to the Seniorsfirst Foundation, Inc.'s approval, and for specific purpose use at Kirkhaven such as the Pathways household project, a van, enhanced dining, the beauty shop, resident recreation, and pastoral care services. Certain temporarily restricted net assets are time restricted. Permanently restricted net assets are those for which donors require the principal of the gift to be maintained in perpetuity.

Cash and Cash Equivalents: Cash and cash equivalents include certain investments in highly liquid instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable are stated at amount invoiced and are net of allowances for doubtful accounts. Kirkhaven estimates the allowance based on management's analysis of specific balances, taking into consideration the age of past due accounts, the status of the billing process with third-party payers, the value of remaining assets held by residents, and anticipated collections resulting from legal action. Receivables are considered impaired if payment is not received in accordance with terms. It is Kirkhaven's policy to write-off uncollectible receivables when management determines the receivable will not be collected. As of December 31, 2015 the allowance for doubtful accounts amounted to $400,000 ($364,500 - 2014).

Property and Equipment: Property and equipment is stated at cost if purchased or at the fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 40 years. Kirkhaven capitalizes all assets with a cost of $200 or greater and an estimated useful life of more than one year. Depreciation expense for the year ended December 31, 2015 was $546,198 ($543,161 - 2014).

Mortgage Acquisition Costs: In 2013, Kirkhaven refinanced its mortgage. Costs of $102,614 were capitalized as Mortgage Acquisition Costs. These costs are being amortized using the straight-line method over the term of the mortgage. Amortization expense for the year ended December 31, 2015 amounted to $6,469 ($6,414 - 2014). Accumulated amortization as of December 31, 2015 amounted to $16,624 ($10,155 - 2014). Amortization expense for each of the five years subsequent to December 31, 2015 is expected to be $6,414.

Deferred Revenue: Cash received in advance of services rendered is classified as deferred revenue.

Resident Funds: Kirkhaven acts as a custodian for resident funds. These funds are expended at the direction of its residents for personal items.

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value: As defined by US GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A hierarchy for ranking the quality and reliability of the information is used to determine fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The asset or liability'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 are used to maximize the use of observable inputs and minimize the use of unobservable inputs. There has been no change in the methodologies used at December 31, 2015 and 2014.

Cash and Cash Equivalents: Stated at cost, which approximates fair value. Cash and cash equivalents are classified at Level 1.

Mutual Funds: Valued at the net asset value (NAV) of the shares held by at year end. The NAV is the closing price reported on the active market on which the securities are traded. Mutual funds are classified as Level 1.

U.S. Government Securities, Corporate Obligations, Mortgage Backed Obligations, Municipal Obligations, and Equities: Valued at the closing price reported on the active market on which the individual securities are traded. Investments are classified as Level 1.

Revenue Recognition: Kirkhaven provides service to residents under agreements with third-party payors (Medicaid, Medicare and HMOs) under provisions of their respective cost reimbursement formulas. If amounts received are less than Kirkhaven's established billing rates, the difference is accounted for as a reduction of revenue. Final determination of the reimbursement rates is subject to review by appropriate third-party payors. Provisions are made in the financial statements for anticipated adjustments that may result from such reviews. Differences between the estimated amounts accrued and final settlements are reported in operations in the year of settlement. There were no settlements recognized by Kirkhaven during the years ended December 31, 2015 and 2014.

Lease Revenue: During October 2010, Kirkhaven leased rooftop and ground space sufficient for the installation, operation and maintenance of a cellular antenna to a communication company. Under the terms of the lease agreement, Kirkhaven will receive monthly lease payments, which shall increase by three percent annually. The lease was renewed in September 2015 and will run through September 2020 with three, five year extensions available at the leasee's option. Kirkhaven recognized lease revenue, reflected in Non-Operating Revenue, of $23,822 during the year ended December 31, 2015 ($23,128 - 2014).

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Kirkhaven reports contributions for which the donor imposed restriction was met in the same year that the contribution is received as unrestricted net asset activity.

Volunteers have donated significant amounts of time in support of Kirkhaven activities. However, the value of these services is not reflected in the accompanying statements, as these services do not meet the criteria for recognition in accordance with US GAAP.

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk: Kirkhaven has significant concentrations of resident accounts receivable with Medicaid and Medicare of approximately 60% for the year ended December 31, 2015 (54% - 2014). Revenues from the Medicaid and Medicare programs accounted for approximately 60% of Kirkhaven's nursing home and other revenue for the year ended December 31, 2015 (64% - 2014).

In addition, financial instruments that potentially subject Kirkhaven to concentrations of credit risk consist principally of cash accounts in financial institutions. Although the cash accounts may exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institutions. Management reviews the financial viability of these institutions on a periodic basis.

Income Taxes: Kirkhaven is a not-for-profit organization as described in Section 509(a) of the Internal Revenue Code and is exempt from income taxes as a corporation qualified under Section 501(c)(3) of the Code. Kirkhaven is not considered a private foundation by the Internal Revenue Service. Kirkhaven files its return of Organization Exempt from Income Tax in the U.S. federal jurisdiction and it's Annual Filing of Charitable Organizations in New York State.

Kirkhaven has considered the recognition requirements for uncertain income tax positions. Kirkhaven believes that its income tax filing positions would be sustained upon examination, and does not anticipate any adjustments that would result in a material adverse affect on the Kirkhaven's financial condition.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Reclassifications: Certain 2014 amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after March 15, 2016 which is the date these financial statements were available to be issued.

NOTE 2. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited represent amounts designated for the following purposes:

Mortgage Escrow Deposits: Represent tax, insurance, and other escrow funds deposited as required under the terms of Kirkhaven's debt financing agreements.

Reserve for Replacement: Represents funds deposited as required under the terms of Kirkhaven's debt financing agreements. The funds can be utilized with the approval of the U.S. Department of Housing and Urban Development, for maintaining the nursing facility.

Funded Depreciation Reserves: Represents funds deposited as required by the New York State Department of Health (DOH) for capital expenditures. Effective January 1, 2007, DOH no longer requires nursing facilities to fund depreciation.

Non-Qualified Deferred Compensation Plan: Represents funds invested as required under the terms of Kirkhaven's non-qualified deferred compensation plan with the CEO.

NOTE 2. ASSETS WHOSE USE IS LIMITED (CONTINUED)

The balances of assets whose use is limited are as follows at December 31:

	2015	2014
Mortgage escrow deposits	**$ 121,707**	$ 124,525
Reserve for replacement	**985,056**	1,188,982
Funded depreciation reserves	**225,054**	20,072
Non-qualified deferred compensation plan	**143,585**	122,485
Total	**$ 1,475,402**	$ 1,456,064

Kirkhaven measured its investments at fair value on a recurring basis as Level 1 within the hierarchy which is based on quoted market prices. Assets whose use is limited are invested in the following as of December 31:

	2015		2014	
	Cost	Market Value	Cost	Market Value
Cash and cash equivalents:				
Mortgage escrow deposits	**$ 121,707**	**$ 121,707**	$ 124,525	$ 124,525
Reserve for replacement	**985,056**	**985,056**	1,188,982	1,188,982
Funded depreciation reserves	**225,054**	**225,054**	20,072	20,072
Mutual funds – large value stocks:				
Non-qualified deferred compensation plan assets	**139,569**	**143,585**	109,782	122,485
Total	**$ 1,471,386**	**$ 1,475,402**	$ 1,443,361	$ 1,456,064

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2015	2014
Land	**$ 438,016**	$ 438,016
Building and improvements	**13,411,650**	13,306,078
Land improvements	**181,798**	183,273
Movable equipment	**2,182,437**	2,213,378
Construction in progress	**10,590**	45,231
	16,224,491	16,185,976
Less: Accumulated depreciation	**10,496,193**	10,221,486
Net property and equipment	**$ 5,728,298**	$ 5,964,490

NOTE 4. LINE OF CREDIT

In 2014, Kirkhaven increased the amount available on the line of credit to $750,000 with a bank that bears interest at the one-month LIBOR rate, 0.43% at December 31, 2015 (0.17% at December 31, 2014) plus 3.00% rounded upward, if necessary, to the nearest 1/16th of 1%. The line is secured by all non-real estate assets of Kirkhaven and a pledge of assets from the Seniorsfirst Foundation, Inc. equal to the outstanding amount of the line of credit. As of December 31, 2015, the balance outstanding on the line of credit amounted to $0 ($454,397 - 2014).

NOTE 5. DEBT

Debt consisted of the following as of December 31:

	2015	2014
Mortgage payable in monthly installments of $41,087, including interest at 3.70% through May 2029. Mortgage is collateralized by substantially all of Kirkhaven's assets, and is insured by the U.S. Department of Housing and Urban Development under Program Section 232 - Nursing Homes, Intermediate Care Facilities, and Board and Care Homes.	**$ 5,208,006**	$ 5,502,423
Less current portion	**305,497**	294,417
Amount due after one year	**$ 4,902,509**	$ 5,208,006

Annual maturities of debt subsequent to December 31, 2016 are as follows:

2017	$ 316,994
2018	328,924
2019	341,303
2020	354,147
2021	367,475
Thereafter	3,193,666
	$ 4,902,509

NOTE 6. ENDOWMENTS

Changes in Endowment Net Assets for the year ended December 31:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, January 1, 2014	$ 302,624	$ 956,411
Investment return:		
Investment income	17,212	-
Net realized and unrealized losses on endowment funds	43,188	-
Total investment return	60,400	-
Contributions	-	1,244
Appropriation of endowment assets for expenditure	(40,000)	-
Endowment net assets, December 31, 2014	323,024	957,655
Investment loss:		
Investment income	19,355	-
Net realized and unrealized losses on endowment funds	(28,202)	-
Total investment loss	(8,847)	-
Contributions	-	1,150
Appropriation of endowment assets for expenditure	(44,000)	-
Endowment net assets, December 31, 2015	$ 270,177	$ 958,805

Interpretation of Relevant Law

The Board of Directors has interpreted New York State Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the historical dollar value of the corpus of the permanent restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Seniorsfirst Foundation, and therefore Kirkhaven, classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Investment income of the invested assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Seniorsfirst Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires Kirkhaven to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2015 or 2014. Deficiencies would result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation for certain programs that would be deemed prudent by Seniorsfirst Foundation.

NOTE 6. ENDOWMENTS (CONTINUED)

Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives

To ensure the preservation of the corpus of the permanently restricted endowment funds, the total fair value of all commingled investment assets are classified first to the level of the permanently restricted endowment funds corpus. If the fair value of investment assets falls below the level of the permanently restricted endowment fund corpus, an endowment fund deficiency receivable from the unrestricted net assets would be recognized until the deficiency was recovered.

Spending Policy

The Board of Directors has established a Total Return Policy (TRP) for use in regulating how Seniorsfirst Foundation investment earnings and appreciation are made available for use by the supporting organizations. The TRP allows for an annual release of Seniorsfirst Foundation's temporarily restricted net assets to Kirkhaven equal to 5% of the rolling previous 12 quarters beneficial interest balances of Kirkhaven. Amounts distributed during the year ended December 31, 2015 amounted to $102,000 ($93,550 – 2014). If the Seniorsfirst Foundation accumulated earnings in the temporarily restricted net assets are not sufficient to cover the 5% TRP transfer (underwater position), no TRP transfer is permitted that year. Seniorsfirst Foundation considered several factors in establishing its policy, as enumerated in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and New York Prudent Management of Institutional Funds Act (NYPMIFA), including the preservation of the endowment funds, the purposes of the organization and the fund, general economic conditions, possible effects of inflation or deflation, expected total return from income and appreciation of investments, other resources of the organization, the organization's investment policy, and alternatives to spending from the endowment fund and the possible effects of those alternatives on the organization.

NOTE 7. PENSION PLANS

Kirkhaven has a contributory 401(k) defined contribution pension plan which covers employees who have one year of service and are age twenty-one or older. Kirkhaven matches participants' contributions to the Plan up to 3% of their compensation. Kirkhaven's contributions to the plan were $14,407 for the year ended December 31, 2015 ($13,506 - 2014).

Kirkhaven has a voluntary, employee-contributory 403(b) plan.

Kirkhaven also has a non-contributory defined benefit pension plan covering substantially all employees hired prior to January 1, 2006. The plan provides benefits based on years of service and the employee's compensation. Kirkhaven's funding policy is to contribute an amount within the requirements of the Employee Retirement Income Security Act. At December 31, 2005, Kirkhaven's defined benefit pension plan was frozen to existing participants. No new participants are eligible for admission into the plan subsequent to December 31, 2005.

NOTE 7. PENSION PLANS (CONTINUED)

The following table presents information about the Plan's assets that are measured at fair value on a recurring basis as of December 31, 2015 and 2014, using Level 1 inputs which are based on unadjusted quoted market prices within active markets.

	2015	2014
Cash and cash equivalents	**$ 153,651**	$ 267,783
Mutual funds:		
Bonds	**1,934,068**	826,114
Equities	**4,520,173**	-
U.S. government securities	**-**	386,123
Corporate obligations	**-**	668,979
Mortgage-backed obligations	**50,456**	90,813
Municipal obligations	**-**	30,864
Equities	**-**	4,838,721
	$ 6,658,348	$ 7,109,397

Obligations and Funded Status: The following table sets forth the Plan's funded status and amounts recognized in Kirkhaven's financial statements. The measurement date for plan assets and obligations was December 31, 2015 and 2014.

	2015	2014
Amounts at the end of years:		
Benefit obligation	**$ 10,570,631**	$ 10,660,302
Fair value of plan assets	**$ 6,658,348**	$ 7,109,397
Funded status (plan assets less plan obligations)	**$ (3,912,283)**	$ (3,550,905)
Amounts recognized for the years:		
Benefit cost recognized in expense	**$ 308,486**	$ 19,618
Employer contributions	**$ 150,000**	$ 168,000
Benefits paid	**$ 279,824**	$ 248,947
Amounts recognized in the statements of financial position:		
Pension liability	**$ (3,912,283)**	$ (3,550,905)
Accumulated unrestricted net assets related to the pension plan	**3,442,098**	3,239,206
Net amounts recognized	**$ (470,185)**	$ (311,699)

NOTE 7. PENSION PLANS (CONTINUED)

The amount in the accumulated unrestricted net assets related to the pension plan consists of a net actuarial loss as of December 31, 2015 in the amount of $3,442,098 ($3,239,206 - 2014).

The amounts in the accumulated unrestricted net assets related to the pension plan that are expected to be amortized into net periodic benefit cost during the next fiscal year are $224,659.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2015	2014
Projected benefit obligation	**$ 10,570,631**	$ 10,660,302
Accumulated benefit obligation	**$ 9,977,925**	$ 9,968,763
Fair value of plan assets	**$ 6,658,348**	$ 7,109,397
Assumptions:		
Assumptions used in computing ending obligations:		
Discount rate	**4.25%**	4.00%
Rate of compensation increase	**3.00%**	3.00%
Assumptions used in computing expected return on assets	**8.25%**	8.50%

The overall expected long-term rate of return on assets is based on historical returns, market trends, and investment objectives.

Plan Assets: Kirkhaven's pension plan weighted-average asset allocations by asset category are as follows:

Asset Portfolio	2015	2014
Cash and cash equivalents	**2%**	4%
Fixed income	**30**	28
Equities	**68**	68
Total	**100%**	100%

Kirkhaven utilizes a professional investment manager for the plan assets, overseen by the finance committee of the board of directors. A formal investment policy approved by the committee establishes an average asset allocation range and preferred target of 5% cash and cash equivalents, 25% fixed income, and 70% equity securities. The investment policy also establishes a long-term return on investment objective of 500 basis points over the annual inflation rate and a short-term return on investment objective competitive with standard benchmark indices for each specific market sector. The investment manager follows a value-oriented philosophy of investing and is prohibited by the investment policy from the use of derivatives and other high risk investments.

Cash Flows: Kirkhaven expects to contribute approximately $150,000 to the defined benefit pension plan in 2016.

NOTE 7. PENSION PLANS (CONTINUED)

The following benefit payments, which reflect future service, as appropriate, are expected to be paid approximately as follows:

2016	$ 298,127
2017	296,660
2018	313,978
2019	336,925
2020	370,096
Next five succeeding years	$ 2,376,784

Non-Qualified Deferred Compensation Plan - Kirkhaven provides an opportunity for the CEO to receive employer contributions for the purpose of providing additional retirement benefits through a section 457(b) deferred compensation plan. There was no deferred compensation expense incurred or accrued by Kirkhaven for the year ended December 31, 2015 ($16,800-2014) due to the Seniorsfirst Foundation Transition Fund incurring the expense ($21,000-2015) as a board approved transition cost. There is a related asset and liability recorded on the statements of financial position as non-current assets whose use is limited and other long term liabilities, respectively. Assets equal to $45,999, along with the related deferred compensation liability, previously reported on the balance sheet of Valley Manor were transferred to Kirkhaven as a result of the Valley Manor restructuring in 2014 (note 9). The CEO must be employed by Seniorsfirst through January 1, 2021 for the account to be fully vested and not subject to forfeiture. If forfeiture occurs, the balance will be returned to the entity. If the CEO's employment relationship is involuntarily terminated prior to January 1, 2021, the account shall then become vested, valued and payable to the CEO. An Employment Agreement has been entered into between the organization and the CEO through December 31, 2016.

NOTE 8. WORKERS' COMPENSATION SELF INSURANCE

Kirkhaven was self-insured for workers' compensation claims through a captive group arrangement with other healthcare providers. The New York State Workers' Compensation Board took over the trust during 2011 due to the self-insured trust's failure to meet and maintain liquidity and long term solvency requirements. The New York State Workers' Compensation Board initially calculated a preliminary trust liability for Kirkhaven and entered into a temporary payment plan whereby Kirkhaven was making monthly payments of $7,515 from July 2011 through October 2013. In December 2013, the New York State Workers' Compensation Board issued a revised trust liability for Kirkhaven with a liability of approximately $1.4 million. Kirkhaven is a member of a trust defense group, which consists of the majority of former trust members, who have hired legal counsel to represent them in defending against the claims of the New York State Workers' Compensation Board. Currently, the New York State Workers' Compensation Board has postponed any further collection activity related to their most recent trust liability assessments and the trust defense group is considering its own next steps including further analysis, negotiation and litigation options. Kirkhaven believes that there are numerous issues/errors with the latest revised liability. Because of the unknown ultimate amount of the trust liability, the balance sheet includes only an estimate based on the Organization's most current assessment and assumptions of its trust liability less payments made. At December 31, 2015 and 2014, the liability recorded is approximately $500,000, and may be subsequently increased or decreased as the process develops and more factual data becomes known. There were no developments or factual data identified in 2015, therefore, no changes were made to the liability.

NOTE 8. WORKERS' COMPENSATION SELF INSURANCE (CONTINUED)

In 2010 and 2011, Kirkhaven participated in the Human Services Self-Insurance Workers' Compensation Trust Fund (HST). The HST was incorporated in 1996 to offer competitive workers compensation and statutory disability benefits programs to non-profit human services organizations throughout New York State. The HST set annual premium rates for its members based on the claims experience and other costs of the Trust as a group. Each member's premiums were adjusted by a member specific claims experience modification factor. By choosing members carefully, engaging in best practices for risk management, conducting vigilant claims administration and cost sharing administrative overhead, the HST's objective was to minimize premium costs to its exclusive members. The HST closed January 1, 2012. As of December 31, 2015, the Trust had approximately 66 months of cash available to pay remaining open claims, which is above the NYS Workers Compensation Board 18 month minimum requirement. It is not currently anticipated that there would be any additional member assessments.

Effective January 1, 2012, Kirkhaven ceased participating in a self-insured trust, and enrolled in a standard workers' compensation insurance product where premiums are determined based on industry rates and facility-specific experience ratings.

The amount charged to expense for workers' compensation claims for Kirkhaven was $204,953 for the year ended December 31, 2015 ($200,278 - 2014).

NOTE 9. RELATED PARTY TRANSACTIONS

Due To/From Affiliated Parties: At December 31, 2015, Kirkhaven was indebted from affiliated parties in the net amount of $832. For the year ended December 31, 2014, Kirkhaven was indebted to affiliated parties in the net amount of $200,149. The amounts are non-interest bearing, unsecured obligations with no defined repayment terms.

Beneficial Interest in Net Assets of Foundation: As required by US GAAP, Kirkhaven has recorded its interest in the net assets of the Seniorsfirst Foundation, Inc., a financially interrelated organization. Annually, Kirkhaven's interest is adjusted for its share of the change in the net assets of the Foundation. At December 31, 2015, interest in net assets of the Foundation amounted to $2,221,467 ($2,229,714 - 2014).

Valley Manor Restructuring: Effective August 1, 2014, Valley Manor (formerly a related party) was restructured and Episcopal Seniorlife Communities (ESLC) became the sole member of Valley Manor. Prior to this restructuring, Kirkhaven had a cost sharing agreement with Valley Manor. Subsequent to the Valley Manor restructuring, Kirkhaven has restructured several components of these support services to maintain its costs.

NOTE 10. FUNCTIONAL EXPENSES

The costs of providing healthcare services at December 31 have been summarized below. Certain costs have been allocated among services and supporting services benefitted.

	2015	2014
Healthcare	**$ 11,561,736**	$ 10,868,145
General and administrative	**1,087,757**	1,191,065
Total functional expenses	**$ 12,649,493**	$ 12,059,210

NOTE 11. OTHER MATTERS

Kirkhaven has a legal obligation to remove asbestos that is contained in some areas of its location. Shall the need arise to disturb the contained area, a liability will be recorded based on the estimated cost to remediate the asbestos. At December 31, 2015, a liability has not been recognized for this obligation because sufficient information is not available to estimate the fair value of the disposal.

In compliance with the enacted NYS Revitalization Act, the Board of Directors approved specific revisions to the corporate bylaws effective July 1, 2014.

NOTE 12. MANAGEMENT SERVICES ORGANIZATION

In December 2015, the Board of Directors approved to jointly establish a Management Services Organization (MSO) with Fairport Baptist Homes and Wesley Gardens for the provision of certain support services on a cost-shared basis. The MSO will be established as a separate, supporting nonprofit organization governed by a voluntary board of directors comprised of equal representation from each of the three supported organizations. The three support organizations will continue to be governed and operated independently under their own board of directors, but will seed certain support functions to the MSO under a collaborative and jointly-controlled operation. The triple aim of the MSO initiative is to create economy-of-scale efficiencies, increased depth of resources and enhanced market relevance.

GENESEE VALLEY PRESBYTERIAN NURSING CENTER
d/b/a KIRKHAVEN

SCHEDULES OF OPERATING EXPENSES
Years Ended December 31,

	2015	2014
Nursing services:		
Nursing administration	**$ 814,091**	$ 682,145
Skilled nursing	**3,779,830**	3,383,823
Total nursing services	**4,593,921**	4,065,968
Ancillary services:		
Ambulance	**5,861**	9,179
Laboratory	**12,981**	13,180
Radiology	**6,533**	9,260
Pharmacy	**176,158**	227,664
Podiatry	**2,303**	1,729
Dental	**16,861**	16,100
Physical therapy	**421,969**	420,683
Occupational therapy	**236,688**	288,642
Speech therapy	**95,735**	92,597
Audiology	**194**	-
Psychiatry	**4,784**	6,397
Physician services	**42,000**	42,000
Total ancillary services	**1,022,067**	1,127,431
Resident support services:		
Life enrichment	**114,990**	47,473
Pastoral care	**59,291**	53,302
Pet therapy	**361**	1,381
Households	**427,127**	602,996
Household training	**-**	19,375
Social work	**163,529**	136,808
Health information management	**29,044**	46,686
Food and nutrition	**947,270**	928,024
Cafeteria	**30,110**	27,742
Plant maintenance and operation	**313,950**	320,101
Utilities	**281,069**	274,648
Housekeeping	**162,882**	147,109
Laundry	**234,815**	262,490
Security	**106,410**	103,070
Transportation	**1,294**	8,206
Staff development	**72,692**	65,549
Reception	**55,588**	53,627
Barber and beauty shop	**3,597**	20,174
Legionella	**-**	12,906
Scabies	**17,016**	19,050
Newspaper - residents	**649**	1,976
Total resident support services	**3,021,684**	3,152,693

GENESEE VALLEY PRESBYTERIAN NURSING CENTER
d/b/a KIRKHAVEN

SCHEDULES OF OPERATING EXPENSES (CONTINUED)
Years Ended December 31,

	2015	2014
Administrative support services:		
Administration	$ 230,615	$ 224,840
Fiscal	282,176	236,781
Information technology	72,744	80,852
Seniorsfirst administration	-	135,512
Public relations and marketing	2,049	1,428
Purchasing	16,621	16,426
Human resources	108,030	134,645
Total administrative support services	712,235	830,484
Employee benefits:		
FICA	496,181	471,123
Health insurance	410,104	363,860
Workers' compensation	204,953	200,278
Pension plan - defined benefit	370,826	66,664
Pension plan - 401K	22,201	23,235
Disability	14,518	15,572
Unemployment	25,342	79,190
Life insurance	270	181
Other	16,796	15,256
Allocation	(15,582)	(25,356)
Total employee benefits	1,545,609	1,210,003
Property and interest expenses:		
Lease and rentals	42,859	41,507
Insurance	104,288	97,215
Interest expense and mortgage fees	230,190	248,143
Total property and interest expenses	377,337	386,865
Bad debts	146,869	149,272
NYS cash receipts assessment	677,104	586,919
Total operating expenses	$ 12,096,826	$ 11,509,635

	2015	2014
Total wages	$ 6,475,627	$ 6,244,394
Total other	5,621,199	5,265,241
Total operating expenses	$ 12,096,826	$ 11,509,635