

TAYLOR COMMUNITY

FINANCIAL REPORT

APRIL 30, 2022

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NATHAN WECHSLER & COMPANY
PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Taylor Community
Laconia, New Hampshire 03246

Opinion

We have audited the financial statements of Taylor Community, which comprise the statements of financial position as of April 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Taylor Community as of April 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Taylor Community and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Taylor Community's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Taylor Community's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Taylor Community's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Nathan Wechsler & Company

Concord, New Hampshire
July 18, 2022

TAYLOR COMMUNITY

STATEMENTS OF FINANCIAL POSITION

April 30, 2022 and 2021

| | | ASSETS | |
|---|-----------|-------------------|----------------------|
| | | 2022 | 2021 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents, including amounts held in escrow | | | |
| 2022 \$733,697; 2021 \$103,629 | \$ | 4,505,043 | \$ 6,484,563 |
| Accounts receivable | | 629,044 | 706,895 |
| Inventory and prepaid expenses | | 393,506 | 549,926 |
| Investments | | 9,425,440 | 9,539,015 |
| <i>Total current assets</i> | | 14,953,033 | 17,280,399 |
| OTHER ASSETS | | | |
| Notes receivable, less current portion | | 84,900 | 191,776 |
| Trust funds held by others | | 8,026,725 | 8,954,664 |
| | | 8,111,625 | 9,146,440 |
| PROPERTY AND EQUIPMENT, net | | 48,588,308 | 43,072,799 |
| INVESTMENT IN SUGAR HILL RETIREMENT COMMUNITY ASSOCIATION | | 6,697,940 | 3,274,940 |
| INVESTMENTS | | 6,784,895 | 7,641,225 |
| | \$ | 85,135,801 | \$ 80,415,803 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Current maturities of long-term debt and bonds payable | \$ | 730,455 | \$ 679,365 |
| Current portion of annuities payable | | 14,268 | 15,285 |
| Current portion of due to Huggins Hospital | | 666,666 | 666,667 |
| Lines of credit | | 3,622,000 | 1,461,000 |
| COVID phase 4 loan | | 342,867 | - |
| Paycheck Protection Program funds | | - | 630,354 |
| Accounts payable, including retainage of 2022 \$101,538; 2021 \$- | | 678,845 | 324,328 |
| Accrued expenses | | 1,589,394 | 1,362,547 |
| Contract liabilities - deposits on advanced fees | | 978,546 | 130,391 |
| <i>Total current liabilities</i> | | 8,623,041 | 5,269,937 |
| LONG-TERM LIABILITIES | | | |
| Long-term debt and bonds payable, less current maturities | | | |
| net of unamortized debt issuance costs 2022 \$260,981; 2021 \$312,765 | | 14,165,579 | 14,162,139 |
| Due to Huggins Hospital, less current portion | | 666,667 | 1,333,333 |
| Long-term accrued expenses | | 73,762 | 86,362 |
| Annuities payable, less current portion | | 27,497 | 42,356 |
| Contract liabilities - refundable deposits | | 353,309 | 388,897 |
| Contract liabilities - nonrefundable advance fees, | | | |
| net of amortization | | 44,134,469 | 39,179,965 |
| | | 59,421,283 | 55,193,052 |
| <i>Total liabilities</i> | | 68,044,324 | 60,462,989 |
| COMMITMENTS AND CONTINGENCIES (See Notes) | | | |
| NET ASSETS | | | |
| Net assets without donor restrictions | | 2,659,323 | 3,762,152 |
| Net assets with donor restrictions | | 14,432,154 | 16,190,662 |
| <i>Total net assets</i> | | 17,091,477 | 19,952,814 |
| | \$ | 85,135,801 | \$ 80,415,803 |

TAYLOR COMMUNITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended April 30, 2022 and Comparative Totals for Year Ended April 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total | 2021 Total |
|---|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Revenues and other support: | | | | |
| Amortization of deferred entrance fees | \$ 5,766,214 | \$ - | \$ 5,766,214 | \$ 5,455,549 |
| Resident fees | 12,864,325 | - | 12,864,325 | 11,022,208 |
| Dividends and interest | 232,526 | 140,000 | 372,526 | 344,306 |
| Income from trust funds held by others | 434,503 | - | 434,503 | 415,214 |
| Gifts and bequests | 192,428 | 24,999 | 217,427 | 155,970 |
| Auxiliary income | 908,263 | - | 908,263 | 689,371 |
| <i>Total revenues and other support</i> | <u>20,398,259</u> | <u>164,999</u> | <u>20,563,258</u> | <u>18,082,618</u> |
| <i>Net assets released from donor restrictions for program services</i> | <u>471,607</u> | <u>(471,607)</u> | <u>-</u> | <u>-</u> |
| Expenses: | | | | |
| General and Administrative | 5,613,820 | - | 5,613,820 | 4,513,170 |
| Independent | 5,703,727 | - | 5,703,727 | 5,388,530 |
| Assisted living | 5,592,606 | - | 5,592,606 | 4,421,772 |
| Nursing | 4,809,336 | - | 4,809,336 | 4,713,204 |
| Community | 101,934 | - | 101,934 | 105,704 |
| <i>Total functional expenses</i> | <u>21,821,423</u> | <u>-</u> | <u>21,821,423</u> | <u>19,142,380</u> |
| <i>Decrease in net assets from operations</i> | <u>(951,557)</u> | <u>(306,608)</u> | <u>(1,258,165)</u> | <u>(1,059,762)</u> |
| Nonoperating gains (losses) and other changes | | | | |
| Net realized and unrealized gains (losses) on investments | (782,549) | (523,960) | (1,306,509) | 3,491,628 |
| Increase (decrease) in trust funds held by others | - | (927,940) | (927,940) | 1,567,390 |
| CARES Act funds | - | - | - | 1,638,261 |
| Paycheck Protection Program forgiveness | 630,354 | - | 630,354 | 1,948,396 |
| Employee retention credit | - | - | - | 506,705 |
| Nonreimbursed COVID expenses | (20,211) | - | (20,211) | - |
| Other non-operating expenses | - | - | - | (66,009) |
| Gain (loss) on disposal of property and equipment | 21,134 | - | 21,134 | (2,540) |
| <i>Total nonoperating gains (losses) and other changes</i> | <u>(151,272)</u> | <u>(1,451,900)</u> | <u>(1,603,172)</u> | <u>9,083,831</u> |
| <i>Increase (decrease) in net assets</i> | <u>(1,102,829)</u> | <u>(1,758,508)</u> | <u>(2,861,337)</u> | <u>8,024,069</u> |
| Net assets, beginning of year | <u>3,762,152</u> | <u>16,190,662</u> | <u>19,952,814</u> | <u>11,928,745</u> |
| <i>Net assets, end of year</i> | <u>\$ 2,659,323</u> | <u>\$ 14,432,154</u> | <u>\$ 17,091,477</u> | <u>\$ 19,952,814</u> |

TAYLOR COMMUNITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended April 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|-----------------------------|
| Revenues and other support: | | | |
| Amortization of deferred entrance fees | \$ 5,455,549 | \$ - | \$ 5,455,549 |
| Resident fees | 11,022,208 | - | 11,022,208 |
| Dividends and interest | 211,306 | 133,000 | 344,306 |
| Income from trust funds held by others | 415,214 | - | 415,214 |
| Gifts and bequests | 154,130 | 1,840 | 155,970 |
| Auxiliary income | 689,371 | - | 689,371 |
| <i>Total revenues and other support</i> | <u>17,947,778</u> | <u>134,840</u> | <u>18,082,618</u> |
| <i>Net assets released from donor restrictions for program services</i> | <u>455,316</u> | <u>(455,316)</u> | <u>-</u> |
| Expenses: | | | |
| General and Administrative | 4,513,170 | - | 4,513,170 |
| Independent | 5,388,530 | - | 5,388,530 |
| Assisted living | 4,421,772 | - | 4,421,772 |
| Nursing | 4,713,204 | - | 4,713,204 |
| Community | 105,704 | - | 105,704 |
| <i>Total functional expenses</i> | <u>19,142,380</u> | <u>-</u> | <u>19,142,380</u> |
| <i>Decrease in net assets from operations</i> | <u>(739,286)</u> | <u>(320,476)</u> | <u>(1,059,762)</u> |
| Nonoperating gains (losses) and other changes | | | |
| Net realized and unrealized gains on investments | 1,983,057 | 1,508,571 | 3,491,628 |
| Increase in trust funds held by others | - | 1,567,390 | 1,567,390 |
| CARES Act funds | 1,638,261 | - | 1,638,261 |
| Paycheck Protection Program forgiveness | 1,948,396 | - | 1,948,396 |
| Employee retention credit | 506,705 | - | 506,705 |
| Other non-operating expenses | (66,009) | - | (66,009) |
| Loss on disposal of property and equipment | (2,540) | - | (2,540) |
| <i>Total nonoperating gains and other changes</i> | <u>6,007,870</u> | <u>3,075,961</u> | <u>9,083,831</u> |
| <i>Increase in net assets</i> | <u>5,268,584</u> | <u>2,755,485</u> | <u>8,024,069</u> |
| Net assets (deficit), beginning of year | <u>(1,506,432)</u> | <u>13,435,177</u> | <u>11,928,745</u> |
| <i>Net assets, end of year</i> | <u>\$ 3,762,152</u> | <u>\$ 16,190,662</u> | <u>\$ 19,952,814</u> |

TAYLOR COMMUNITY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2022 and Comparative Totals for Year Ended April 30, 2021

| | Program | | | | | 2022 Total | 2021 Total |
|---|-------------------------------|---------------------|---------------------|---------------------|-------------------|----------------------|----------------------|
| | General and Administrative | Independent | Assisted Living | Nursing | Community | | |
| Wages | \$ 2,711,321 | \$ 821,328 | \$ 2,517,625 | \$ 2,482,516 | \$ 78,600 | \$ 8,611,390 | \$ 7,925,353 |
| Payroll taxes | 210,597 | 59,720 | 181,079 | 183,791 | 5,660 | 640,847 | 590,272 |
| Benefits | 556,335 | 171,789 | 517,840 | 510,502 | 16,128 | 1,772,594 | 1,464,028 |
| Food service expense | 32,488 | 468,189 | 995,215 | 591,304 | 25 | 2,087,221 | 1,619,554 |
| Utilities | 39,491 | 389,291 | 188,688 | 136,739 | - | 754,209 | 724,545 |
| Insurance | 56,486 | 219,886 | 134,622 | 97,203 | 1,521 | 509,718 | 511,098 |
| Equipment expense | 262,183 | 87,641 | 56,581 | 43,164 | - | 449,569 | 307,771 |
| Contract work | 3,114 | 119,512 | 38,390 | 26,393 | - | 187,409 | 279,116 |
| Professional fees | 293,321 | - | - | - | - | 293,321 | 272,919 |
| Office supplies | 79,115 | - | 24,371 | 5,849 | - | 109,335 | 48,772 |
| Printing, publishing, postage and advertising | 102,990 | 35,204 | 51,302 | 36,523 | - | 226,019 | 270,936 |
| Housekeeping and maintenance supplies | 46,247 | 190,362 | 106,129 | 90,501 | - | 433,239 | 316,436 |
| Licenses, fees and website expense | 206,939 | - | 180 | - | - | 207,119 | 180,573 |
| Promotional resident move-in expense | 65,945 | - | - | - | - | 65,945 | 49,666 |
| Employment related expenses | 47,081 | - | 7,071 | 5,440 | - | 59,592 | 102,106 |
| Functions and programs expenses | 32,550 | 38,609 | 462 | 3,276 | - | 74,897 | 35,521 |
| Sugar Hill IR fees | 668,457 | - | - | - | - | 668,457 | 51,702 |
| Miscellaneous expenses | 198,743 | 157,645 | 157,276 | 164,285 | - | 677,949 | 546,580 |
| Municipal payments and provider tax | - | 378,535 | - | 193,241 | - | 571,776 | 533,717 |
| Interest expense | - | 613,704 | 60,536 | 31,913 | - | 706,153 | 697,609 |
| COVID expenses | - | - | - | - | - | - | 56,969 |
| Depreciation | 417 | 1,952,312 | 555,239 | 206,696 | - | 2,714,664 | 2,557,137 |
| <i>Total functional expenses</i> | \$ 5,613,820 | \$ 5,703,727 | \$ 5,592,606 | \$ 4,809,336 | \$ 101,934 | \$ 21,821,423 | \$ 19,142,380 |

TAYLOR COMMUNITY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2021

| | Program | | | | | 2021 Total |
|---|-------------------------------|---------------------|---------------------|---------------------|-------------------|----------------------|
| | General and Administrative | Independent | Assisted Living | Nursing | Community | |
| Wages | \$ 2,511,894 | \$ 745,945 | \$ 2,051,519 | \$ 2,533,180 | \$ 82,815 | \$ 7,925,353 |
| Payroll taxes | 194,005 | 54,419 | 150,578 | 185,368 | 5,902 | 590,272 |
| Benefits | 461,819 | 140,764 | 378,911 | 467,308 | 15,226 | 1,464,028 |
| Food service expense | 35,944 | 445,562 | 625,925 | 512,121 | 2 | 1,619,554 |
| Utilities | 38,791 | 375,602 | 183,866 | 126,286 | - | 724,545 |
| Insurance | 53,220 | 255,040 | 99,002 | 102,077 | 1,759 | 511,098 |
| Equipment expense | 174,131 | 61,177 | 29,561 | 42,902 | - | 307,771 |
| Contract work | 9,937 | 181,807 | 48,163 | 39,209 | - | 279,116 |
| Professional fees | 272,919 | - | - | - | - | 272,919 |
| Office supplies | 36,295 | - | 8,159 | 4,318 | - | 48,772 |
| Printing, publishing, postage and advertising | 72,430 | 54,765 | 78,597 | 65,144 | - | 270,936 |
| Housekeeping and maintenance supplies | 15,785 | 152,553 | 79,579 | 68,519 | - | 316,436 |
| Licenses, fees and website expense | 180,043 | - | 530 | - | - | 180,573 |
| Promotional resident move-in expense | 49,666 | - | - | - | - | 49,666 |
| Employment related expenses | 94,021 | - | 3,949 | 4,136 | - | 102,106 |
| Functions and programs expenses | 8,059 | 27,215 | 37 | 210 | - | 35,521 |
| Sugar Hill IR fees | 51,702 | - | - | - | - | 51,702 |
| Miscellaneous expenses | 191,806 | 121,997 | 93,744 | 139,033 | - | 546,580 |
| Municipal payments and provider tax | - | 354,429 | - | 179,288 | - | 533,717 |
| Interest expense | - | 604,121 | 53,567 | 39,921 | - | 697,609 |
| COVID expenses | 56,969 | - | - | - | - | 56,969 |
| Depreciation | 3,734 | 1,813,134 | 536,085 | 204,184 | - | 2,557,137 |
| <i>Total functional expenses</i> | \$ 4,513,170 | \$ 5,388,530 | \$ 4,421,772 | \$ 4,713,204 | \$ 105,704 | \$ 19,142,380 |

TAYLOR COMMUNITY

STATEMENTS OF CASH FLOWS
Years Ended April 30, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ (2,861,337) | \$ 8,024,069 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization of deferred entrance fees | (5,766,214) | (5,455,549) |
| Depreciation | 2,714,664 | 2,557,137 |
| Amortization of debt issuance costs | 52,103 | 51,331 |
| Forgiveness on Paycheck Protection Program loan | (630,354) | (1,238,250) |
| (Increase) decrease in trust funds held by others | 927,940 | (1,567,390) |
| (Gain) loss on disposal of property and equipment | (21,134) | 2,540 |
| Reinvested investment income | (405,331) | (356,688) |
| Net realized and unrealized (gains) losses on investments | 1,368,268 | (3,494,301) |
| (Increase) decrease in accounts receivables | 77,851 | (321,344) |
| (Increase) decrease in inventory and prepaid expenses | 156,420 | (119,102) |
| Increase in accounts payable | 456,054 | 45,271 |
| Increase in accrued expenses | 214,247 | 139,196 |
| Increase in deposits on advanced fees | 848,155 | 67,369 |
| Entrance fees received | 11,704,832 | 7,520,767 |
| Refunds of entrance fees | (1,019,702) | (649,630) |
| | 7,816,462 | 5,205,426 |
| <i>Net cash provided by operating activities</i> | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (5,297,018) | (5,945,707) |
| Proceeds from sale of property and equipment | 35,000 | - |
| Purchase of investments | (1,149,053) | (2,156,388) |
| Proceeds from sale of investments | 1,156,021 | 2,241,534 |
| Purchase of investment in Sugar Hill Retirement Community Association | (3,423,000) | (3,274,940) |
| Payments received on notes receivable | 106,876 | 5,000 |
| | (8,571,174) | (9,130,501) |
| <i>Net cash used in investing activities</i> | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments on long-term debt | (687,173) | (643,849) |
| Proceeds from COVID phase 4 loan | 342,867 | - |
| Net proceeds (repayments) from lines of credit | (197,959) | 1,461,000 |
| Proceeds from Paycheck Protection Program, not yet forgivable | - | 630,354 |
| Increase (decrease) in due to Huggins Hospital | (666,667) | 2,000,000 |
| Repayments on annuities payable | (15,876) | (14,128) |
| | (1,224,808) | 3,433,377 |
| <i>Net cash provided by (used in) financing activities</i> | | |
| <i>Net decrease in cash and cash equivalents</i> | (1,979,520) | (491,698) |
| Cash and cash equivalents, beginning of year | 6,484,563 | 6,976,261 |
| <i>Cash and cash equivalents, end of year</i> | \$ 4,505,043 | \$ 6,484,563 |

TAYLOR COMMUNITY

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended April 30, 2022 and 2021

| | 2022 | 2021 |
|--|---------------------|-------------|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash payments for: | | |
| Interest | \$ 658,020 | \$ 651,434 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Proceeds from long-term borrowing | \$ 689,600 | \$ - |
| Less direct financing | 689,600 | - |
| <i>Net proceeds from long-term borrowing</i> | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| Purchase of property and equipment | 8,345,577 | - |
| Less direct financing | 3,048,559 | - |
| <i>Cash paid for property and equipment</i> | <u>\$ 5,297,018</u> | <u>\$ -</u> |

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business

Taylor Community (the "Community") is a continuing care retirement community that provides housing, health care and supportive services to elders at facilities located in Laconia and Wolfeboro, New Hampshire. Its operation consists of three stages: Independent Living at the Ledges or Woodside in Laconia, Sugar Hill and Back Bay in Wolfeboro, and Supportive Residential Care at Sugar Hill and Supportive Residential Care and Nursing Care in Laconia. During the year ended April 30, 2021, the Community entered into an agreement to purchase Sugar Hill Retirement Community Association located in Wolfeboro. The purchase includes the land and assisted living Building. The Community owns and operates the assisted living portion and is in the process of buying the shares for the independent living. See Note 19 for more details. At April 30, 2022, the Community owned 28 shares of the total 71.

Note 2. Significant Accounting Policies

Basis of accounting: The financial statements of Taylor Community have been prepared on the accrual method of accounting.

Net assets: The Community reports information regarding its financial position and activities according to two categories of net assets: net assets with donor restrictions and net assets without donor restrictions. Descriptions of these net asset categories are as follows:

Net assets without donor restrictions: Net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management for general operating purposes. From time to time the Board of Trustees designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

See Note 15 for more information on the composition of net assets without donor restrictions.

Net Assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions and also includes the accumulated appreciation and depreciation related to donor-restricted endowment funds.

The Community reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Community to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as without donor restrictions contributions in the statements of activities and changes in net assets.

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

See Notes 16 and 17 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Contributions: The Community recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions.

Contributions with donor restrictions that are used for the purposes specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions in the same year. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. There were no conditional promises to give for the years ended April 30, 2022 and 2021.

Obligation to provide future services: It is the Community's policy to record its obligation to provide future services and use of facilities to current residents as a liability. The Community annually determines the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advanced fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advanced fees, a liability is recorded with the corresponding charge to income. The obligation is discounted to present value using rates of 6% as determined by the Community's consulting actuary. At April 30, 2022 and 2021, the Community had no liability for a future service obligation.

Estimates and assumptions: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from these estimates.

Advertising costs: The Community follows the policy of charging all advertising costs to expense as incurred. Advertising expense for the years ended April 30, 2022 and 2021 were \$74,054 and \$30,009, respectively.

Gifts and bequests: Gifts and bequests received are recorded as without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions are reclassified net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Gifts and bequests of investments or equipment are recorded at fair value on the date of the gift.

Cash and cash equivalents: For purposes of reporting cash flows, the Community considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, excluding amounts limited by restriction. At April 30, 2022 and 2021, the Community had \$520,558 and \$520,384 of cash equivalents, respectively, included in cash on the statements of financial position. Cash on the statement of cash flows includes both restricted and unrestricted cash amounts.

NOTES TO FINANCIAL STATEMENTS

Accounts and notes receivable: Accounts receivable arise in the normal course of business. Notes receivable are comprised of new resident notes for advance fees and outstanding obligations to be paid from resident refundable entry fees upon termination. Management reviews outstanding accounts and notes receivables and establishes an allowance for uncollectible accounts, if needed. Management has determined that an allowance was not necessary at April 30, 2022 and 2021. Unless the extension of credit is for entrance fees the Community does not generally require collateral to support the extension of credit to its residents.

Inventory: Inventory, which consists primarily of medical supplies, personal protective equipment and food items, are stated at the lower of cost or net realizable value determined by the first-in, first-out (FIFO) method.

Capitalization policy: Expenditures for additions, renewals and betterments of property and equipment that are over \$5,000 and have useful lives of greater than three years are capitalized. Maintenance and repairs are expensed as incurred. Upon retirement or sale, the cost of the assets disposed of, and the related accumulated depreciation is removed from the accounts and any gain or loss is included in other income in the period the asset is disposed of.

Depreciation for financial statement purposes is computed using the straight-line method over the following useful lives:

| | Years |
|---------------------------------|--------------|
| Land improvements..... | 10-20 |
| Buildings and improvements..... | 10-50 |
| Furnishings and equipment | 3-10 |

Income taxes: The Community is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Community is also exempt from state income taxes by virtue of its ongoing exemption from federal income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Community is liable for taxes on unrelated business taxable income. These taxes are provided for on the accrual basis. There was no unrelated business income tax for the years ended April 30, 2022 and 2021.

The Community has adopted the provisions of FASB ASC 740 Accounting for Uncertainty in Income Taxes. Accordingly, management has evaluated the Community’s tax positions and concluded the Community had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Community is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2019.

Investments: Investments are stated at fair value. The net realized and unrealized gains and losses on investments are reflected in the statements of activities and changes in net assets.

The Community follows the policy of pooling its investments. Investment income, net of investment fees, is allocated to the various funds based on the particular fund's pro rata share of the investment pool. Unrestricted investments are classified as current assets on the statements of financial position.

Trust funds held by others: The Community follows the requirements of FASB ASC 958-605, Transfers of Assets to a Not-for-Profit Community or Charitable Trust That Raises or Holds Contributions for Others. FASB ASC 958-605 requires that a specified beneficiary recognize its rights to assets held by a recipient Community as an asset unless the donor has explicitly granted the recipient Community variance power. Management of the Community and the Trustees for the various recipient organizations have determined that the recipient organizations have not been granted such variance power. Therefore, the Community's interests in the net assets of the trust funds have been recognized at fair market value in the statements of financial position. Changes in the fair value of the Community's interest are reflected in the statements of activities and changes in net assets (see Note 13).

Functional allocation of expenses: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Community. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include certain wages, benefits, depreciation, interest, and occupancy, which are allocated on a percent of revenue basis, as well as occupancy, which are allocated on the basis of the census.

Recent accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This standard replaces the current guidance with regards to accounting for leases found in Leases (Topic 840) and will be effective, with the issuance of ASU No. 2020-05, in 2022 for private companies. Under ASC 842, a lessee will recognize a lease liability for all long-term leases equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) can apply a modified retrospective method of adoption or can adopt the transition alternative. Management has not yet quantified the impact on the financial position of the Community.

Note 3. Revenue Recognition - Contracts with Residents

The Community recognizes revenue from contracts with its residents utilizing the following steps:

- Identifying the contract with the resident
- Identifying the performance obligation under the contract
- Determining the transaction price
- Allocating the transaction price to performance obligations, if necessary
- Recognizing revenue as performance obligations are satisfied

The Community's revenue mainly consists of contracts with individuals for independent residential home living, assisted living and nursing room and board arrangements. Contracts for most of the arrangements are in place until the resident moves out of the Community or moves to a higher level of care and can span several years. The Community's contracts may contain multiple performance obligations related to room and board and other services to provide for the resident's health, safety, and wellbeing. Performance obligations related to these contracts are satisfied over time as the residents simultaneously receive and consume benefits provided by the Community as the Community performs these obligations using the output method based on time, measured daily.

Residents of independent and assisted living are billed a month in advance and revenue is deferred until earned. Residents of nursing are billed once a month in arrears for services received.

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Payment of an advance fee may be required before a resident acquires the right to reside in a residential unit at Taylor Home, the Ledges, Woodside, Back Bay, Sugar Hill or Ledgeview or is admitted to Taylor Community. A portion of advance fees may be refundable by rescission within a contractually set time period, or if a certain future event occurs, such as the death or withdrawal of a resident. Revenue from advance fees is recorded as deferred revenue. Amounts nonrefundable are amortized to income over the expected life of the resident or the contract term, as applicable.

The Community also provides ancillary services, which are available to their residents at their discretion. The revenue related to these services are recognized at a point in time. Residents are billed for these services each month. These amounts are considered insignificant to overall revenue. The Community does not have any significant financing components as payments on contracts are received monthly.

Contract balances: The Community does not maintain contract assets. Contract liabilities include deferred revenue from advanced payments and is presented on the statements of financial position as "Contract liabilities - refundable deposits", "Contract liabilities - deposits on advanced fees" and "Contract liabilities - nonrefundable advance fees, net of amortization".

Note 4. Line-of-credit, Long-Term Debt, Bonds Payable and Pledged Assets

On December 20, 2016, the Community obtained lending from Bank of New Hampshire (BNH) and New Hampshire Health and Education Facilities Authority (NHHEFA) in the amount of \$17,500,000. The \$17,500,000 was split into two pieces, a BNH note in the amount of \$1,367,347 and a bond issued by NHHEFA and purchased by BNH in the amount of \$16,132,653.

The BNH note is due in monthly payments of principal and interest (5.77% per annum, effective interest rate of 5.88%) of \$8,703 with a balloon payment of \$1,053,396 due on December 1, 2026. The NHHEFA/BNH bond is due in monthly payments of principal and interest (3.75% per annum, effective interest rate of 4.33%) of \$83,519 with a balloon payment of \$11,572,484 due on December 1, 2026.

On May 3, 2019, the Community obtained a bond from Bank of New Hampshire (BNH) and New Hampshire Health and Education Facilities Authority (NHHEFA) in the amount of up to \$4,000,000 to construct new cottages on the Laconia campus. The bond was interest only (4.59%) during construction and converted to a 10 year note with 30 years amortization upon completion of the construction. The bonds converted to a loan on April 30, 2020. Before the loan converted, the Community paid off approximately \$2,800,000 of the construction bond per the terms of the loan. Payments on the loan began June 1, 2020 and are in monthly installments of principal and interest (4.59% per annum, effective interest rate of 5.95%) of \$14,326.

During the year ended April 30, 2022, the Community obtained a mortgage on three properties from Bank of New Hampshire in the amount of \$689,600. The mortgage is due in twenty years with monthly payments of principal and interest (4.25%) of \$4,333 with interest rate changes after ten years.

Financial covenants on the bond and mortgage require a debt service coverage ratio of at least 1.25 to 1, to be tested annually at the end of each fiscal year on a twelve-month basis. All new debt was approved in writing by BNH pursuant to the original loan agreement covenants requiring bank approval of additional indebtedness.

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Details of the Community's long-term debt are as follows:

| <u>April 30,</u> | 2022 | 2021 |
|--|-----------------------------|-----------------------------|
| Note payable, Bank of New Hampshire, details above | \$ 1,220,398 | \$ 1,252,411 |
| Mortgage payable, Bank of New Hampshire, details above | 682,080 | - |
| Bond payable, Bank of New Hampshire, details above | 12,219,990 | 12,746,620 |
| Bond payable, Bank of New Hampshire, details above | 1,034,547 | 1,155,238 |
| | <u>15,157,015</u> | <u>15,154,269</u> |
| Less current portion | 730,455 | 679,365 |
| Less unamortized debt issuance costs | 260,981 | 312,765 |
| <i>Long-term debt</i> | <u>\$ 14,165,579</u> | <u>\$ 14,162,139</u> |

Aggregate maturities of long-term debt and bond payable are as follows:

| <u>Year Ending April 30,</u> | |
|------------------------------|-----------------------------|
| 2023 | \$ 730,455 |
| 2024 | 759,150 |
| 2025 | 792,120 |
| 2026 | 824,945 |
| 2027 | 11,154,570 |
| Thereafter | 895,775 |
| <i>Total</i> | <u>\$ 15,157,015</u> |

The Community has a \$4,000,000 revolving line of credit to help finance the purchase of Sugar Hill Retirement Community Association shares and to fund additional working capital needs. Interest is set at the Wall Street Journal prime rate plus 1% (3.50% at April 30, 2022) and is payable monthly. This line of credit is a demand note and is due and payable within 5 days of being called due. At April 30, 2022 and 2021, the amounts outstanding on the line of credit amounted to \$3,622,000 and \$1,461,000, respectively.

See Note 20 related to the Paycheck Protection Program Funds and other COVID funds.

Note 5. Investments

Investments are composed of the following:

| <u>April 30, 2022</u> | Cost | Market |
|-----------------------------|-----------------------------|-----------------------------|
| Money-market funds | \$ 28,164 | \$ 28,164 |
| U.S. government obligations | 109,212 | 104,588 |
| Municipal bonds | 70,802 | 69,732 |
| Corporate bonds | 3,663,980 | 3,513,236 |
| Domestic equity funds | 4,521,991 | 5,821,355 |
| Foreign equity funds | 1,103,978 | 1,174,830 |
| Common equity securities | 3,441,080 | 5,498,430 |
| <i>Total</i> | <u>\$ 12,939,207</u> | <u>\$ 16,210,335</u> |

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

| April 30, 2021 | Cost | Market |
|-----------------------------|----------------------|----------------------|
| Money-market funds | \$ 26,678 | \$ 26,678 |
| U.S. government obligations | 118,602 | 123,254 |
| Municipal bonds | 182,878 | 183,533 |
| Corporate bonds | 2,829,576 | 2,938,018 |
| Domestic equity funds | 4,370,911 | 6,245,976 |
| Foreign equity funds | 1,169,184 | 1,412,460 |
| Common equity securities | 3,726,293 | 6,250,321 |
| <i>Total</i> | <u>\$ 12,424,122</u> | <u>\$ 17,180,240</u> |

The following summarizes the total net realized and unrealized gains (losses) for the year-ended:

| | <u>April 30, 2022</u> | | |
|--|-----------------------|---------------------|----------------|
| | <u>Without Donor</u> | <u>With Donor</u> | |
| | <u>Restrictions</u> | <u>Restrictions</u> | <u>Total</u> |
| Total net realized and unrealized losses | \$ (782,549) | \$ (523,960) | \$ (1,306,509) |

| | <u>April 30, 2021</u> | | |
|---|-----------------------|---------------------|--------------|
| | <u>Without Donor</u> | <u>With Donor</u> | |
| | <u>Restrictions</u> | <u>Restrictions</u> | <u>Total</u> |
| Total net realized and unrealized gains | \$ 1,983,057 | \$ 1,508,571 | \$ 3,491,628 |

Investment dividends and interest are presented net of investment fees of \$61,805 and \$52,958 for the years ended April 30, 2022 and 2021, respectively.

Note 6. Pension Plan

The Community has adopted a 401(k) retirement plan (the "Plan") for the benefit of those employees who satisfy the Plan's eligibility requirements. The Plan also allows for a discretionary contribution. For the years ended April 30, 2022 and 2021, the Community made discretionary contributions to the Plan of 4% for plan participants. Total discretionary contributions to the plan amounted to \$258,244 and \$220,206 for the years ended April 30, 2022 and 2021, respectively. Employees become eligible on January 1 following their hire date and become vested in the Plan at 20% per year, with full vesting after six years of eligibility. Any forfeitures act to reduce the employer's contributions.

Note 7. Notes Receivable

Certain new residents have signed notes for all or a portion of their advance fee. The notes are intended to allow the residents to occupy their independent living unit while they are in the process of selling their former personal residence. The notes are to be repaid on the earlier of a specific due date or upon the sale of their former residence. There were no notes receivable from residents at April 30, 2022 and 2021.

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

As part of the resident contract, the Community has the right to collect any outstanding obligations due to it from a resident's refundable entry fee once the resident leaves the Community. Therefore, the Community began reclassifying monthly fees and other charges from accounts receivable to long-term receivables for those residents that had exhausted their ability to pay these fees, to the extent the resident had a refundable entry fee. At the point the refundable entry fee becomes fully offset against the long-term receivable, the Community would reverse the monthly fee as charitable care. As these long-term receivables will not be collected until the resident leaves the Community, the entire balance has been classified as long-term at April 30, 2022 and 2021. Due from residents refundable entry fees amounted to \$84,900 and \$191,776 at April 30, 2022 and 2021, respectively.

Note 8. Annuities Payable

Amounts due under charitable gift annuity agreements represent gifts received under agreements which guarantee interest and capital return payments until the death of the donor. These annuities are recorded at their fair value at the date of gift, using the Community's mortgage rate of interest. The differences between the amounts received and the discounted value of future annuity payments are recorded as a current-year gift.

To meet the obligations of the annuities payable, the Community held investments in the amount of \$373,702 and \$417,759 at April 30, 2022 and 2021, respectively.

| Total annuities outstanding at April 30, | 2022 | 2021 |
|--|------------------|------------------|
| Total annuities received | \$ 973,311 | \$ 973,311 |
| Less amount representing current gifts | 403,556 | 403,556 |
| Fair value of annuities at date of gift | 569,755 | 569,755 |
| Less payments made through April 30, | 501,942 | 486,066 |
| Less annuity balance gifted upon annuitant's death | 26,048 | 26,048 |
| | 41,765 | 57,641 |
| Less current portion | 14,268 | 15,285 |
| <i>Long-term annuities payable</i> | \$ 27,497 | \$ 42,356 |

These annuities are due as follows:

| Year Ending April 30, | |
|-----------------------|------------------|
| 2023 | \$ 14,268 |
| 2024 | 15,435 |
| 2025 | 8,616 |
| 2026 | 893 |
| 2027 | 958 |
| Thereafter | 1,595 |
| <i>Total</i> | \$ 41,765 |

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Property and Equipment

| Property and equipment, at cost, April 30, | 2022 | 2021 |
|--|----------------------|----------------------|
| Land and improvements | \$ 6,022,255 | \$ 5,692,801 |
| Buildings and improvements | 72,711,349 | 65,234,545 |
| Furnishings and equipment | 8,591,923 | 8,351,038 |
| <i>Total property and equipment</i> | <u>87,325,527</u> | <u>79,278,384</u> |
| Less accumulated depreciation | 38,737,219 | 36,205,585 |
| <i>Total property and equipment, net</i> | <u>\$ 48,588,308</u> | <u>\$ 43,072,799</u> |

Included in buildings and improvements is construction in progress amounting to \$4,553,360 and \$699,635 at April 30, 2022 and 2021, respectively.

Note 10. Concentration of Credit Risk

At times during the year ended April 30, 2022, the Community had cash deposits in excess of the federally insured limit of \$250,000 per depositor at each financial institution. At April 30, 2022, there was approximately \$784,000 included in cash in excess of federally insured limits.

Note 11. Municipal Payments

The Community and the City of Laconia have entered into agreements under which the Community will make payments in lieu of taxes to help the City pay for life/safety services that are provided. Real estate taxes are paid to the City of Laconia for other properties owned in Laconia. The Community also makes payments to the town of Wolfeboro for real estate taxes.

Note 12. Costs of Continuing Care Contracts and Charitable Care (Unaudited)

Under the current resident contracts, the Community is allowed to charge the resident a daily fee for increased levels of service being provided, in addition to the applicable entry fee and stated monthly fee. This fee is designed to allow the Community to recover a portion of the additional costs associated with providing increased care to its residents. The Community's mission is to provide continuing lifetime care to all of its continuing care residents, irrespective of their individual ability to pay.

The Community's mission is to provide continuing lifetime care to all of its continuing care residents, irrespective of their individual ability to pay. Once a resident is no longer financially capable of paying all applicable fees, the Community does not pursue collection of amounts determined to qualify as charitable care and, therefore, such amounts are not reported as revenue. Charitable care billings were reported against resident fees on the statement of activities and changes in net assets for the years ended April 30, 2022 and 2021 and amounted to \$1,331,429 and \$1,265,307, respectively.

The Community determines the costs associated with providing charitable care by calculating a ratio of direct and indirect cost of care to gross charges and then multiplying that ratio by gross uncompensated charges associated with providing care to residents eligible for charitable care. The costs of providing charitable care services to residents for the years ending April 30, 2022 and 2021 were approximately \$1,815,002 and \$1,767,499, respectively.

Note 13. Fair Value Measurements

The Fair-Value Measurements topic of the FASB Accounting Standards Codification (FASB ASC 820-10) establishes a fair value hierarchy that prioritizes 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 measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of fair value hierarchy are as follows:

- Level 1 - inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at level 1 fair value generally are securities listed in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing assets are not necessarily an indication of the risk associated with investing in those assets.

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Financial assets and liabilities carried at fair value on a recurring basis consist of the following at April 30, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|------------------|------------------|-------------------|
| Assets: | | | | |
| Money-market funds | \$ 28,164 | \$ - | \$ - | \$ 28,164 |
| U.S. government obligations | 104,588 | - | - | 104,588 |
| Municipal obligations | - | 69,732 | - | 69,732 |
| Corporate bonds | - | 3,513,236 | - | 3,513,236 |
| Closed end domestic equity funds: | | | | |
| Large cap | 5,245,126 | - | - | 5,245,126 |
| Mid cap | 461,020 | - | - | 461,020 |
| Small cap | 115,209 | - | - | 115,209 |
| Closed end foreign equity funds | 1,174,830 | - | - | 1,174,830 |
| Common equity securities: | | | | |
| Consumer goods | 1,046,491 | - | - | 1,046,491 |
| Energy | 216,520 | - | - | 216,520 |
| Financial | 565,840 | - | - | 565,840 |
| Healthcare | 760,467 | - | - | 760,467 |
| Services | 29,358 | - | - | 29,358 |
| Industrial goods | 386,835 | - | - | 386,835 |
| Technology | 2,091,157 | - | - | 2,091,157 |
| Materials | 74,826 | - | - | 74,826 |
| Utilities | 131,832 | - | - | 131,832 |
| International | 195,104 | - | - | 195,104 |
| Beneficial interest in trust funds held by others | - | - | 8,026,725 | 8,026,725 |
| | <u>12,627,367</u> | <u>3,582,968</u> | <u>8,026,725</u> | <u>24,237,060</u> |
| Liabilities: | | | | |
| Annuities payable | \$ - | \$ 41,765 | \$ - | \$ 41,765 |

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Financial assets and liabilities carried at fair value on a recurring basis consist of the following at April 30, 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------------|---------------------|---------------------|----------------------|
| Assets: | | | | |
| Money-market funds | \$ 26,678 | \$ - | \$ - | \$ 26,678 |
| U.S. government obligations | 123,254 | - | - | 123,254 |
| Municipal obligations | - | 183,533 | - | 183,533 |
| Corporate bonds | - | 2,938,018 | - | 2,938,018 |
| Closed end domestic equity funds: | | - | | |
| Large cap | 5,548,288 | - | - | 5,548,288 |
| Mid cap | 564,795 | - | - | 564,795 |
| Small cap | 132,892 | - | - | 132,892 |
| Closed end foreign equity funds | 1,412,460 | - | - | 1,412,460 |
| Common equity securities: | | - | | |
| Consumer goods | 1,088,371 | - | - | 1,088,371 |
| International | 91,266 | - | - | 91,266 |
| Energy | 712,389 | - | - | 712,389 |
| Financial | 861,828 | - | - | 861,828 |
| Healthcare | 89,290 | - | - | 89,290 |
| Services | 446,948 | - | - | 446,948 |
| Industrial goods | 2,552,752 | - | - | 2,552,752 |
| Technology | 73,075 | - | - | 73,075 |
| Materials | 127,985 | - | - | 127,985 |
| Utilities | 206,418 | - | - | 206,418 |
| Beneficial interest in trust funds held by others | - | - | 8,954,664 | 8,954,664 |
| | <u>\$ 14,058,689</u> | <u>\$ 3,121,551</u> | <u>\$ 8,954,664</u> | <u>\$ 26,134,904</u> |
| Liabilities: | | | | |
| Annuities payable | \$ - | \$ 57,641 | \$ - | \$ 57,641 |

The following table presents the change in Level 3 instruments for the years ended April 30, 2022 and 2021:

| | Interest in Trust Funds |
|---|----------------------------|
| Balance, April 30, 2020 | \$ 7,387,275 |
| Total realized and unrealized gains, included in changes in net assets | <u>1,567,389</u> |
| Balance, April 30, 2021 | 8,954,664 |
| Total realized and unrealized losses, included in changes in net assets | <u>(927,939)</u> |
| Balance, April 30, 2022 | <u>\$ 8,026,725</u> |

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

The following describes the valuation methodologies used to measure different financial assets and liabilities at fair value:

Investments

The fair value of investments in common stocks and mutual funds are based upon quoted prices in active markets for identical assets and are reflected as Level 1. The fair value of investments in U.S. government obligations are based upon valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities and are reflected as Level 2.

Beneficial interest in trust funds held by others

The fair values of the beneficial interest in trust funds are estimated fair values of future distributions provided by the trustees based upon pricing and valuations from its custodian banks and audited financial statements from external managers of alternative investments, and through initial and ongoing due diligence and monitoring by the Trust's investment consultants, staff, and investment committee. The fair value of the beneficial interest in trust funds is reflected as Level 3.

Annuities payable

The fair value of charitable gift annuities payable are based upon the future expected stream of cash flows, for which all significant assumptions are observable, and are reflected as Level 2.

Note 14. Endowment Funds and Trust Funds Held by Others

The Community's endowment consists of 19 individual funds established for a variety of purposes.

Interpretation of Relevant Law: The Community is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the Community has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Community considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Community has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Community 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 Community and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Community, and (7) the investment policies of the Community.

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Investment Return Objectives, Risk Parameters and Strategies: The Community has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to appropriate an annual distribution of no more than 7%, while allowing the principal to grow at a rate equal or exceeding the rolling average of the most current three years inflation rate as determined by the consumer price index. Actual returns in any given year may vary from this amount. In years when the rate of appreciation does not match the rate of inflation, every effort will be made in future years to match the amount lost in prior years. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Community has a policy of appropriating for distribution each year up to 7% of its endowment fund's average fair value over the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Community considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity based on donor restrictions, and the possible effects of inflation.

The Community expects the current spending policy to allow its endowment funds to grow at a nominal average rate at least equal to the rolling average of the most current three years inflation rate, which is consistent with the Community's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Changes in endowment net assets as of April 30, 2022 and 2021 are as follows:

| | With Donor Restrictions | Total |
|--|------------------------------------|------------------|
| Endowment net assets, April 30, 2020 | \$ 5,941,421 | \$ 5,941,421 |
| Investment return: | | |
| Investment income | 130,352 | 130,352 |
| Net appreciation (realized and unrealized) | 1,478,523 | 1,478,523 |
| Total investment return | <u>1,608,875</u> | <u>1,608,875</u> |
| Appropriation of endowment assets for expenditure | <u>(446,247)</u> | <u>(446,247)</u> |
| Endowment net assets, April 30, 2021 | 7,104,049 | 7,104,049 |

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

| | | |
|--|---------------------|---------------------|
| Investment return: | | |
| Investment income | 167,136 | 167,136 |
| Net depreciation (realized and unrealized) | (513,501) | (513,501) |
| Total investment return | <u>(346,365)</u> | <u>(346,365)</u> |
| Contributions | 25,000 | 25,000 |
| Appropriation of endowment assets for expenditure | <u>(477,243)</u> | <u>(477,243)</u> |
| Endowment net assets, April 30, 2022 | <u>\$ 6,305,441</u> | <u>\$ 6,305,441</u> |

The Community is a beneficiary of funds held by other trust organizations. Pursuant to the terms of the resolutions establishing these funds, property contributed to these funds are held as a separate fund for the benefit of the Community. In accordance with the spending policies of these funds, the trust organizations make distributions from the funds to the Community. The distributions are approximately 5% of the market value of the funds per year. The estimated value of the future distributions from the funds is included in these financial statements as required by FASB ASC 958, however, all property in the funds was contributed to the various trusts to be held and administered for the benefit of the Community. For the years ended April 30, 2022 and 2021, \$434,503 and \$415,214, respectively, was received from the funds. The market value of the fund assets were \$8,026,725 and \$8,954,664 at April 30, 2022 and 2021, respectively.

Note 15. Net Assets without Donor Restrictions

The Community's net assets without donor restrictions are comprised of the following:

| April 30, | 2022 | 2021 |
|--|---------------------|---------------------|
| Undesignated | \$ 2,659,323 | \$ 3,762,152 |
| <i>Total net assets without donor restrictions</i> | <u>\$ 2,659,323</u> | <u>\$ 3,762,152</u> |

Note 16. Net Assets Released from Restrictions

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

| April 30, | 2022 | 2021 |
|---|-------------------|-------------------|
| Release of appropriated endowment amounts without purpose restrictions | \$ 447,243 | \$ 446,247 |
| Release of appropriated endowment amounts with purpose restrictions | 9,069 | 9,069 |
| Releases not related to endowment | 15,295 | - |
| <i>Total restrictions released</i> | <u>\$ 471,607</u> | <u>\$ 455,316</u> |

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Note 17. Net Assets with Donor Restrictions

The Community's net assets with donor restrictions are restricted for the following purposes or periods as follows:

| April 30, | 2022 | 2021 |
|---|---------------|---------------|
| Subject to expenditure for specified purpose or period: | | |
| Birthday and Christmas gifts | \$ 79,410 | \$ 92,955 |
| Programs and community | 7,767 | 24,503 |
| Specific building enhancements | 12,811 | 14,491 |
| <i>Total subject to expenditure for specified purpose or period</i> | 99,988 | 131,949 |
| Subject to passage of time: | | |
| Beneficial interest in trust | 8,026,725 | 8,954,664 |
| Endowments subject to the Community's spending policy and appropriations: | | |
| Investments in perpetuity (original amounts of \$1,013,118 in 2022 and \$988,118 in 2021), which once appropriated, is expendable to support: | | |
| Any activities of the Community | 6,305,441 | 7,104,049 |
| <i>Total net assets with donor restrictions</i> | \$ 14,432,154 | \$ 16,190,662 |

Note 18. Liquidity and Availability of Resources

The Community's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

| April 30, | 2022 | 2021 |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 4,505,043 | \$ 6,484,563 |
| Investments | 16,210,335 | 17,180,240 |
| Accounts receivable, net | 629,044 | 706,895 |
| <i>Total financial assets available within one year</i> | 21,344,422 | 24,371,698 |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Items held in escrow | 323,077 | 103,629 |
| Items pledged for long term debt | 2,477,437 | 2,605,787 |
| Restricted by donors in perpetuity | 6,305,441 | 7,104,049 |
| Beneficial interest in trust | 8,026,725 | 8,954,664 |
| <i>Total amounts unavailable for general expenditures within one year</i> | 17,132,680 | 18,768,129 |
| Add: | | |
| Appropriation of endowment assets for expenditure | 447,243 | 462,472 |
| <i>Total financial assets available to management for general expenditures within one year</i> | \$ 4,658,985 | \$ 6,066,041 |

TAYLOR COMMUNITY

NOTES TO FINANCIAL STATEMENTS

Liquidity Management

The Community maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Community invests cash in excess of weekly requirements in short-term investments.

To help manage unanticipated liquidity needs the Community has two committed lines of credit with \$378,000 available to draw upon if needed.

Note 19. Investment in Sugar Hill

On February 5, 2021, Taylor Community purchased certain assets in Wolfeboro, New Hampshire from a local hospital. These assets included 118 acres of land, an operating 15-unit assisted living building and related tangible personal property and one share of stock in the Sugar Hill Retirement Community Association (SHRCA). As part of the transaction, Taylor also assumed a contract to manage SHRCA and assumed the land lease under which the 118 acres of land are leased to SHRCA. Taylor is operating the assisted living as Sugar Hill Assisted Living.

The total purchase price was \$3,000,000. \$1,000,000 paid upon the closing of the transaction and three installment payments of \$666,667 due in annual installments or upon the earlier of one year from the date of closing or upon Taylor owning 25% of the stock in SHRCA, the earlier of two years from the date of closing or upon Taylor owning 50% of the stock in SHRCA and the earlier of three years from the closing or upon Taylor owning 75% of the stock of SHRCA. As of April 30, 2022, the amount due to the seller is \$1,333,333.

Sugar Hill Retirement Community Association is a shareholder-owned retirement community corporation consisting of 71 shares of stock representing 71 independent living units comprised of a 42-unit apartment-style building and 29 duplex units-all situated on the 118 acres of land acquired by Taylor. As these shares become available Taylor will purchase them at a negotiated price from the resident owner, retain permanent ownership of the stock and sell new Taylor resident contracts to new residents operating Sugar Hill as a Continuing Care Retirement Community with Taylor receiving a management fee and land lease payments from SHRCA as lessee. As of April 30, 2022, Taylor owned 28 shares of SHRCA stock, with a purchase price of \$6,697,940. These shares were purchased for cash or through trade of a share for a Taylor contract.

The land, assisted living building and related personal property acquired are recorded as fixed assets and the shares purchased are recorded as "Investment in Sugar Hill." At April 30, 2022, the draw on the line of credit is \$1,122,000 which was used for share purchases. Entrance fees received from the sale of Taylor contracts on the purchased shares/units are used to make principal payments on the line of credit.

Subsequent events related to the Sugar Hill transaction - In May, June and July, 2022, Taylor purchased five additional shares, bringing the total owned to 33.

Note 20. COVID - 19

The COVID-19 pandemic has impacted and could further impact the Community's operations and the operations of the Community's customers and vendors. The extent of the impact of COVID-19 on the Community's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Community's customers, employees, and vendors, all of which are uncertain and cannot be predicted.

In February 2021, the Community received an additional \$1,340,500 in funds from the federal Paycheck Protection Program round 2 (PPP2). Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 2 years. The cash received under the PPP2 is recorded as a liability until the conditions are substantially met. When the Community has substantially met the conditions of the program and qualifying expenses are incurred, the cancellation of the liability is recorded as revenue. As of April 30, 2021 the Community had met conditions and incurred expenses in the amount of \$710,146, this amount has been included in the statements of activities and changes in net assets. As of April 30, 2022, the Community had met conditions on the remaining \$630,354 which is recorded as income on the statements of activities and changes in net assets.

In December 2021, the Community received \$342,867 in funds from the HRSA Provider Relief Fund through the Health Resources and Services Administration. The funds were to be used for health care-related expenses and lost revenue due to COVID-19. As of April 30, 2022, the Community has not used these funds in accordance with the award letter. The amount is recorded as a liability on the statements of financial position at year end. The Community expects to use these funds and receive forgiveness during the year ended April 30, 2023.

Note 21. Related Party Transactions

A member of the Community's Board of Trustees is a partner in a legal firm that handles certain legal transactions for the Community. Total payments made to this legal firm during the years ended April 30, 2022 and 2021 amounted to \$188,705 and \$232,777, respectively.

A member of the Community's Board of Trustees works for the real estate company that handled the purchase of a house during the years ended April 30, 2021 and 2020. Total payments of \$30,000 and \$20,000, respectively, were made to the Board of Trustees member out of the Seller's funds as customary with real estate transactions.

An employee of the Community owns a heavy equipment operating company that was hired by the Community during the year. Total payments made to this company during the years ended April 30, 2022 and 2021 amounted to \$590 and \$3,475, respectively.

Note 22. Leases

The Community has five residential homes that it leases to unrelated third parties. One property has a total cost of \$171,563 including purchase, refurbishment and upgrades and had a net book value of \$136,147 and \$143,355 at April 30, 2022 and 2021, respectively. The lease starts September 28, 2020 and ends September 30, 2021, with monthly payments. During the year ended April 30, 2022, the Community entered into a new lease for this property starting October 2021 and ending October 2022. Monthly rent is \$1,850, \$1,500 and \$1,300 and totaled \$18,950 and \$17,200 for the years end April 30, 2022 and 2021, respectively. Total future rents under the lease agreements amount to \$9,250.

The second property has a total cost of \$253,443 including purchase, refurbishment and upgrades and had a net book value of \$249,648 at April 30, 2022. The term of the lease is one year, starting March 9, 2022 and ending March 31, 2023, with monthly payments. Monthly rent is \$1,950 and totaled \$3,397 for the year end April 30, 2022. Total future rents under the lease agreements amount to \$20,003.

The third property has a total cost of \$364,652 including purchase, refurbishment and upgrades and had a net book value of \$357,495 at April 30, 2022. The term of the lease is one year, starting April 1, 2022 and ending March 31, 2023, with monthly payments. Monthly rent is \$2,525 and totaled \$2,525 for the year end April 30, 2022. Total future rents under the lease agreements amount to \$27,775.

The fourth property has a total cost of \$352,037 including purchase, refurbishment and upgrades and had a net book value of \$332,114 and \$342,600 at April 30, 2022 and 2021, respectively. The term of the lease is one year, starting May 1, 2021 and ending April 30, 2022, with monthly payments. Monthly rent is \$2,850 and totaled \$34,200 for the year end April 30, 2022.

Subsequent to year end, the Community entered into a new lease agreement for this property. The lease starts June 15, 2022 and ends June 31, 2023, with monthly payments. Monthly rent is \$3,000.

The fifth property has a total cost of \$251,893 including purchase, refurbishment and upgrades and had a net book value of \$234,449 and \$243,661 at April 30, 2022 and 2021, respectively. The term of the lease is one year, starting September 1, 2020 and ending August 31, 2021, with monthly payments. Monthly rent is \$1,550 and totaled \$6,200 and \$12,400 for the years end April 30, 2022 and 2021.

Note 23. Commitments

The Community had entered into a contract for dining services commencing on April 1, 2018 for a three year term, through March 31, 2021. Once the initial period ends, the contract is renewed automatically each year unless cancelled by either party. Payments are to be made in the form of an annual management fee of \$54,975 and actual billed costs. Total amounts paid under these contracts for the years ended April 30, 2022 and 2021 amounted to \$2,023,187 and \$1,887,272, respectively.

Note 24. Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications have had no effect on changes in net assets as previously reported.

Note 25. Subsequent Events

The Community has evaluated subsequent events through July 18, 2022 the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date.

Subsequent to year end, the Community purchased 4 acres of land in Wolfeboro, NH for \$1,800,000

See Sugar Hill subsequent events at Note 19.

Subsequent to year end, the Community refinanced their 2016 and 2019 tax exempt bonds and 2016 note payable with Bank of New Hampshire through the issuance of a new 2022A tax exempt bond at an interest rate of 3.75% purchased by the Bank of New Hampshire (BNH) and issued by New Hampshire Health and Education Facilities Authority (NHHEFA) totaling \$13,430,774 and new note payable to BMH totaling \$1,253,398 at an interest rate of 4.59%.

Subsequent to year end, the Community financed the construction of new facilities on the Back Bay Wolfeboro campus through the issuance of a new 2022B bond at and interest rate of 4.25% purchased by the Bank of New Hampshire (BNH) and issued by the New Hampshire Health and Education Facilities Authority (NHHEFA). The bond totals \$30,600,000 and proceeds from the bond were used to reimburse the Community for certain expenditures it had made to pay for construction costs. Proceeds were also drawn from this bond to pay down the Line of Credit by \$2,370,977 for construction costs that had been paid from the Line. Initial draws from the 2022B bond totaled \$2,578,549.

See Note 22 for subsequent events related to leases.

No other subsequent events were identified that would require disclosure in the financial statements for the year ended April 30, 2022.