LIGHTHOUSE GUILD INTERNATIONAL, INC. AND AFFILIATES

Consolidated Financial Statements and Schedules

December 31, 2016 and 2015

(With Independent Auditors’ Report Thereon)

LIGHTHOUSE GUILD INTERNATIONAL, INC. AND AFFILIATES

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

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

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, 2016 and 2015, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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, 2016 and 2015, the results of their operations, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member
firm of the KPMG network of independent member firms affiliated with
KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information contained in schedules 1 and 2 is presented for purposes of additional analysis and is not a 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.

KPMG LLP

May 3, 2017

LIGHTHOUSE GUILD INTERNATIONAL, INC. AND AFFILIATES

Consolidated Balance Sheets

December 31, 2016 and 2015

(In thousands)

Assets		**2016**	**2015**
Current assets:			
Cash and cash equivalents	$	101,502	18,383
Investments (note 3)		278,130	408,789
Accounts receivable, net of allowance for doubtful accounts of $5,975 and $3,835 in 2016 and 2015, respectively		7,331	8,354
Due from third-party payors, net (note 10)		30,139	65,895
Prepaid expenses and other current assets (note 4)		3,474	2,314
Total current assets		420,576	503,735
Assets limited or restricted as to use:			
Statutory escrow (notes 3 and 13)		51,348	40,813
Endowment investments (notes 3 and 9)		25,384	21,766
Beneficial interest in perpetual trusts (notes 3 and 16)		10,210	10,350
Total assets limited or restricted as to use		86,942	72,929
Investments (note 3)		102,078	—
Fixed assets, net (note 5)		252,721	21,244
Intangible asset, net (note 2)		6,214	16,290
Other assets (notes 4 and 16)		4,190	8,276
Total assets	$	872,721	622,474
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	15,371	7,865
Claims payable (note 21)		174,112	132,685
Accrued premium deficiency (note 2)		15,000	18,673
Accrued salaries and related expenses		6,911	7,080
Due to third-party payors, net (note 10)		2,100	447
Current portion of capital lease payable (note 7)		680	257
Current portion of accrued pension and postretirement medical benefits (notes 11 and 12)		119	156
Current portion of annuity obligations (note 17)		583	745
Deposit liability		40,000	—
Other current liabilities		2,505	143
Total current liabilities		257,381	168,051
Long-term liabilities:			
Note payable		50,100	—
Capital lease payable, net of current portion (note 7)		192,804	267
Accrued pension and postretirement medical benefits, net of current portion (notes 11 and 12)		30,800	29,683
Annuity obligations, net of current portion (note 17)		2,391	2,945
Total long-term liabilities		276,095	32,895
Total liabilities		533,476	200,946
Net assets:			
Unrestricted		232,713	319,717
Statutorily restricted		56,380	50,894
Temporarily restricted (notes 8, 16, and 17)		14,558	18,801
Permanently restricted (notes 9 and 16)		35,594	32,116
Total net assets		339,245	421,528
Commitments and contingencies (notes 10 and 15)			
Total liabilities and net assets	$	872,721	622,474

See accompanying notes to consolidated financial statements.

LIGHTHOUSE GUILD INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2016 and 2015

(In thousands)

	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and other support from operations:								
Program revenue (note 2)	$ 1,123,825	—	—	1,123,825	959,202	—	—	959,202
Patient service revenue (net of contractual allowances)	11,284	—	—	11,284	12,540	—	—	12,540
Provision for bad debts (note 2)	(374)	—	—	(374)	(221)	—	—	(221)
Other revenue (note 23)	1,524	—	—	1,524	893	56	—	949
Total revenue and other support from operations	1,136,259	—	—	1,136,259	972,414	56	—	972,470
Operating expenses:								
Program services:								
Managed care	1,128,826	—	—	1,128,826	907,198	—	—	907,198
Adult day healthcare	9,613	—	—	9,613	10,884	—	—	10,884
Clinical and rehabilitation	6,540	—	—	6,540	8,077	—	—	8,077
Behavioral health	5,055	—	—	5,055	6,644	—	—	6,644
Education	7,084	—	—	7,084	8,264	—	—	8,264
Other programs	1,815	—	—	1,815	1,891	—	—	1,891
Total program services	1,158,933	—	—	1,158,933	942,958	—	—	942,958
Supporting services:								
Management and general	89,688	—	—	89,688	64,058	—	—	64,058
Fund-raising	2,670	—	—	2,670	3,759	—	—	3,759
Total supporting services	92,358	—	—	92,358	67,817	—	—	67,817
Total operating expenses	1,251,291	—	—	1,251,291	1,010,775	—	—	1,010,775
Loss from operations before (loss) gain on sale/disposal of fixed assets	(115,032)	—	—	(115,032)	(38,361)	56	—	(38,305)
(Loss) gain on sale/disposal of fixed assets (note 23)	(25)	—	—	(25)	149,168	—	—	149,168
(Loss) gain from operations	(115,057)	—	—	(115,057)	110,807	56	—	110,863
Nonoperating revenue, gains, and losses:								
Contributions and grants	1,898	904	—	2,802	2,610	687	—	3,297
Special events, net	761	—	—	761	1,908	—	—	1,908
Legacies and bequests	3,972	1,558	—	5,530	4,212	2,697	—	6,909
Interest and dividend income (note 2(e))	5,779	555	1	6,335	6,280	416	—	6,696
Net realized and unrealized gains (losses) on investments	15,918	565	8	16,491	(9,067)	(601)	—	(9,668)
Distributions from perpetual trusts	436	29	—	465	481	20	—	501
Change in value of annuity obligations (note 17)	136	—	—	136	(537)	—	—	(537)
Change in value of beneficial interest in trusts (note 17)	—	132	(140)	(8)	—	1,334	(457)	877
Extinguishment of contribution payable (note 19)	—	—	—	—	2,660	—	—	2,660
Net assets released from restrictions (note 8)	4,377	(4,377)	—	—	3,830	(3,830)	—	—
Total nonoperating revenue, gains, and losses, net	33,277	(634)	(131)	32,512	12,377	723	(457)	12,643
(Deficiency) excess of revenue, gains, and losses over expenses before other changes	(81,780)	(634)	(131)	(82,545)	123,184	779	(457)	123,506
Other changes:								
Reclassification	—	(3,609)	3,609	—	—	—	—	—
Pension and postretirement benefit changes other than net periodic benefit cost (notes 11 and 12)	262	—	—	262	(4,815)	—	—	(4,815)
Change in net assets	(81,518)	(4,243)	3,478	(82,283)	118,369	779	(457)	118,691
Net assets, beginning of year	370,611	18,801	32,116	421,528	252,242	18,022	32,573	302,837
Net assets, end of year	$ 289,093	14,558	35,594	339,245	370,611	18,801	32,116	421,528

See accompanying notes to consolidated financial statements.

LIGHTHOUSE GUILD INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

(In thousands)

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	(82,283)	118,691
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Contributions restricted for annuity agreements		(17)	(430)
Depreciation and amortization		8,408	5,536
Amortization of deferred financing costs		—	29
Amortization and impairment of intangible asset		11,396	—
Bond discount amortization		305	—
Provision for bad debts		2,140	2,125
Pension and postretirement benefit changes other than net periodic benefit cost		(262)	4,815
Net realized and unrealized (gains) losses on investments		(16,491)	9,668
Loss (gain) on sale/disposal of fixed assets		25	(149,168)
Extinguishment of contribution payable		—	(2,660)
Change in value of annuity obligations		(136)	537
Change in value of beneficial interest in irrevocable trusts		(132)	(1,334)
Change in value of beneficial interest in perpetual trusts		140	457
Changes in operating assets and liabilities:			
Accounts receivable		(1,117)	(2,177)
Due from third-party payors		35,756	(56,125)
Prepaid expenses, other current assets and other assets		(765)	700
Funds held by trustee		—	743
Beneficial interest in irrevocable trusts		—	144
Accounts payable and accrued expenses		1,473	147
Accrued claims payable		41,427	28,957
Accrued premium deficiency		(3,673)	18,673
Accrued salaries and related expenses		(169)	1,287
Accrued pension and postretirement medical benefits		1,342	495
Due to third-party payors		1,653	(9,501)
Other current liabilities		2,362	(456)
Net cash provided by (used in) operating activities		1,382	(28,847)
Cash flows from investing activities:			
Purchases of fixed assets		(40,466)	(1,730)
Proceeds from agreement to sell property		40,000	—
Proceeds from sale of fixed assets		—	168,866
Proceeds from sales of investments		476,073	230,565
Proceeds from sales of assets limited or restricted as to use		55,702	62,482
Purchases of investments		(431,710)	(298,474)
Purchases of assets limited or restricted as to use		(66,408)	(68,148)
Proceeds from irrevocable trust		780	—
Proceeds from note receivable		—	380
Purchase of intangible asset		(1,320)	(16,290)
Net cash provided by investing activities		32,651	77,651
Cash flows from financing activities:			
Proceeds from contributions restricted for annuity obligations		56	672
Proceeds from construction loan		50,100	—
Payments on capital leases		(451)	(205)
Payments of annuity obligations		(619)	(724)
Payment of mortgage loan		—	(45,000)
Net cash provided by (used in) financing activities		49,086	(45,257)
Net increase in cash		83,119	3,547
Cash, beginning of year		18,383	14,836
Cash, end of year	$	101,502	18,383
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	3,474	1,666
Capital lease obligation incurred		193,411	214
Fixed assets accrued in accounts payable		6,033	253
Investment received from irrevocable trust		3,043	—

See accompanying notes to consolidated financial statements.

(1) Nature of Organization

The accompanying consolidated financial statements include Lighthouse Guild International, Inc., which includes The Jewish Guild for the Blind and Affiliates d/b/a Jewish Guild Healthcare and Affiliates, (collectively, JGB) and Lighthouse International and Affiliate (the Lighthouse) (collectively, LGI).

JGB and the Lighthouse entered into a Membership Change Agreement on November 8, 2013, pursuant to which JGB and the Lighthouse established a corporate affiliation with a common parent, Lighthouse Guild International, Inc. The closing of the affiliation transaction occurred on December 23, 2013.

Lighthouse Guild International, Inc. was incorporated on November 7, 2013 to improve the operational effectiveness of JGB and 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, the sole member of which is JGB, and LGI Programs, LLC, the sole member of which is Lighthouse Guild International, Inc. were both formed to advance and support the charitable, educational, and scientific purposes of JGB, Lighthouse, and Lighthouse Guild International, Inc. They are considered disregarded entities for federal income tax purposes.

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., J.G.B. Health Facilities Corporation, J.G.B. Rehabilitation Corporation, J.G.B. Education Services, Greater Boston Guild for the Blind, J.G.B. Mental Health and Mental Retardation Services, Inc., and National Association of Parents of Children with Visual Impairments, Inc. (collectively, the Guild).

GuildNet, Inc. (GuildNet) operates 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 (MLTCP) – 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) – 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 – 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 are premium capitation payments received from Medicaid and Medicare.

J.G.B. Health Facilities Corporation (H.F.C.) was incorporated on September 18, 1979 and operates adult day healthcare programs in New York City, Buffalo, Albany, Niagara Falls, and Yonkers. In March 2016, H.F.C. closed the Yonkers site. H.F.C.’s sources of revenue are reimbursements from Medicaid and other third-party payors.

J.G.B. Rehabilitation Corporation (Rehab) was incorporated on June 23, 1987 and operates a diagnostic and treatment clinic. Rehab also operates an optical dispensary. 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.

Greater Boston Guild for the Blind, Inc. (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.

J.G.B. Mental Health and Mental Retardation Services, Inc. (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. In May 2016, MHS closed one of its day treatment programs. MHS's primary sources of revenue are reimbursement for services rendered from Medicaid, Medicare, and private insurance companies.

National Association of Parents of Children with Visual Impairments, Inc. (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.

The Lighthouse is the sole member of Lighthouse International Real Estate Holdings, LLC (the LLC), a Delaware limited liability company. The purpose of the LLC was to fulfill the terms of its mortgage loan agreement whereby the Lighthouse contributed its entire interest in the property located at 111 East 59th Street, New York, New York 10022 (the Property) to the LLC to provide security to the Lender and to secure said loan. The LLC held the building and improvements and conducted the leasing activities of the Property. The primary source of revenue was rental income from tenants. The LLC is considered a disregarded entity for federal income tax purposes and, as such, is covered under the Lighthouse's exemption. The Property was sold in July 2015. See note 23.

LGI and all of its affiliates are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not private foundations under Section 509(a).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

(b) Basis of Consolidation

All material intercompany balances and transactions have been eliminated in the consolidation.

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(c) Use of Estimates

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

(d) Reclassification

Certain prior year balances have been reclassified to conform to the current year's presentation.

(e) 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, money market mutual funds, and money market accounts.

(f) Investments

Investments are recorded at fair value with interest and dividend income and net realized and unrealized gains and losses recognized in nonoperating revenue, gains, and losses. LGI invests in various securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect LGI's consolidated financial statements. Interest and dividend income is recorded net of investment expenses of $1,646 and $1,547 for the years ended December 31, 2016 and 2015, respectively.

(g) Fair Value Measurements

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that LGI has the ability to access.
- 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.

(Continued)

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 methodologies included inputs that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016, as compared to those used at December 31, 2015.

Cash equivalents, money market mutual funds, mutual funds, exchange traded funds, and equity securities – 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 – Valued based on prices obtained from independent pricing service.

Beneficial interest in perpetual trusts – Valued using the fair values of the underlying assets held by the trusts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while LGI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See note 3 for the table, which sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2016 and 2015.

Alternative investments – As a practical expedient to fair value, alternative investments are measured at their net asset value (NAV) or equivalent provided by the fund manager. The value is reviewed and evaluated by management. The reported value may differ significantly from the values that would have been used had a ready market for these investments exist. Alternative investments measured at NAV are not categorized within the fair value hierarchy.

(h) Accounts Receivable and Allowance for Doubtful Accounts

LGI records receivables based on established rates or contracts for service 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 writeoffs, and a review of payments subsequent to year-end.

(i) Contributions Receivable and Allowance for Doubtful Accounts

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 writeoffs, and a review of payments subsequent to year-end.

(j) Assets Limited or Restricted as to Use

Assets limited or restricted as to use include the escrow deposit required for the New York State statutory reserve requirement as detailed in note 13, endowment investments and beneficial interest in perpetual trusts.

(k) Fixed Assets

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. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the lease term or the life of the asset.

(l) Impairment of Assets

LGI reviews fixed assets and intangible asset for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such impairment indicators are present, LGI recognizes a loss on the basis of whether these amounts are fully recoverable. There have not been any impairments of fixed assets for the years ended December 31, 2016 and 2015.

(m) Intangible Asset

Intangible asset represents the purchase of customer relationships from another health plan and is recorded at cost. In December 2015, GuildNet paid $16,290. In 2016, the final number of customer relationships was reconciled and GuildNet paid an additional $1,320 for the purchase of customer relationships. The effective date of the customer relationships was January 1, 2016 and the intangible asset is being amortized over the estimated useful life of the customer relationships, which is seven years. The intangible asset was evaluated for impairment at December 31, 2016 and an impairment of $8,880 was recognized for the year ended December 31, 2016. Amortization expense was $2,516 for the year ended December 31, 2016. Estimated amortization expense for the next five years is $1,036 in 2017, $1,036 in 2018, $1,036 in 2019, $1,036 in 2020, and $1,036 in 2021.

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(n) Due to/from Third-Party Payors

Due to/from third-party payors represents amounts due to/from the New York State Department of Health (NYSDOH), Centers for Medicare and Medicaid Services (CMS), and New York City Department of Education for retroactive rate adjustments, quality incentive payments, Health Recruitment and Retention (R&R) funds, High cost/high needs pool, premium capitation payments received for disenrolled members, and the NYSDOH's Independent Office of Medicaid Inspector General (OMIG) settlements. See note 10.

(o) Claims Payable

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.

(p) Accrued Premium Deficiency

U.S. GAAP requires losses under prepaid healthcare services contracts to be recognized when it is probable that expected future healthcare costs and maintenance costs under a group of existing contracts will exceed anticipated future premiums and stop-loss insurance recoveries on those contracts. At December 31, 2016, GuildNet has estimated that losses will be incurred for its MLTCP program through the term of the applicable contract. At December 31, 2015, GuildNet has estimated that losses will be incurred for its MLTCP and MAP programs through the terms of the applicable contracts. As a result, GuildNet has recorded a premium deficiency accrual of $15,000 and $18,673, respectively, in the accompanying consolidated balance sheets at December 31, 2016 and 2015. Estimates are continually monitored and reviewed and, as estimates are adjusted, the resulting differences are reflected in current operations within managed long-term care expenses in the consolidated statements of operations and changes in net assets. Due to the uncertainties inherent in the estimation process for the accrued premium deficiency and New York State and CMS' ability to change rates on a retroactive basis, these estimates may change by a material amount in the near term. Management believes that the methods employed to estimate accrued premium deficiency are reasonable at December 31, 2016 and 2015.

(q) Annuity Obligations

Charitable gift annuity obligations are recorded at the actuarial present value of future payments.

(r) Net Assets (Deficit)

Net assets (deficit) are classified as amounts having no restrictions as to use or purpose imposed by donors and available for operations (unrestricted) and to meet regulatory requirements (statutorily restricted). See note 13 for statutory reserve. Temporarily restricted net assets are those funds restricted by donors, to be used for a specified time period or purpose. Permanently restricted funds are to be maintained in perpetuity at the behest of the donor and the income generated by such funds is utilized for operating purposes except if otherwise indicated by the donor.

(Continued)

(s) Program and Patient Service Revenue

Program and patient service revenue include premium capitation payments, outpatient fees, fee-for-service reimbursements, and tuition fees 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 premium capitation payments of $1,109,330 and $946,756 for the years ended December 31, 2016 and 2015, respectively. Patient service revenue net of contractual allowances and discounts includes third-party payors of $11,247 and $12,467 and self-pay of $37 and $73 for the years ended December 31, 2016 and 2015, respectively.

(t) Functional Allocation of Expenses

The majority of expenses are directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services on the basis of square footage of office space occupied, time reports, and other bases determined by the management of LGI.

(u) 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. 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.

(v) 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, change in value of annuity obligations, change in value of beneficial interest in trusts, extinguishment of contribution payable, pension and postretirement benefit changes other that net periodic benefit cost, and net assets released from restrictions.

(Continued)

(w) Contributions and Special Events

Unconditional promises to give cash and other assets are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Special events revenue is recorded net of direct costs of $566 and $460 for the years ended December 31, 2016 and 2015, respectively.

(x) 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, 2016 and 2015, respectively, $27 and $35 are recorded as contributions and grants revenue in the consolidated statements of operations and changes in net assets.

(y) 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.

(z) Advertising costs

Advertising costs are expensed as incurred. LGI incurred advertising costs of $1,747 and $2,438 in 2016 and 2015, respectively, which are included in management and general expense.

(aa) Surplus Notes

During 2016, GuildNet issued Subordinated Surplus Notes (Surplus Notes) 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 Notes bear interest at a variable annual rate equal to the Prime Rate plus one percent. The Surplus Notes are 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. The Surplus Notes eliminate in consolidation.

(bb) Income Taxes

U.S. GAAP requires LGI to evaluate tax positions taken or expected to be taken to determine whether the tax positions are “more likely than not” of being sustained by the applicable tax authority based upon the technical merits of the position. LGI recognizes the effect of tax positions only if they are more likely than not of being sustained. Periods ending December 31, 2013 or June 30, 2013, as applicable, and subsequent remain subject to examination by applicable taxing authorities.

(cc) Recently Adopted Accounting Standards

In August 2014, the Financial Accounting Standards Board issued Accounting Standard Update 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*. ASU 2014-15 requires an entity's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued (or available to be issued, when applicable). The standard is effective for annual periods ending after December 15, 2016. LGI adopted ASU 2014-15 for the year ended December 31, 2016.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. ASU 2016-01 makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity instruments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounting for under the equity method. The new standard also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. This ASU is effective for fiscal years beginning after December 15, 2018. In addition, entities that are not public business entities, such as LGI, may early adopt provisions of the standard that eliminate certain previously required fair value disclosures. LGI elected to early adopt the fair value disclosures provision of the ASU to simplify the reporting for financial instruments and, as such, is no longer required to disclose the fair value of financial instruments measured at amortized cost.

(dd) Subsequent Events

Subsequent events have been evaluated through May 3, 2017, which is the date the consolidated financial statements were available to be issued. See note 23.

(3) Investments and Assets Limited or Restricted as to Use

		2016		
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments, including endowments:				
Cash and cash equivalents	$ 13,039	13,039	—	—
Money market mutual funds	1,709	1,709	—	—
Certificate of deposit	70	70	—	—
Equity securities:				
Emerging markets	—	—	—	—
International	442	442	—	—
Real estate and infrastructure	—	—	—	—
U.S. large cap	13,826	13,826	—	—
U.S. small/mid cap	3,680	3,680	—	—
Total equity securities	17,948	17,948	—	—
Mutual funds:				
Fixed income	33,621	33,621	—	—
U.S. all cap equity	—	—	—	—
U.S. large cap equity	35,465	35,465	—	—
U.S. small/mid cap equity	21,465	21,465	—	—
International equity	46,224	46,224	—	—
Emerging markets equity	—	—	—	—
Balanced/asset allocation	343	343	—	—
Total mutual funds	137,118	137,118	—	—
Exchange traded funds:				
Fixed income	5,382	5,382	—	—
U.S. large cap equity	31,505	31,505	—	—
U.S. small/mid cap equity	6,628	6,628	—	—
Commodities	3,771	3,771	—	—
Emerging markets	8,466	8,466	—	—
International equity	18,215	18,215	—	—
Total exchange traded funds	73,967	73,967	—	—

(Continued)

	2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Fixed income:				
Corporate bonds	$ 49	—	49	—
Municipal bonds	210	—	210	—
U.S. government securities	723	—	723	—
International bonds	2	—	2	—
Total fixed income	984	—	984	—
Total investments measured at fair value	244,835	$ 243,851	984	—
Alternative investments measured at NAV (or equivalent)	160,757			
Total investments, including endowments	$ 405,592			
Assets limited as to use:				
Money market mutual funds	$ 1,253	1,253	—	—
U.S. government securities	29,413	—	29,413	—
U.S. corporate bonds	13,406	—	13,406	—
International corporate bonds	7,276	—	7,276	—
Beneficial interest in perpetual trusts	10,210	—	—	10,210
	$ 61,558	1,253	50,095	10,210

(Continued)

	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments, including endowments:				
Cash and cash equivalents	$ 13,493	13,493	—	—
Money market mutual funds	53,255	53,255	—	—
Certificate of deposit	70	70	—	—
Equity securities:				
Emerging markets	22	22	—	—
International	4,864	4,864	—	—
Real estate and infrastructure	221	221	—	—
U.S. large cap	33,031	33,031	—	—
U.S. small/mid cap	1,139	1,139	—	—
Total equity securities	39,277	39,277	—	—
Mutual funds:				
Fixed income	60,417	60,417	—	—
U.S. all cap equity	21,181	21,181	—	—
U.S. large cap equity	7,972	7,972	—	—
U.S. small/mid cap equity	877	877	—	—
International equity	47,318	47,318	—	—
Emerging markets equity	7,927	7,927	—	—
Balanced/asset allocation	281	281	—	—
Total mutual funds	145,973	145,973	—	—
Exchange traded funds:				
Fixed income	26,094	26,094	—	—
U.S. large cap equity	45,318	45,318	—	—
U.S. small/mid cap equity	897	897	—	—
International equity	16,111	16,111	—	—
Total exchange traded funds	88,420	88,420	—	—

(Continued)

	2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Fixed income:				
Corporate bonds	$ 101	—	101	—
Municipal bonds	309	—	309	—
U.S. government securities	423	—	423	—
International bonds	2	—	2	—
Total fixed income	835	—	835	—
Total investments measured at fair value	341,323	$ 340,488	835	—
Alternative investments measured at NAV (or equivalent)	89,232			
Total investments, including endowments	$ 430,555			
Assets limited as to use:				
Money market mutual funds	$ 615	615	—	—
U.S. government securities	23,657	—	23,657	—
U.S. corporate bonds	10,802	—	10,802	—
International corporate bonds	5,739	—	5,739	—
Beneficial interest in perpetual trusts	10,350	—	—	10,350
	$ 51,163	615	40,198	10,350

Changes in Level 3 Investments

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the years ended December 31, 2016 and 2015:

	2016	**2015**
Beneficial interest in perpetual trust:		
Beginning balance	$ 10,350	10,807
Unrealized losses	(140)	(457)
Ending balance	$ 10,210	10,350

The unrealized losses for the period are all related to Level 3 assets held at the reporting date.

Alternative Investments

	2016			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Equity hedge (a)	$ 6,734	—	1–3 years	60-65 days
Equity hedge (a)	39,489	—	Monthly/Quarterly	15-180 days
U.S. small/mid cap hedged (a)	1,282	—	Quarterly	60 days
Multistrategy (c)	17,908	—	Monthly/Quarterly/ Biennial/Semi annually	0–92 days
Multistrategy (c)	88,551	—	Annually	120 days
Private equity (d)	6,793	—	15 years	N/A
Total funds	$ 160,757	—		

	2015			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Equity hedge (a)	$ 3,913	—	Quarterly/Annually	0–60 days
U.S. small/mid cap hedged (a)	26,050	—	Quarterly	60 days
International equity (b)	1,248	—	Monthly	30 days
Multistrategy (c)	35,224	—	Monthly/Quarterly/ Semiannually/ Annually/Biennially	0–92 days
Private equity (d)	2,665	1,319	N/A	N/A
U.S. small/mid cap equity (e)	19,572	—	Monthly	15 days
Emerging markets (f)	560	—	Monthly	10 days
Total funds	$ 89,232	1,319		

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. *International equity* – International equity investments are focused on the largest and most successful companies in developed and developing markets.

c. *Multistrategy* – 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. Multistrategy funds would, therefore, be utilized primarily as a complement to the traditional fixed-income allocation.

d. *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. These agreements expire in 15 years.

e. *U.S. small/mid cap equity* – Equity in U.S.-based companies whose market capitalization is generally $500 million and greater and typically less than $7 billion.

f. *Emerging markets* – Long and short investments in emerging market multicapitalization equities. Emerging market economies are defined as economies that are progressing towards becoming advanced.

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

(4) Contributions, Grants, and Legacies Receivable

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

		2016	2015
Due within one year	$	528	576
Due in one to five years		610	1,037
		1,138	1,613
Less allowance for doubtful accounts		(311)	(350)
Discount to present value (at rates ranging from 1.64% to 2.2%)		(11)	(10)
Total contributions receivable, net	$	816	1,253

(5) Fixed Assets

		2016	2015	Estimated useful lives
Land	$	1,162	1,162	
Buildings and building improvements		236,581	43,167	5–50 years
Furniture and equipment		14,821	13,978	3–15 years
Leasehold improvements		38,449	8,003	1–10 years
Computer software		4,558	4,384	3–15 years
Projects in progress		12,020	416	
		307,591	71,110	
Less accumulated depreciation and amortization		(54,870)	(49,866)	
	$	252,721	21,244	

Included in projects in progress are costs associated with the relocation to new office space. The estimated cost to complete is $80,000. See note 7.

Leased equipment of $1,125 and $1,123 at December 31, 2016 and 2015, respectively, is included in furniture and equipment. Associated accumulated amortization totaled $838 and $613 at December 31, 2016 and 2015, respectively. A leased building of $193,411 at December 31, 2016 is included in buildings and building improvements. Associated accumulated amortization totaled $3,169 at December 31, 2016. See note 7.

(6) Debt

(a) Mortgage Loan Payable

The LLC entered into a $45,000 mortgage loan agreement (Loan) with Ladder Capital Finance LLC on June 27, 2011 secured by, among other collateral, a first mortgage against the land, building, and improvements of the Property. In July 2015, the loan was paid in full in connection with the sale of the property as discussed in note 23.

(b) 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. Advances up to the total principal sum stated above, may be made through July 1, 2017, which is the draw period. The term of the Note is six years for which interest only payments commenced on August 1, 2016 with a balloon payment of $80,000 or the amount advanced and outstanding, due on July 1, 2022. LGI may request a five year extension at such time. As of December 31, 2016, $50,100 principal has been drawn on the loan of which $30,100 was used to purchase five leasehold condominium units at 80 West End Avenue, New York City for a new office facility and $20,000 used to fund ongoing construction of the new facility. Also on June 28, 2016, LGI 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 expires on June 28, 2017. There is no outstanding balance as of December 31, 2016. Borrowing up to $35,000 is secured by LGI's investment portfolio.

(c) Interest Expense

Interest expense for the years ended December 31, 2016 and 2015 was $3,809 and $1,727, respectively.

(7) Capital Lease Payable

Effective 2012, JGB entered into a five-year capital lease agreement with interest at a rate of 3%. In 2016, JGB entered into an additional three-year capital lease with interest at a rate of 4.37%.

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 will assume 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. Total annual rent payments under the lease are approximately $10,500 with annual rent increases of 2%. The lease will expire May 31, 2047 with the option to extend it to May 31, 2055. The transaction closed July 1, 2016, at which time LGI began construction on the new office facility.

LGI accounted for the transaction as a capital lease and recognized an asset and liability on its consolidated balance sheet measured at the $30,000 upfront payment plus the present value of the minimum lease payments discounted at a 5% incremental borrowing rate. The asset is being amortized over 30.9 years or 371 months, which is the life of the lease.

The future lease payments are as follows:

		Amount
Fiscal year ending December 31:		
2017	$	6,940
2018		6,881
2019		6,945
2020		7,222
2021		7,793
Thereafter		290,328
		326,109
Less amount representing interest		(132,625)
Present value of net minimum lease payments		193,484
Less current portion		(680)
Long-term obligation under capital lease	$	192,804

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following:

		2016	2015
Scholarships	$	6,588	6,632
Various projects		249	483
Grunwald Technology Center		1	14
Purchase of equipment		66	72
Educational services		92	89
Low vision services		150	100
Research		2,464	2,499
Time restriction		4,948	8,912
	$	14,558	18,801

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

		2016	2015
Bressler fund projects	$	167	19
Scholarships		167	327
Various projects		1,385	1,285
Grunwald Technology Center		38	153
Purchase of equipment		6	19
Educational services		447	323
Low vision services		1,561	131
Research		44	35
Time restriction expired		562	1,538
Total net assets released from restriction	$	4,377	3,830

(9) Permanently Restricted Net Assets

(a) General

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

(b) Interpretation of Relevant Law – New York

As of 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

(c) 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 donor-restricted 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 donor-restricted fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets 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 donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted 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.

(d) Return Objectives, Strategies Employed and Spending Policy

The Guild maintains the principal of 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 endowment funds are recorded as temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.

The Lighthouse 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 the years ended December 31, 2016 and 2015 was up to 6.4% and 5.9%, respectively, not to exceed actual or accumulated earnings.

(e) Funds with Deficiencies

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

(Continued)

(f) Permanently Restricted Net Asset Composition by Type of Fund as of December 31, 2016 and 2015

Permanently restricted net assets consist of the following:

		2016	2015
Corpus of permanently restricted contributions for which:			
Income is expendable to support activities of the organization	$	25,181	21,572
Income is to be added to original gift		203	194
Total endowments		25,384	21,766
Beneficial interest in perpetual trusts:			
Income which is expendable to support activities of the Guild and Lighthouse		10,210	10,350
Total permanently restricted net assets	$	35,594	32,116

(g) Changes in Endowment Net Assets for the Year ended December 31, 2016 and 2015

		2016		
		Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	971	21,766	22,737
Interest and dividends		483	1	484
Realized and unrealized gains		560	8	568
Reclassification		—	3,609	3,609
Appropriation of endowment assets for expenditure		(1,289)	—	(1,289)
Endowment net assets, end of year	$	725	25,384	26,109

		2015		
		Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	2,466	21,766	24,232
Interest and dividends		325	—	325
Realized and unrealized loss		(543)	—	(543)
Appropriation of endowment assets for expenditure		(1,277)	—	(1,277)
Endowment net assets, end of year	$	971	21,766	22,737

(10) Due to/from Third-Party Payors and Other Contingencies

LGI is responsible for reporting to various governmental agencies including CMS, NYSDOH, the New York State Department of Financial Services (NYSDFS), New York State Office of Mental Health (NYSOMH), New York State Office for People with Developmental Disabilities (OPWDD), New York State Education Department (NYSED), and New York City Department of Education (NYCDOE). These agencies, as well as the New York State Office of Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Taxation and Finance, the Office of Inspector General (OIG) and the New York State OMIG and other agencies have the right to audit LGI. These agencies have the right to audit fiscal, as well as programmatic compliance, for example, clinical documentation, among other compliance requirements.

(a) Managed Long-Term Care Plan

As of December 31, 2016, NYSDOH issued draft rates through December 31, 2016. These premium rates are the basis for revenue recognition in the consolidated financial statements. As of December 31, 2015, NYSDOH issued draft rates for the period April 1, 2015 through September 2015. A due from third-party payor of approximately $10,317 was recorded at December 31, 2015 and was received in 2016. These draft rates were finalized in 2016, and there was no impact on the consolidated financial statements. In 2016, NYSDOH issued final rates for the period October 1, 2015 through December 31, 2015. An adjustment of $4,034 was recognized and is included in premium capitation revenue for the year ended December 31, 2016.

(i) High Need/High Cost Payments

For the period April 1, 2014 through March 31, 2015, NYSDOH reduced managed long-term care premiums by 2% to create a high need/high cost 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. In 2015, NYSDOH adjusted the high need/high cost premium add back for the period April 1, 2014 through March 31, 2015 based on its final distribution model. These adjustments for 2014 of approximately $10,000 are recorded in premium capitation revenue for the year ended December 31, 2015, included in due from third-party payors at December 31, 2015 and were received in January 2016. For the period April 1, 2015 through March 31, 2016, there was no high need/high cost pool.

For the period April 1, 2016 through March 31, 2017, NYSDOH reestablished the high need/high cost pool and informed plans of the methodology that would be used to distribute the funds. In November 2016, NYSDOH released the high need/high cost pool awards and GuildNet was awarded a total of $25,523 for April 1, 2016 through March 31, 2017. $18,062 was recorded as premium capitation revenue for the year ended December 31, 2016, of which $5,547 is included in due from third-party payors at December 31, 2016.

(b) Other

Beginning January 2014, OMIG conducted a review of enrollments and care management for a select sample of GuildNet enrollees. GuildNet repaid approximately $1,033, which has been recorded as a reduction to premium capitation revenue for the year ended December 31, 2015 and due from third-party payors, net at December 31, 2015. In 2016, GuildNet signed a stipulation of settlement memorializing the settlement amount.

In 2016, OMIG conducted a review of capitation payments through June 30, 2016 for MLTCP and MAP. GuildNet agreed with OMIG that $313 was an overpayment to GuildNet whereby GuildNet recorded a reduction to premium capitation revenue for the year ended December 31, 2016. Of the $313, $24 was returned to NYSDOH and the remaining $289 is included in due to third party payors as of December 31, 2016.

(i) Medicaid Advantage Plus/Medicare Advantage Special Needs Plan

In 2015, NYSDOH issued final Medicaid premium capitation rates for fiscal years 2012 and 2013. The impact of these rates resulted in an adjustment of approximately $5,400, which is included in premium capitation revenue for the year ended December 31, 2015, included in due from third-party payors at December 31, 2015, and received in January 2016.

2015 premium capitation revenue is recognized based on the 2013 rate, which was latest final Medicaid rate issued by NYSDOH at the time. A due from third-party payor of approximately $3,166 was recorded at December 31, 2015 and received in 2016.

In 2016, NYSDOH issued final Medicaid premium capitation rates for fiscal year 2014 and draft rates for fiscal years 2015 and 2016. These premium capitation rates are the basis for revenue recognition for the year ended December 31, 2016. The impact of these rates resulted in an adjustment of approximately $1,378 for 2014 and $3,340 for 2015, which are included in premium capitation revenue for the year ended December 31, 2016. The 2015 and 2016 rate adjustments of approximately $4,249 are included in due from third-party payors at December 31, 2016.

In October 2016, GuildNet was notified that CMS will be conducting an audit of 2014 and 2015 financial activity associated with its Medicare Advantage and Prescription Drug Program that was approved by CMS. As of the date of this report, the audit is in progress. Management does not believe there will be material adjustments.

(c) Fully Integrated Dual Advantage

As of December 31, 2015, NYSDOH had issued final rates for the period January 1, 2015 through March 31, 2015 and draft rates effective April 1, 2015. 2015 revenue was recognized based on these rates and a due from third-party payor of approximately $7,822 was recorded at December 31, 2015. These rates were finalized and paid in 2016.

In 2016, NYSDOH issued final rates for the period July 1, 2015 through December 31, 2015. The impact of the final rates resulted in an adjustment of approximately $443 for 2015, which is included in premium capitation revenue for the year ended December 31, 2016. NYSDOH also issued draft rates for the period January 1, 2016 through December 31, 2016. The 2016 draft premium capitation rates are the basis for revenue recognition for the year ended December 31, 2016. The 2016 rate adjustments of approximately $1,048 are included in due from third-party payors, net at December 31, 2016.

(d) Medicare Part C and D

The CMS Hierarchical Condition Category reimbursement model uses demographic data, prior-year diagnostic data, a frailty factor, Medicaid eligibility status, and community or institutional status to develop a “risk score” for each enrollee. For 2016, the risk-adjusted portion of the Medicare premiums was based on data from physician and acute care (inpatient and outpatient) Medicare claims with 2015 service dates. In 2017, CMS will retroactively adjust the risk-adjusted portion of the 2016 premiums to reflect more recent 2015 Medicare claims data. The impact of this Medicare update cannot be determined at this time. For 2015, the risk-adjusted portion of the Medicare premiums was based on data from physician and acute care (inpatient and outpatient) Medicare claims filed for 2014 service dates. In 2015, GuildNet’s MAP received approximately $601 from CMS based on updated risk scores for fiscal year 2014. In 2016, GuildNet MAP and FIDA received approximately $683 and $131, respectively, from CMS based on updated risk scores for fiscal year 2015.

GuildNet’s MAP and FIDA include Medicare Part D (Part D) prescription drug insurance coverage. Certain elements of the payments received during the year represented payments for the insurance risk coverage under Part D, and are recognized as premium revenue. The payments received from CMS are subject to risk corridor and federal reinsurance adjustments whereby variances, which exceed certain thresholds from a target amount, result in CMS making additional payments. GuildNet estimated and recorded a receivable (liability) related to these risk corridors and federal reinsurance provisions in the amount of $84 for the MAP and $(268) for the FIDA at December 31, 2016, respectively, and $(149) for the MAP Plan and $284 for the FIDA at December 31, 2015, respectively. An estimated low-income member cost sharing subsidy (LICS) receivable (liability) has been recorded in the amount of $(138) for the MAP and $(22) for the FIDA at December 31, 2016, respectively, and $(203) for the MAP and $109 for the FIDA at December 31, 2015, respectively. The LICS receivable (liability) is equal to the sum of plan-reported actual LICS dollars less the sum of all prospective LICS subsidy payments received.

(e) All Plans

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. GuildNet’s share of the pool is as follows:

(i) Managed Long Term Care Plan

For the period April 1, 2014 through March 31, 2015, GuildNet’s share of the pool was approximately $17,100, which is included in premium capitation revenue for the year ended December 31, 2015. $8,550 of this amount is included in due from third-party payors at December 31, 2015, and was received in January 2016.

For the period April 1, 2015 through December 31, 2015, GuildNet recognized an estimate of approximately $11,691, which is included in premium capitation revenue for the year ended December 31, 2015 and due from third-party payors at December 31, 2015. In April 2016, GuildNet was awarded approximately $20,574 for the period April 1, 2015 through March 31, 2016. An additional $8,883 was recognized in 2016 and is included in premium capitation revenue for the year ended December 31, 2016.

For the period April 1, 2016 through December 31, 2016, premium capitation revenue includes an estimate of approximately $9,120 for quality incentive payments for this period, which is included in premium capitation revenue for the years ended December 31, 2016 and due from third-party payors at December 31, 2016.

(ii) Medicaid Advantage Plus/Medicare Advantage Special Needs Plan

For the period January 1, 2015 through December 31, 2015, a quality component is included in the draft rate issued by NYSDOH on December 23, 2016. The net impact is approximately $521, which is included in premium capitation revenue for the year ended December 31, 2016 and due from third-party payors at December 31, 2016.

For the period January 1, 2016 through December 31, 2016, GuildNet recognized an estimate of approximately $506, which is included in premium capitation revenue for the year ended December 31, 2016 and due from third-party payors at December 31, 2016.

(iii) Fully Integrated Dual Advantage

A Quality Incentive Withhold is defined in the FIDA three-way contract between NYSDOH, CMS, and GuildNet. Per the contract, the Quality Withhold amount scales up from 1% in demonstration year 1 to 2% in demonstration year 2 and 3% in demonstration year 3. For the period April 1, 2015 through December 31, 2015, GuildNet recognized an estimate of approximately $742, which is included in premium capitation revenue for the year ended December 31, 2015 and due from third-party payors at December 31, 2015. In 2016, this estimate was adjusted by $(372), which is included in premium capitation revenue for the year ended December 31, 2016. The net estimate of $370 is included in due from third-party payors at December 31, 2016.

For the period January 1, 2016 through December 31, 2016, GuildNet recognized an estimate of approximately $1,107, which is included in premium capitation revenue for the year ended December 31, 2016 and due from third-party payors at December 31, 2016.

Health Recruitment and Retention Funding

NYSDOH increased Medicaid rates for the period June 1, 2006 through March 31, 2016 to provide funding for Health Recruitment and Retention (R&R) of home health aides and/or other personnel with direct patient care responsibility. The methodology employed to make this determination was based on the approach approved by NYSDOH under a similar program implemented in 2002. This methodology and supporting documentation are subject to audit by third parties.

Approximately $8,159 of R&R funds for the period April 1, 2013 through December 31, 2015 are included in premium capitation revenue and due from third party for the year ended December 31, 2015. In 2016, GuildNet received the final award amount for the period April 1, 2014 through March 31, 2016. Based on the final amounts, an adjustment of approximately $(2,361) was recognized and is included in premium capitation revenue for the year ended December 31, 2016.

R&R funds have been authorized for the period April 1, 2016 through December 31, 2016 but have not been distributed by NYSDOH. GuildNet is eligible to receive R&R funding for this period, and has accrued an estimate of approximately $1,849, which is included in premium capitation revenue for the

(Continued)

year ended December 31, 2016. A total of $5,568 of R&R funding is included in due from third-party payors at December 31, 2016.

Ambulatory Patient Groups

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.

Litigation

LGI is subject to various legal proceedings and claims that arise in the ordinary course of business. However, based upon available information, management believes that ultimately they will not have a material adverse impact on the financial position.

(11) Pension Plans

(a) 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). No contributions are required from employees. Each plan covers all of its eligible employees and was frozen as of June 30, 2011, 2010, and 2007, respectively.

The following table sets forth the plan' funded status under U.S. GAAP and amounts recognized in the balance sheet as of and for the year ended December 31, 2016:

		Bargaining	Non-Bargaining	Lighthouse retirement plan
Projected benefit obligation	$	(24,953)	(28,392)	(49,097)
Plan assets at fair value		15,973	24,370	32,924
Funded status recognized in the balance sheet as long-term liability	$	(8,980)	(4,022)	(16,173)
Pension cost	$	1,264	971	327
Employer contributions		—	—	907
Benefits paid		1,519	592	3,347
Increase (decrease) recognized in other changes in unrestricted net assets:				
Net actuarial loss	$	(415)	(1,424)	(368)
Impact of settlements		—	313	—
Amortization of net actuarial loss		985	825	303
	$	570	(286)	(65)
Amounts recognized in accumulated unrestricted net assets:				
Actuarial loss	$	(9,336)	(9,030)	(11,207)

Settlement calculations have been made under FASB ASC Subtopic 715-30 for the Non-Bargaining plan as a result of the total lump sum benefits paid during 2016 exceeding the sum of the 2016 interest cost and service cost. Included in 2016 pension cost is a settlement of $389 for the Non-Bargaining Plan.

The net actuarial loss for the plans that will be amortized from accumulated unrestricted net assets into net periodic pension cost in 2017 is as follows:

	Bargaining	Non-Bargaining	Lighthouse retirement plan
$	(897)	(886)	(288)

The following table sets forth the key actuarial assumptions used by the plans as of and for the year ended December 31, 2016:

	Bargaining	Non-Bargaining	Lighthouse retirement plan
Weighted average assumptions used for net pension cost:			
Discount rate	3.90 %	3.80 %	4.10 %
Expected return on plan assets	6.00 %	6.00 %	7.50 %
Rate of compensation increase	N/A	N/A	N/A
Discount rate used to calculate the effect of plan settlement as of December 31, 2016	N/A	3.70 %	N/A
Weighted average assumptions used for pension obligations:			
Discount rate	3.75 %	3.70 %	3.90 %
Expected return on plan assets	N/A	5.75 %	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, 2015:

		Bargaining	Non-Bargaining	Lighthouse retirement plan
Projected benefit obligation	$	(25,079)	(27,971)	(49,292)
Plan assets at fair value		16,793	25,207	32,604
Funded status recognized in the consolidated balance sheet as long term liability	$	(8,286)	(2,764)	(16,688)
Pension cost (benefit)	$	1,317	868	(388)
Employer contributions		—	—	1,474
Benefits paid		1,518	2,470	2,931
Increase (decrease) recognized in other changes in unrestricted net assets:				
Net actuarial loss	$	(509)	(2,020)	(5,941)
Impact of settlements		358	500	—
Amortization of net actuarial loss		834	627	73
	$	683	(893)	(5,868)
Amounts recognized in accumulated unrestricted net assets:				
Actuarial loss	$	(9,906)	(8,744)	(11,142)

Settlement calculations have been made under FASB ASC Subtopic 715-30 for the Non-Bargaining plan as a result of the total lump sum benefits paid during the 2015 exceeding the sum of the 2015 interest cost and service cost. Included in 2015 pension cost were settlements of $481 for the Non-Bargaining plan.

The following table sets forth the key actuarial assumptions used by the plans as of and for the year ended December 31, 2015:

	Bargaining	Non-Bargaining	Lighthouse Retirement Plan
Weighted average assumptions used for net pension cost:			
Discount rate	3.75%	3.75%	3.75%
Expected return on plan assets	6.00%	6.00%	7.50%
Rate of compensation increase	N/A	N/A	N/A
Discount rate used to calculate the effect of plan settlement as of June 30, 2015	3.95%	3.80%	N/A
Weighted average assumptions used for pension obligations:			
Discount rate	3.90%	3.80%	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 at December 31, including the level in the fair value hierarchy for assets measured at fair value on a recurring basis:

	Bargaining			
	2016		**2015**	
	Total	**Level 1**	**Total**	**Level 1**
Assets:				
Cash and cash equivalents	$ 1,087	1,087	1,012	1,012
Equity securities	461	461	620	620
Exchange-traded funds:				
Fixed income	5,931	5,931	6,024	6,024
International equity	292	292	400	400
U.S. large cap equity	449	449	685	685
Total exchange-traded funds	6,672	6,672	7,109	7,109
Mutual funds:				
Fixed income	2,329	2,329	2,126	2,126
Emerging markets equity	321	321	270	270
International equity	1,026	1,026	1,210	1,210
Total mutual funds	3,676	3,676	3,606	3,606
Total investments measured at fair value	11,896	$ 11,896	12,347	12,347
Alternative investments measured at NAV (or equivalent)	4,069		4,456	
Net accrued income and expenses	8		(10)	
Total	$ 15,973		16,793	

	Non-Bargaining			
	2016		2015	
	Total	Level 1	Total	Level 1
Assets:				
Cash and cash equivalents	$ 1,242	1,242	1,559	1,559
Equity securities	1,019	1,019	1,442	1,442
Total	2,261	2,261	3,001	3,001
Exchange-traded funds:				
Fixed income	10,624	10,624	10,619	10,619
International equity	395	395	400	400
Total exchange-traded funds	11,019	11,019	11,019	11,019
Mutual funds:				
Fixed income	3,726	3,726	3,397	3,397
International equity	1,188	1,188	1,418	1,418
Total mutual funds	4,914	4,914	4,815	4,815
Total investments measured at fair value	18,194	$ 18,194	18,835	18,835
Alternative investments measured at NAV (or equivalent)	6,166		6,380	
Net accrued income and expenses	10		(8)	
Total	$ 24,370		25,207	

	2016		
	Lighthouse Retirement Plan		
	Total	**Level 1**	**Level 3**
Assets:			
Equity securities	$ 2	2	—
Common collective trust	32,809	—	32,809
Total investments measured at fair value	32,811	$ 2	32,809
Alternative investments measured at NAV (or equivalent)	107		
Net accrued income and expenses	6		
Total	$ 32,924		

	2015		
	Lighthouse Retirement Plan		
	Total	**Level 1**	**Level 3**
Assets:			
Equity securities	$ 2	2	—
Common collective trust	30,883	—	30,883
Total investments measured at fair value	30,885	$ 2	30,883
Alternative investments measured at NAV (or equivalent)	127		
Net accrued income and expenses	1,592		
Total	$ 32,604		

In 2016, the fair value table above was revised because the common collective trust of $30,883 was previously presented as Level 2 at December 31, 2015. The common collective trust is presented as Level 3 at both December 31, 2016 and 2015 as these investments have unobservable inputs.

(Continued)

(i) Changes in Level 3 Investments

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the years ended December 31, 2016 and 2015:

		2016	2015
Beneficial interest in perpetual trust:			
Beginning balance	$	30,883	35,177
Unrealized gains (losses)		1,926	(4,294)
Ending balance	$	32,809	30,883

The unrealized gains (losses) for the period are all related to Level 3 assets held at the reporting date.

Alternative Investments

		2016				
		Bargaining	Non-Bargaining	Lighthouse Retirement Plan	Redemption Frequency	Redemption Notice Period
Multi-strategy (a)	$	2,552	4,703	—	Semiannually Quarterly	90 days
U.S. small/mid cap equity hedged (b)		1,501	1,437	107	Quarterly	0–60 days
Private equity (c)		16	26	—	In liquidation	N/A
Total	$	4,069	6,166	107		

		2015				
		Bargaining	Non-Bargaining	Lighthouse Retirement Plan	Redemption Frequency	Redemption Notice Period
Multi-strategy (a)	$	2,473	4,549	—	Semiannually Quarterly	90 days
U.S. small/mid cap equity hedged (b)		1,967	1,806	127	Quarterly	0–60 days
Private equity (c)		16	25	—	N/A	N/A
Total	$	4,456	6,380	127		

There are no unfunded commitments as of December 31, 2016 or 2015.

a. *Multi-strategy* – 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. Multistrategy funds would, therefore, be utilized as a complement to the traditional fixed-income allocation.

b. *U.S. small/mid cap equity 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.

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 coinvesting into private companies. Private equity is not quoted on a public exchange and is illiquid in nature. Private equity funds are in liquidation and expected to be fully redeemed by April 30, 2017.

The Guild's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. 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 Lighthouse's investment policies are designed to improve the 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 investment advisors to achieve this goal. Amounts are compared to benchmarks of the funds in the portfolio for reasonableness.

(ii) Cash Flows

Contribution

The Guild's pension plans are on a June 30 fiscal year end. The Guild does not anticipate making contributions in 2017 due to the preexisting funding balance of all plans. The Guild is required to make quarterly contributions of $292 in 2017.

Estimated Future Benefit Payments

Benefit payments are expected to be paid as follows:

		Bargaining	Non-Bargaining	Lighthouse Retirement Plan
Fiscal year ending December 31:				
2017	$	2,941	3,854	3,182
2018		2,026	2,005	3,159
2019		1,779	2,158	3,166
2020		1,641	2,073	3,181
2021		1,602	1,946	3,239
2022–2026		7,103	8,471	15,485

(b) Defined Contribution Plans

LGI Services, LLC has a 403(b) plan, a defined-contribution plan, for all eligible employees. The expense for the years ended December 31, 2016 and 2015 was $2,926 and $3,661, respectively.

The Lighthouse had a 401(k) defined-contribution plan for its eligible employees. Effective 2014, all eligible employees participate in the LGI Services, LLC 403(b) plan and contributions are no longer made to the 401(k) plan. The plan was terminated in 2015.

(12) 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 as of December 31, 2016 and 2015:

		2016	2015
Benefit obligation	$	(1,744)	(2,101)
Fair value of plan assets		—	—
Funded status	$	(1,744)	(2,101)
Amounts recognized in the consolidated balance sheet:			
Current liability	$	(119)	(156)
Long-term liability		(1,625)	(1,945)
	$	(1,744)	(2,101)
(Benefit) cost	$	(178)	319
Employer contribution		135	147
Benefits paid		137	149
Increase (decrease) recognized in other changes in unrestricted net assets:			
Net actuarial loss	$	78	1,221
Amortization of transition obligation		31	34
Effect of curtailment		18	—
Amortization of net actuarial (gain) loss		(84)	8
	$	43	1,263
Amounts recognized in accumulated unrestricted net assets:			
Transition obligation	$	(54)	(103)
Actuarial gain		1,334	1,337
	$	1,280	1,234

The net actuarial gain and transition obligation that will be amortized from unrestricted net assets into net periodic benefit cost in 2017 are $87 and $(27), respectively.

During 2016, 70 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 21%. This event has been accounted for as a curtailment and resulted in a decrease in the benefit obligation of approximately $264 for the year ended December 31, 2016.

Weighted average assumptions as of December 31, 2016 and 2015:

	2016	2015
Discount rate:		
Used for benefit obligation – Bargaining plan	4.00 %	4.35 %
Used for benefit obligation – Non-Bargaining plan	3.65	3.70
Used for net benefit cost – Bargaining plan	4.35	3.75
Used for net benefit cost – Non-Bargaining plan	3.70	3.75
Healthcare cost trend assumed for next year	8.10	6.90

As of June 30, 2016, the liability for the Bargaining plan was remeasured at 3.5% as a result of the curtailment.

The healthcare cost trend rate was assumed to change annually until the ultimate rate of 4.2% is reached in 2088 for the Bargaining plan and 4.3% is reached in 2074 for the Non-Bargaining plan.

The healthcare cost trend rate assumption has a significant effect on 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 of December 31, 2016 and 2015 as follows:

	Accumulated postretirement benefit obligation		Service cost plus interest cost	
	2016	2015	2016	2015
At trend + 1%	$ 27	38	1	2
At trend – 1%	(25)	(35)	(1)	(1)

The expected contribution in 2017 is $121.

Benefit payments expected to be paid are as follows:

2017	$ 121
2018	120
2019	118
2020	115
2021	113
2022–2026	537

(13) Regulatory Requirements

New York State Regulatory Requirements

Under the laws of the State of New York Part 98 of Title 10 NYCRR, GuildNet is required to maintain a contingent reserve that is calculated as 5% of premium revenue for MLTCP and MAP for and 5.75% for FIDA for the current year. Such contingent reserve requirements shall be deemed to have been met if the net worth of GuildNet, based on admitted assets, equals or exceeds the applicable contingent reserve requirements for such calendar year. As discussed in note 2(aa), in 2016 GuildNet issued Surplus Notes to meet its contingent reserve requirement.

In addition, 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.

NYSDFS requires the escrow deposit to be invested in accordance with Section 1404(a) of the New York Insurance Law. GuildNet was not required to make a deposit in March 2017 to satisfy the 2016 escrow deposit requirement of $43,199. In March 2016, GuildNet deposited $10,082 to satisfy the 2015 estimated escrow deposit requirement of $50,894.

(a) Contingent Reserve

		2016	2015
MLTCP and MAP:			
2016 and 2015 total premium revenue, respectively	$	1,041,080	894,595
		x 5%	x 5%
		52,054	44,730
FIDA:			
2016 and 2015 total premium revenue, respectively		75,235	56,031
		x 5.75%	x 5.75%
		4,326	3,222
Total contingent reserve	$	56,380	47,952

(b) 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 2016 it incurred a net loss, which is greater than one-half of GuildNet’s total net worth at December 31, 2016. Therefore, CMS may require additional reporting from GuildNet.

(14) Lease Commitments

GuildNet and H.F.C. rent space at various locations. In February 2016, LGI signed a 10-year lease agreement for additional space in New York City. Rent expense is recorded based on the terms of the various lease agreements. Rent expense, including in-kind rent, was $4,856 and $3,305 for 2016 and 2015, respectively.

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

2017	$	3,261
2018		4,159
2019		2,950
2020		2,865
2021		2,883
Thereafter		15,512
Total lease commitments	$	31,630

(15) Beneficial Interest in Trusts

The Guild, Lighthouse, and GBGB have 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%–5.8%, LGI determined the present value of its future irrevocable interest in these trusts to be $3,902 and $7,599 at December 31, 2016 and 2015, respectively.

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 1 investments. Changes to the estimated net present value of income to be received are recognized as gains or losses in permanently restricted net assets in the accompanying consolidated statement of operations and changes in net assets. The present value of the trust funds as of December 31, 2016 and 2015 is $10,210 and $10,350, respectively.

(Continued)

(16) Split-Interest Agreements

The Guild and Lighthouse have 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 ranges from 2.0% to 7.25%. As of December 31, 2016 and 2015, the consolidated statements of operations and changes in net assets and the consolidated balance sheets include the various split-interest agreements at fair market value as follows:

	2016	
	Charitable gift annuities – unrestricted	Trusts – temporarily restricted
Consolidated statements of operations and changes in net assets:		
Change in value of annuity obligations	$ 136	—
Actuarial gain on beneficial interest in trusts	—	132
Consolidated balance sheets:		
Investments	5,289	—
Beneficial interest in irrevocable trusts	—	3,902
Annuity obligations	2,974	—

	2015	
	Charitable gift annuities – unrestricted	Trusts – temporarily restricted
Consolidated statements of operations and changes in net assets:		
Change in value of annuity obligations	$ (537)	—
Actuarial gain on beneficial interest in trusts	—	1,334
Consolidated balance sheets:		
Investments	5,554	—
Beneficial interest in irrevocable trusts	—	7,599
Annuity obligations	3,690	—

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(17) 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 as of and for the years ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Receivables	Revenue	Receivables	Revenue
Medicaid	71 %	95 %	72 %	94 %
Medicare	2	4	1	4
Other third-party payors	27	1	27	2

LGI's cash accounts are in several financial institutions and at times, they exceed the Federal Deposit Insurance Corporation insurance limits.

Approximately, 60% of LGI's employees are union employees who are covered under the terms of two collective bargaining agreements. The United Federation of Teachers agreement expires in 2019 and 1199 expires in 2020.

(18) Payable to Establish The Institute for Vision and Aging and The Guild Research Center

On November 28, 2007, the Guild made commitments to the Fund for the Aged, Inc. totaling $6,000. The commitments specified that the Guild would pay $4,000 to establish The Guild Institute for Vision and Aging located within Jewish Home Lifecare, Harry and Jeanette Weinberg Campus, Bronx. In addition, the Guild would pay $1,000 to the Fund for the Aged, Inc. or its affiliate to establish The Guild Research Center. The Guild would also provide funding for the Research Center in the amount of $100 each year for ten years commencing January 1, 2008. In July 2015, the parties executed an agreement to terminate their affiliation. The termination agreement released all parties from all obligations owed under the original agreements. The Guild recognized an extinguishment of contribution payable of $2,660, which is included in nonoperating revenue, gains, and losses for the year ended December 31, 2015.

(19) Related-Party Transactions

GuildNet contracted with a home care provider whose former shareholder is related to GuildNet's president. The shareholder's interest was sold in November 2015. Payments paid to the provider through November 2015 were $1,496.

(20) Claims Payable

GuildNet engaged the services of an actuarial consultant to value its reported but not paid and IBNR liability as of December 31, 2016 and 2015, respectively. GuildNet furnished a listing to the actuarial consultant of all claims paid by GuildNet by date of service through December 2016 and 2015. 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 for the year ended December 31, 2016 and 2015:

		2016	2015
Claims payable, beginning of period	$	132,685	103,728
Incurred related to:			
Current year		1,050,481	851,737
Prior year		14,820	(1,134)
Total incurred		1,065,301	850,603
Paid related to:			
Current year		(880,575)	(720,365)
Prior year		(143,299)	(101,281)
Total paid		(1,023,874)	(821,646)
Claims payable, end of period	$	174,112	132,685

Reserves for unpaid claims attributable to prior year incurred claims increased by $14,820 and decreased by $1,134 in 2016 and 2015, respectively. The changes are generally the result of ongoing analysis of recent loss development trends.

(21) Reinsurance

GuildNet has an Excess Loss Reinsurance Agreement for its MAP and FIDA Plans. This agreement provides reinsurance for hospital inpatient acute and subacute care expenses. The annual deductible per member is $200 as of December 31, 2016 and 2015, with a maximum payable of $2,000 as of December 31, 2016 and 2015. The reinsurance premium of $195 and $230, respectively, for the years ended December 31, 2016 and 2015 is included in managed long-term care expense.

(22) Rental Income and Sale of Property

The Guild leases space under a cancelable and noncancelable lease. The cancelable lease expired in October 2015. The noncancelable lease expires in February 2024 and future annual rental income is approximately $163. Rental income for the years ended December 31, 2016 and 2015 was $720 and $1,349, respectively.

GBGB had a noncancelable lease/sale agreement for its property in Boston whereby the lessee had a lease for the property through June 30, 2015 and was required to purchase it thereafter. The lessee exercised their option to purchase the property before that date and the closing of the sale occurred in March 2015. Proceeds from the sale were $1,258, carrying amount of fixed assets was $1,097, and a gain on sale of $161 was recognized for the year ended December 31, 2015. Rental income for the year ended December 31, 2015 was $14.

Sale of 59th Street Property

Lighthouse International Real Estate Holdings, LLC rented space in the 59th street property to tenants through the date of the sale of the building in July 2015. Net proceeds from the sale were $167,608, carrying amount of fixed assets was $18,597, and a gain on sale of $149,011 was recognized for the year ended December 31, 2015 (note 6). Rental income for the year ended December 31, 2015 was $1,245.

Sale of 65th Street Property

In February 2016, JGB entered into a contractual agreement for the sale of its 65th Street property for $157,000. The sale is contingent upon approvals by the State Attorney General and upon LGI moving to a new location at 80 West End Avenue. LGI received a deposit on the sale of $40,000, which is recorded as a current deposit liability on the December 31, 2016 consolidated balance sheet.

(23) Subsequent Events

Effective June 1, 2017, GuildNet has elected to discontinue, with the NYSDOH approval, MLTC services in Nassau, Suffolk and Westchester Counties. Those members will be subsequently transferred to other MLTC plans.

Schedule 1

LIGHTHOUSE GUILD INTERNATIONAL, INC. AND AFFILIATES

Consolidating Balance Sheet

December 31, 2016

(In thousands)

Assets	Lighthouse Guild International, Inc.	Jewish Guild Healthcare & Affiliate	Lighthouse International & Affiliate	GuildNet, Inc.	J.G.B. Health Facilities Corporation	J.G.B. Rehabilitation Corporation	J.G.B. Education Services	J.G.B. Mental Health & Mental Retardation Services, Inc.	National Association of Parents of Children with Visual Impairments, Inc.	Greater Boston Guild for the Blind, Inc. & Affiliate	Eliminations	2016 Total
Current assets:												
Cash and cash equivalents	$ 6,339	462	1,099	92,963	164	135	45	84	66	145	—	101,502
Investments	249,870	18,694	5,825	3,443	—	—	—	—	—	298	—	278,130
Accounts receivable	—	208	383	3,944	1,775	267	414	340	—	—	—	7,331
Due from third-party payors, net	—	—	—	30,139	—	—	—	—	—	—	—	30,139
Prepaid expenses and other current assets	1,937	422	543	403	108	55	3	3	—	—	—	3,474
Due from LGI endowment investment pool	—	8,325	16,928	—	—	—	—	—	—	—	(25,253)	—
Total current assets	258,146	28,111	24,778	130,892	2,047	457	462	427	66	443	(25,253)	420,576
Assets limited or restricted as to use:												
Statutory escrow	—	—	—	51,348	—	—	—	—	—	—	—	51,348
Endowment investments	25,253	—	—	—	—	—	—	—	—	131	—	25,384
Beneficial interest in perpetual trusts	—	514	9,696	—	—	—	—	—	—	—	—	10,210
Total assets limited or restricted as to use	25,253	514	9,696	51,348	—	—	—	—	—	131	—	86,942
Investments	8,999	2,518	2,010	88,551	—	—	—	—	—	—	—	102,078
Fixed assets, net	234,174	12,107	30	6,250	39	80	11	29	1	—	—	252,721
Intangible asset, net	—	—	—	6,214	—	—	—	—	—	—	—	6,214
Other assets	—	377	3,274	—	—	—	—	—	—	539	—	4,190
Subordinated surplus note	—	47,089	—	—	—	—	—	—	—	—	(47,089)	—
Total other assets	—	47,466	3,274	—	—	—	—	—	—	539	(47,089)	4,190
Total assets	$ 526,572	90,716	39,788	283,255	2,086	537	473	456	67	1,113	(72,342)	872,721
Liabilities and Net Assets												
Current liabilities:												
Accounts payable and accrued expenses	$ 9,761	1,515	1,118	2,558	351	62	3	3	—	—	—	15,371
Claims payable	—	—	—	174,112	—	—	—	—	—	—	—	174,112
Accrued premium deficiency	—	—	—	15,000	—	—	—	—	—	—	—	15,000
Accrued salaries and related expenses	525	6,154	232	—	—	—	—	—	—	—	—	6,911
Due to third-party payors, net	—	15	13	1,774	97	33	23	145	—	—	—	2,100
Current portion of capital lease payable	463	217	—	—	—	—	—	—	—	—	—	680
Current portion of accrued pension and postretirement medical benefits	—	119	—	—	—	—	—	—	—	—	—	119
Current portion of annuity obligations	—	208	375	—	—	—	—	—	—	—	—	583
Deposit liability	—	40,000	—	—	—	—	—	—	—	—	—	40,000
Other current liabilities	2,426	70	7	—	2	—	—	—	—	—	—	2,505
Due to JGB and LHI endowment fund	25,253	—	—	—	—	—	—	—	—	—	(25,253)	—
Total current liabilities	38,428	48,298	1,745	193,444	450	95	26	148	—	—	(25,253)	257,381
Long-term liabilities:												
Note payable	50,100	—	—	—	—	—	—	—	—	—	—	50,100
Capital lease payable, net of current portion	192,754	50	—	—	—	—	—	—	—	—	—	192,804
Accrued pension and postretirement medical benefits, net of current portion	—	14,626	16,174	—	—	—	—	—	—	—	—	30,800
Annuity obligations, net of current portion	—	1,044	1,347	—	—	—	—	—	—	—	—	2,391
Subordinated surplus note	—	—	—	47,089	—	—	—	—	—	—	(47,089)	—
Total long-term liabilities	242,854	15,720	17,521	47,089	—	—	—	—	—	—	(47,089)	276,095
Due to (from) affiliates	271,831	(84,807)	(137,521)	2,066	42,102	27,049	25,039	25,570	1,342	3,019	(175,690)	—
Total liabilities	553,113	(20,789)	(118,255)	242,599	42,552	27,144	25,065	25,718	1,342	3,019	(248,032)	533,476
Net assets (deficit)	(26,541)	111,505	158,043	40,656	(40,466)	(26,607)	(24,592)	(25,262)	(1,275)	(1,906)	175,690	339,245
Total liabilities and net assets	$ 526,572	90,716	39,788	283,255	2,086	537	473	456	67	1,113	(72,342)	872,721

See accompanying independent auditors' report.

Schedule 2

LIGHTHOUSE GUILD INTERNATIONAL, INC. AND AFFILIATES

Consolidating Statement of Operations and Changes in Net Assets

December 31, 2016

(In thousands)

	Lighthouse Guild International, Inc.	Jewish Guild Healthcare & Affiliate	Lighthouse International & Affiliate	GuildNet, Inc.	J.G.B. Health Facilities Corporation	J.G.B. Rehabilitation Corporation	J.G.B. Education Services	J.G.B. Mental Health & Mental Retardation Services, Inc.	National Association of Parents of Children with Visual Impairments, Inc.	Greater Boston Guild for the Blind, Inc.	Eliminations	2016 Total
Revenue and other support from operations:												
Management fees	$ —	80,398	—	—	—	—	—	—	—	—	(80,398)	—
Program revenue	—	792	3,540	1,116,315	—	—	3,178	—	—	—	—	1,123,825
Patient service revenue, net of contractual allowances	—	—	—	—	8,782	1,422	—	3,066	—	—	(1,986)	11,284
Provision for bad debts	—	—	—	—	(2)	(240)	—	(132)	—	—	—	(374)
Other revenue	27	423	62	198	235	510	48	195	4	—	(178)	1,524
Total revenue and other support from operations	27	81,613	3,602	1,116,513	9,015	1,692	3,226	3,129	4	—	(82,562)	1,136,259
Operating expenses												
Program services:												
Managed care	—	70,870	—	1,136,535	—	—	—	—	—	—	(78,579)	1,128,826
Adult day healthcare	—	—	—	—	9,613	—	—	—	—	—	—	9,613
Clinical and rehabilitation	—	2,068	2,091	—	—	2,381	—	—	—	—	—	6,540
Behavioral health	—	—	—	—	—	—	—	5,055	—	—	—	5,055
Education	—	—	3,808	—	—	—	3,276	—	—	—	—	7,084
Other programs	197	724	663	—	—	—	—	—	283	—	(52)	1,815
Total program services	197	73,662	6,562	1,136,535	9,613	2,381	3,276	5,055	283	—	(78,631)	1,158,933
Supporting services:												
Management and general	16,306	1,068	1,070	69,452	1,639	2,097	1,219	721	87	13	(3,984)	89,688
Fund-raising	2,594	49	23	—	—	—	—	—	4	—	—	2,670
Total supporting services	18,900	1,117	1,093	69,452	1,639	2,097	1,219	721	91	13	(3,984)	92,358
Total operating expenses	19,097	74,779	7,655	1,205,987	11,252	4,478	4,495	5,776	374	13	(82,615)	1,251,291
Loss from operations before loss on sale/disposal of fixed assets	(19,070)	6,834	(4,053)	(89,474)	(2,237)	(2,786)	(1,269)	(2,647)	(370)	(13)	53	(115,032)
Loss on sale/disposal of fixed assets	—	(8)	—	—	(17)	—	—	—	—	—	—	(25)
Loss from operations	(19,070)	6,826	(4,053)	(89,474)	(2,254)	(2,786)	(1,269)	(2,647)	(370)	(13)	53	(115,057)
Nonoperating revenue, gains, and losses:												
Contributions and grants	1,475	342	530	—	11	155	68	38	174	9	—	2,802
Special events	761	—	—	—	—	—	—	—	—	—	—	761
Legacies and bequests	2,248	1,224	2,008	—	—	—	50	—	—	—	—	5,530
Interest and dividend income	3,748	1,466	420	701	—	—	—	—	—	—	—	6,335
Net realized and unrealized gains on investments	5,584	4,422	1,678	4,807	—	—	—	—	—	—	—	16,491
Distributions from perpetual trusts	—	26	439	—	—	—	—	—	—	—	—	465
Grant from Jewish Guild Healthcare	—	—	—	—	—	36	17	—	—	—	(53)	—
Change in value of annuity obligations	—	(132)	268	—	—	—	—	—	—	—	—	136
Change in value of beneficial interest in trusts	—	10	(36)	—	—	—	—	—	—	18	—	(8)
Total nonoperating revenue, gains, and losses, net	13,816	7,358	5,307	5,508	11	191	135	38	174	27	(53)	32,512
(Deficiency) excess of revenue, gains, and losses over expenses before other changes	(5,254)	14,184	1,254	(83,966)	(2,243)	(2,595)	(1,134)	(2,609)	(196)	14	—	(82,545)
Other changes:												
Pension and postretirement benefit changes other than net periodic benefit cost	—	654	(392)	—	—	—	—	—	—	—	—	262
Reserve for affiliates	(10,100)	(50,062)	—	—	—	—	—	—	—	—	(60,162)	—
Change in net assets	(15,354)	(35,224)	862	(83,966)	(2,243)	(2,595)	(1,134)	(2,609)	(196)	14	60,162	(82,283)
Net assets (deficit), beginning of year	(11,187)	146,729	157,181	124,622	(38,223)	(24,012)	(23,458)	(22,653)	(1,079)	(1,920)	115,528	421,528
Net assets (deficit), end of year	$ (26,541)	111,505	158,043	40,656	(40,466)	(26,607)	(24,592)	(25,262)	(1,275)	(1,906)	175,690	339,245

See accompanying independent auditors' report.