

**BETH HAVEN MANAGEMENT SERVICES, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

**BETH HAVEN MANAGEMENT SERVICES, INC.  
TABLE OF CONTENTS  
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

<b>INDEPENDENT ACCOUNTANTS' COMPILATION REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>2</b>
<b>STATEMENTS OF OPERATIONS AND RETAINED EARNINGS</b>	<b>3</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>4</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>5</b>

**DRAFT**



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
Beth Haven Management Services, Inc.  
Hannibal, Missouri

Management is responsible for the accompanying financial statements of Beth Haven Management Services, Inc., which comprise the balance sheets as of September 30, 2019 and 2018, the related statements of operations and retained earnings and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

### CliftonLarsonAllen LLP

St. Louis, Missouri  
REPORT DATE

DRAFT

**BETH HAVEN MANAGEMENT SERVICES, INC.**  
**BALANCE SHEETS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 49,221	\$ 34,685
Due from Related Party	168,622	161,132
Deferred Income Taxes	9,200	7,000
Prepaid Expenses	10,437	7,300
Total Current Assets	237,480	210,117
 <b>PROPERTY AND EQUIPMENT, NET</b>	 168,092	 175,357
Total Assets	\$ 405,572	\$ 385,474
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ -	\$ 2,231
Accrued Salaries and Payroll Taxes	18,910	28,946
Accrued Compensated Absences	39,250	36,787
Total Current Liabilities	58,160	67,964
<b>LONG-TERM LIABILITIES</b>		
Deferred Income Taxes	100	1,400
Total Long-Term Liabilities	100	1,400
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$100 Par Value, Authorized 300 Shares, 2 Shares Issued and Outstanding	200	200
Retained Earnings	347,112	315,910
Total Stockholders' Equity	347,312	316,110
Total Liabilities and Stockholders' Equity	\$ 405,572	\$ 385,474

See accompanying Notes to Financial Statements.

**BETH HAVEN MANAGEMENT SERVICES, INC.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**  
**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2019		2018	
	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>OPERATING REVENUE</b>				
Management Fees	\$ 685,300	98.0 %	\$ 737,815	98.1 %
Rental Income	14,340	2.0	14,340	1.9
Total Operating Revenue	699,640	100.0	752,155	100.0
<b>OPERATING EXPENSE</b>				
Salaries	470,876	67.3	500,326	66.4
Payroll Taxes and Employee Benefits	129,978	18.6	140,068	18.6
Administrative Costs	24,106	3.4	26,154	3.5
Equipment Expense	6,940	1.0	7,378	1.0
Depreciation	11,840	1.7	12,999	1.7
Rent	13,000	1.9	13,000	1.7
Other	6,379	0.9	11,141	1.5
Total Operating Expense	663,119	94.8	711,066	94.5
<b>OPERATING INCOME</b>	36,521	5.2	41,089	5.5
<b>OTHER INCOME</b>				
Interest	57	-	338	-
Miscellaneous	1,547	0.2	4,502	0.6
Total Other Income	1,604	0.2	4,840	0.6
<b>INCOME BEFORE PROVISION FOR INCOME TAX</b>	38,125	5.4	45,929	6.1
<b>PROVISION FOR INCOME TAX</b>	6,923	1.0	11,965	1.7
<b>NET INCOME</b>	31,202	4.4	33,964	4.4
Retained Earnings - Beginning	315,910		281,946	
<b>RETAINED EARNINGS - ENDING</b>	\$ 347,112		\$ 315,910	

See accompanying Notes to Financial Statements.

**BETH HAVEN MANAGEMENT SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Management Services	\$ 679,357	\$ 673,432
Cash Paid to Suppliers and Employees	(663,020)	(696,388)
Interest Income Received	57	338
Rental Income Received	14,340	14,340
Income Taxes Paid	(10,423)	(11,165)
Contributions	(1,200)	(250)
Net Cash Provided (Used) by Operating Activities	19,111	(19,693)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment, Net	(4,575)	-
Net Cash Used by Investing Activities	(4,575)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	14,536	(19,693)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	34,685	54,378
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 49,221	\$ 34,685
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net Income	\$ 31,202	\$ 33,964
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	11,840	12,998
Increase (Decrease) in Deferred Income Taxes	(3,500)	800
(Increase) Decrease in Current Assets:		
Due from Related Party	(7,490)	(68,885)
Prepaid Expenses	(3,137)	150
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(2,231)	2,231
Accrued Salaries and Other Accrued Liabilities	(7,573)	(1,798)
Due to Related Party	-	847
Net Cash Provided (Used) by Operating Activities	\$ 19,111	\$ (19,693)

See accompanying Notes to Financial Statements.

**BETH HAVEN MANAGEMENT SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Company**

Beth Haven Management Services, Inc. (the Company) is a Missouri corporation, which provides management services in the area of health care and housing for the elderly. The primary activities of the Company currently are with related parties.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments and certificates of deposit with a maturity of three months or less to be cash equivalents.

The Company places its temporary cash investments with financial institutions. At times such investments may be in excess of the FDIC insurance limit.

**Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation. It is the policy of the Company to only capitalize qualifying individual items greater than or equal to \$1,000. Provision for depreciation is made on a straight-line method based on the following useful lives:

Buildings and Improvements	5 to 40 years
Furniture, Fixtures and Equipment	5 to 40 years
Vehicles	4 to 10 years

**Income Taxes**

The Company adopted the income tax standard for uncertain tax positions. As a result of the implementation, the Company evaluated its tax positions and determined it has no uncertain tax positions as of September 30, 2019 and 2018.

**Recently Issued Accounting Standards**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. This provision amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

**BETH HAVEN MANAGEMENT SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Standards (Continued)**

Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for the annual reporting period ended September 30, 2020. Management is evaluating the effect of the amended revenue recognition guidance on the entity's financial statements.

**Subsequent Events**

In preparing these financial statements, the Company has considered events and transactions for potential recognition or disclosure through REPORT DATE, the date the financial statements were available to be issued.

**NOTE 2 PROPERTY AND EQUIPMENT**

Property and equipment, by major category, are as follows at September 30:

	2019	2018
Land	\$ 5,000	\$ 5,000
Building	230,229	225,654
Furniture, Fixtures and Equipment	69,018	69,018
Vehicles	31,906	31,906
Subtotal	<u>336,153</u>	<u>331,578</u>
Less: Accumulated Depreciation	<u>(168,061)</u>	<u>(156,221)</u>
Total	<u>\$ 168,092</u>	<u>\$ 175,357</u>

Depreciation expense was \$11,840 and \$12,999 for the years ended September 30, 2019 and 2018, respectively.

**NOTE 3 RELATED-PARTY TRANSACTIONS**

The Company provides, under renewable one-year contracts, management services to Mennonite Home Association, Inc. (MHA) and Beth Haven Terrace, Inc., nonprofit organizations each having 50% ownership of the Company, and Beth Haven Group Homes, Inc., a nonprofit organization sharing common board members with MHA. The two divisions of MHA, Beth Haven Nursing Home and Pleasant View are charged fees equal to 3.5% and 5%, respectively, of gross receipts plus amounts equal to salaries and payroll taxes of various personnel of the respective facilities. Such fees amounted to \$462,291 and \$487,689 during the years ended September 30, 2019 and 2018, respectively.



**BETH HAVEN MANAGEMENT SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

**NOTE 3 RELATED-PARTY TRANSACTIONS (CONTINUED)**

Beth Haven Terrace, Inc. is charged a management fee equal to 6% of gross rental collections plus an amount equal to salaries and payroll taxes of various facility personnel. Such fees totaled \$128,120 and \$143,947 during the years ended September 30, 2019 and 2018, respectively.

Beth Haven Group Homes, Inc. is charged a management fee equal to 5% of gross receipts plus an amount equal to the salary and payroll taxes of various facility personnel. Beth Haven Group Homes, Inc. operates two eight-bed certified residential habitation facilities, one 4-bed certified residential habitation facility, and two individualized supported living units. The Company manages the facilities and the independent supportive living contracts provided by Beth Haven Group Homes, Inc. Such fees totaled \$94,739 and \$106,179 during the years ended September 30, 2019 and 2018, respectively.

The Company leases property to Beth Haven Group Homes, Inc. at a monthly cost of \$1,195. Rental Income was \$14,340 for each of the years ended September 30, 2019 and 2018.

As of September 30, 2019 and 2018, due from related party for management services performed by the Company consisted of the following:

	2019	2018
Beth Haven Terrace, Inc.	\$ 1,881	\$ 11,128
Beth Haven Nursing Home	158,542	141,746
Beth Haven Group Homes, Inc.	8,199	8,258
Total Due From Related Party	<u>\$ 168,622</u>	<u>\$ 161,132</u>

The Company leases its office space at a monthly cost of \$1,083 under a month-to-month operating lease from MHA. Rent expense was approximately \$13,000 for each of the years ended September 30, 2019 and 2018.

**NOTE 4 PROFIT SHARING PLAN**

The Company has a Section 401(k) retirement plan which covers substantially all employees after specified periods of service and after meeting certain eligibility requirements. The plan includes a salary deferral through a payroll savings program with matching employer contributions. The matching contribution is a discretionary percentage of the employee's salary deferral as determined annually by the Board of Directors. The board approved to match 100% of the employee's salary deferral up to a maximum of 6% of compensation for the years ended September 30, 2019 and 2018, respectively. Contributions to the plan were \$20,028 and \$22,119 for the years ended September 30, 2019 and 2018, respectively.

**BETH HAVEN MANAGEMENT SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

**NOTE 5 PROVISION FOR INCOME TAX**

Income taxes are based on income as reported in these financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Temporary differences relate primarily to different depreciation methods being used for financial accounting, for carryforward of charitable contributions for tax purposes, and for changes in accrued vacation.

The deferred tax liabilities represent the future tax return consequences of those differences, which will be taxable when the liabilities are settled.

Deferred income taxes in the accompanying balance sheets include the following components:

	2019	2018
Deferred Income Tax Asset - Current	\$ 9,200	\$ 7,000
Deferred Income Tax Liability - Noncurrent	(100)	(1,400)
Total Deferred Income Tax Asset	<u>\$ 9,100</u>	<u>\$ 5,600</u>

The provision for income tax consists of the following components:

	2019	2018
Current Tax	\$ 6,423	\$ 11,465
Change in Deferred Income Taxes	500	500
Provision for Income Tax	<u>\$ 6,923</u>	<u>\$ 11,965</u>

No valuation allowance has been recorded for the deferred tax liabilities, since all future tax liabilities most likely will be realized. The provision for income tax differs from the provision that would result from applying federal statutory rates to income before provision for income tax because of differences in the deferred income tax calculation.

**NOTE 6 CONTINGENCIES AND COMMITMENTS**

**Workers' Compensation Self-Insurance**

The Company obtains workers' compensation insurance through membership in the Missouri Nursing Home Insurance Trust Workers' Compensation Fund (the Trust), a trust formed for the benefit of qualified nursing facilities in the state of Missouri who wish to pool their resources to act as a group self-insurer as permitted by Section 287.280 of the Revised Statutes of Missouri. The Trust and its members jointly and severally agree to assume and discharge, by payment, any lawful awards entered against any member of the Trust. There was no workers' compensation expense through participation in the Trust for the years ended September 30, 2019 and 2018.

**BETH HAVEN MANAGEMENT SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

**NOTE 6 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

**Government Regulations - Medicaid**

The Missouri Department of Social Services, Division of Medical Services, reserves the right to perform field audit examinations of related Organizations' records. Any adjustments resulting from such examinations could retroactively adjust Medicaid revenue.

**Health Care**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

**Litigation**

The Company is subject to asserted and unasserted claims encountered in the normal course of business. The Company's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.