

PERRY FARM DEVELOPMENT COMPANY
REVIEWED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020
AND 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Perry Farm Development Company

We have reviewed the accompanying financial statements of Perry Farm Development Company (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that Perry Farm Development Company will continue as a going concern. As discussed in Note 1 to the financial statements, Perry Farm Development Company has suffered recurring losses from operations that raises as uncertainty about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our conclusion is not modified with respect to these matters.

Known Departure from Accounting Principles Generally Accepted in the United States of America

As disclosed in Note 1 to these financial statements, accounting principles generally accepted in the United States of America require that the Company recognize impairment of long-lived assets used in operations in the year when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Management has informed us that the Company has not tested property and equipment for impairment for the year ended December 31, 2020. The effect of not testing property and equipment for impairment on the Company's statement of financial position, statement of activities, statement of functional expenses, and cash flows has not been determined.

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March 25, 2021

PERRY FARM DEVELOPMENT COMPANY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents		
Operating cash	\$ 69,087	\$ 60,807
Accounts receivable - net		
Residents	31,348	92,444
Land contract	16,000	16,000
Other	72,785	72,785
Prepaid insurance	213	-
Due from PFVA - related party	100,352	35,181
Total current assets	289,785	277,217
Restricted cash and funded reserves		
Security deposit savings	10,337	11,288
Property and equipment		
Land	139,000	139,000
Land improvements	188,842	188,842
Building and improvements	1,805,484	1,802,760
Equipment	464,027	459,746
Total property and equipment	2,597,353	2,590,348
Less accumulated depreciation	(1,276,896)	(1,161,702)
Net property and equipment	1,320,457	1,428,646
TOTAL ASSETS	\$ 1,620,579	\$ 1,717,151

See independent accountant's review report
and notes to financial statements.

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to PVM - related party	\$ 118,551	\$ 183,505
Accrued interest payable	-	3,201
Accrued wages	22,425	23,039
Accrued insurance	-	1,355
Current portion of long-term debt	<u>28,600</u>	<u>44,626</u>
Total current liabilities	<u>169,576</u>	<u>255,726</u>
Deposit and prepayment liabilities		
Tenant security deposits	<u>8,836</u>	<u>9,042</u>
Long-term debt		
Loans and notes payable, less current portion	772,908	789,755
Less unamortized debt issuance costs	<u>(544)</u>	<u>(2,313)</u>
Net long-term debt	<u>772,364</u>	<u>787,442</u>
TOTAL LIABILITIES	950,776	1,052,210
NET ASSETS		
Without donor restrictions	<u>669,803</u>	<u>664,941</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,620,579</u>	<u>\$ 1,717,151</u>

See independent accountant's review report
and notes to financial statements.

PERRY FARM DEVELOPMENT COMPANY
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUE		
Association and services	\$ 243,077	\$ 219,338
Initiation fees	146,000	75,500
Assisted living and related	291,871	387,778
Wellness	17,253	35,598
Meals	104,807	147,258
Rents	132,545	141,974
Administrative fees	28,408	33,200
Donations	4,281	147,410
Commission on sale of condos	138,600	48,500
Interest	30	52
Other	<u>15,223</u>	<u>2,921</u>
 TOTAL REVENUE	 <u>1,122,095</u>	 <u>1,239,529</u>
EXPENSES		
Program services	989,625	1,055,433
Management and general	<u>390,608</u>	<u>381,298</u>
 TOTAL EXPENSES	 <u>1,380,233</u>	 <u>1,436,731</u>
 Change in net assets from operations	 (258,138)	 (197,202)
 Net assets transfer from corporate member	 <u>263,000</u>	 <u>293,000</u>
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 4,862	 95,798
 NET ASSETS WITHOUT DONOR RESTRICTIONS - beginning of year	 <u>664,941</u>	 <u>569,143</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS - end of year	 <u>\$ 669,803</u>	 <u>\$ 664,941</u>

See independent accountant's review report
and notes to financial statements.

**PERRY FARM DEVELOPMENT COMPANY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 522,511	\$ 36,040	\$ 558,551	\$ 560,079	\$ 27,526	\$ 587,605
Employee benefits	92,579	6,386	98,965	89,336	4,391	93,727
Payroll taxes	37,562	2,591	40,153	40,501	1,991	42,492
Grounds maintenance	2,490	-	2,490	2,139	-	2,139
Insurance	15,406	-	15,406	12,043	-	12,043
Interest	-	34,757	34,757	-	41,204	41,204
Management fees	-	67,836	67,836	-	67,836	67,836
Food costs	46,598	-	46,598	71,734	-	71,734
Travel and conferences	-	9,206	9,206	-	23,289	23,289
Purchased services	63,256	-	63,256	75,898	-	75,898
Miscellaneous administrative	-	15,712	15,712	-	20,343	20,343
Bad debt	-	1,997	1,997	-	6,408	6,408
Office supplies	-	2,327	2,327	-	3,167	3,167
Professional fees	-	22,761	22,761	-	9,668	9,668
Rental unit	-	12,091	12,091	-	6,703	6,703
Repairs and maintenance	25,061	-	25,061	39,771	-	39,771
Supplies	37,665	-	37,665	21,845	-	21,845
Property taxes	9,875	-	9,875	11,355	-	11,355
Utilities	21,428	-	21,428	24,424	-	24,424
Association dues	-	114,336	114,336	-	113,660	113,660
Advertising	-	64,568	64,568	-	55,112	55,112
Depreciation and amortization	115,194	-	115,194	106,308	-	106,308
	<u>\$ 989,625</u>	<u>\$ 390,608</u>	<u>\$ 1,380,233</u>	<u>\$ 1,055,433</u>	<u>\$ 381,298</u>	<u>\$ 1,436,731</u>

See independent accountant's review report
and notes to financial statements.

PERRY FARM DEVELOPMENT COMPANY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES		
Cash flows from operating activities		
Change in net assets	\$ 4,862	\$ 95,798
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	115,194	106,308
Amortization of debt issuance costs (interest expense)	1,769	1,768
Forgiveness of debt from corporate member	(263,000)	(293,000)
Non-cash condo-unit gift	-	(145,000)
Accounts receivable	61,096	(64,341)
Due from PFVA - related party	(65,171)	(30,030)
Due to PVM - related party	(64,954)	95,603
Accrued interest	(3,201)	(49)
Accrued (prepaid) insurance	(1,568)	469
Accrued wages	(614)	(4,622)
Tenant security deposit - liability	(206)	(1,891)
Total adjustments	(220,655)	(334,785)
Net cash used by operating activities	(215,793)	(238,987)
Cash flows from investing activities		
Purchase of property and equipment - net	(7,005)	(5,273)
Cash flows from financing activities		
Repayment of long-term debt - net	(32,873)	(41,911)
Net asset transfer from corporate member	263,000	293,000
Net cash provided by financing activities	230,127	251,089
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES	7,329	6,829
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES		
Beginning of year	72,095	65,266
End of year	\$ 79,424	\$ 72,095

See independent accountant's review report
and notes to financial statements.

PERRY FARM DEVELOPMENT COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Company are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

The Company has incurred recurring operating losses and relied upon significant net asset transfers to satisfy ongoing operating liabilities. These factors raised substantial doubt about the Company's ability to continue as a going concern.

Management has evaluated the significance of these factors and acknowledged that, without remediation and historical net asset transfers, the Company would be unable to meet its obligations.

Management's plans, as described in Note 11, and an approved budget for 2021 alleviated doubt about the Company's ability to continue as a going concern.

Net Assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions are \$669,803 and \$664,941 as of December 31, 2020 and 2019, respectively.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. The Company has no net assets with donor restrictions.

Cash and Cash Equivalents - The Company's cash and cash equivalents are considered to be cash on hand demand deposits and any unrestricted investment instruments with original maturities of three months or less. As of December 31, 2020 and 2019, cash and cash equivalents consists of operating cash.

Restricted Cash and Funded Reserves - The security deposit savings account is considered restricted due to the restrictions placed on the account.

**PERRY FARM DEVELOPMENT COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table provides a reconciliation of cash, cash equivalents, and funded reserves reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of December 31:

	2020	2019
Cash and cash equivalents	\$ 69,087	\$ 60,807
Restricted cash and funded reserves	10,337	11,288
Total cash and cash equivalents and restricted cash and funded reserves	\$ 79,424	\$ 72,095

Tenant Security Deposits - The Company maintains accounts for security deposits received from tenants. The cash is restricted for reimbursement of the security deposits unless there is evidence of default by a tenant under the lease agreement. The security deposit accounts were adequately funded as of December 31, 2020 and 2019.

Accounts Receivable and Bad Debt - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Accounts receivable represents the Company's right to consideration that is unconditional if only the passage of time is required before payment of that consideration is due. As of December 31, 2020 and 2019, an allowance for doubtful accounts of \$15,000 and \$15,000, respectively, has been established based on the Company's expected ability to collect outstanding amounts. Amounts determined to be uncollectible are charged against the allowance when the determination is made.

Property, Equipment and Depreciation - Assets are stated at cost. Depreciation is computed over the useful life of the assets utilizing the straight-line method for financial reporting.

Impairment of Assets - Accounting principles generally accepted in the United States of America required that the Company recognize impairment of long-lived assets used in operations in the year when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The Company has not tested property and equipment for impairment for the years ended December 31, 2020 or 2019. The lack of testing property and equipment for impairment when indicators of impairment are present, and lack of accounting for impairment losses when identified, is a departure from accounting principles generally accepted in the United States of America. The effect of this departure on the Company's statement of financial position, statement of activities, statement of functional expenses, and statement of cash flows has not been determined.

Debt Issuance Costs - Debt issuance costs are amortized over the life of the loan utilizing the straight-line method. Amortization of debt issuance costs is reported in the statement of profit and loss as interest expense.

Property Taxes - Property taxes are expensed and deducted in the statement of activities in the year in which they become a lien on the property or as of the assessment date.

Revenue Recognition

The Company has a land contract agreement with BCC as part of an exchange agreement of the land used in the development of the cottages, duplexes, and apartments. The gain on the sale of the land to BBC was recorded as deferred revenue and is amortized into revenue when the cottage and apartment units are sold using the percentage of completion method.

See independent accountant's review report.

**PERRY FARM DEVELOPMENT COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Initiation fees and transfer fees are recorded as revenue when received upon closing the resale of a cottage, duplex, or apartment.

Each cottage, duplex, and apartment owner pays a monthly association fee, which consists of an assessment for the Perry Center Club and is recognized on an accrual basis. Additionally, residents in the cottages, duplexes, or apartments receiving assisted living pay a monthly service fee, as well as additional living service fees based on their use of certain facilities and services.

Residents renting in the Perry Center assisted living units pay monthly room, board, and service fees based on their required level of assistance.

Revenue on monthly fees is recognized in the month to which it pertains, and additional services are recognized as services are rendered.

The following schedule shows the Company's revenues disaggregated according to the timing of transfer of goods or services for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Contract revenue recognized at a point in time		
Initiation fees	\$ 146,000	\$ 75,500
Commission on sale of condos	<u>138,600</u>	<u>48,500</u>
Total contract revenue recognized at a point in time	<u>284,600</u>	<u>124,000</u>
Contract revenue recognized over time		
Association and services	243,077	219,338
Assisted living and related	291,871	387,778
Wellness	17,253	35,598
Meals	104,807	147,258
Rents	132,545	141,974
Administrative fees	<u>28,408</u>	<u>33,200</u>
Total contract revenue recognized over time	<u>817,961</u>	<u>965,146</u>
Total contract revenue	1,102,561	1,089,146
Donations	4,281	147,410
Interest	30	52
Other	<u>15,223</u>	<u>2,921</u>
Total revenue	<u>\$ 1,122,095</u>	<u>\$ 1,239,529</u>

Advertising Costs - Advertising costs are expensed as incurred.

Functional Allocation of Expenses - The costs of providing program and other services have been reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Company. Expenses are allocated based on management's estimated use of resources.

See independent accountant's review report.

**PERRY FARM DEVELOPMENT COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES

Perry Farm Development Company (the "Company") is a not-for-profit corporation formed in September 2002 to develop Perry Farm Village (PFV), located in Harbor Springs, Michigan. The Company retained Birchwood Construction Company (BCC) as the developer. The PFV campus consists of senior independent living divided among cottages, duplexes, apartments, and a small assisted living facility in a condominium structure. The Company owns and operates six assisted living units, one cottage, two apartments, and the Perry Center Club. The Perry Center Club consists of a wellness center and a community center. The wellness and community centers provide social, recreational, nutritional, intellectual, physical, and spiritual programs. The cottages, duplexes, and apartments are owned by the residents or by investors who lease them to the residents.

The PFV campus includes the Perry Farm Village Association (the "Association").

The Perry Center is funded through initiation fees, land fees, and transfer fees of residents buying independent living cottages, duplexes, and apartments within Perry Farm Village. Other revenue sources include a share of the monthly fees from the Company's members for the independent living cottages, duplexes, and apartments; monthly fees from room, board, and services provided to residents within the assisted living units; fees from home care services provided to independent living residents within the cottages, duplexes, and apartments; user fees from intellectual, nutritional, and physical programs within the Perry Center Club; and contributions.

In 2007, the Company was restructured to establish Presbyterian Villages of Michigan (PVM), a not-for-profit Michigan corporation and a multifacility faith-based senior living provider, as the sole corporate member.

Perry Farm Development Company is exempt from income tax under 501(c)(3) of the Internal Revenue Code.

The Company is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments.

The Company places its temporary cash investments with FDIC insured financial institutions. Although such investments and cash balances may exceed federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk.

The Company evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through March 25, 2021, which is the date the financial statements were available to be issued.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

See independent accountant's review report.

**PERRY FARM DEVELOPMENT COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES (continued)

The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on tenants, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain. On January 20, 2021, the Center for Disease Control and Prevention (CDC) extended the federal moratorium on tenant evictions until March 31, 2021.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimated amounts.

NOTE 3 - CONTRACT ASSETS AND CONTRACT LIABILITIES

Opening and closing balances of resident accounts receivable and tenant security deposits liability consist of the following as of December 31:

	2020	2019
Contract assets		
Accounts receivable - residents, beginning of year	\$ 92,444	\$ 22,753
Accounts receivable - residents, end of year	31,348	92,444
Contract liabilities		
Tenant security deposits liability, beginning of year	9,042	10,933
Tenant security deposits liability, end of year	8,836	9,042

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Company's primary sources of revenue are association fees, initiation fees, assisted living revenue, wellness revenue, meal sales, rents, and donations without donor restrictions. The Company considers all revenue earned to be available to meet cash needs for general expenditures. General expenditures include debt and interest payments as well as all expenses necessary to facilitate the Company's operations.

The table below presents financial assets available for general expenditures within one year at December 31:

	2020	2019
Cash and cash equivalents	\$ 69,087	\$ 60,807
Accounts receivable - residents	31,348	92,444
Due from PFVA - related party	100,352	35,181
Financial assets available to meet cash needs for general expenditures within one year	\$ 200,787	\$ 188,432

See independent accountant's review report.

**PERRY FARM DEVELOPMENT COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt is as follows:

	<u>2020</u>	<u>2019</u>
<p>In January 2020, the Company entered into a term loan in an original amount of \$727,881 to refinance the existing debt. The term loan is payable in monthly installments of principal and interest totaling \$5,082, beginning in March 2020 through January 2027, at which time any remaining unpaid principal and interest are due. Interest is payable at an annual rate of 5.58%. As security for its obligation, the Company granted first priority mortgage to the lender related to all property and a security interest in all present and future personal property. The term loan is guaranteed by PVM up to a maximum of 56 percent of the outstanding principal amount of the loan at the time the payment is demanded.</p>	\$ 705,772	\$ -
<p>In 2014, the Company entered into a term loan in an original amount of \$900,637 to refinance the existing debt. The term loan was payable in monthly installments of principal and interest totaling \$5,872, beginning in August 2014. The loan was refinanced in January 2020, at which time all unpaid principal and interest were paid. Interest was payable at an annual rate of 4.78%. As security for its obligation, the Company granted first priority mortgage to the lender related to all property and a security interest in all present and future personal property. The term loan was guaranteed by PVM up to a maximum of 56 percent of the outstanding principal amount of the loan at the time the payment is demanded.</p>	-	730,649
<p>In 2017, the Company entered into a land contract agreement in an original amount of \$120,000 to purchase a condominium in the Perry Farm Village. The land contract is payable in monthly payments of principal and interest totaling \$1,000, beginning November 2017 through September 2030. Interest is payable at an annual rate of 4.00%.</p>	<u>95,736</u>	<u>103,732</u>
<p>Less current portion</p>	<u>(28,600)</u>	<u>(44,626)</u>
<p>Long-term debt, less current portion</p>	<u><u>\$ 772,908</u></u>	<u><u>\$ 789,755</u></u>

See independent accountant's review report.

**PERRY FARM DEVELOPMENT COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (continued)

Maturities of long-term debt are as follows:

Year Ending December 31,		
2021	\$	28,600
2022		31,995
2023		33,684
2024		35,463
2025		37,338
2026 and thereafter		634,428
	\$	801,508

The fair value of the loans payable is estimated based on the current rates offered to the Company for debt of the same remaining maturities. At December 31, 2020 and 2019, the fair value of the loans payable approximates the amounts recorded in the financial statements.

NOTE 6 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Land Contract

The Company entered into a land contract agreement with BCC for the sale of land to BCC for development of the cottages, duplexes, and apartments on PFV, with any unpaid remaining balances recorded as a land contract receivable bearing no interest, to be paid in installments based on the release of deeds for each of the units in the development as land fees. At December 31, 2020 and 2019, the remaining land contract receivable was \$16,000.

Advances and Net Asset Transfers To/From Affiliate

At December 31, 2020 and 2019, \$118,551 and \$183,505, respectively, was owed to PVM by the Company. Also, for the years ended December 31, 2020 and 2019, net assets were transferred to the Company by PVM totaling \$263,000 and \$293,000, respectively.

For the units owned by the Company, monthly association dues are owed to the Association based on the Association's approved and publicized monthly dues rates. For the years ended December 31, 2020 and 2019, the Company paid the Association dues of \$114,336 and \$113,660, respectively. At December 31, 2020 and 2019, \$100,352 and \$35,181, respectively, was due from the Association to the Company.

Management Fees

The Company has contracted with PVM to provide management services. The management fee effective for the years ended December 31, 2020 and 2019 was calculated based on 5% of revenue. The management agreement is for one-year terms and is extended automatically for one-year terms, unless a written termination notice is completed. Management fee expense for the years ended December 31, 2020 and 2019 totaled \$67,836 and \$67,836, respectively.

See independent accountant's review report.

**PERRY FARM DEVELOPMENT COMPANY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (continued)

Contributions

The Company received contributions of \$4,281 and \$147,410 from PVM Foundation during 2020 and 2019, respectively.

NOTE 7 - RETIREMENT PLANS

The Company, through PVM, provides a tax-sheltered retirement plan qualified under the Internal Revenue Code Section 403(b) for employees. Under this plan, the Company has the option to contribute, on a one-to-one basis, up to 1% of a qualified participant's compensation for contributions made to the plan. The Company's contributions to the plan for the years ended December 31, 2020 and 2019 were \$4,610 and \$5,235, respectively.

NOTE 8 - LEASES

On November 1, 2015, the Company entered into a 60-month agreement to lease a transit vehicle. Monthly lease payments are \$740. The Company incurred \$8,880 of lease expense during both 2020 and 2019. The lease term ended on November 1, 2020.

NOTE 9 - SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2020</u>	<u>2019</u>
Cash paid during the year for interest	<u>\$ 36,189</u>	<u>\$ 39,485</u>

NOTE 10 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Company's operations are concentrated in the real estate rental market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of certain federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to changes that may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 11 - MANAGEMENT PLANS

PVM's Obligated Group is committed to meeting its debt service guarantees to First Community Bank and the operating losses of PFDC through annual cash equity transfers.

See independent accountant's review report.