Lighthouse Guild International, Inc. and Affiliates

Consolidated Financial Statements and Supplemental Schedules

Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

The Board of Directors
Lighthouse Guild International, Inc. and Affiliates
New York, New York

We have audited the accompanying consolidated financial statements of Lighthouse Guild International, Inc. and Affiliates, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Guild International, Inc. and Affiliates as of December 31, 2019 and 2018, and the results of their operations, 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.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, GuildNet, Inc. ceased operations effective January 1, 2019. Detailed in Note 2 to the consolidated financial statements, are the certain assets and liabilities of GuildNet Inc.'s discontinued operations, as of December 31, 2019 and 2018. Additionally, detailed in Note 2, are the major classes of revenues and expenses from discontinued operations for the years ended December 31, 2019 and 2018.

Other Matters

Supplementary Information

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The accompanying supplementary consolidating balance sheet and consolidating schedule of operations and changes in net assets are presented for purposes of additional analysis and are not required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on 2018 Information

The 2018 consolidated financial statements of Lighthouse Guild International, Inc. and Affiliates were audited by other auditors, whose report dated April 11, 2019, which expressed an unmodified opinion on those statements.

BDO USA, LLP

April 16, 2020

Lighthouse Guild International, Inc. and Affiliates

Consolidated Balance Sheets
(in thousands)

December 31,		2019		2018
Assets				
Current Assets				
Cash and cash equivalents	$	**10,480**	$	17,436
Asset limited to use (Notes 4 and 19)		**1,065**		-
Investments, current portion (Note 4)		**333,271**		328,776
Accounts receivable, net (Note 18)		**3,537**		16,616
Prepaid expenses and other current assets (Note 5)		**2,816**		6,717
Statutory reserve assets (Notes 4 and 14)		**8,842**		32,547
Total Current Assets		**360,011**		402,092
Endowment investments (Notes 4 and 10)		**25,316**		25,315
Beneficial Interest in Perpetual Trusts (Notes 4 and 16)		**12,412**		10,493
Investments, net of current portion (Note 4)		**39,190**		32,418
Fixed Assets, **Net** (Note 6)		**122,601**		201,641
Other Assets (Notes 5 and 16)		**19,529**		13,615
Total Assets	$	**579,059**	$	685,574
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$	**23,807**	$	17,420
Claims payable (Note 19)		**6,178**		42,572
Accrued salaries and related expenses		**5,244**		8,500
Due to third-party payors, net (Note 11)		**22,713**		20,473
Current portion of notes payable (Note 7)		**30,000**		30,000
Current portion of capital lease payable (Note 8)		**256**		675
Current portion of accrued pension and postretirement medical benefits (Notes 12 and 13)		**66**		67
Current portion of annuity obligations (Note 17)		**575**		527
Other current liabilities (Note 15)		**2,036**		2,878
Total Current Liabilities		**90,875**		123,112
Notes Payable, net of current portion (Note 7)		**74,300**		74,300
Capital Lease Payable, net of current portion (Note 8)		**112,263**		191,431
Accrued Pension and Postretirement Medical Benefits, net of current portion (Notes 12 and 13)		**24,987**		28,683
Annuity Obligations, net of current portion (Note 17)		**1,384**		2,031
Other Liabilities (Note 15)		**-**		3,664
Total Liabilities		**303,809**		423,221
Commitments and Contingencies (Notes 9, 11, 14 and 15)				
Net Assets (Notes 9 and 10)				
Without donor restrictions		**219,913**		213,849
With donor restrictions		**55,337**		48,504
Total Net Assets		**275,250**		262,353
Total Liabilities and Net Assets	$	**579,059**	$	685,574

See accompanying notes to consolidated financial statements.

Lighthouse Guild International, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
(in thousands)

December 31,	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support from Operations						
Program revenue (Note 3)	$ **2,550**	$ **-**	$ **2,550**	$ 486,552	$ -	$ 486,552
Capitation retrospective premiums	**(9,035)**	**-**	**(9,035)**	-	-	-
Patient service revenue	**11,151**	**-**	**11,151**	11,352	-	11,352
Other revenue	**952**	**-**	**952**	3,858	-	3,858
Net assets released from restrictions (Note 9)	**3,009**	**(3,009)**	**-**	2,281	(2,281)	-
Total Revenue and Other Support from Operations	**8,627**	**(3,009)**	**5,618**	504,043	(2,281)	501,762
Operating Expenses						
Program services:						
Managed care recovery	**(5,353)**	**-**	**(5,353)**	532,258	-	532,258
Provider services	**19,849**	**-**	**19,849**	26,916	-	26,916
Total Program Services	**14,496**	**-**	**14,496**	559,174	-	559,174
Supporting services:						
Management and general	**56,396**	**-**	**56,396**	85,332	-	85,332
Total Operating Expenses	**70,892**	**-**	**70,892**	644,506	-	644,506
Deficiency of Revenue and Other Support from Operations Under Expenses	**(62,265)**	**(3,009)**	**(65,274)**	(140,463)	(2,281)	(142,744)
Nonoperating Revenues, Gains (Losses), and Other Support (Expense)						
Contributions and grants	**1,384**	**424**	**1,808**	1,359	838	2,197
Special events, net	**148**	**-**	**148**	72	-	72
Legacies and bequests	**2,796**	**2,103**	**4,899**	2,202	166	2,368
Interest and dividend income	**4,853**	**426**	**5,279**	7,975	508	8,483
Net realized and unrealized gain (loss) on investments	**49,842**	**4,599**	**54,441**	(31,210)	(2,431)	(33,641)
Distributions from perpetual trusts	**569**	**-**	**569**	424	22	446
Loss on impairment of fixed assets	**(2,554)**	**-**	**(2,554)**	(45,243)	-	(45,243)
Gain on sale of fixed assets	**6,420**	**-**	**6,420**	-	-	-
Change in value of annuity obligations (Note 17)	**119**	**-**	**119**	(297)	-	(297)
Change in value of beneficial interest in trusts (Note 17)	**-**	**2,290**	**2,290**	-	(1,170)	(1,170)
Pension and postretirement benefit changes other than net periodic benefit cost (Notes 12 and 13)	**4,752**	**-**	**4,752**	(945)	-	(945)
Total Nonoperating Revenues, Gains (Losses), and Other Support (Expense)	**68,329**	**9,842**	**78,171**	(65,663)	(2,067)	(67,730)
Change in Net Assets	**6,064**	**6,833**	**12,897**	(206,126)	(4,348)	(210,474)
Net Assets, beginning of year	**213,849**	**48,504**	**262,353**	419,975	52,852	472,827
Net Assets, end of year	$ **219,913**	$ **55,337**	$ **275,250**	$ 213,849	$ 48,504	$ 262,353

See accompanying notes to consolidated financial statements.

Lighthouse Guild International, Inc. and Affiliates

Consolidated Statements of Cash Flows
(in thousands)

December 31,		**2019**		2018
Cash Flows from Operating Activities				
Change in net assets	$	**12,897**	$	(210,474)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Contributions restricted for annuity agreements		**-**		(11)
Depreciation and amortization		**6,806**		14,496
Bad debt expense		**2,039**		1,324
Pension and postretirement benefit changes other than net periodic benefit cost		**(4,752)**		945
Net realized and unrealized (gain) loss on investments		**(54,441)**		33,641
Loss on impairment of fixed assets		**2,554**		45,243
Loss on disposal of fixed assets		**-**		-
Gain on sale of fixed assets		**(6,420)**		-
Change in value of annuity obligations		**(119)**		297
Change in value of beneficial interest in irrevocable trusts		**(371)**		172
Change in value of beneficial interest in perpetual trusts		**(1,919)**		998
Changes in operating assets and liabilities:				
Accounts receivable		**11,040**		2,092
Prepaid expenses, other current assets, and other assets		**(1,672)**		(788)
Accounts payable and accrued expenses		**6,387**		4,214
Accrued claims payable		**(36,394)**		(42,134)
Accrued premium deficiency		**-**		(10,141)
Accrued salaries and related expenses		**(3,256)**		1,851
Accrued pension and postretirement medical benefits		**1,055**		(1,486)
Due to third-party payors		**2,240**		17,244
Due to providers		**-**		(20,634)
Other current and other liabilities		**(4,506)**		1,935
Net Cash Used in Operating Activities		**(68,832)**		(161,216)
Cash Flows from Investing Activities				
Purchases of fixed assets		**(2,485)**		(5,030)
Proceeds from sales of investments		**213,031**		281,829
Proceeds from sales of assets limited or restricted as to use		**56,006**		57,421
Purchases of investments		**(169,857)**		(182,829)
Purchases of assets limited or restricted as to use		**(32,301)**		(38,503)
Proceeds from irrevocable trust		**29**		811
Net Cash Provided by Investing Activities		**64,423**		113,699
Cash Flows from Financing Activities				
Proceeds from contributions restricted for annuity obligations		**-**		20
Proceeds from notes payable		**-**		30,000
Payments on capital leases		**(1,002)**		(654)
Payments of annuity obligations		**(480)**		(560)
Net Cash (Used in) Provided by Financing Activities		**(1,482)**		28,806
Net Decrease in Cash and Cash Equivalents		**(5,891)**		(18,711)
Cash, Cash Equivalents and Assets Limited to Use, beginning of year		**17,436**		36,147
Cash, Cash Equivalents and Assets Limited to Use, end of year	$	**11,545**	$	17,436
Supplemental Disclosures of Cash Flow Information				
Cash paid during the year for interest	$	**8,444**	$	8,864
Fixed assets accrued in accounts payable		**-**		1,000

See accompanying notes to consolidated financial statements.

1. Nature of Organization

Lighthouse Guild International, Inc. was incorporated on November 7, 2013 to improve the operational effectiveness of the Jewish Guild for the Blind (JGB) and Lighthouse International (the Lighthouse) by providing administrative and consulting services, as well as funding to promote the good health and well-being of visually impaired and other persons in need.

LGI Services, LLC and LGI Programs, LLC were both formed to advance and support the charitable, educational, and scientific purposes of JGB; the Lighthouse; and Lighthouse Guild International, Inc. They are considered disregarded entities for federal income tax purposes. LGI Services, LLC's sole member is JGB. LGI Programs, LLC's sole member is Lighthouse Guild International, Inc.

JGB was incorporated on October 23, 1916 and provides services to visually impaired persons. In 2012, the organization filed a certificate of assumed name in order to do business as Jewish Guild Healthcare. The organization's primary sources of revenue are grants and contributions from the general public.

The JGB affiliates include GuildNet, Inc. (GuildNet); J.G.B. Health Facilities Corporation; J.G.B. Rehabilitation Corporation (Rehab); J.G.B. Education Services; Greater Boston Guild for the Blind, Inc. (GBGB); J.G.B. Mental Health and Mental Retardation Services, Inc. (MHS); and National Association of Parents of Children with Visual Impairments, Inc. (NAPVI) (collectively, the Guild).

GuildNet operated three health plans covering all medical and healthcare needs predominantly for individuals who are blind and visually impaired:

- *Partially Capitated Medicaid Managed Long-Term Care (MLTC)* – This plan is for individuals who are 18 or older and eligible for Medicaid and who have long-term healthcare needs.
- *Medicaid Advantage Plus/Medicare Advantage Special Needs Plan (MAP)* – This plan is for individuals 18 or older, who have both Medicare and Medicaid and have long-term healthcare needs.
- *Fully Integrated Dual Advantage Plan (FIDA) Demonstration Project* – This plan is for individuals 21 or older, who have both Medicare and Medicaid and have long-term healthcare needs; FIDA offers additional services compared to MAP.

The primary sources of GuildNet's revenue were premium capitation payments received from Medicaid and Medicare. On August 20, 2018, GuildNet's Board approved a plan to discontinue its operations and withdrawal of its programs in New York City and submitted its required notices to the New York State Department of Health (NYSDOH) and the Centers for Medicare and Medicaid Services (CMS) of its intent to discontinue its programs and operations, obtaining all required consents for withdrawal from its remaining service area, and that it commence immediately the winding down of all current services and business operations. During 2018, GuildNet requested and received approval from NYSDOH to cease providing MLTC services in all counties of New York City effective January 1, 2019, and all members have transferred to other MLTC plans. GuildNet also received approval from CMS to cease providing services effective January 1, 2019. Therefore, management believes there is substantial doubt about GuildNet's ability to continue as a going concern.

GuildNet had a loss from operations of $19,827 for the year ended December 31, 2019 and a net capital and deficit of $(105,658) at December 31, 2019, which does not meet the New York State contingent reserve surplus reserve requirement. JGB is the sole member of GuildNet. Lighthouse

Guild International, Inc. is the sole member of the Guild. The financial statements of GuildNet are included in the consolidated financial statements of Lighthouse Guild International, Inc.

Rehab was incorporated on June 23, 1987 and operates a diagnostic and treatment clinic, an optical dispensary and took over operations of four adult day healthcare programs in New York City, Buffalo, Albany, and Niagara Falls in September 2017. The primary sources of revenue are reimbursements from Medicaid, Medicare, other third-party payors, and clients.

J.G.B. Education Services was granted a charter on July 27, 1990 and provides functional, academic, sensory motor, and prevocational training for visually impaired children with additional disabilities. The primary sources of revenue are program fees charged to third-party payors. During 2018, J.G.B. Education Services requested and received approval from New York City Department of Education (NYCDOE) to cease providing services effective December 31, 2018 and all students have transferred to other schools.

GBGB provides programs and materials designed to provide blind and visually impaired people with help and support that will enhance their physical, emotional, and intellectual functioning. GBGB's primary sources of funding are contributions and grants.

MHS was incorporated on April 22, 2004. MHS commenced operations July 1, 2004 and operates a mental health clinic and day treatment programs for individuals with vision loss. MHS's primary sources of revenue are reimbursement for services rendered from Medicaid, Medicare, and private insurance companies.

NAPVI is a nonprofit membership organization whose purpose is to provide support to parents and families of visually impaired children. NAPVI's primary sources of revenue are contributions, grants, and membership fees.

The Lighthouse, founded in 1905, helps people of all ages overcome the challenges of vision loss. Through its various programs and services, education, research, and advocacy, the Lighthouse assists people with low vision and blindness to enjoy safe, independent, and productive lives. The primary sources of revenue are government and foundation grants.

Lighthouse Guild International, Inc. and its affiliates, JGB and Affiliates d/b/a Jewish Guild Healthcare and Affiliates and Lighthouse International and Affiliate (collectively, LGI) are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) and have been classified as organizations that are not private foundations under Section 509(a).

2. Discontinued Operations

As described in Note 1 to the consolidated financial statements, GuildNet ceased operations effective January 1, 2019. The following tables detail the certain assets and liabilities and major classes of revenues and expenses from GuildNet’s discontinued operations as of and for the years then ended December 31, 2019 and 2018.

Notes to Consolidated Financial Statements (in thousands)

	December 31, 2019		December 31, 2018	
	Current	Long-term	Current	Long-term
Carrying amounts of major classes of assets included as part of discontinued operations:				
Cash and cash equivalents	$ **317**	$ -	$ 14,024	$ -
Asset limited to use	**1,065**	-	-	-
Due from third-party payers and other, net	-	-	12,088	-
Prepaid expenses and other current assets	**24**	-	90	-
Statutory Reserve Assets	**8,842**	-	32,547	-
Total Major Classes of Assets of the Discontinued Operation	**10,248**	-	58,749	-
Carrying amounts of major classes of liabilities included as part of discontinued operations:				
Accounts payable and accrued expenses	**1,265**	-	4,062	-
Claims payable	**6,178**	-	42,572	-
Due to third-party payors, net	**22,548**	-	19,945	-
Other current liabilities	-	-	366	-
Subordinated surplus note	-	**47,089**	-	47,089
Subordinated surplus note - interest payable	-	**4,964**	-	4,964
Other liabilities, net of current portion	-	-	-	3,664
Due to affiliates	-	**33,862**	-	21,989
Total Major Classes of Liabilities of the Discontinued Operation	$ **29,991**	$ **85,915**	$ 66,945	$ 77,706

Year ended December 31,	**2019**	2018
Major classes of line items constituting excess of revenues over expenses of discontinued operations:		
Capitation retrospective premiums	$ **(9,035)**	$ -
Program revenue	**-**	481,225
Interest and dividend income	**280**	1,563
Net realized and unrealized gain (loss) on investments	**60**	(1,074)
Other revenue	**57**	347
Total Revenues from Discontinued Operations	**(8,638)**	482,061
Less:		
Managed care (recovery) expenses	**(5,786)**	532,179
Management and general	**16,975**	55,808
Impairment of fixed assets	**-**	5,370
Total Expenses from Discontinued Operations	**11,189**	593,357
Deficiency of Revenues under Expenses of Discontinued Operations Related to Major Classes of Line Items	$ **(19,827)**	$ (111,296)

3. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include Lighthouse Guild International, Inc. and its affiliates, the Guild, and the Lighthouse. All significant intercompany transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of Lighthouse Guild International Inc and Affiliates. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Financial Statement Presentation

The classification of LGI's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—net assets without donor restrictions and net assets with donor restrictions—be displayed in the consolidated balance sheets and that the amounts of change in each of those classes of net assets be displayed in the consolidated statements of operations.

These classes are defined as follows:

Net Assets without Donor Restrictions - This class consists of the part of net assets that is not subject to donor-imposed stipulations and is, therefore, available for the general operations of LGI and net assets set aside to meet regulatory requirements for GuildNet (statutorily restricted). See Notes 4 and 14 for statutory reserve.

Net Assets with Donor Restrictions – These net assets include resources for use limited by donor-imposed time and/or purpose restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LGI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that 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 statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as without donor restrictions in the consolidated statement of operations and changes in net assets.

Income from investment gains and losses, including unrealized gains and losses, dividends and interest, are reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions. Net investment income is presented net of direct external expenses when incurred.

Cash and Cash Equivalents

LGI considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash in bank accounts, certificate of deposits, and money market accounts.

Investments and Fair Value Measurements

Accounting Standards Codification (ASC) 820, “Fair Value Measurement,” establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as LGI would use in pricing LGI’s asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of LGI are traded. LGI estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who have investments in the same or similar assets would use, as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Inputs to the valuation methodology include:

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

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

Level 3 – Valuation is based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value.

Accounts Receivable, Net

LGI records receivables based on established rates or contracts for services provided. An allowance for doubtful accounts is recorded if a receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable, historical collection experience and write-offs, and a review of payments subsequent to year-end.

(in thousands)

Periodically, past due receivables are reviewed and evaluated as to their collectability. A receivable balance is considered past due once it has not been received by its scheduled due date. If necessary, doubtful accounts are written off as they are deemed by management to be uncollectible. For the year ended December 31, 2019, LGI wrote off to bad debt expense $2,039 of accounts receivable that were deemed to be uncollectible.

Contributions Receivable and Special Events

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions receivable are reported net of an allowance for doubtful accounts. Factors used to determine whether an allowance for doubtful accounts should be recorded include the age of the receivable, historical collection experience and write-offs, and a review of payments subsequent to year-end.

Statutory Reserve Assets

Statutory reserve assets represent the escrow deposit required for New York State's statutory reserve requirement as detailed in Note 20. LGI invests its escrow deposit funds in money market funds.

Fixed Assets, net

Fixed assets are stated at cost. Capital acquisitions, leasehold improvements, and computer equipment, which have an estimated useful life of greater than one year, are subject to capitalization. Depreciation and amortization of fixed assets are provided on the straight-line method over their estimated useful lives.

Buildings and building improvements	5-50 years
Furniture and equipment	3-15 years
Leasehold improvements	1-10 years
Computer software	3-15 years

Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful lives of the improvements.

Impairment of Assets

ASC 360, “Property, Plant and Equipment,” provides a single accounting model for long-lived assets to be disposed of. ASC 360 also changes the criteria for classifying an asset as held-for-sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360, long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future net cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets. LGI recognized impairments of fixed assets for the years ended December 31, 2019 and 2018 totaling $2,554 and $45,243, respectively.

Due to/from Third-Party Payors and Due to Providers

Due to/from third-party payors represents amounts due to/from the NYSDOH and CMS for capitation payments, retroactive rate adjustments, quality incentive payments, Health Recruitment and Retention funds, high-cost/high-needs pool, payable for minimum loss ratio requirement, minimum wage adjustments, and the NYSDOH's Independent Office of Medicaid Inspector General (OMIG) estimated settlements. Also included are amounts due to/from the NYCDOE. As the above amounts are estimates, it is at least reasonably possible that a change in the estimate will occur in the near term.

Claims Payable

GuildNet contracts with various healthcare providers for the provision of certain medical care services to its enrollees. Unpaid claims and unpaid claims adjustment expenses include reported claims and claims incurred but not reported (IBNR) to GuildNet. The estimated expense of processing these claims is included in accounts payable and accrued expenses. The liabilities are estimated based upon assumptions and estimates developed from prior claims experience. Although there is variability in such estimates, management believes that the unpaid claims and unpaid claims adjustment expense liabilities are adequate. The estimates are continually reviewed and adjusted as experience develops or new information becomes known.

Split-Interest Agreements

LGI holds assets under split-interest agreements (Notes 4, 9 and 17) consisting of charitable remainder trusts and charitable gift annuities for which LGI serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts.

Assets held under these agreements are reported as investments held under split-interest agreements on the consolidated balance sheets. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes and has been recognized as a contribution at the date of gift. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes, as stipulated by the respective donor.

Under LGI's charitable remainder trusts and charitable gift annuities programs where LGI is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the unrestricted use of LGI unless otherwise stipulated by the donor. Under LGI's pooled life income funds program, the difference between the fair value of the assets when received and the revenue recognized is recorded as an obligation, representing the amount of the discount for future interest, on the consolidated balance sheets. Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to LGI. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments are reported as change in value of split-interest agreements on the consolidated statements operations and changes in net assets in the period the changes occur.

Beneficial Interest in Trusts Held by Others

Donors have established and funded trusts, which are administered by organizations other than LGI. Under the terms of these trusts, LGI has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. LGI does not control the assets held by outside trusts. The value of the beneficial interest is estimated by discounting the estimated future cash flows using a risk-adjusted interest rate.

Program and Patient Service Revenue

Program and patient service revenue include premium capitation, outpatient fees, and fee-for-service reimbursements that are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the programs and services provided 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties, and exclusion from the Medicare and Medicaid programs. Program revenue includes retrospective premium capitation adjustments of ($9,035) and $481,225 of premium capitation for the year ended December 31, 2019 and 2018, respectively. Patient service revenue includes third-party payors of $11,112 and $11,011 and self-pay of $39 and $341 for the years ended December 31, 2019 and 2018, respectively.

Ambulatory Patient Groups is a patient classification system designed to characterize the amount and type of resources used in an ambulatory care visit for patients with similar clinical characteristics. Rehab's Article 28 Diagnostic and Treatment Center and MHS's freestanding Article 31 Mental Health Clinic are reimbursed based on this methodology.

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, LGI has elected, as part of their adoption of the new revenue standard, to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the revenues and receivables.

As a practical expedient, LGI utilizes the portfolio approach for analyzing the revenue contracts in accordance with ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." LGI accounts for the fee-for-service arrangements within each portfolio collectively, rather than individually, based on each revenue stream. LGI considers the similar nature and characteristics of the fee-for-service arrangement and payors in using the portfolio approach. LGI believes that the use of the portfolio approach to analyze fee-for-service arrangements will not differ materially than if they were analyzed individually.

(in thousands)

The following table shows LGI's fee for services revenue disaggregated by payor:

December 31,	2019 (%)	2018 (%)
Medicare	4	4
Medicaid	48	93
Private/other	48	3

The following table shows LGI's mix of receivables disaggregated by payor:

December 31,	2019 (%)	2018 (%)
Medicare	2	1
Medicaid	12	88
Private/other	86	11

Concentrations of Credit Risk

Financial instruments that potentially subject LGI to concentration of credit risk consist primarily of cash and cash equivalents. At various times, LGI has cash deposits at financial institutions, which exceed the Federal Depository Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Leases

Leases are classified as operating or capital leases, in accordance with the terms of the underlying agreements. Capital leases are recorded at the lower of the fair value of the assets or the present value of the minimum lease payments and are amortized over the lease term or estimated useful life of the assets, whichever is shorter, unless the lease provides for transfer of title or includes a bargain purchase option, in which case the lease is amortized over the estimated useful life of the asset. Operating lease payments are charged to rent expense, which is included in management and general expense. Rent expense is recorded on a straight-line basis. Deferred rent is recorded where there are material differences between the fixed payment and the rent expense.

Measure of Operations

LGI includes in its definition of operations all revenue and expenses associated with its program services. Excluded from operations are contributions and grants, special events, legacies and bequests, investment income, distributions from perpetual trusts, loss on impairment of fixed assets, gain on sale of fixed assets, change in value of annuity obligations, change in value of beneficial interest in trusts, and pension and postretirement benefit changes other that net periodic benefit cost.

In-Kind Contributions and Expenses

In-kind contributions and expenses are for professional service fees and rentals, which are reported at fair value at the date the contributions are received. For the years ended December 31, 2019 and 2018, respectively, $12 and $18 are recorded as contributions and grants revenue in the consolidated statements of operations and changes in net assets.

Grants

Grants are recorded at the contracted rate when the requirements of the grants are met. Revenue from government agencies is subject to audit by those agencies. No provision for disallowance is reflected in the consolidated financial statements, as management does not anticipate any material adjustments.

Advertising Costs

Advertising costs are expensed as incurred. LGI incurred advertising costs of $146 and $683 in 2019 and 2018, respectively, which are included in management and general expense.

Subordinated Surplus Note

During 2016, GuildNet issued a Subordinated Surplus Note (the Surplus Note) to JGB, made under and governed by the laws of the State of New York, in the aggregate amount of $47,089. The unpaid, outstanding principal amount of the Surplus Note bears interest at a variable annual rate equal to the Prime Rate plus 1%. The Surplus Note is repayable, subject to the approval of the Commissioner of the NYSDOH, in whole or in part, only if such payment will not reduce GuildNet’s surplus below the applicable NYSDOH regulatory minimum contingent reserve requirement in effect at the time of such payment.

Use of Estimates

The preparation of consolidated financial statements, in conformity with U.S. GAAP, requires management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain prior year balances have been reclassified to be consistent with the current year consolidated financial statement presentation.

Income Taxes

LGI qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Code and as a non-profit corporation in New York State. Accordingly, no provision for federal or state income taxes is required. LGI has been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2019 and 2018.

LGI adopted the provisions of ASC 740, “Accounting for Uncertainty in Income Taxes.” Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on JNF’s consolidated financial statements. LGI does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. LGI has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, LGI has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the years ended December 31, 2019 and 2018, there was no interest or penalties recorded or included in the consolidated statements of activities. LGI is subject to routine audits by taxing authorities.

Recently Adopted Accounting Standards

ASU 2016 – 18 – “Cash Flows (Topic 230): Restricted Cash

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018. LGI has adopted this ASU and has applied the retrospective transition method for each period presented.

ASU 2014-09 – “Revenue from Contracts with Customers”

In May 2014, the FASB issued ASU 2014-09, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which it 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, including significant judgments and changes in judgments. The provisions of ASU 2014-09 became effective for LGI beginning January 1, 2019.

Effective January 1, 2019, LGI elected the modified retrospective approach in adopting ASU 2014-09 to all fee-for-service arrangements under the scope of the guidance. The adoption of the ASU did not have a material impact on the consolidated financial statements. The related presentation of allowances for doubtful accounts on the consolidated balance sheets has been eliminated as a result of adoption.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU No. 2018-08, “Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether LGI follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for LGI's fiscal year ended December 31, 2019, and the adoption of this update did not have a material impact on LGI's consolidated financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic (842),", to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right – of – use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for LGI's fiscal years beginning after December 31, 2020, with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

4. Investments and Assets Limited or Restricted as to Use

LGI's assets recorded at fair value have been categorized based upon a fair value hierarchy, in accordance with ASC 820. See Note 2 for the discussion of LGI's policies regarding this hierarchy. A description of the valuation techniques applied to the LGI's major categories of assets measured at fair value are as follows. There have been no changes in the methodologies used at December 31, 2019, as compared to those used at December 31, 2018.

Cash equivalents, money market mutual funds, equity securities, mutual funds and exchange-traded funds – These are valued at the closing price reported on the active market on which the individual securities are traded.

U.S. government securities, U.S. corporate bonds, municipal bonds, and international corporate bonds – These are valued based on prices obtained from independent pricing service.

Beneficial interest in perpetual trusts and common collective trusts – This is valued using the fair values of the underlying assets held by the trusts.

Alternative investments - are those made in equity hedge, multi-strategy hedge and private equity, all of which are valued based on the net asset value (NAV) of the interest owned by LGI at year-end.

Given the absence of market quotations, their fair value is estimated using information provided to LGI by the investment advisor. The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities, and other investment vehicles. The investments may indirectly expose LGI to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments entail varying degrees of risk, LGI's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment plus LGI's commitment to provide additional funding, as described in the following paragraph. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. LGI does not directly invest in the underlying securities of the investment funds and, due to restrictions on transferability and timing of withdrawals from the different funds, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Investments are made under the authority and oversight of an Investment Committee in consultation with an outside consultant. Together, they have established investment guidelines and developed a diversified asset allocation structure, which includes high-cap equities, low-cap equities, international equities, fixed-income securities and alternative investments. LGI engages individual managers who specialize in each asset category, and each manager is monitored for compliance with guidelines and performance is evaluated against appropriate benchmarks.

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(in thousands)

Investments and assets limited or restricted as to use consist of the following:

December 31, 2019	Total	Level 1	Level 2	Level 3
Assets				
Investments, including endowments				
Cash and cash equivalents	$ 4,234	$ 4,234	$ -	$ -
Money market mutual funds	10	10	-	-
Equity securities:				
International	299	299	-	-
Real estate and infrastructure	273	273	-	-
U.S. small/mid-cap	107	107	-	-
U.S. large-cap	295	295	-	-
Total Equity Securities	974	974	-	-
Mutual funds:				
Cash and cash equivalents	558	558	-	-
Fixed income	30,046	30,046	-	-
U.S. small/mid-cap	18,907	18,907	-	-
U.S. large-cap equity	28,554	28,554	-	-
International equity	48,899	48,899	-	-
Balanced/asset allocation	228	228	-	-
Total Mutual Funds	127,192	127,192	-	-
Exchange-traded funds:				
Commodities	8,757	8,757	-	-
Fixed income	8,934	8,934	-	-
U.S. large-cap equity	26,535	26,535	-	-
U.S. small/mid-cap equity	15,411	15,411	-	-
Emerging markets	11,235	11,235	-	-
International equity	5,253	5,253	-	-
Total Exchange-Traded Funds	76,125	76,125	-	-
Fixed income:				
Municipal bonds	594	-	594	-
International bonds	2	-	2	-
Total Fixed Income	596	-	596	-
Total Investments Measured at Fair Value	209,131	208,535	596	-
Alternative Investments at NAV*	188,646	-	-	-
Total Investments, including endowments	$ 397,777	$ 208,535	$ 596	$ -
Assets Limited as to Use				
Money market mutual funds	$ 8,842	$ 8,842	$ -	$ -
Beneficial interest in perpetual trusts	12,412	-	-	12,412
	$ 21,254	$ 8,842	$ -	$ 12,412

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

(in thousands)

December 31, 2018	Total	Level 1	Level 2	Level 3
Assets				
Investments, including endowments				
Cash and cash equivalents	$ 5,937	$ 5,937	$ -	$ -
Money market mutual funds	496	496	-	-
Certificate of deposit	70	70	-	-
Equity securities:				
International	39	39	-	-
U.S. large-cap	412	412	-	-
Total Equity Securities	451	451	-	-
Mutual funds:				
Cash and cash equivalents	577	577	-	-
Fixed income	27,682	27,682	-	-
U.S. small/mid-cap	22,953	22,953	-	-
U.S. large-cap equity	32,996	32,996	-	-
International equity	51,236	51,236	-	-
Private equity	952	952	-	-
Real estate and Infrastructure	2,238	2,238	-	-
Balanced/asset allocation	191	191	-	-
Multi-strategy funds	773	773	-	-
Total Mutual Funds	139,598	139,598	-	-
Exchange-traded funds:				
Cash and cash equivalents	6,484	6,484	-	-
Fixed income	10,852	10,852	-	-
U.S. large-cap equity	24,132	24,132	-	-
U.S. small/mid-cap equity	10,141	10,141	-	-
Emerging markets	13,227	13,227	-	-
International equity	593	593	-	-
Private equity	7,744	7,744	-	-
Total Exchange-Traded Funds	73,173	73,173	-	-
Fixed income:				
Corporate bonds	49	-	49	-
Municipal bonds	281	-	281	-
U.S. government securities	472	-	472	-
International bonds	2	-	2	-
Total Fixed Income	804	-	804	-
Total Investments Measured at Fair Value	220,529	219,725	804	-
Alternative Investments at NAV*	165,980	-	-	-
Total Investments, including endowments	$ 386,509	$ 219,725	$ 804	$ -
Assets Limited as to Use				
Money market mutual funds	$ 753	$ 753	$ -	$ -
U.S. government securities	26,547	-	26,547	-
U.S. corporate bonds	1,057	-	1,057	-
International corporate bonds	4,190	-	4,190	-
Beneficial interest in perpetual trusts	10,493	-	-	10,493
	$ 43,040	$ 753	$ 31,794	$ 10,493

(in thousands)

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

LGI uses, as a practical expedient, for fair value, a reported NAV per share or its equivalent for purposes of valuing certain alternative investments within its investment portfolio as of December 31, 2019 and 2018, as detailed below.

Year ended December 31, 2019

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Days)
Equity hedge[(a)]	$ 5,990	$ -	1-3 years	60-65
Equity hedge[(a)]	32,845	-	Monthly/quarterly	15-180
Multi-strategy hedge[(b)]	782	-	Monthly/quarterly/ biennial/semi-annually	0-92
Multi-strategy hedge[(b)]	109,839	-	Semi-annually	120
Private equity[(c)]	39,190	20,087	Private/illiquid	N/A
Total Funds	$ 188,646	$ 20,087		

Year ended December 31, 2018

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Days)
Equity hedge[(a)]	$ 5,543	$ -	1-3 years	60-65
Equity hedge[(a)]	37,028	-	Monthly/quarterly	15-180
Multi-strategy hedge[(b)]	2,703	-	Monthly/quarterly/ biennial/semi-annually	0-92
Multi-strategy hedge[(b)]	97,376	-	Semi-annually	120
Private equity[(c)]	23,330	32,607	Private/illiquid	N/A
Total Funds	$ 165,980	$ 32,607		

(a) *Equity hedge, U.S. small/mid-cap-hedged* - Hedged equity investments are focused on managers that have the ability to purchase companies long as well as sell short. The primary role of these investments is to complement the traditional equity investments by providing access to a growth-oriented return stream with a reduced dependence on upwardly trending equity markets and lower volatility. Small/mid-cap investing is typically focused on companies with market capitalization of less than $5 billion.

(b) *Multi-strategy hedge* - Investments are typically focused in credit, market-neutral, global macro, and arbitrage strategies. In combination, these strategies are designed to produce a consistent return stream with volatility modestly higher than a diversified core, high-quality, fixed-income portfolio. Multi-strategy funds would therefore be utilized primarily as a complement to the traditional fixed-income allocation.

(in thousands)

(c) *Private equity* - Private equity consists of investments directly into private companies, or buyouts of public companies that result in a delisting of public equity. Other strategies involve investing in the secondary markets and co-investing into private companies. Private equity is not quoted on a public exchange and is illiquid in nature. These agreements expire in 15 years.

Investments with redemption provisions greater than one year have been classified as noncurrent assets.

5. Contributions, Grants and Legacies Receivable

Included in prepaid expenses and other current assets are contributions, grants and legacies receivable, which are expected to be collected as follows:

December 31,		**2019**		2018
Due within one year	**$**	**135**	$	288
Due in one to five years		**292**		422
		427		710
Less: allowance for doubtful accounts		**(61)**		(61)
Discount to present value (at rates ranging from 1.64% to 2.20%)		**(1)**		(1)
Total Contributions, Grant and Legacies Receivable, Net	**$**	**365**	$	648

6. Fixed Assets, Net

Fixed assets are summarized as follows:

December 31,		**2019**		2018
Buildings and building improvements	**$**	**114,444**	$	194,541
Furniture and equipment		**13,844**		14,019
Leasehold improvements		**25,720**		26,765
Computer software		**6,555**		6,301
		160,563		241,626
Less: accumulated depreciation and amortization		**(38,797)**		(40,238)
		121,766		201,388
Projects in progress		**835**		253
	$	**122,601**	$	201,641

A leased building of $113,459 and $193,411 at December 31, 2019 and 2018 is included in buildings and building improvements. Associated accumulated amortization totaled $12,922 and $15,741 at December 31, 2019 and 2018, respectively (Note 8). See Note 2 for discussion of fixed assets impairment.

Projects in progress at December 31, 2019 and 2018 represent costs associated with projects intended to restore and repair façade outside the building at 80 West End Avenue, which is jointly leased by LGI. The estimated additional costs to complete these projects are approximately $740 as of December 31, 2019.

7. Notes Payable

LGI entered into an $80,000 multiple disbursement note agreement (Note) with a bank on June 28, 2016 secured by LGI's investment portfolio. The Note bears interest at 0.65% above the LIBOR 30-day rate. The term of the Note is six years, for which interest-only payments commenced on August 1, 2016 with a balloon payment of the amount advanced and outstanding due on July 1, 2022. LGI may request a five-year extension at such time. As of both December 31, 2019 and 2018, respectively, $74,300 principal has been drawn on the loan, of which $30,000 was used to purchase five leasehold condominium units at 80 West End Avenue, New York City for a new office facility and $44,300 was used to fund construction of the new facility.

On June 28, 2016, LGI also entered into a $35,000 revolving note with the same bank, bearing interest at 0.65% above the LIBOR 30-day rate. The revolving note expired on June 30, 2019 and was renewed for another year, expiring on July 1, 2020. The total outstanding balance of the revolving note as of December 31, 2019 and 2018 was $30,000 and is recorded as the current portion of notes payable. Borrowing up to $35,000 is secured by LGI's investment portfolio.

Interest expense for the years ended December 31, 2019 and 2018 was $3,119 and $2,834, respectively and is included in management and general expenses.

8. Capital Lease Payable

In February 2016, LGI acquired the leasehold interests in five leasehold condominium units and some common space from an unrelated not-for-profit entity for a purchase price of $30,000, plus rental payments for the remainder of the lease term. As part of the agreement for the units it acquired, LGI assumed all rights and obligations of the unrelated not-for-profit entity under the lease it has with the owner of the property. The unrelated not-for-profit entity was the sole leasehold interest in the property and had a 30-year lease with the landlord. LGI is jointly and severally liable with the not-for-profit entity under the lease agreement. Pursuant to an impairment analysis, the balance of the purchase price of $30,000 was impaired in 2018.

On February 28, 2019, LGI agreed to sell two leasehold condominium units to United Cerebral Palsy of New York City, Inc. Actual transactions occurred in May and October 2019 for 5th floor and 2nd floor, respectively. As a result of the transactions, values of fixed assets and lease payable were adjusted. A gain of $6,420 on the sale of the related fixed assets was recorded within nonoperating revenue. Total annual rent payments under the lease are approximately $4,900, with annual rent increases of 2%. The lease will expire May 31, 2047, with the option to extend it to May 31, 2055.

LGI accounted for the transaction as a capital lease and recognized an asset and liability on its consolidated balance sheet, measured at the present value of the minimum lease payments discounted at a 3.41% incremental borrowing rate. The asset is being amortized over 30.9 years or 371 months, which is the life of the lease.

(in thousands)

The future lease payments are as follows:

Year ending December 31,		
2020	$	4,092
2021		4,570
2022		4,982
2023		5,058
2024		5,136
Thereafter		160,045
		183,883
Less: amount representing interest		(71,364)
Present value of net minimum lease payments		112,519
Less: current portion		(256)
Long-Term Obligation Under Capital Lease	$	112,263

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are for the following:

December 31,		**2019**		2018
Subject to expenditure for a specified purpose or period:				
Scholarships	$	**7,032**	$	6,337
Research		**3,607**		2,476
Purchase of equipment		**44**		52
Other purposes		**3,095**		132
Time restricted		**3,828**		3,699
Total Subject to Expenditure for Specified Purpose or Period		**17,606**		12,696
Held as endowed assets to generate income to be used for specified purposes:				
Patient care		**1,055**		1,055
Education		**7,104**		7,104
Research		**181**		181
Awards		**3,124**		3,123
Scholarships		**1,303**		1,303
Rehabilitation and youth services		**500**		500
Various projects		**12,052**		12,049
Total Held as Endowed Fund Corpus		**25,319**		25,315
Beneficial interest in fair value of trust funds held in perpetuity by others		**12,412**		10,493
Total Net Assets with Donor Restrictions	$	**55,337**	$	48,504

(in thousands)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

Year ended December 31,	**2019**	2018
Patient care	**$ 92**	$ 86
Scholarships	**399**	255
Various projects	**1,227**	155
Purchase of equipment	**-**	8
Education	**512**	218
Low vision	**200**	202
Rehabilitation and youth	**35**	89
Research	**75**	104
Social services	**230**	-
Time restriction	**239**	1,164
	$ 3,009	$ 2,281

10. Endowment Funds

General

LGI's endowments consist of individual perpetual endowment funds established to support activities of LGI. As required by U.S. GAAP, net assets associated with perpetual endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law - New York

On September 17, 2010, New York State adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the “historic dollar value” standard and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The NYPMIFA spending policy defines typical prudent management to include a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result, LGI classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the accumulated earnings is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Interpretation of Relevant Law - Massachusetts

The State of Massachusetts adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 2, 2009, effective June 30, 2009. The board of directors of GBGB has interpreted UPMIFA as requiring preservation of the fair value of a gift as of the gift date of the perpetual endowment funds (historic dollar value), absent explicit donor stipulations to the contrary. As a result, and in accordance with the direction of the original donor gift instruments, GBGB classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of any subsequent gifts to the perpetual endowment, and

(in thousands)

(c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the accumulated earnings is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate perpetual endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the perpetual endowment fund, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

Return Objectives, Strategies Employed, and Spending Policy

LGI aims to maintain the principal of perpetual endowment funds at the original amount designated by donors while generating income for the specified programs. The investment policy is designed to achieve this objective. Investment earnings, in relation to the perpetual endowment funds, are recorded as donor-restricted income and released from restriction upon expenditure for the program for which the perpetual endowment fund was established.

LGI relies on a total return strategy in which active equity managers/funds are expected to achieve an annualized total rate of return over a five-year period, which exceeds an agreed-upon benchmark rate of return, net of costs and fees. Total return is defined as dividend and interest income plus realized and unrealized capital appreciation or depreciation. Active fixed-income managers are expected to exceed appropriate market indices, net of costs and fees. When index funds are used, the return should closely track the appropriate index.

The board-approved spending rate for both the years ended December 31, 2019 and 2018 of up to 7%, not to exceed actual or accumulated earnings.

Funds with Deficiencies

The fair value of assets associated with perpetual endowment funds may fall below the value of the initial and subsequent donor gift amounts. LGI does not have any funds with deficiencies.

Changes in Endowment Net Assets

Year ended December 31,	**2019**	2018
Endowment Net Assets, beginning of year	**$ 25,367**	$ 27,181
Contributions	**-**	25
Interest and dividends	**353**	-
Investment income (loss), net	**3,795**	(1,624)
Appropriation of endowment assets for expenditure	**(1,792)**	(115)
Other	**-**	(100)
Endowment Net Assets, end of year	**$ 27,723**	$ 25,367

11. Due to/from Third-Party Payors, Due to Providers, and Other Contingencies

GuildNet is responsible to report to various governmental third parties, among which are CMS and NYSDOH. These agencies, as well as the New York State Office of Attorney General's Medicaid Fraud Control Unit, the Internal Revenue Services, the New York State Office of the Attorney General's Charities Bureau, OMIG, and other agencies, have the right to audit fiscal as well as programmatic compliance, clinical documentation, and other areas. As a result of revision to the capitation rates and other changes in estimates, GuildNet recorded an unfavorable adjustment as retrospective adjusted premiums of $9,035 and $0 reflected in the statements of operations and changes in net assets for the years ended December 31, 2019 and 2018, respectively.

Capitation Payments for Managed, Long-Term Care Plans (including Partial MLTC, FIDA, and MAP)

During the year ended December 31, 2019, NYSDOH issued draft rates for years ended prior to December 31, 2018. These premium rates retrospectively adjusted premium revenue recognized in prior year statutory basis financial statements and are reflected on the 2019 statutory basis financial statements as retrospective premiums. GuildNet recognized a liability of $13,810 and $14,180 in due to third-party payors for MLTCP, FIDA and MAP at December 31, 2019 and 2018.

High-Need/High-Cost Pool Payments

The High-Need/High-Cost Pool (the Pool) is established by New York State to improve risk adjustment payment adjustments by requiring plans to submit complete and accurate data for members receiving between 12 and 24 hours of care at home and community-based ventilator patients, and is funded by a premium withhold (i.e., budget neutral to New York State). NYSDOH reduces managed long-term care premiums by 2% to create the Pool. NYSDOH distributed this Pool to plans that had a high proportion of members needing live-in or 24 hours of personal care services relative to the regional average.

At December 31, 2019 and 2018, receivables of $2,227 and $6,677, respectively, are included in due from third-party payors.

Quality Incentive Payments

NYSDOH provides quality incentive payments for long-term care plans that meet certain quality indicators. NYSDOH established a quality pool that is distributed to plans based on certain quality indicators. Receivables for quality incentives are $1,822 and $3,022 as of December 31, 2019 and 2018, respectively, and are included in due from third-party payors.

OMIG Audits

OMIG conducts audits of GuildNet's members for capitation paid for retroactively disenrolled members, deceased members, non-eligible members, and other erroneous payments made to GuildNet. A liability in the amount of $3,947 and $2,823 related to OMIG audits is included in due to third-party payors at December 31, 2019 and 2018.

(in thousands)

Quality Incentive Vital Access Provider Pool (QIVAPP)

NYSDOH QIVAPP provides additional funding to personal care and home health aide providers that are compliant with Wage Parity statutory requirements and meet pool distribution standards. The QIVAPP funds are paid to MLTC plans, which are then required to distribute the funds to their qualifying vendor providers. The funds are passed through GuildNet and are not included in premium capitation revenue or expense. Below are the activities and balances for 2019 and 2018:

December 31,	**2019**	2018
Beginning balance	**$ -**	$ 8,069
Cash received for providers	**-**	5,876
Cash disbursements to providers	**-**	(13,945)
Due to Providers	**$ -**	$ -

Minimum Wage Adjustment

GuildNet received funding from the NYSDOH for minimum wage for the years ended December 31, 2019 and 2018, of which $5,242 is included in due to third-party payors and due to providers in the accompanying consolidated balance sheets at December 31, 2019 and 2018.

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(in thousands)

12. Pension Plans

Defined-Benefit Plans

LGI has three defined-benefit pension plans: The Jewish Guild for the Blind Bargaining Unit Employees' Pension Plan (Bargaining), The Jewish Guild for the Blind Non-Bargaining Unit Employees' Pension Plan (Non-Bargaining), and Retirement Plan for Employees of Lighthouse International (Lighthouse Retirement Plan) (collectively, the Plans). No contributions are required from employees. Each plan covers all of its eligible employees and were frozen as of June 30, 2011, 2010, and 2007, respectively.

The following table sets forth the Plans' funded status under U.S. GAAP and amounts recognized in the consolidated balance sheets as of and for the year ended December 31, 2019:

	Bargaining	Non-Bargaining	Lighthouse Retirement Plan
Projected benefit obligation	$ (26,036)	$ (25,406)	$ (43,506)
Plan assets at fair value	18,388	20,644	31,820
Funded Status Recognized in Balance Sheet as Long-Term Liability	(7,648)	(4,762)	(11,686)
Pension cost	1,415	1,757	510
Employer contributions	1,324	-	1,029
Benefits paid	2,115	930	3,475
Increase recognized in other changes in net assets without donor restrictions:			
Net actuarial gain	270	307	895
Impact of settlements and curtailments	211	1,169	-
Amortization of net actuarial loss	1,109	713	331
	1,590	2,189	1,226
Amounts recognized in accumulated net assets without donor restrictions:			
Actuarial loss	$ (7,979)	$ 6,126	$ (8,982)

Settlement calculations have been made under FASB ASC Subtopic 715-30 for the Lighthouse Retirement Plan as a result of the total lump sum benefits paid during 2019 exceeding the sum of the 2019 interest cost and service cost. Included in 2019 pension cost is a settlement loss of $897.

The net actuarial loss for the plans that will be amortized from accumulated net assets without donor restrictions into net periodic pension cost in 2020 is as follows:

Bargaining	$ (1,109)
Non-Bargaining	(713)
Lighthouse Retirement Plan	(331)

(in thousands)

The following table sets forth the key actuarial assumptions used by the Plans as of and for the year ended December 31, 2019:

	Bargaining (%)	Non-Bargaining (%)	Lighthouse Retirement Plan (%)
Weighted average assumptions used for net pension cost:			
Discount rate	3.00%	4.00%	4.10%
Expected return on plan assets	6.75%	5.75%	6.75%
Rate of compensation increase	N/A	N/A	N/A
Discount rate used to calculate the effect of plan settlement as of December 31, 2019 (Lighthouse Retirement Plan)	N/A	N/A	N/A
Weighted average assumptions used for pension obligations:			
Discount rate	3.00%	2.95%	3.05%
Expected return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A

The following table sets forth the Plans' funded status under U.S. GAAP and amounts recognized in the consolidated balance sheet as of and for the year ended December 31, 2018:

	Bargaining	Non-Bargaining	Lighthouse Retirement Plan
Projected benefit obligation	$ (24,713)	$ (26,775)	$ (41,538)
Plan assets at fair value	15,567	21,582	28,106
Funded Status Recognized in Balance Sheet as Long-Term Liability	(9,146)	(5,193)	(13,432)
Pension cost	937	606	825
Employer contributions	2,207	-	1,320
Benefits paid	1,772	1,549	3,218
(Decrease) increase recognized in other changes in net assets without donor restrictions:			
Net actuarial loss	(1,639)	(883)	(1,771)
Impact of settlements and curtailments	-	-	1,151
Amortization of net actuarial loss	799	777	216
	(840)	(106)	(404)
Amounts recognized in accumulated net assets without donor restrictions:			
Actuarial loss	$ (9,570)	$ (8,314)	$ (10,208)

Settlement calculations have been made under FASB ASC Subtopic 715-30 for the Lighthouse Retirement plan as a result of the total lump-sum benefits paid during 2018 exceeding the sum of the 2018 interest cost and service cost. Included in 2018 pension cost is a settlement loss of $1,151.

(in thousands)

The net actuarial loss for the Plans that will be amortized from accumulated net assets without donor restrictions into net periodic pension cost in 2019 is as follows:

Bargaining	$	(799)
Non-Bargaining		(777)
Lighthouse Retirement Plan		(216)

The following table sets forth the key actuarial assumptions used by the Plans as of and for the year ended December 31, 2018:

	Bargaining (%)	Non-Bargaining (%)	Lighthouse Retirement Plan (%)
Weighted-average assumptions used for net pension cost:			
Discount rate	3.35	3.30	3.45
Expected return on plan assets	6.75	5.75	6.75
Rate of compensation increase	N/A	N/A	N/A
Discount rate used to calculate the effect of plan settlement as of December 31, 2018 (Lighthouse Retirement Plan)	N/A	N/A	4.10
Weighted-average assumptions used for pension obligations:			
Discount rate	4.05	4.00	4.10
Expected return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A

The following tables present the defined-benefit Plans' assets including the level in the fair value hierarchy for assets measured at fair value on a recurring basis:

December 31,	**2019**		2018	
	Total	**Level 2**	Total	Level 2
Bargaining Plan Assets				
Common collective trust	**$ 18,246**	**$ 18,246**	$ 15,319	$ 15,319
Total Investments Measured at Fair Value	**18,246**	**18,246**	15,319	15,319
Alternative investments measured at NAV (or equivalent)	**150**		233	
Net accrued income and expenses	**(8)**	**-**	15	-
Bargaining Plan Total	**$ 18,388**	**$ 18,246**	$ 15,567	$ 15,319

(in thousands)

December 31,		**2019**			2018	
		Total		**Level 2**	Total	Level 2
Non-Bargaining Plan Assets						
Common collective trust	**$**	**20,351**	**$**	**20,351**	$ 21,127	$ 21,127
Total Investments Measured at Fair Value		**20,351**		**20,351**	21,127	21,127
Alternative investments measured at NAV (or equivalent)		**303**			443	
Net accrued income and expenses		**(10)**		**-**	12	-
Non-Bargaining Plan Total	**$**	**20,644**	**$**	**20,351**	$ 21,582	$ 21,127

December 31, 2019						
		Total		Level 1		Level 2
Lighthouse Retirement Plan Assets						
Cash and cash equivalents	$	37	$	37	$	-
Equity securities		2		2		-
Common collective trust		31,800		-		31,800
Total Investments Measured at Fair Value		31,839		39		31,800
Alternative investments measured at NAV (or equivalent)		2				
Net accrued income and expenses		(21)				
Total	$	31,820	$	39	$	31,800

December 31, 2018						
		Total		Level 1		Level 2
Lighthouse Retirement Plan Assets						
Cash and cash equivalents	$	4	$	4	$	-
Equity securities		2		2		-
Common collective trust		27,909		-		27,909
Total Investments Measured at Fair Value		27,915		6		27,909
Alternative investments measured at NAV (or equivalent)		59				
Net accrued income and expenses		132				
Total	$	28,106	$	6	$	27,909

Notes to Consolidated Financial Statements (in thousands)

Plans' Assets – Alternative Investments

December 31, 2019

	Bargaining	Non-Bargaining	Lighthouse Retirement Plan	Redemption Frequency	Redemption Notice Period (Days)
Multi-strategy hedge [a]	$ 131	$ 272	$ -	Semi-annually	90
Private equity [b]	19	31	-	Illiquid	N/A
Limited partnership [c]	-	-	2	Quarterly	0-60
Total	$ 150	$ 303	$ 2		

December 31, 2018

	Bargaining	Non-Bargaining	Lighthouse Retirement Plan	Redemption Frequency	Redemption Notice Period (Days)
Multi-strategy hedge [a]	$ 214	$ 412	$ -	Semi-annually	90
Private equity [b]	19	31	-	Illiquid	-
Limited partnership [c]	-	-	59	Quarterly	0-60
Total	$ 233	$ 443	$ 59		

There are no unfunded commitments as of December 31, 2019 or 2018.

[a] *Multi-strategy hedge* - Investments are typically focused in credit, market neutral, global macro, and arbitrage strategies. In combination, these strategies are designed to produce a consistent return stream with volatility modestly higher than a diversified core, high-quality, fixed-income portfolio. Multi-strategy funds would therefore be utilized as a complement to the traditional fixed income allocation.

[b] *Private equity* - Private equity consists of investments directly into private companies, or buyouts of public companies that result in a delisting of public equity. Other strategies involve investing in the secondary markets and coinvesting into private companies. Private equity is not quoted on a public exchange and is illiquid in nature.

[c] *Limited partnership* - Investments are primarily in marketable equity securities; debt instruments, convertible securities; options, warrants, futures, swaps, and other derivatives; and nonpublic securities for the benefit of tax-exempt U.S. persons.

The Guild's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants of the Bargaining and Non-Bargaining plans. The Guild formulates its investment portfolio at the discretion of the investment committee in conjunction with actuaries and investment advisors, taking into account long-term expectations for future returns, investment strategy, and cash demands on the plans. Amounts are compared to historical averages for reasonableness. The Guild's target plan assets allocations are 60% equity, 32% fixed income, and 8% alternative investments.

The Lighthouse's investment policies are designed to improve the Lighthouse Retirement Plan's funded status and to mitigate funded status volatility. The Lighthouse sets target allocations of assets at the discretion of the investment committee in conjunction with investment advisors to achieve this goal. Amounts are compared to benchmarks of the funds in the portfolio for reasonableness. The Lighthouse's target plan assets allocations are 37% equity, 60% fixed income, and 3% alternative investments.

(in thousands)

Cash Flows

Contribution

The Bargaining and Non-Bargaining pension plans are on a June 30 fiscal year-end. The Lighthouse Retirement plan is on a December 31 calendar year-end. LGI does not anticipate making contributions in 2020 for the Non-Bargaining Plan due to the preexisting funding balance.

Estimated Future Benefit Payments

Benefit payments are expected to be paid as follows:

Year ending December 31,	Bargaining	Non-Bargaining	Lighthouse Retirement
2020	$ 3,144	$ 2,950	$ 3,180
2021	2,006	2,140	3,175
2022	1,746	1,940	3,114
2023	1,705	1,696	3,040
2024	1,717	1,722	2,974
2025-2028	7,210	7,834	13,572

Defined-Contribution Plan

LGI Services, LLC has a defined-contribution 403(b) plan, for all eligible employees. The expense for the years ended December 31, 2019 and 2018 was $720 and $2,107, respectively.

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(in thousands)

13. Postretirement Medical Benefit Plans

The Guild has noncontributory postretirement medical benefit plans for Non-Bargaining unit employees hired prior to November 1994 and Bargaining unit employees who are members of 1199 SEIU United Healthcare Workers East. The following table sets forth the two plans' combined unfunded status and amounts recognized in the consolidated balance sheets:

December 31,	**2019**	2018
Benefit obligation	$ **(957)**	$ (979)
Fair value of plan assets	**-**	-
Unfunded Status	**(957)**	(979)
Amounts recognized in the consolidated balance sheets:		
Current liability	**(66)**	(67)
Long-term liability	**(891)**	(912)
	(957)	(979)
Net periodic benefit (expense) income	**(218)**	236
Employer contributions	**57**	92
Benefits paid	**58**	94
Increase (decrease) recognized in other changes in net assets without donor restrictions:		
Net actuarial (loss) gain	**(85)**	299
Amortization of transition obligation	**-**	23
Prior service credit	**129**	170
Effect of curtailment	**(6)**	-
Amortization of net actuarial gain	**(126)**	(87)
	(88)	405
Amounts recognized in accumulated net assets without donor restrictions:		
Transition obligation	**-**	-
Prior service credit	**129**	170
Actuarial gain	**1,199**	1,410
	$ **1,328**	$ 1,580

The net actuarial gain and prior-service credit that will be amortized from net assets without donor restrictions into net periodic benefit cost in 2020 are $104 and $131, respectively.

During 2019, 26 active participants terminated from the Bargaining Unit plan prior to being eligible for postretirement health care benefits, resulting in a decrease in expected future working lifetime of approximately 25%. This event has been accounted for as a curtailment and resulted in a decrease in the benefit obligation of approximately $98 for the year ended December 31, 2019.

(in thousands)

During 2018, 121 active participants were terminated from the Bargaining unit plan prior to being eligible for postretirement healthcare benefits, resulting in a decrease in expected future working lifetime of approximately 53%. This event has been accounted for as a curtailment and resulted in a decrease in the benefit obligation of approximately $266 for the year ended December 31, 2018.

Weighted average assumptions:

December 31,	**2019 (%)**	2018 (%)
Discount rate:		
Used for benefit obligation, bargaining	**3.15**	4.20
Used for benefit obligation, non-bargaining	**2.95**	4.00
Used for net benefit cost, bargaining	**4.20**	3.55
Used for net benefit cost, non-bargaining	**4.00**	3.30
Healthcare cost trend assumed for next year	**6.10**	6.10

As of June 30, 2019 and 2018, the liability for the Bargaining plan was remeasured at 3.4% and 4.2%, respectively, as a result of the curtailment.

The healthcare cost trend rate is assumed to change annually until the ultimate rate of 4.00% is reached in 2074 for the Bargaining plan and Non-Bargaining plan.

The healthcare cost trend rate assumption effects the amounts reported. To illustrate: increasing or decreasing the assumed healthcare cost trend by 1% in each year would increase (decrease) the accumulated postretirement benefit obligation and the aggregate of the service and interest cost components of net periodic postretirement benefit cost as follows:

December 31,	**2019**	2018	**2019**	2018
	Accumulated Postretirement Benefit Obligation		Service Cost Plus Interest Cost	
At trend + 1%	**$ 7**	$ 8	**$ -**	$ 1
At trend - 1%	**(6)**	(7)	**-**	(1)

Benefit payments expected to be paid are as follows:

Year ending December 31,	
2020	$ 67
2021	65
2022	63
2023	62
2024	61
2025-2029	286

14. Regulatory Requirements

New York State Regulatory Requirements

GuildNet is required to maintain an escrow account for the protection of enrollees. The escrow account shall be adjusted annually by the last day of March of each calendar year and shall be equal to the greater of 5% of the unaudited management projections of medical expenses for the subsequent year or $100,000.

NYSDOH requires the escrow deposit to be invested in accordance with Section 1404(a) of the New York Insurance Law. Since GuildNet has withdrawn from all MLTC, FIDA, and MAP lines of business effective December 31, 2018, the requirement for escrow deposits does not apply. GuildNet has requested and is approved for withdrawal of escrow funds to meet obligations during the wind-down process. As of December 31, 2019 and 2018, the balance of the escrow funds were $8,842 and $32,547, respectively.

CMS Regulatory Requirements

Organizations contracting with CMS for Medicare Advantage, Prescription Drugs, and certain other programs are required to satisfy all applicable state licensure and state and CMS fiscal soundness requirements. Those requirements help protect Medicare beneficiaries from potential harm and make sure that organizations contracting with CMS are financially viable. CMS monitors an organization’s compliance with fiscal soundness requirements.

The following specific condition results in a “does not meet” fiscal soundness review: a negative net income (loss), which is greater than one half of the entity’s net worth. GuildNet is not in compliance with this condition because during 2018 as it incurred a net loss, which is greater than one half of GuildNet’s total net worth at December 31, 2019.

15. Commitments and Contingencies

Operating Leases

LGI rents space at various locations. In February 2016, LGI signed a ten-year lease agreement for additional space in New York City. Rent expense is recorded based on the terms of the various lease agreements.

During the years 2017 and 2018, GuildNet ceased use of a leased facilities in Melville, Long Island, and Brooklyn, New York. Remaining lease obligations of $4,031 for these facilities were recorded as accounts payable and accrued expenses as of December 2018. During 2019, GuildNet negotiated releases for such lease obligations for a value lower than the remaining obligations. As a result, a gain of $2,739 was realized and recorded as credit to the rental expense.

In 2019, GuildNet ceased use of a leased facility at 57th street in New York, New York. The remaining lease obligation of $17,250 at December 31, 2019 is recorded as rental expense and liability in accounts payable and accrued expenses.

Rent expense, including in-kind rent, was $15,022 and $5,990 for 2019 and 2018, respectively.

(in thousands)

The following are the future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year:

Year ending December 31,		
2020	$	2,497
2021		2,486
2022		2,426
2023		2,517
2024		2,525
Thereafter		6,340
Total Lease Commitments	$	18,791

Litigation

LGI is subject to various legal proceedings and claims that arise in the ordinary course of business, including failure to timely or appropriately pay or administer claims and minimum wage distributions. However, based upon available information, management believes that ultimately, they will not have a material adverse impact on the financial position.

16. Beneficial Interest in Trusts

LGI has irrevocable remainder interests in various trust agreements established by donors. The assets are under the control of third-party trustees who act as a fiduciary of the assets and, upon the death of the annuitants or income beneficiaries, distribute the assets to LGI and other named beneficiaries. Using the age of the surviving beneficiaries, actuarial life expectancy tables, the assets in the trusts and conservative investment return, and discount rate assumptions ranging from 2.0% to 5.8%, LGI determined the present value of its future irrevocable interest in these trusts to be $3,052 and $3,297 at December 31, 2019 and 2018, respectively. The amounts are recorded in other assets.

The Guild and Lighthouse are income beneficiaries of various trust funds held in perpetuity by others. As a result, the Guild and Lighthouse have recorded assets based upon their respective percentage interest in the fair value of the underlying assets of the trusts, which, at the trust level, are predominantly Level 3 investments. Changes to the estimated net present value of income to be received are recognized as gains or losses in net assets with donor restrictions in the accompanying consolidated statements of operations and changes in net assets. The present value of the trust funds as of December 31, 2019 and 2018 is $12,412 and $10,493, respectively, and is recorded in beneficial interest in perpetual trusts.

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(in thousands)

17. Split-Interest Agreements

LGI has numerous split-interest agreements, which include various charitable gift annuities and beneficial interests in trusts (Note 16). The interest rates used to determine the discount range from 2.0% to 7.25%.

The consolidated statements of operations and changes in net assets and the consolidated balance sheets includes the various split-interest agreements at fair market value as follows:

December 31, 2019

	Charitable Gift Annuities - Net Assets without Donor Restrictions	Trusts - Net Assets with Donor Restrictions
Consolidated statements of operations and changes in net assets:		
Change in value of annuity obligations	$ 119	$ -
Actuarial gain on beneficial interest in trusts	-	371
Consolidated balance sheets:		
Investments	4,921	-
Beneficial interest in irrevocable trusts (other assets)	-	3,052
Annuity obligations	$ 1,960	$ -

December 31, 2018

	Charitable Gift Annuities - Net Assets without Donor Restrictions	Trusts - Net Assets with Donor Restrictions
Consolidated statements of operations and changes in net assets:		
Change in value of annuity obligations	$ (297)	$ -
Actuarial gain on beneficial interest in trusts	-	(172)
Consolidated balance sheets:		
Investments	4,797	-
Beneficial interest in irrevocable trusts (other assets)	-	3,297
Annuity obligations	$ 2,558	$ -

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(in thousands)

18. Concentrations

LGI grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables and revenue from third-party payors and others is as follows:

December 31,	**2019**		2018	
	Receivables (%)	Revenue (%)	Receivables (%)	Revenue (%)
Medicaid	15	40	76	93
Medicare	3	5	2	4
Other third-party payors	82	55	22	3

Approximately 38% of LGI's employees are union employees who are covered under the terms of two collective bargaining agreements.

19. Claims Payable

GuildNet engaged the services of an actuarial consultant to value its reported but not paid and IBNR liability as of December 31, 2019 and 2018. GuildNet furnished a listing to the actuarial consultant of all claims paid by GuildNet by date of service through December 2018. The actuarial consultant, utilizing actuarial standards of practice and actuarial compliance guidelines as promulgated by the Actuarial Standards Board, has computed their best estimate of the ultimate cost of possible IBNR claims.

The following table shows the components of the change in total accrued claims payable:

Year ended December 31,	**2019**	2018
Claims Payable, beginning of period	**$ 42,572**	$ 84,706
Incurred related to:		
Current year	**-**	502,785
Prior year	**(5,578)**	(7,240)
Total Incurred	**(5,578)**	495,545
Paid related to:		
Current year	**-**	461,071
Prior year	**30,816**	76,608
Total Paid	**30,816**	537,679
Claims Payable, end of period	**$ 6,178**	$ 42,572

Reserves for unpaid claims attributable to prior years' incurred claims decreased by $5,578 in 2019. The changes are generally the result of ongoing analysis of recent loss development trends, including a $5,099 settlement with EmblemHealth, Inc. (Emblem) that was finalized in October 2019, for years 2018 and prior. The actual payments in 2019 related to 2018 and prior were lower than anticipated. In addition, as part of the settlement with Emblem, GuildNet segregated out $1,065 in cash funds due to a cancellation of a letter of credit with Emblem that is limited as to use.

(in thousands)

20. Liquidity and Availability of Resources

The table below includes the financial assets and liquidity resources available to fund general expenditures due within one year, for GuildNet on a stand-alone basis, and all other LGI operations.

December 31, 2019

	LGI, excluding GuildNet	GuildNet	Total
Cash and cash equivalents	$ 10,163	$ 317	$ 10,480
Investments, current portion	333,271	-	333,271
Accounts receivable and other	3,537	-	3,537
Statutory reserve assets	-	8,842	8,842
	$ 346,971	$ 9,159	$ 356,130

December 31, 2018

	LGI, excluding GuildNet	GuildNet	Total
Cash and cash equivalents	$ 3,412	$ 14,024	$ 17,436
Investments, current portion	328,776	-	328,776
Accounts receivable and other	4,528	12,088	16,616
Statutory reserve assets	-	32,547	32,547
	$ 336,716	$ 58,659	$ 395,375

LGI and GuildNet manage their liquidity by developing and adopting annual operating and capital budgets that provide funds for general expenditures. Cash in excess of daily requirements is invested in current investments. Cash and cash equivalents, investments, and current receivables are the primary liquid resources. GuildNet has requested release of the statutory reserve assets from the NYSDOH and remaining balances in escrow funds as of December 31, 2019 and 2018 are $8,842 and $32,547, respectively (Note 13). LGI also has $5,000 available under a revolving note as of December 31, 2019. The revolving note expires on July 1, 2020 (Note 6). In addition, LGI has private equity investments of $37,800 classified as long-term assets that, although not traded on public markets, a private buyer could be identified should the funds be required for operations (Note 3).

GuildNet's licenses with the State of New York require segregation of its assets. Therefore, LGI manages its cash, investments, and other resources in separate cash and investment accounts.

(in thousands)

21. Functional Expenses

The costs of providing the various program services and other activities have been summarized below. Managed care includes GuildNet. Provider services includes Rehab, J.G.B. Education Services, MHS, NAPVI, and GBGB. Expenses directly attributable to a specific functional area of LGI (e.g., managed care or provider services) are reported as expenses of those functional areas. The majority of expenses are directly identified with the program or supporting services to which they relate and are charged accordingly. Other direct expenses have been allocated to the programs on the basis of square footage of office space occupied, time reports, and other bases determined by the management of LGI. Expenses by functional classification consist of the following:

Year ended December 31, 2019

	Managed Care	Program Services	Management and General	Total
Salaries and benefits	$ -	$ 13,529	$ 18,841	$ 32,370
Purchased services and other	-	(907)	8,777	7,870
Rent and occupancy	-	1,181	12,856	14,037
Depreciation and amortization	-	70	6,733	6,806
Interest	-	623	9,189	9,812
Total	$ -	$ 14,496	$ 56,396	$ 70,892

Year ended December 31, 2018

	Managed Care	Provider Services	Management and General	Total
Medical benefits	$ 499,568	$ -	$ -	$ 499,568
Salaries and benefits	32,624	17,101	31,826	81,551
Purchased services and other	66	5,953	25,722	31,741
Rent and occupancy	-	963	7,156	8,119
Depreciation and amortization	-	1,493	13,003	14,496
Interest	-	1,406	7,625	9,031
Total	$ 532,258	$ 26,916	$ 85,332	$ 644,506

22. Subsequent Events

LGI has performed subsequent events procedures through April 16, 2020, which is the date the consolidated financial statements were available to be issued, and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures, except the following:

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. The challenging environment could be exacerbated by risks and uncertainties related to the COVID-19 pandemic in addition to restrictions on travel and forced closures for certain types of public places and businesses. The extent to which the COVID-19 pandemic may impact LGI's business activity or results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

Management continues to examine the impact that the CARES Act may have on LGI. Currently, management is unable to determine the impact that the CARES Act may have on LGI's financial condition, results of operation, or liquidity.

Supplemental Schedules

Lighthouse Guild International, Inc. and Affiliates

Consolidating Balance Sheet
(In thousands)

December 31, 2019

	Lighthouse Guild International, Inc.	Jewish Guild Healthcare and Affiliates	Lighthouse International and Affiliate	GuildNet, Inc	J.G.B. Rehabilitation Corporation	J.G.B. Education Services	J.G.B. Mental Health and Mental Retardation Services, Inc	National Association of Parents of Children with Visual Impairments, Inc.	Greater Boston Guild for the Blind, Inc	80 West End Avenue Leasehold Condominium	Eliminations	Total
Assets												
Current Assets												
Cash and cash equivalents	$ 6,200	$ 150	$ 1,193	$ 317	$ 1,912	$ 15	$ 389	$ -	$ -	$ 304	$ -	$ 10,480
Asset limited to use	-	-	-	1,065	-	-	-	-	-	-	-	1,065
Investments, current portion	322,808	6,225	4,238	-	-	-	-	-	-	-	-	333,271
Accounts receivable, net	-	342	432	-	2,501	-	163	-	-	99	-	3,537
Prepaid expenses and other current assets	1,419	28	237	24	183	-	3	-	-	922	-	2,816
Statutory reserve assets	-	-	-	8,842	-	-	-	-	-	-	-	8,842
Due from LGI endowment investment pool	-	8,333	16,852	-	-	-	-	-	131	-	(25,316)	-
Total Current Assets	330,427	15,078	22,952	10,248	4,596	15	555	-	131	1,325	(25,316)	360,011
Endowment investments	25,316	-	-	-	-	-	-	-	-	-	-	25,316
Beneficial interest in perpetual trusts	-	911	11,501	-	-	-	-	-	-	-	-	12,412
Investments, net of current portion	39,190	-	-	-	-	-	-	-	-	-	-	39,190
Fixed Assets, Net	120,479	96	13	-	1,915	-	98	-	-	-	-	122,601
Other Assets	15,155	1,110	3,264	-	-	-	-	-	-	-	-	19,529
Total Assets	$ 530,567	$ 17,195	$ 37,730	$ 10,248	$ 6,511	$ 15	$ 653	$ -	$ 131	$ 1,325	$ (25,316)	$ 579,059
Liabilities and Net Assets												
Current Liabilities												
Accounts payable and accrued expenses	$ 20,148	$ 864	$ 1,138	$ 1,265	$ 180	$ 1	$ 3	$ -	$ -	$ 208	$ -	$ 23,807
Claims payable	-	-	-	6,178	-	-	-	-	-	-	-	6,178
Accrued salaries and related expenses	1,120	4,124	-	-	-	-	-	-	-	-	-	5,244
Due to third-party payers, net	-	15	1	22,548	62	-	87	-	-	-	-	22,713
Current portion of notes payable	30,000	-	-	-	-	-	-	-	-	-	-	30,000
Current portion of capital lease payable	256	-	-	-	-	-	-	-	-	-	-	256
Current portion of accrued pension and postretirement medical benefits	-	66	-	-	-	-	-	-	-	-	-	66
Current portion of annuity obligations	-	210	365	-	-	-	-	-	-	-	-	575
Other current liabilities	1,742	37	7	-	-	-	250	-	-	-	-	2,036
Due to JGB and LHI endowment fund	25,316	-	-	-	-	-	-	-	-	-	(25,316)	-
Total Current Liabilities	78,582	5,316	1,511	29,991	242	1	340	-	-	208	(25,316)	90,875
Notes Payable, net of current portion	74,300	-	-	-	-	-	-	-	-	-	-	74,300
Capital Lease Payable, net of current portion	112,263	-	-	-	-	-	-	-	-	-	-	112,263
Accrued Pension and Postretirement Medical Benefits, net of current portion	-	13,300	11,687	-	-	-	-	-	-	-	-	24,987
Annuity Obligations, net of current portion	-	858	526	-	-	-	-	-	-	-	-	1,384
Subordinated Surplus Note	-	-	-	47,089	-	-	-	-	-	-	(47,089)	-
Subordinated Surplus Note Interest Payable	-	-	-	4,964	-	-	-	-	-	-	(4,964)	-
Due to (from) Affiliates	374,483	(220,032)	(142,555)	33,862	99,647	31,385	33,761	1,422	1,957	1,118	(215,048)	-
Total Liabilities	639,628	(200,558)	(128,831)	115,906	99,889	31,386	34,101	1,422	1,957	1,326	(292,417)	303,809
Net (Deficit) Assets	(109,061)	217,753	166,561	(105,658)	(93,378)	(31,371)	(33,449)	(1,422)	(1,826)	-	267,101	275,250
Total Liabilities and Net Assets	$ 530,567	$ 17,195	$ 37,730	$ 10,248	$ 6,511	$ 15	$ 652	$ -	$ 131	$ 1,326	$ (25,316)	$ 579,059

See accompanying independent auditors report.

Lighthouse Guild International, Inc. and Affiliates

Consolidating Schedule of Operations and Changes in Net Assets
(In thousands)

December 31, 2019

	Lighthouse Guild International, Inc.	Jewish Guild Healthcare and Affiliates	Lighthouse International and Affiliate	GuildNet, Inc	J.G.B. Rehabilitation Corporation	J.G.B. Education Services	J.G.B. Mental Health and Mental Retardation Services, Inc	National Association of Parents of Children with Visual Impairments, Inc.	Greater Boston Guild for the Blind, Inc	80 West End Avenue Leasehold Condominium	Eliminations	Total
Revenue and Other Support from Operations												
Program revenue	$ -	$ 2,125	$ 425	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,550
Capitation retrospective premiums	-	-	-	(9,035)	-	-	-	-	-	-	-	(9,035)
Net patient service revenue	-	-	5	-	9,633	-	1,513	-	-	-	-	11,151
Other revenue	441	-	(29)	57	370	-	113	-	-	-	-	952
Total Revenue and Other Support from Operations	441	2,125	401	(8,978)	10,003	-	1,626	-	-	-	-	5,618
Operating Expenses												
Program services:												
Managed care recovery	-	433	-	(5,786)	-	-	-	-	-	-	-	(5,353)
Provider services	346	4,722	542	-	10,927	36	3,864	-	(588)	-	-	19,849
Total Program Services	346	5,155	542	(5,786)	10,927	36	3,864	-	(588)	-	-	14,496
Supporting services:												
Management and general	30,174	2,031	173	16,975	6,158	-	885	-	-	-	-	56,396
Total Operating Expenses	30,520	7,186	715	11,189	17,085	36	4,749	-	(588)	-	-	70,892
(Deficiency) Excess of Revenue and Other Support from Operations (Under) Over Expense	(30,079)	(5,061)	(314)	(20,167)	(7,082)	(36)	(3,123)	-	588	-	-	(65,274)
Nonoperating Revenues, Gains (Losses), and Other Support (Expense)												
Contributions and grants	1,376	31	183	-	212	-	1	-	5	-	-	1,808
Special events, net	148	-	-	-	-	-	-	-	-	-	-	148
Legacies and bequests	689	483	3,727	-	-	-	-	-	-	-	-	4,899
Interest and dividend income	4,406	317	268	280	4	-	-	-	4	-	-	5,279
Net realized and unrealized gain on investments	49,017	2,435	2,929	60	-	-	-	-	-	-	-	54,441
Distributions from perpetual trusts	-	28	541	-	-	-	-	-	-	-	-	569
Loss on impairment of fixed assets	(2,554)	-	-	-	-	-	-	-	-	-	-	(2,554)
Gain on sale of fixed assets	6,420	-	-	-	-	-	-	-	-	-	-	6,420
Change in value of annuity obligations	-	(133)	252	-	-	-	-	-	-	-	-	119
Change in value of beneficial interest in trusts	-	113	2,178	-	-	-	-	-	(1)	-	-	2,290
Pension and postretirement benefit changes other than net periodic benefit cost	-	4,036	716	-	-	-	-	-	-	-	-	4,752
Reserve for Affiliates	(20,520)	(4,732)	-	-	-	-	-	-	-	-	25,252	-
Total Nonoperating Revenue, Gains (Losses), and Other Support (Expense)	38,982	2,578	10,794	340	216	-	1	-	8	-	25,252	78,171
Change in Net Assets	8,903	(2,483)	10,480	(19,827)	(6,866)	(36)	(3,122)	-	596	-	25,252	12,897
Net (Deficit) Assets, beginning of year	(117,964)	220,236	156,081	(85,831)	(86,512)	(31,335)	(30,327)	(1,422)	(2,422)	-	241,849	262,353
Net (Deficit) Assets, end of year	$ (109,061)	$ 217,753	$ 166,561	$ (105,658)	$ (93,378)	$ (31,371)	$ (33,449)	$ (1,422)	$ (1,826)	$ -	$ 267,101	$ 275,250

See accompanying independent auditors report.