TAYLOR COMMUNITY

FINANCIAL REPORT

APRIL 30, 2020

CONTENTS

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

We have audited the accompanying financial statements of Taylor Community, which comprise the statements of financial position as of April 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

## *Management's Responsibility for the Financial Statements*

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

## *Auditor's Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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**Emphasis of Matter**

As discussed in Note 18 to the financial statements, as a result of the spread of the COVID-19 coronavirus subsequent to year end, economic uncertainties have arisen. Our opinion is not modified with respect to this matter.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taylor Community as of April 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nathan Wechsler & Company
Concord, New Hampshire
July 28, 2020

TAYLOR COMMUNITY

## STATEMENTS OF FINANCIAL POSITION
April 30, 2020 and 2019

*ASSETS*

| | 2020 | 2019 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents, including amounts held in escrow 2020 $3,555; 2019 $72,775 | $ 6,976,261 | $ 5,721,005 |
| Accounts receivable | 385,551 | 285,862 |
| Inventory and prepaid expenses | 430,824 | 414,958 |
| Investments | 4,479,851 | 4,206,289 |
| *Total current assets* | 12,272,487 | 10,628,114 |
| **OTHER ASSETS** | | |
| Notes receivable, less current portion | 196,776 | 209,791 |
| Trust funds held by others | 7,387,275 | 7,803,894 |
| | 7,584,051 | 8,013,685 |
| **PROPERTY AND EQUIPMENT, net** | 39,686,769 | 34,659,482 |
| **INVESTMENTS** | 8,934,546 | 9,219,454 |
| | **$ 68,477,853** | **$ 62,520,735** |

*LIABILITIES AND NET ASSETS*

| | 2020 | 2019 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Current maturities of long-term debt and bonds payable | $ 612,951 | $ 511,731 |
| Current portion of annuities payable | 14,128 | 13,059 |
| Paycheck Protection Program funds | 1,238,250 | - |
| Accounts payable | 279,058 | 331,084 |
| Accrued expenses | 1,210,751 | 1,078,457 |
| Deposits on advanced fees | 63,022 | 125,475 |
| *Total current liabilities* | 3,418,160 | 2,059,806 |
| **LONG-TERM LIABILITIES** | | |
| Long-term debt and bonds payable, less current maturities net of unamortized debt issuance costs 2020 $364,095; 2019 $314,631 | 14,821,071 | 14,224,940 |
| Long-term accrued expenses | 98,962 | 111,562 |
| Annuities payable, less current portion | 57,641 | 71,770 |
| Deferred revenue from refundable deposits, less current portion | 596,017 | 672,049 |
| Deferred revenue from nonrefundable advance fees, net of amortization | 37,557,257 | 33,359,348 |
| | 53,130,948 | 48,439,669 |
| *Total liabilities* | 56,549,108 | 50,499,475 |
| **COMMITMENTS AND CONTINGENCIES** (See Notes) | | |
| **NET ASSETS (DEFICIT)** | | |
| Net assets without donor restrictions | (1,506,432) | (2,300,627) |
| Net assets with donor restrictions | 13,435,177 | 14,321,887 |
| *Total net assets* | 11,928,745 | 12,021,260 |
| | **$ 68,477,853** | **$ 62,520,735** |

TAYLOR COMMUNITY

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended April 30, 2020 and Comparative Totals for Year Ended April 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 Total |
|---|---|---|---|---|
| Revenues and other support: | | | | |
| Amortization of deferred entrance fees | $ 5,372,170 | $ - | $ 5,372,170 | $ 5,250,606 |
| Resident fees | 10,358,914 | - | 10,358,914 | 9,589,355 |
| Dividends and interest | 224,440 | 135,160 | 359,600 | 324,726 |
| Income from trust funds held by others | 425,923 | - | 425,923 | 389,405 |
| Gifts and bequests | 55,805 | - | 55,805 | 221,039 |
| Auxiliary income | 630,307 | - | 630,307 | 729,861 |
| *Total revenues and other support* | 17,067,559 | 135,160 | 17,202,719 | 16,504,992 |
| *Net assets released from donor restrictions for program services* | 473,310 | (473,310) | - | - |
| Expenses: | | | | |
| General and Administrative | 3,755,696 | - | 3,755,696 | 3,539,271 |
| Independent | 4,802,168 | - | 4,802,168 | 4,766,496 |
| Assisted living | 3,883,357 | - | 3,883,357 | 3,232,695 |
| Nursing | 4,218,413 | - | 4,218,413 | 4,024,866 |
| Community | 89,349 | - | 89,349 | 94,284 |
| *Total functional expenses* | 16,748,983 | - | 16,748,983 | 15,657,612 |
| *Increase (decrease) in net assets from operations* | 791,886 | (338,150) | 453,736 | 847,380 |
| Nonoperating gains (losses) and other changes | | | | |
| Net realized and unrealized losses on investments | (136,616) | (131,941) | (268,557) | 678,631 |
| Decrease in trust funds held by others | - | (416,619) | (416,619) | 27,694 |
| Paycheck Protection Program forgiveness | 346,350 | - | 346,350 | - |
| Loss on disposal of property and equipment | (207,425) | - | (207,425) | (587) |
| *Total nonoperating gains (losses) and other changes* | 2,309 | (548,560) | (546,251) | 705,738 |
| *Increase (decrease) in net assets* | 794,195 | (886,710) | (92,515) | 1,553,118 |
| Net assets (deficit), beginning of year | (2,300,627) | 14,321,887 | 12,021,260 | 10,468,142 |
| *Net assets (deficit), end of year* | **$ (1,506,432)** | **$ 13,435,177** | **$ 11,928,745** | **$ 12,021,260** |

*See Notes to Financial Statements.*

TAYLOR COMMUNITY

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
**Year Ended April 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenues and other support: | | | |
| Amortization of deferred entrance fees | $ 5,250,606 | $ - | $ 5,250,606 |
| Resident fees | 9,589,355 | - | 9,589,355 |
| Dividends and interest | 183,335 | 141,391 | 324,726 |
| Income from trust funds held by others | 389,405 | - | 389,405 |
| Gifts and bequests | 221,039 | - | 221,039 |
| Auxiliary income | 729,861 | - | 729,861 |
| *Total revenues and other support* | 16,363,601 | 141,391 | 16,504,992 |
| *Net assets released from donor restrictions for program services* | 500,694 | (500,694) | - |
| Expenses: | | | |
| General and Administrative | 3,539,271 | - | 3,539,271 |
| Independent | 4,766,496 | - | 4,766,496 |
| Assisted living | 3,232,695 | - | 3,232,695 |
| Nursing | 4,024,866 | - | 4,024,866 |
| Community | 94,284 | - | 94,284 |
| *Total functional expenses* | 15,657,612 | - | 15,657,612 |
| *Increase (decrease) in net assets from operations* | 1,206,683 | (359,303) | 847,380 |
| Nonoperating gains (losses) and other changes | | | |
| Net realized and unrealized gains on investments | 374,655 | 303,976 | 678,631 |
| Increase in trust funds held by others | - | 27,694 | 27,694 |
| Loss on disposal of property and equipment | (587) | - | (587) |
| *Total nonoperating gains and other changes* | 374,068 | 331,670 | 705,738 |
| *Increase (decrease) in net assets* | 1,580,751 | (27,633) | 1,553,118 |
| Net assets (deficit), beginning of year | (3,881,378) | 14,349,520 | 10,468,142 |
| *Net assets (deficit), end of year* | **$ (2,300,627)** | **$ 14,321,887** | **$ 12,021,260** |

*See Notes to Financial Statements.*

TAYLOR COMMUNITY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2020 and Comparative Totals for Year Ended April 30, 2019

| | General and Administrative | Program | | | | 2020 Total | 2019 Total |
|---|---|---|---|---|---|---|---|
| | | Independent | Assisted Living | Nursing | Community | | |
| Wages | $ 2,118,993 | $ 656,407 | $ 1,655,178 | $ 2,225,386 | $ 70,303 | $ 6,726,267 | $ 6,164,780 |
| Payroll taxes | 164,496 | 47,849 | 121,525 | 164,691 | 4,964 | 503,525 | 462,431 |
| Benefits | 369,361 | 119,352 | 290,023 | 389,179 | 12,255 | 1,180,170 | 962,282 |
| Food service expense | 22,192 | 438,380 | 657,964 | 538,334 | - | 1,656,870 | 1,492,694 |
| Utilities | 25,171 | 374,686 | 169,306 | 124,897 | - | 694,060 | 708,687 |
| Insurance | 48,651 | 192,326 | 84,949 | 113,196 | 1,827 | 440,949 | 475,185 |
| Equipment expense | 197,619 | 60,304 | 31,982 | 49,253 | - | 339,158 | 323,721 |
| Contract work | 5,797 | 122,997 | 31,957 | 26,872 | - | 187,623 | 259,156 |
| Professional fees | 195,558 | - | - | - | - | 195,558 | 235,869 |
| Office supplies | 98,780 | - | 3,481 | 4,703 | - | 106,964 | 83,273 |
| Printing, publishing, postage and advertising | 70,171 | 34,844 | 27,492 | 26,046 | - | 158,553 | 168,816 |
| Housekeeping and maintenance supplies | 2,255 | 158,476 | 79,314 | 71,229 | - | 311,274 | 276,123 |
| Licenses, fees and website expense | 125,451 | - | 62 | 50 | - | 125,563 | 122,779 |
| Promotional resident move-in expense | 75,030 | - | - | - | - | 75,030 | 92,246 |
| Employment related expenses | 57,604 | - | 3,779 | 4,208 | - | 65,591 | 67,271 |
| Functions and programs expenses | 46,796 | 26,398 | 1,851 | 979 | - | 76,024 | 65,801 |
| Miscellaneous expenses | 128,037 | 83,748 | 62,073 | 122,379 | - | 396,237 | 398,889 |
| Municipal payments and provider tax | - | 338,783 | - | 176,262 | - | 515,045 | 472,538 |
| Interest expense | - | 563,327 | 51,378 | 38,423 | - | 653,128 | 659,097 |
| Depreciation | 3,734 | 1,584,291 | 611,043 | 142,326 | - | 2,341,394 | 2,165,974 |
| *Total functional expenses* | **$ 3,755,696** | **$ 4,802,168** | **$ 3,883,357** | **$ 4,218,413** | **$ 89,349** | **$ 16,748,983** | **$ 15,657,612** |

TAYLOR COMMUNITY

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended April 30, 2019

| | General and Administrative | Program: Independent | Program: Assisted Living | Program: Nursing | Program: Community | 2019 Total |
|---|---|---|---|---|---|---|
| Wages | $ 1,885,658 | $ 599,232 | $ 1,457,314 | $ 2,148,130 | $ 74,446 | $ 6,164,780 |
| Payroll taxes | 145,572 | 43,774 | 108,148 | 159,629 | 5,308 | 462,431 |
| Benefits | 292,418 | 96,814 | 227,281 | 334,224 | 11,545 | 962,282 |
| Food service expense | 20,908 | 433,899 | 570,838 | 467,049 | - | 1,492,694 |
| Utilities | 23,569 | 382,109 | 173,420 | 129,589 | - | 708,687 |
| Insurance | 59,377 | 189,558 | 82,011 | 141,254 | 2,985 | 475,185 |
| Equipment expense | 167,828 | 67,555 | 38,228 | 50,110 | - | 323,721 |
| Contract work | 31,622 | 156,085 | 38,715 | 32,734 | - | 259,156 |
| Professional fees | 235,869 | - | - | - | - | 235,869 |
| Office supplies | 73,186 | 50 | 4,583 | 5,454 | - | 83,273 |
| Printing, publishing, postage and advertising | 81,944 | 48,874 | 20,791 | 17,207 | - | 168,816 |
| Housekeeping and maintenance supplies | 182 | 124,919 | 80,901 | 70,121 | - | 276,123 |
| Licenses, fees and website expense | 122,599 | - | 180 | - | - | 122,779 |
| Promotional resident move-in expense | 92,246 | - | - | - | - | 92,246 |
| Employment related expenses | 47,356 | - | 2,896 | 17,019 | - | 67,271 |
| Functions and programs expenses | 61,206 | 560 | 2,189 | 1,846 | - | 65,801 |
| Miscellaneous expenses | 194,694 | 56,252 | 56,021 | 91,922 | - | 398,889 |
| Municipal payments and provider tax | - | 316,326 | - | 156,212 | - | 472,538 |
| Interest expense | - | 568,785 | 51,690 | 38,622 | - | 659,097 |
| Depreciation | 3,037 | 1,681,704 | 317,489 | 163,744 | - | 2,165,974 |
| *Total functional expenses* | **$ 3,539,271** | **$ 4,766,496** | **$ 3,232,695** | **$ 4,024,866** | **$ 94,284** | **$ 15,657,612** |

TAYLOR COMMUNITY

STATEMENTS OF CASH FLOWS
Years Ended April 30, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Increase (decrease) in net assets | $ (92,515) | $ 1,553,118 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization of deferred entrance fees | (5,372,170) | (5,250,606) |
| Depreciation | 2,341,394 | 2,165,974 |
| Amortization of debt issuance costs | 42,867 | 42,867 |
| (Increase) decrease in trust funds held by others | 416,619 | (27,694) |
| Loss on disposal of property and equipment | 207,425 | 587 |
| Reinvested investment income | (359,600) | (324,726) |
| Net realized and unrealized (gains) losses on investments | 268,557 | (678,631) |
| Increase in accounts receivable | (99,689) | (92,673) |
| Increase in inventory and prepaid expenses | (15,866) | (216,899) |
| Decrease in accounts payable | (52,026) | (77,043) |
| Decrease of annuities payable liability | - | (6,151) |
| Increase in accrued expenses | 119,694 | 66,603 |
| Decrease in deposits on advanced fees | (62,453) | (88,043) |
| Entrance fees received | 10,601,867 | 10,225,233 |
| Refunds of entrance fees | (1,107,820) | (2,159,247) |
| *Net cash provided by operating activities* | **6,836,284** | **5,132,669** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (7,602,606) | (2,988,073) |
| Proceeds from sale of property and equipment | 26,500 | 12,031 |
| Purchase of investments | (630,998) | (946,327) |
| Proceeds from sale of investments | 733,387 | 1,033,074 |
| Issuance of notes receivable | - | (6,566) |
| Payments received on notes receivable | 13,015 | 136,820 |
| *Net cash used in investing activities* | **(7,460,702)** | **(2,759,041)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayments on long-term debt | (515,061) | (579,549) |
| Proceeds from long-term debt | 1,169,545 | - |
| Proceeds from Paycheck Protection Program, not yet forgivable | 1,238,250 | - |
| Repayments on annuities payable | (13,060) | (14,563) |
| *Net cash used in financing activities* | **1,879,674** | **(594,112)** |
| *Net increase in cash and cash equivalents* | **1,255,256** | **1,779,516** |
| Cash and cash equivalents, beginning of year | 5,721,005 | 3,941,489 |
| *Cash and cash equivalents, end of year* | **$ 6,976,261** | **$ 5,721,005** |

## STATEMENTS OF CASH FLOWS (CONTINUED)
**Years Ended April 30, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash payments for: | | |
| Interest | $ 616,485 | $ 623,579 |

## *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 and Back Bay in Wolfeboro; and Supportive Residential Care and Nursing Care in Laconia.

## *Note 2. Significant Accounting Policies*

**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 14 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 statement of activities.

See Notes 15 and 16 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, 2020 and 2019.

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

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, 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.

**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, 2020 and 2019, 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, 2020 and 2019 were $38,048 and $30,333, 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, 2020 and 2019, the Community had $520,025 and $511,070 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.

**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, 2020 and 2019. 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 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, 2020 and 2019.

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 2017.

**Investments:** Investments are stated at fair value. The net realized and unrealized gains and losses on investments are reflected in the statement 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 Organization 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 organization as an asset unless the donor has explicitly granted the recipient organization 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 12).

**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 Organization. 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.

**Change in accounting principles:** In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard is intended to improve recognition, measurement, presentation, and disclosure of financial instruments. The Organization adopted ASU 2016-01 on May 1, 2019. The adoption of ASU 2016-01 did not have a significant impact on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance for evaluating whether transactions should be accounted for as contributions or exchange transactions and clarifies the criteria for evaluating whether contributions are unconditional or conditional. The Organization adopted ASU 2018-08 on May 1, 2019. The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cashflows. ASU 2016-18 became effective on a retrospective basis for the Organization on May 1, 2019. No prior period adjustments were necessary for the year ended April 30, 2020.

**Recent accounting pronouncements:** In May 2014, the FASB issued, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Community expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance when it becomes effective on May 1, 2020. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the impact ASU 2014-09 will have on the Community's financial statements.

In February 2016, the FASB issued, *Leases, Topic 842* (ASU 2016-02), which will be effective for the Community on May 1, 2021, with early adoption permitted. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability 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) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. Management is currently evaluating the impact ASU 2016-02 will have on the Community's financial statements.

## *Note 3. 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 (5.85% per annum, effective interest rate of 6.10%) 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 (3.8% per annum, effective interest rate of 4.08%) 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 begin June 1, 2020 and are in monthly installments of principal and interest (4.59% per annum, effective interest rate of 5.81%) of $14,326.

Financial covenants on the bond requires 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.

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

| April 30, | 2020 | 2019 |
|---|---|---|
| Note payable, Bank of New Hampshire, details above | $ 1,282,610 | $ 1,310,900 |
| Bond payable, Bank of New Hampshire, details above | 13,253,631 | 13,740,402 |
| Bond payable, Bank of New Hampshire, details above | 1,261,876 | - |
| | 15,798,117 | 15,051,302 |
| Less current portion | **612,951** | **511,731** |
| Less unamortized debt issuance costs | 364,095 | 314,631 |
| *Long-term debt* | **$ 14,821,071** | **$ 14,224,940** |

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

| Year Ending April 30, | | |
|---|---|---|
| 2021 | $ | 612,951 |
| 2022 | | 670,323 |
| 2023 | | 707,358 |
| 2024 | | 725,115 |
| 2025 | | 766,949 |
| Thereafter | | 12,315,421 |
| *Total* | $ | 15,798,117 |

In addition to the note and bond payable, a $1,000,000 revolving line of credit was obtained during the December 2016 refinancing process. Interest is set at the Wall Street Journal prime rate plus 1% (4.25% at April 30, 2020) and is payable monthly. This line of credit is a demand note and is due and payable within 5 days of being called due. No amounts were outstanding on this line of credit at April 30, 2020.

See Note 18. related to the Paycheck Protection Program Funds.

## *Note 4. Investments*

Investments are presented in the financial statements at fair value.

Investments are composed of the following:

| April 30, 2020 | | **Cost** | | **Market** |
|---|---|---|---|---|
| Money-market funds | $ | 218,651 | $ | 218,651 |
| U.S. government obligations | | 118,602 | | 126,175 |
| Municipal bonds | | 288,777 | | 276,524 |
| Corporate bonds | | 2,479,047 | | 2,588,958 |
| Domestic equity funds | | 4,090,127 | | 4,758,964 |
| Foreign equity funds | | 1,561,748 | | 1,363,608 |
| Common equity securities | | 3,289,761 | | 4,081,517 |
| *Total* | $ | 12,046,713 | $ | 13,414,397 |

| April 30, 2019 | | **Cost** | | **Market** |
|---|---|---|---|---|
| Money-market funds | $ | 80,681 | $ | 80,681 |
| U.S. government obligations | | 200,105 | | 194,784 |
| Municipal bonds | | 402,395 | | 380,277 |
| Corporate bonds | | 2,324,273 | | 2,303,662 |
| Domestic equity funds | | 3,989,470 | | 4,670,683 |
| Foreign equity funds | | 1,546,469 | | 1,604,175 |
| Common equity securities | | 3,234,873 | | 4,191,481 |
| *Total* | $ | 11,778,266 | $ | 13,425,743 |

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

| | April 30, 2020 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Total net realized and unrealized gains | **$ (136,616)** | **$ (131,941)** | **$ (268,557)** |

| | April 30, 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Total net realized and unrealized gains | **$ 374,655** | **$ 303,976** | **$ 678,631** |

Investment dividends and interest are presented net of investment fees of $49,132 and $42,864 for the years ended April 30, 2020 and 2019, respectively.

| | | |
|---|---|---|
| Net gains and (losses) recognized during the period on equity securities | $ (436,347) | $ 609,040 |
| Less: Net gains and (losses) recognized during the period on equity securities sold during the period | (3,273) | 103,024 |
| Unrealized gains and (losses) recognized during the reporting period on equity securities still held at the reporting date | $ (433,074) | $ 506,016 |

### *Note 5. 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, 2020 and 2019, the Community made discretionary contributions to the Plan of 4% and 2% (4% as of the February 28, 2019 payroll) respectively, for plan participants. Total discretionary contributions to the plan amounted to $188,605 and $111,240 for the years ended April 30, 2020 and 2019, 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 6. 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, 2020 and 2019.

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, 2020 and 2019. Due from residents refundable entry fees amounted to $196,776 and $209,791 at April 30, 2020 and 2019, respectively.

## *Note 7. 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 $364,207 and $381,388 at April 30, 2020 and 2019, respectively.

| Total annuities outstanding at April 30, | 2020 | 2019 |
|---|---|---|
| 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, | 471,938 | 458,878 |
| Less annuity balance gifted upon annuitant's death | 26,048 | 26,048 |
| | 71,769 | 84,829 |
| Less current portion | **14,128** | **13,059** |
| *Long-term annuities payable* | **$ 57,641** | **$ 71,770** |

These annuities are due as follows:

| Year Ending April 30, | |
|---|---|
| 2021 | $ 14,128 |
| 2022 | 15,285 |
| 2023 | 14,859 |
| 2024 | 15,435 |
| 2025 | 8,645 |
| Thereafter | 3,417 |
| *Total* | $ 71,769 |

## *Note 8. Property and Equipment*

| Property and equipment, at cost, April 30, | | 2020 | | 2019 |
|---|---|---|---|---|
| Land and improvements | $ | 4,553,944 | $ | 4,387,046 |
| Buildings and improvements | | 60,852,616 | | 54,558,919 |
| Furnishings and equipment | | 8,043,923 | | 8,605,680 |
| *Total property and equipment* | | 73,450,483 | | 67,551,645 |
| Less accumulated depreciation | | 33,763,714 | | 32,892,163 |
| *Total property and equipment, net* | $ | **39,686,769** | $ | **34,659,482** |

Included in buildings and improvements is construction in progress amounting to $707,049 and $1,006,153 at April 30, 2020 and 2019, respectively.

## *Note 9. Concentration of Credit Risk*

At times during the year ended April 30, 2020, the Community had cash deposits in excess of the federally insured limit of $250,000 per depositor at each financial institution. At April 30, 2020, there was approximately $50,000 included in cash in excess of federally insured limits.

## *Note 10. 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 11. 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, 2020 and 2019 and amounted to $1,404,053 and $1,563,840, 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, 2020 and 2019 were approximately $1,801,062 and $1,904,900, respectively.

### *Note 12. 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.

Financial assets and liabilities carried at fair value on a recurring basis consist of the following at April 30, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Money-market funds | $ 218,651 | $ - | $ - | $ 218,651 |
| U.S. government obligations | | 126,175 | - | 126,175 |
| Municipal obligations | - | 276,524 | - | 276,524 |
| Corporate bonds | - | 2,588,958 | - | 2,588,958 |
| Closed end domestic equity funds: | | | | |
| Large cap | 4,392,659 | - | - | 4,392,659 |
| Mid cap | 248,574 | - | - | 248,574 |
| Small cap | 117,731 | - | - | 117,731 |
| Closed end foreign equity funds | 1,363,608 | - | - | 1,363,608 |
| Common equity securities: | | | | |
| Consumer goods | 882,027 | - | - | 882,027 |
| Energy | 113,156 | - | - | 113,156 |
| Financial | 535,565 | - | - | 535,565 |
| Healthcare | 655,685 | - | - | 655,685 |
| Services | 124,036 | - | - | 124,036 |
| Industrial goods | 316,316 | - | - | 316,316 |
| Technology | 1,283,629 | - | - | 1,283,629 |
| Materials | 69,442 | - | - | 69,442 |
| Utilities | 101,661 | - | - | 101,661 |
| Beneficial interest in trust funds held by others | - | - | 7,387,275 | 7,387,275 |
| | 10,422,740 | 2,991,657 | 7,387,275 | 20,801,672 |
| Liabilities: | | | | |
| Annuities payable | $ - | $ 71,769 | $ - | $ 71,769 |

Financial assets and liabilities carried at fair value on a recurring basis consist of the following at April 30, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Money-market funds | $ 80,681 | $ - | $ - | $ 80,681 |
| U.S. government obligations | - | 194,784 | - | 194,784 |
| Municipal obligations | - | 380,277 | - | 380,277 |
| Corporate bonds | - | 2,303,662 | - | 2,303,662 |
| Closed end domestic equity funds: | | | | |
| Large cap | 4,231,710 | - | - | 4,231,710 |
| Mid cap | 292,022 | - | - | 292,022 |
| Small cap | 146,951 | - | - | 146,951 |
| Closed end foreign equity funds | 1,604,175 | - | - | 1,604,175 |
| Common equity securities: | | | | |
| Consumer goods | 837,735 | - | - | 837,735 |
| Energy | 165,643 | - | - | 165,643 |
| Financial | 514,504 | - | - | 514,504 |
| Healthcare | 689,322 | - | - | 689,322 |
| Services | 151,847 | - | - | 151,847 |
| Industrial goods | 431,836 | - | - | 431,836 |
| Technology | 1,183,806 | - | - | 1,183,806 |
| Materials | 94,453 | - | - | 94,453 |
| Utilities | 122,335 | - | - | 122,335 |
| Beneficial interest in trust funds held by others | - | - | 7,803,894 | 7,803,894 |
| | $ 10,547,020 | $ 2,878,723 | $ 7,803,894 | $ 21,229,637 |
| Liabilities: | | | | |
| Annuities payable | $ - | $ 84,829 | $ - | $ 84,829 |

The following table presents the change in Level 3 instruments for the years ended April 30, 2020 and 2019:

| | Interest in Trust Funds |
|---|---|
| Balance, April 30, 2018 | $ 7,776,200 |
| Total realized and unrealized gains, included in changes in net assets | 27,694 |
| Balance, April 30, 2019 | **7,803,894** |
| Total realized and unrealized losses, included in changes in net assets | (416,619) |
| Balance, April 30, 2020 | **$ 7,387,275** |
| Amount of unrealized losses attributable to change in unrealized losses relating to assets still held at the reporting date, included in changes in net assets | $ (416,619) |

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 13. 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 organization 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 organization, and (7) the investment policies of the Community.

*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, 2020 and 2019 are as follows:

| | With Donor Restrictions | Total |
|---|---|---|
| Endowment net assets, April 30, 2018 | $ 6,409,974 | $ 6,409,974 |
| Investment return: | | |
| Investment income | 141,391 | 141,391 |
| Net appreciation (realized and unrealized) | 303,976 | 303,976 |
| Total investment return | 445,367 | 445,367 |
| Appropriation of endowment assets for expenditure | (465,159) | (465,159) |
| Endowment net assets, April 30, 2019 | 6,390,182 | 6,390,182 |
| Investment return: | | |
| Investment income | 131,862 | 131,862 |
| Net appreciation (realized and unrealized) | (131,106) | (131,106) |
| Total investment return | 756 | 756 |
| Appropriation of endowment assets for expenditure | (449,517) | (449,517) |
| Endowment net assets, April 30, 2020 | $ 5,941,421 | $ 5,941,421 |

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, 2020 and 2019, $425,923 and $389,405, respectively, was received from the funds. The market value of the fund assets were $7,387,275 and $7,803,894 at April 30, 2020 and 2019, respectively.

## *Note 14. Net Assets without Donor Restrictions*

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

| April 30, | 2020 | 2019 |
|---|---|---|
| Undesignated | $ (1,506,432) | $ (2,300,627) |
| *Total net assets without donor restrictions* | **$ (1,506,432)** | **$ (2,300,627)** |

## *Note 15. 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, | 2020 | 2019 |
|---|---|---|
| Release of appropriated endowment amounts without purpose restrictions | $ 449,517 | $ 463,436 |
| Release of appropriated endowment amounts with purpose restrictions | 11,985 | 1,723 |
| Releases not related to endowment | 11,808 | 35,535 |
| *Total restrictions released* | **$ 473,310** | **$ 500,694** |

## *Note 16. 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, | 2020 | 2019 |
|---|---|---|
| Subject to expenditure for specified purpose or period: | | |
| Birthday and Christmas gifts | $ 73,750 | $ 81,169 |
| Programs and community | 20,620 | 33,612 |
| Specific building enhancements | 12,111 | 13,030 |
| *Total subject to expenditure for specified purpose or period* | 106,481 | 127,811 |
| Subject to passage of time: | | |
| Beneficial interest in trust | 7,387,275 | 7,803,894 |
| Endowments subject to the Community's spending policy and appropriations: | | |
| Investments in perpetuity (original amounts of $988,118 in 2020 and 2019), which once appropriated, is expendable to support: | | |
| Any activities of the Community | 5,941,421 | 6,390,182 |
| *Total net assets with donor restrictions* | **$ 13,435,177** | **$ 14,321,887** |

## *Note 17. 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, | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 6,976,261 | $ 5,721,005 |
| Investments | 13,414,397 | 13,425,743 |
| Accounts receivable, net | 385,551 | 285,862 |
| *Total financial assets available within one year* | 20,776,209 | 19,432,610 |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Items held in escrow | 3,555 | 72,775 |
| Items pledged for long term debt | 2,533,128 | 2,342,573 |
| Restricted by donors in perpetuity | 5,941,421 | 6,390,182 |
| Beneficial interest in trust | 7,387,275 | 7,803,894 |
| *Total amounts unavailable for general expenditures within one year* | 15,865,379 | 16,609,424 |
| Add: | | |
| Appropriation of endowment assets for expenditure | 455,319 | 458,650 |
| *Total financial assets available to management for general expenditures within one year* | $ 5,366,149 | $ 3,281,836 |

*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 a committed line of credit of $1,000,000, which it could draw upon.

## *Note 18. COVID - 19*

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." This outbreak will affect virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of the COVID-19 on the Company's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Company's customers, employees and vendors, all of which are uncertain and cannot be predicted.

As a result of the spread of COVID – 19, the Community has taken extra precautions for their residents and their employees to ensure the Community remains healthy and prepared for the crisis. In addition, the Community has approximately $50,000 of Personal Protective Equipment in their inventory at April 30, 2020 in preparation for an outbreak. At this point, the extent to which the COVID-19 may impact the Company's financial condition or results of operations is uncertain.

In April 2020, the Community received $1,584,600 in funds from the federal Paycheck Protection Program (PPP). The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for the specified period of time and the money is used for payroll, rent, mortgage interest, or utilities. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 5 years. The AICPA released guidance on recording options and the Community has decided to record these funds under the government grant model (FASB ASC 958-605). The cash received under the PPP 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, 2020 the Community had met conditions and incurred expenses in the amount of $346,350, this amount has been included in the Statement of Activities and Changes in Net Assets. As of April 30, 2020 the Community had not yet met conditions on $1,238,250 which is recorded as a current liability on the statement of financial position. The Community expects to meet all conditions for forgiveness early in fiscal year 2021.

## *Note 19. Related Party Transactions*

Members of the Community's Board of Trustees are owners and shareholders of legal firms that handle certain legal transactions for the Community. Total payments made to these legal firms during the years ended April 30, 2020 and 2019 amounted to $248,203 and $122,485, 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 year ended April 30, 2020. Total payments of $5,250 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, 2020 and 2019 amounted to $5,188 and $9,154, respectively.

### *Note 20. Leases*

The Community has one residential house that it leases to an unrelated third party. The property has a total cost of $171,563 including purchase, refurbishment and upgrades and had a net book value of $151,749 and $159,581 at April 30, 2020 and 2019, respectively. The term of the lease is one year, starting September 1, 2019 and ending August 31, 2020, with monthly payments and no extensions on the lease. Monthly rent is $1,300 and totaled $10,400 for the year end April 30, 2020. Total future rents under the lease agreements amount to $5,200.

### *Note 21. 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. 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, 2020 and 2019 amounted to $1,870,401 and $1,885,106, respectively.

The Community has entered into a purchase and sale agreement with Huggins Senior Housing, Inc. and Huggins Hospital. The Community will be purchasing the land, assisted living building and operations of the Sugar Hill Retirement Community, interest in the grounds lease to Sugar Hill Retirement Community Association (SHRCA) and stock in SHRCA from Huggins Hospital. The Community will be purchasing the management agreement for the assisted living facility and a small portion of assets from Huggins Senior Housing. The sale is expected to be completed in September 2020 and is currently in the due diligence phase. The purchase price is $3,250,000 that is payable in four installments over three years based on the transfer of ownership from the current retirement community association. The units of SHRCA will be purchased from the individual shareholders by the Community as they are available.

### *Note 22. Reclassifications*

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

### *Note 23. Subsequent Events*

The Community has evaluated subsequent events through July 28, 2020 the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date.

In May of 2020, the Community received a $50,000 grant from the State of New Hampshire that is currently a loan. The loan is going to be used for COVID – 19 items and the client expects the loan to be fully forgiven in fiscal year 2021.

In May of 2020, the Community committed to purchasing a house adjacent to the main campus for $319,900 and deposited $10,000 on the purchase. Closing is expected to be completed on July 31, 2020.

No other subsequent events were identified that would require disclosure in the financial statements for the year ended April 30, 2019.