

THE RIVERWOODS GROUP
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2020 AND 2019



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**THE RIVERWOODS GROUP
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YEARS ENDED JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The RiverWoods Group
Exeter, New Hampshire

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The RiverWoods Group, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets (deficiency), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The RiverWoods Group as of June 30, 2020 and 2019, and the results of their operations, changes in their net assets (deficiency), and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Emphasis-of-Matters Regarding a Change in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, The RiverWoods Group adopted provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows*. The new accounting standard clarifies how restricted cash is to be classified and presented in the consolidated statement of cash flows. Our opinion is not modified with respect to that matter.

As discussed in Note 1 to the consolidated financial statements, The RiverWoods Groups adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-01, *Financial Instruments*. The new accounting standard, among other things, requires investments in equity securities to be measured at fair value with unrealized holding gains and losses included within the operating indicator. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, statements of operations and changes in net assets (deficiency), and cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
September 3, 2020

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 27,892,595	\$ 10,039,806
Assets Limited as to Use – Other	60,901	35,595
Entrance Fees and Accounts Receivable, Net	2,344,148	909,254
Inventories	520,637	266,639
Prepaid Expenses and Other Current Assets	1,091,754	825,634
Accrued Interest Receivable	178,593	200,206
Total Current Assets	32,088,628	12,277,134
ASSETS LIMITED AS TO USE		
Other Restricted Funds	1,237,492	1,140,554
Endowment Funds	4,745,674	4,956,392
Total Assets Limited as to Use, Net	5,983,166	6,096,946
PROPERTY AND EQUIPMENT		
Land and Land Improvements	19,671,979	18,214,068
Buildings and Improvements	291,251,807	213,656,678
Furniture and Equipment	20,124,386	15,924,862
Projects in Process - RiverWoods Durham	21,592,768	39,603,147
Projects in Process	5,303,142	2,887,801
Total	357,944,082	290,286,556
Less: Accumulated Depreciation	(121,450,549)	(110,431,332)
Total Property and Equipment, Net	236,493,533	179,855,224
OTHER ASSETS		
Investments	88,431,789	77,811,346
Benevolent Fund - Unrestricted Portion	1,099,601	1,249,934
Other Assets	266,150	232,264
Deferred Marketing Costs	4,480,662	486,654
Total Other Assets	94,278,202	79,780,198
Total Assets	\$ 368,843,529	\$ 278,009,502

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 2,844,010	\$ 2,978,497
Accounts Payable and Accrued Expenses	3,854,292	2,106,705
Deferred Revenue Liability	418,337	-
Accrued Salaries, Wages, and Related Taxes	2,408,313	1,796,900
Accrued Interest Payable	81,990	156,646
Total Current Liabilities	<u>9,606,942</u>	<u>7,038,748</u>
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEFERRED FINANCING COSTS	103,880,608	88,184,806
OBLIGATION UNDER INTEREST RATE SWAP AGREEMENT, NET	8,886,065	3,906,614
FUTURE RESIDENTS' DEPOSITS	15,296,390	16,415,390
REFUNDABLE ENTRANCE FEE LIABILITY	242,881,292	174,674,311
DEFERRED REVENUE FROM ENTRANCE FEES	<u>42,736,272</u>	<u>28,654,501</u>
Total Liabilities	423,287,569	318,874,370
NET ASSETS (DEFICIENCY)		
Without Donor Restrictions	(59,831,277)	(46,364,983)
With Donor Restrictions	5,387,237	5,500,115
Total Net Assets (Deficiency)	<u>(54,444,040)</u>	<u>(40,864,868)</u>
Total Liabilities and Net Assets (Deficiency)	<u>\$ 368,843,529</u>	<u>\$ 278,009,502</u>

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIENCY)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
REVENUES		
Residential Service Fees	\$ 35,471,508	\$ 30,662,683
Earned Entrance Fees	6,229,755	4,834,848
Health Center Fees	12,287,484	12,720,478
Other Operating Revenue	215,513	645,704
Investment Income, Net of Fees	3,345,281	2,964,879
Government Grant Income	544,107	-
Net Assets Released from Restrictions	581,351	467,421
Total Revenues	58,674,999	52,296,013
EXPENSES		
General and Administrative	18,546,469	14,603,363
Resident Services	2,556,555	2,230,788
Dining Services	7,836,868	6,513,800
Nursing Services	12,030,027	10,475,000
Environmental Services	6,969,743	5,992,192
Facility Costs and Utilities	6,055,135	4,864,956
Depreciation and Amortization	11,569,140	9,301,366
Interest	1,797,316	1,980,979
Total Expenses	67,361,253	55,962,444
LOSS FROM OPERATIONS	(8,686,254)	(3,666,431)
NONOPERATING GAINS AND LOSSES		
Contributions	240,539	29,895
Change in Charitable Gift Annuity Liability	(19,588)	(15,051)
Changes in Net Unrealized Losses on Equity Investments	(3,672,997)	(3,702,268)
Gains on Sales of Assets and Investments	3,270,138	4,984,622
Total Nonoperating Gains and Losses	(181,908)	1,297,198
(DEFICIT) EXCESS OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	(8,868,162)	(2,369,233)

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIENCY) (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
(DEFICIT) EXCESS OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ (8,868,162)	\$ (2,369,233)
OTHER CHANGES NET ASSETS WITHOUT DONOR RESTRICTIONS		
Change in the Fair Value of Interest Rate Swap Agreements	(4,979,451)	(4,352,045)
Changes in Net Unrealized Gains on Non-Equity Investments	<u>381,319</u>	<u>1,627,581</u>
Total Other Changes in Net Assets Without Donor Restrictions	<u>(4,598,132)</u>	<u>(2,724,464)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(13,466,294)	(5,093,697)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	480,207	396,150
Changes in Net Unrealized Losses on Investments	(11,734)	136,085
Net Assets Released from Restrictions	<u>(581,351)</u>	<u>(467,421)</u>
Changes in Net Assets With Donor Restrictions	<u>(112,878)</u>	<u>64,814</u>
CHANGE IN NET ASSETS (DEFICIENCY)	(13,579,172)	(5,028,883)
Net Assets (Deficiency) – Beginning of Year	<u>(40,864,868)</u>	<u>(35,835,985)</u>
NET ASSETS (DEFICIENCY) – END OF YEAR	<u>\$ (54,444,040)</u>	<u>\$ (40,864,868)</u>

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets (Deficiency)	\$ (13,579,172)	\$ (5,028,883)
Adjustments to Reconcile Change in Net Assets (Deficiency) to		
Net Cash Provided by Operating Activities:		
Proceeds from Entrance Fees	21,623,325	24,433,220
Noncash Items Included in Change in Net Assets (Deficiency):		
Amortization of Deferred Entrance Fee Revenue	(6,229,755)	(4,834,848)
Depreciation and Amortization	11,569,140	9,301,366
Amortization of Bond Issuance Costs	199,946	79,988
Loss on Disposal of Equipment	10,409	7,395
Change in Interest Rate Swap Agreements	4,979,451	4,352,045
Unrealized (Gains) Losses on Investments, Net	(3,291,678)	2,731,699
(Increase) Decrease in Assets:		
Accounts Receivable	(68,302)	(84,780)
Other Receivables	6,598	(33,465)
Entrance Fees Receivable	(1,366,592)	-
Inventories	(253,998)	(29,639)
Prepaid Expenses and Other Assets	(392,223)	141,240
Accrued Interest Receivable	(1,085,095)	(1,223,564)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	1,948,456	(819,423)
Accrued Salaries, Wages, and Related Taxes	611,413	260,416
Accrued Interest Payable and Other Liabilities	953,282	161,149
Net Cash Provided by Operating Activities	15,635,205	29,413,916
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(67,736,786)	(37,120,302)
Increase in Investments	(7,598,822)	(10,041,454)
(Increase) Decrease in Assets Limited as to Use	(25,306)	10,642
Decrease (Increase) in Other Restricted Funds	277,867	(862,298)
Decrease (Increase) in Benevolent Fund	150,333	(101,798)
Net Cash Used by Investing Activities	(74,932,714)	(48,115,210)

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Long-Term Debt	\$ (48,378,497)	\$ (2,878,920)
Proceeds from Long-Term Debt	63,805,460	27,839,953
Payment of Deferred Financing Costs	(65,594)	-
(Decrease) Increase in Residents' Deposits	(1,128,000)	1,550,098
Payment of Deferred Marketing Costs	(4,475,530)	-
Proceeds from Entrance Fees - Initial Sales	78,073,500	-
Refunds of Entrance Fees	<u>(10,787,011)</u>	<u>(12,988,767)</u>
Net Cash Provided by Financing Activities	<u>77,044,328</u>	<u>13,522,364</u>
 NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	 17,746,819	 (5,178,930)
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	 <u>10,645,117</u>	 <u>15,824,047</u>
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	 <u>\$ 28,391,936</u>	 <u>\$ 10,645,117</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 3,647,953</u>	<u>\$ 1,897,816</u>

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The RiverWoods Group (TRWG or the Company), a New Hampshire nonprofit voluntary corporation, was incorporated on February 17, 2011. Its purpose is to support nonprofit continuing care retirement communities and further its charitable purposes by establishing, maintaining, and governing an integrated system which provides for the effective and efficient delivery of housing, food services, health services, and other services in the continuum of care to elderly persons.

The RiverWoods Company, Exeter, New Hampshire (RiverWoods Exeter), a nonprofit charitable organization, was incorporated on June 6, 1983 as a voluntary corporation. RiverWoods Exeter operates a three campus continuing care retirement community which provides housing, health care, and other related services to residents. The original campus, known as The Woods, has 201 independent living units, 20 assisted living units, and 39 skilled nursing beds. The second campus, known as The Ridge, has 81 independent living units and 11 cottages, 27 assisted living units, and 23 skilled nursing beds. The third campus, known as The Boulders, has 76 independent living units and 24 cottages, 24 assisted living units, and 16 skilled nursing beds. The operations of The Woods, The Ridge, and The Boulders began in August 1994, October 2004, and March 2010, respectively.

Birch Hill Terrace (Birch Hill) a nonprofit charitable organization, is the parent company of Women's Aid Home dba: Pearl Manor at Hillcrest Terrace (Pearl Manor). During the fiscal year ended June 30, 2017, Birch Hill merged with its previous sole member, Hillcrest Manor, Inc. (Hillcrest). Birch Hill has 134 independent living units and 4 cottages, 44 assisted living units, 12 memory care units, and 9 intermediate nursing care suites. The facility is located in Manchester, New Hampshire. Pearl Manor holds the endowments of Birch Hill and, as a supporting entity, transfers most net investment income earned to Birch Hill. In July 2016, Hillcrest and The RiverWoods Group (TRWG) received regulatory approval from the Director of Charitable Trusts and the New Hampshire Insurance Department for the affiliation between the two organizations. Under the affiliation agreement, TRWG became the sole corporate member of Hillcrest Manor.

RiverWoods Durham, a nonprofit charitable organization, was incorporated on March 7, 2017. Construction of the RiverWoods Durham campus (the Project) began in June 2018. The Project consists of the construction and equipping of a new continuing care retirement community comprised of 150 independent living apartments, 36 assisted living suites, 24 memory support assisted living suites, and 12 skilled nursing beds in an approximately 310,000-square-foot building on approximately 11 acres of land in Durham, New Hampshire. The independent living common areas and apartments were completed and available for occupancy in three phases during Fiscal Year 2020. The opening of the Health Center, which includes the assisted living, memory support and skilled nursing units as well as associated common areas, was purposely delayed due to the COVID-19 pandemic. The Health Center opened in August 2020.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the accounts of TRWG, RiverWoods Exeter, RiverWoods Durham and Birch Hill. All significant intercompany balances have been eliminated in consolidation.

New Accounting Pronouncements – ASU 2016-18

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the consolidated statements of cash flows and reduce diversity in practice. The amendments to this ASU require that a consolidated statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The Company adopted ASU 2016-18 during the year ended June 30, 2020. The adoption of this accounting standard did not have an impact on the Company's consolidated statements of operations or changes in its net assets (deficiency). However, the adoption of this standard resulted in changes to the reporting and disclosure of cash flows. The adoption of the standard was retrospectively applied.

New Accounting Pronouncements – ASU 2016-01

During the year ended June 30, 2020, the Company adopted a provision of FASB ASU 2016-01, *Financial Instruments*. This new accounting standard requires unrealized gains and losses resulting from the change in fair value of investments in equity securities to be included within the Company's operating indicator on the consolidated statements of operations and changes in net assets (deficiency). The adoption of this accounting standard did not have an impact on the Company's financial position or changes in its net assets (deficiency).

Future Change in Accounting Policies

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*. The amendments in this update defer, for one year, the required effective date of Topic 606 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Topic 606. As the Company had not issued their consolidated financial statements as of the date of this ASU, they elected to defer and adopt the guidance for Topic 606 for annual reporting periods beginning after December 15, 2019.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

TRWG, RiverWoods Exeter, RiverWoods Durham and Birch Hill are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Company follows the provisions of the income tax accounting standards regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on the Company's consolidated financial statements.

Operating Indicator

For purposes of display, the excess (deficit) of revenues and net gains over expenses and losses is the operating indicator for the Company. Other changes in net assets without donor restrictions that are excluded from the operating indicator, consistent with industry practice, include unrealized gains and losses on non-equity investments, the effective portion of the interest rate swap agreements that are designated as hedging agreements, restricted contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and net asset transfers.

Cash, Cash Equivalents, and Restricted Cash

Cash equivalents include short-term investments, excluding unrestricted invested cash in investment advisory accounts, which have a maturity of three months or less when purchased and are recorded at cost, which approximates fair value.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated and consolidating statements of financial position that sum to the total of the same such amounts shown in the consolidated and consolidating statements of cash flows at June 30, 2020 and 2019:

	2020				
	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Consolidated
Cash and Cash Equivalents	\$ 884,745	\$ 8,307,172	\$ 3,429,416	\$ 15,271,262	\$ 27,892,595
Restricted Cash included in Restricted Funds and Assets Limited As to Use	-	187,467	311,874	-	499,341
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidating and Consolidated Statements of Cash Flows	<u>\$ 884,745</u>	<u>\$ 8,494,639</u>	<u>\$ 3,741,290</u>	<u>\$ 15,271,262</u>	<u>\$ 28,391,936</u>
	2019				
	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Consolidated
Cash and Cash Equivalents	\$ 406,238	\$ 7,694,729	\$ 1,189,856	\$ 748,983	\$ 10,039,806
Restricted Cash included in Restricted Funds and Assets Limited As to Use	-	431,228	174,083	-	605,311
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidating and Consolidated Statements of Cash Flows	<u>\$ 406,238</u>	<u>\$ 8,125,957</u>	<u>\$ 1,363,939</u>	<u>\$ 748,983</u>	<u>\$ 10,645,117</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Entrance Fees Receivable

The Company provides an allowance for uncollectible accounts based on the allowance method using management's judgment considering historical information. Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts are continually analyzed for collectability and management determines when accounts are written off. At June 30, 2020 and 2019, the allowance for doubtful accounts was \$57,820 and \$21,500, respectively. In certain instances, RiverWoods Exeter, Birch Hill and RiverWoods Durham offer incoming residents the ability to defer payment of entrance fees in full on a short-term basis for a period not to exceed one year based upon market conditions.

Inventories

Inventories of supplies are carried at the lower of cost (determined by the first-in, first-out method) or net realizable value.

Investments and Investment Income

Investments, which are comprised of U.S. government, government agency and corporate obligations, equity securities, hedge fund of funds, and invested cash and cash equivalents, are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends, investment management fees, and write down of impaired investments) is included in the excess of revenues and net gains over expenses and losses. Unrealized gains and losses on non-equity investments are excluded from the excess (deficit) of revenues and net gains over expenses and losses.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Assets Limited as to Use

Assets Limited as to Use includes certain cash and cash equivalents, donor-restricted funds, and certain employee funds. Amounts required to meet current liabilities have been classified as current assets in the consolidated statements of financial position at June 30, 2020 and 2019.

Benevolence

RiverWoods Exeter and Birch Hill have established benevolence policies to provide a source for financial assistance to residents of their retirement communities who are able to demonstrate financial need to the satisfaction of their respective board of trustees. For the years ended June 30, 2020 and 2019, the amount of financial assistance provided to RiverWoods Exeter residents was approximately \$244,000 and \$192,000, respectively. For the years ended June 30, 2020 and 2019, the amount of financial assistance provided to Birch Hill residents was approximately \$516,000 and \$711,000, respectively.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Benevolence (Continued)

RiverWoods Durham will establish a formal policy, in accordance with its contractual obligations, in fiscal year 2021. For the fiscal years ended June 30, 2020 and 2019, there were no requests for financial assistance.

TRWG Employee Emergency Fund

During 2020 the Board created The RiverWoods Group Employee Emergency Fund. It was created to recognize how the Company's family of communities have come together to share knowledge, strategies, supplies and expertise during the COVID-19 crisis and recognizing the commitment of its staff, who come to work every day despite facing many personal challenges. The fund is available to any employee working within the Company's system. With respect to COVID-19, the fund will be available to any employee working at The RiverWoods Group, RiverWoods Exeter, Birch Hill or RiverWoods Durham who is experiencing a COVID-19 financial hardship.

While initially designed to support COVID-19 related hardships, unspent proceeds and related earnings will remain in the Employee Emergency Fund to address future employee related hardships that may occur.

The Fund's corpus and all investment earnings are without restriction, provided they are spent in support of employee related hardships.

TRWG matched initial contributions, dollar for dollar, totaling \$20,000. As of June 30, 2020, the Company received \$152,000 in contributions from community residents and staff.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Company emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The fair values of financial instruments are summarized further in Note 4.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. The Company's policy is to capitalize expenditures for major improvements that have a per unit price of \$1,500 and an economic life of at least three years and charge maintenance and repairs currently for expenditures that do not extend the useful lives of the related assets. The provision for depreciation has been computed using the straight-line method at rates that are intended to amortize the cost of assets over their estimated useful lives. Projects in process consist of ongoing projects that will be depreciated when projects are completed and placed in service. Depreciation expense for the years ended June 30, 2020 and 2019 was \$11,087,618 and \$9,023,278, respectively.

The Company records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimated process, no impairment losses have been recorded as of June 30, 2020 and 2019.

Bond Issuance Costs

Bond issuance costs are being amortized using the straight-line method, which approximates the effective interest method, over the commitment period of the existing direct purchase lender agreements.

Deferred Marketing Costs

Deferred marketing costs represent costs incurred in connection with obtaining the initial residence and care agreements of each campus and are being amortized over the estimated remaining lives of each campus' first residents.

In 2011, RiverWoods Exeter capitalized \$2,780,880 of deferred marketing costs of The Boulders. Accumulated amortization expense for The Boulders amounted to \$2,572,314 and \$2,294,226 at June 30, 2020 and 2019, respectively. Amortization of deferred marketing costs related to The Boulders totaled \$278,088 for each of the years ended June 30, 2020 and 2019.

In 2020, RiverWoods Durham capitalized \$4,475,530 of deferred marketing costs upon opening its facilities. Accumulated amortization and amortization expense for RiverWoods Durham amounted to \$203,434 at June 30, 2020.

Deferred Revenue – Entrance Fees

As of June 30, 2020, RiverWoods Exeter had three types of entrance fee agreements: 90% refundable, 50% refundable, and declining balance refund. Under the 90% agreement, resident entrance fees for the unit's first person are 90% refundable upon both the termination of residency in the retirement community of the resident, or in the case of joint residency, both residents, and upon resale of the unit. Resident entrance fees for the unit's second person are nonrefundable.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue – Entrance Fees (Continued)

The provisions of the 50% refundable agreement are similar in all regards to the 90% agreement, except that the maximum refund upon termination of residency and resale of the unit is 50% of the first person entrance fee.

Under the declining balance refund agreement, the resident or resident's designee is entitled to a refund equal to the first person entrance fee paid less a sum equal to a 4% administrative fee and 2% per month for every month of residence.

The nonrefundable portions of the entrance fees are amortized into operating revenue over the actuarially determined life expectancy of each resident. Upon termination of the contract, whether by move-out or death of the resident(s), the unamortized nonrefundable portion of the entrance fee is recorded as operating revenue. The refundable portion of these entrance fees is recorded as a liability.

RiverWoods Exeter entrance fees received for the years ended June 30, 2020 and 2019 were \$13,586,000 and \$20,212,000, respectively. For the years ended June 30, 2020 and 2019, entrance fees refunded were \$9,438,182 and \$12,520,420, respectively. Total net entrance fees collected were \$4,147,818 and \$7,691,580 for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, RiverWoods Exeter had \$165,622,913 and \$164,667,252, respectively, of deferred resident entrance fees that are contractually refundable based upon the terms of RiverWoods Exeter refund policy.

As of June 30, 2020, Birch Hill had four types of entrance fee agreements: 70% refundable, 50% refundable, 0% refundable, and declining balance refund. For the refundable contracts, resident entrance fees for the unit's first person are refundable upon the termination of residency at Birch Hill and upon resale of the unit. Resident entrance fees for unit's second person are nonrefundable.

The nonrefundable portions of entrance fees are amortized into operating revenue over the actuarially determined life expectancy of each resident. Amortization of the nonrefundable entrance fees begins in the month of residency. Upon termination of the contract, whether by move-out or death of the resident(s), the unamortized nonrefundable portion of the entrance fees is recorded as operating revenue. The refundable portion of these entrance fees is recorded as a liability.

Birch Hill entrance fees received for the years ended June 30, 2020 and 2019 were \$6,937,625 and \$4,221,220, respectively. For the years ended June 30, 2020 and 2019, entrance fees refunded were \$760,929 and \$468,347, respectively. Total net entrance fees collected were \$6,176,696 and \$3,752,873 for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, Birch Hill had \$12,467,271 and \$10,096,669, respectively, of deferred resident entrance fees that are contractually refundable based upon the terms of Birch Hill's refund policy.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue – Entrance Fees (Continued)

As of June 30, 2020, RiverWoods Durham had two types of entrance fee agreements: 90% refundable for single contracts and 80% refundable for joint contracts. For these refundable contracts, resident entrance fees are refundable upon the termination of residency at RiverWoods Durham and upon resale of the unit. There is no resident entrance fee for a unit's second person.

The nonrefundable portions of entrance fees are amortized into operating revenue over the actuarially determined life expectancy of each resident. Amortization of the nonrefundable entrance fees begins in the month of residency. Upon termination of the contract, whether by move-out or death of the resident(s), the unamortized nonrefundable portion of the entrance fees is recorded as operating revenue. The refundable portion of these entrance fees is recorded as a liability.

RiverWoods Durham entrance fees received for the year ended June 30, 2020 were \$79,173,200. For the year ended June 30, 2019, entrance fees refunded were \$587,900. Total net entrance fees collected were \$78,585,300 for the year ended June 30, 2020.

As of June 30, 2020, RiverWoods Durham had \$66,564,670 of deferred resident entrance fees that are contractually refundable based upon the terms of RiverWoods Durham's refund policy.

Charges for services rendered to residents are recorded when the services are provided at the estimated net amounts realizable from residents.

Obligation to Provide Future Services

The Company periodically engages an actuary to calculate the net present value of future revenues and the cost of providing future services and use of facilities to current residents, which is compared to the balance of deferred entrance fee revenue, allocable depreciation, and unamortized costs of acquiring initial continuing care contracts. If this calculation produces an obligation, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. RiverWoods Exeter and Birch Hill performed these calculations for 2018. As of June 30, 2020 and 2019, management's estimate indicated no need to record an additional liability for an obligation to provide future services and use of facilities. Additionally, RiverWoods Durham performed an actuarial study in 2018.

Future Residents' Deposits

Future residents' deposits are required prior to the execution of resident agreements and the acceptance of entrance fees. Upon occupancy, future resident deposits are reclassified to refundable entrance fee liability and deferred revenue from entrance fees. Future residents' deposits as of June 30, 2020 and 2019 were \$15,296,390 and \$16,415,390, respectively.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Malpractice Loss Contingencies

The Company has a claims made policy for its malpractice insurance coverage. In the event a loss contingency should occur, the Company would give it appropriate recognition in its consolidated financial statements.

Employee Fringe Benefits

The Company has an “earned time off” plan to provide fringe benefits for its employees. Under this plan each qualifying employee “earns” hours of paid leave for each pay period worked. These hours of paid leave may be used for vacations or illness. Hours earned but not used are vested with the employee. The Company accrues the cost of these benefits as they are earned.

Charitable Gift Annuities

RiverWoods Exeter has a number of charitable gift annuities. The liability to the annuitants has been discounted to its present value, taking into consideration the life expectancy of the annuitant. The difference between the annuitant’s gift and the liability to the annuitant is recorded as a contribution without donor restrictions in the year of the gift. These gift annuities provide for a series of quarterly payments during the annuitants’ lives.

Net Assets

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

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the board of trustees can designate, from net assets without donor restrictions, net assets designated for special use. The RiverWoods Fund, the Employee Emergency Fund, the Charitable Gift Annuities and the unrestricted portion of the Benevolent Fund are included in net assets without donor restrictions.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both. The Peabody Scholarship Fund, The Spencer Scholarship Fund, The RiverWoods Exeter Scholarship Fund, and the restricted portion of the Benevolent Fund are included in the donor-imposed restrictions that are temporary in nature. The Endowment Fund, Dodge Fund, Abbie Woodman Fund, Fuller Fund, and The Lawrence Fund are included in donor-imposed restrictions that are maintained in perpetuity.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain items in the 2019 consolidated financial statements have been reclassified to conform to the 2020 consolidated financial statement presentation due to the retrospective implementation of ASU 2016-01 and ASU 2016-18.

Subsequent Events

In preparing these consolidated financial statements, the Company's policy is to evaluate events and transactions for potential recognition or disclosure through September 3, 2020, the date the consolidated financial statements were issued. The results of this evaluation indicated that there are subsequent events or transactions that are required to be disclosed in these consolidated financial statements. See Note 15.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statements of financial position date, consist of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 27,892,595	\$ 10,039,806
Accounts Receivable	2,344,148	909,254
Investments	88,431,789	77,811,346
Benevolent Fund	1,099,601	1,249,934
Assets Limited as to Use:		
Other Restricted Funds	1,298,393	1,176,149
Endowment Funds	4,745,674	4,956,392
Total Financial Assets	<u>125,812,200</u>	<u>96,142,881</u>
Less Amounts not Available to be Used within One Year:		
RWE Capital Replacement Fund	9,161,000	10,000,000
TRWG Board-Designated Funds	8,222,491	7,756,512
RWE Future Benevolence Fund	1,258,000	1,205,000
RWE Community Loan Fund	400,000	300,000
RWE Ziegler Link-Age Longevity Fund	79,177	93,995
RWE Peabody Scholarship Fund	503,523	424,212
RWE Spencer Scholarship Fund	487,705	449,107
RWE Scholarship Fund	246,264	225,235
RWE Endowment Fund	676,638	653,429
BH Donor Funds - Perpetually Restricted	3,409,662	3,409,662
Total Financial Assets not Available within One Year	<u>24,444,460</u>	<u>24,517,152</u>
Total Financial Assets Available within One Year	<u>\$ 101,367,740</u>	<u>\$ 71,625,729</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Company has certain board-designated and donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Company has other assets limited as to use for donor-restricted purposes, which are more fully described in Note 6. Additionally, certain other board-designated assets are designated for future use. These assets limited as to use, which are more fully described in Note 3, are not available for general expenditure within the next year; however, these amounts could be made available, if necessary.

At June 30, 2020, RiverWoods Exeter and Birch Hill, the two communities currently in full operation, had Days Cash on Hand of 754 days and 289 days, respectively, as calculated per each organization's continuing covenants agreement.

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE

The composition of investments and assets limited as to use, which are stated at fair value, is set forth in the following table at June 30:

	2020	2019
Cash and Cash Equivalents	\$ 2,251,495	\$ 4,374,062
U.S. Government and Government Agency Obligations	22,806,274	12,932,210
Corporate Debt Obligations	27,243,030	25,102,532
Equity Securities	43,453,251	42,978,759
Total	<u>\$ 95,754,050</u>	<u>\$ 85,387,563</u>
	2020	2019
Current Portion of Assets Limited as to Use	\$ 60,901	\$ 35,595
Accrued Interest Receivable	178,593	193,742
Investments	88,431,789	77,811,346
Benevolent Fund and Other Restricted Funds	7,082,767	7,346,880
Total	<u>\$ 95,754,050</u>	<u>\$ 85,387,563</u>

Management performs due diligence on the valuation of all investments. The vast majority of the underlying manager holdings are publicly traded securities with readily available market prices. Management continually reviews its investment portfolios and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of investment advisors and the length of time and extent to which the market value has been less than cost, and the ability and intent of the Company to hold investments in the long term. During the years ended June 30, 2020 and 2019, no material declines in the market value of investments are considered to be other than temporary.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30:

	2020			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets Limited as to Use	\$ 6,044,067	\$ -	\$ -	\$ 6,044,067
Investments	89,531,390	-	-	89,531,390
Liabilities:				
Obligation Under Interest Rate Swap Agreements, Net	-	(8,886,065)	-	(8,886,065)
	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Limited as to Use	\$ 6,132,541	\$ -	\$ -	\$ 6,132,541
Investments	79,061,280	-	-	79,061,280
Liabilities:				
Obligation Under Interest Rate Swap Agreements, Net	-	(3,906,614)	-	(3,906,614)

The determination of the fair values above incorporates various factors. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Company's nonperformance risk on its liabilities.

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include money market funds and bank deposits, U.S. government and agency securities, corporate bonds, common stock, and mutual funds. Assets utilizing Level 3 inputs are hedge funds of funds and are considered alternative investments, since there are no observable inputs to their value. Level 3 investments are measured using a net asset value (NAV) per share, or its equivalent, as determined by the fund's investment manager.

Assets and liabilities utilizing Level 2 inputs are derivatives. The carrying amount represents fair market value and is based on a price estimated by a third party using the income approach, which uses valuation techniques to convert future cash flows to a discounted value, using current market expectations.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 LONG-TERM DEBT

Following is a description of the terms of long-term debt at June 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
New Hampshire Health and Education Facilities Authority:		
RWE Series 2012 Revenue Bonds, Series A	\$ 26,105,000	\$ 27,225,000
RWE Series 2012 Revenue Bonds, Series B	26,620,000	27,435,000
BH Series 2016 Revenue Bonds	9,823,056	10,825,783
RWD Series 2018 Revenue Bonds, Series A	46,296,091	-
RWD Series 2018 Revenue Bonds, Series B	-	27,890,632
Total Long-Term Debt, New Hampshire Health and Education Facilities Authority	<u>108,844,147</u>	<u>93,376,415</u>
 BH HEFA Loan	 <u>3,416</u>	 <u>44,186</u>
Total Long-Term Debt	108,847,563	93,420,601
Less: Unamortized Debt Issuance Cost	<u>(2,122,945)</u>	<u>(2,257,298)</u>
Total Long-Term Debt, Less Unamortized Debt Issuance Costs	106,724,618	91,163,303
Less: Current Portion	<u>(2,844,010)</u>	<u>(2,978,497)</u>
Total Long-Term Debt, Net of Current Portion, Less Unamortized Debt Issuance Costs	<u>\$ 103,880,608</u>	<u>\$ 88,184,806</u>

On September 28, 2012, RiverWoods Exeter entered into an agreement with the New Hampshire Health and Education Authority for \$65,605,000 Revenue Bonds, Series 2012A and Series 2012B. The proceeds were used to redeem \$64,120,000, representing the total outstanding balances of Series 1997B, Series 2003, Series 2007, and Series 2008 Bonds and to pay certain costs related to the issuance of these bonds. The Series 2012A and Series 2012B bonds are Direct Purchase Revenue Bonds and interest is payable at variable rates.

On April 1, 2015, RiverWoods Exeter entered into loan modification agreements for the Series 2012A and Series 2012B bonds. The modification reduced the variable interest rate and extended the commitment terms of the Series 2012A bonds by approximately 2.5 years to April 1, 2025 and the Series 2012B bonds by approximately 7.5 years to April 1, 2030. RiverWoods Exeter paid certain costs related to the loan modification which is included in unamortized bond issuance costs.

In July 2016, Birch Hill entered into an agreement with the New Hampshire Health and Education Facility for \$12,680,000 Revenue Bonds, Series 2016. The proceeds were used to redeem \$9,650,000 of outstanding Series 1994 Bonds and to pay certain costs related to the issuance of these bonds. An additional \$4,020,000 was acquired through the Series 2016 Revenue Bonds for planned capital projects.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 LONG-TERM DEBT (CONTINUED)

On August 1, 2017, TRWG closed on a three-year revolving credit loan with TD Bank, NA. The loan provides for up to \$7,000,000 of credit and is collateralized by certain cash and investments of TRWG. It carries an interest rate of 1 Month LIBOR plus 1.02%. The loan was intended to finance pre-construction costs associated with the development of RiverWoods Durham as well as to provide working capital for TRWG. As of June 30, 2020 and 2019, there is no balance on the line of credit. On August 1, 2020, TRWG extended the terms of its revolving credit loan with TD Bank, NA. to February 28, 2023. See Note 15.

On May 31, 2018, RiverWoods Durham entered into an agreement with the New Hampshire Health and Education Authority for \$98,380,000 Revenue Bonds, Series 2018A (\$52,980,000) and Series 2018B (\$45,400,000). The proceeds of the issuance will be utilized to fund the RiverWoods Durham Project (the Project). The Project consists of 1) financing the acquisition, construction, renovation, and equipping of a new continuing care retirement community comprised of independent living apartments, assisted living suites, memory support assisted living suites, and skilled nursing beds; 2) financing certain other capital expenditures by RiverWoods Durham; and 3) paying certain costs of issuing the bonds. The Series 2018A and Series 2018B bonds are Direct Purchase Revenue Bonds and interest is payable at variable rates. Proceeds are to be drawn down as costs of the Project are incurred. Draws on the bonds have amounted to \$46,296,091 and \$27,890,632 as of June 30, 2020 and 2019, respectively. The Series 2018B bonds were fully retired on March 2, 2020.

RiverWoods Exeter has entered into a swap agreement with Morgan Stanley to enact a fixed rate swap on variable rate debt. During the years ended June 30, 2020 and 2019, the swap was recorded as a financial instrument at fair value and met the criteria as a derivative instrument. The change in the fair value of the swap is excluded from the performance indicator for the years ended June 30, 2020 and 2019. The swap agreement expires March 1, 2023 and has a fixed interest rate of 3.499%.

In June 2011, RiverWoods Exeter had entered into a swap agreement with Deutsche Bank with a fixed rate of 1.624% and a termination date of June 1, 2016. In September 2012, RiverWoods Exeter modified this interest rate swap agreement with Deutsche Bank. Effective October 1, 2012, the interest rate of the swap is 1.69% and the original notional amount was \$47,000,000. Effective December 2, 2019, RiverWoods Exeter exercised its call option and terminated the swap. Effective December 2, 2019, RiverWoods Exeter has entered into a swap agreement with TD Bank with a fixed rate of 1.133% and a termination date of October 1, 2022. The swap was recorded as a financial instrument at fair value and met the criteria as a derivative instrument. The change in the fair value of the swap is excluded from the performance indicator for the years ended June 30, 2020 and 2019.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 LONG-TERM DEBT (CONTINUED)

RiverWoods Exeter has entered into an agreement with Deutsche Bank to enact a variable to fixed swap. The swap agreement was designated as a derivative and recorded at fair value as an asset or a liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The term of the swap is through March 1, 2023 and the interest rate is 4.189%.

Birch Hill has entered into an interest rate swap agreement that effectively converts the variable interest rate on the Series 2016 Bond to a fixed interest rate of 0.8525%. The original notional amount was \$12,680,000. The swap agreement was designated as a derivative and recorded at fair value as an asset or a liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The term of the swap is through July 1, 2026.

RiverWoods Durham has entered into a forward interest rate swap agreement with TD Bank that effectively converts the variable interest rate on a portion of the Series 2018B Bonds to a fixed interest rate of 2.1610%. The original notional amount on the effective date is \$7,270,000. The swap agreement was designated as a derivative and recorded at fair value as an asset or a liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The swap effective date is November 1, 2018 and the term of the swap was through January 1, 2020. This swap expired on January 1, 2020 as per the stated terms.

RiverWoods Durham has entered into a forward interest rate swap agreement with TD Bank that effectively converts the variable interest rate on a portion of the Series 2018A Bonds to a fixed interest rate of 2.4360%. The original notional amount on the effective date is \$1,166,250. The swap agreement was designated as a derivative and recorded at fair value as an asset or liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The swap effective date is May 1, 2019 and the term of the swap is through June 1, 2028.

RiverWoods Durham has entered into a forward interest rate swap agreement with SunTrust Bank, now Truist Bank, that effectively converts the variable interest rate on a portion of the Series 2018A Bonds to a fixed interest rate of 2.4660%. The original notional amount on the effective date is \$1,166,250. The swap agreement was designated as a derivative and recorded at fair value as an asset or a liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The swap effective date is May 1, 2019 and the term of the swap is through June 1, 2028.

RiverWoods Durham has entered into a forward interest rate swap agreement with People's United Bank that effectively converts the variable interest rate on a portion of the Series 2018A Bonds to a fixed interest rate of 2.4660%. The original notional amount on the effective date is \$777,500. The swap agreement was designated as a derivative and recorded at fair value as an asset or liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The swap effective date is May 1, 2019 and the term of the swap is through June 1, 2028.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 LONG-TERM DEBT (CONTINUED)

Following is a summary of interest rate swaps outstanding at June 30, 2020:

	Current Notional Amount	Fixed Rate	Expiration Year
RWE - Deutsche Bank	\$ 2,995,000	4.189%	2023
RWE - TD Bank	44,189,500	1.133%	2022
RWE - Morgan Stanley	2,445,000	3.499%	2023
BH - People's United Bank	9,823,056	0.8525%	2026
RWD - TD Bank	17,880,000	2.436%	2028
RWD - Truist Bank	17,880,000	2.466%	2028
RWD - People's United Bank	11,920,000	2.466%	2028
Total Notional Amount	<u>\$ 107,132,556</u>		

The combined aggregate amount of maturities as of June 30 for all long-term debt is as follows:

Year Ending June 30,	2012 Series A	2012 Series B	2016 Series	HEFA Loan	2018A Series	Total
2021	\$ 1,175,000	\$ 860,000	\$ 805,594	\$ 3,416	-	\$ 2,844,010
2022	1,220,000	910,000	1,358,736	-	-	3,488,736
2023	1,310,000	985,000	1,124,910	-	-	3,419,910
2024	1,405,000	1,025,000	1,153,059	-	1,290,000	4,873,059
2025	1,445,000	1,060,000	1,182,144	-	1,340,000	5,027,144
2026 and Thereafter	19,550,000	21,780,000	4,198,613	-	43,666,091	89,194,704
Total	<u>\$ 26,105,000</u>	<u>\$ 26,620,000</u>	<u>\$ 9,823,056</u>	<u>\$ 3,416</u>	<u>\$ 46,296,091</u>	<u>\$ 108,847,563</u>

RiverWoods Exeter and Birch Hill are required by the Loan Agreements to meet certain financial ratios. As of June 30, 2020 and 2019, management is not aware of any violations with these financial covenants.

RiverWoods Durham is required by the Loan Agreement to meet certain financial ratios upon reaching three consecutive quarters of at least 85% occupancy. As of June 30, 2020, RiverWoods Durham had not yet had three consecutive quarters of operations.

Total interest expense incurred was approximately \$1,597,000 and \$1,901,000 for the years ended June 30, 2020 and 2019, respectively.

Interest capitalized during the years ended June 30, 2020 and 2019 was \$1,891,004 and \$1,210,000, respectively.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions (subject to donor or time restrictions that are of a temporary nature) are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Unappropriated Income on Permanently Restricted Endowments - Birch Hill	\$ 644,803	\$ 872,474
Peabody Scholarship Fund - RiverWoods Exeter	484,548	441,459
RiverWoods Exeter Scholarship Fund	31,408	18,438
Other - RiverWoods Exeter	31,930	1,348
RiverWoods Durham - Employee Appreciation	401	-
Total	<u>\$ 1,193,090</u>	<u>\$ 1,333,719</u>

Net assets with donor restrictions held in perpetuity are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Permanently Restricted Endowment Funds - Birch Hill		
Dodge Fund, Income Unrestricted	\$ 73,733	\$ 73,733
Abbie Woodman Fund, Income Unrestricted	155,692	155,692
Fuller Fund, Income Unrestricted	3,169,205	3,169,205
Lawrence Fund, Income Restricted for Pin Money to the Residents of Pearl Manor	11,032	11,032
Total Permanently Restricted Endowments - Birch Hill	<u>3,409,662</u>	<u>3,409,662</u>
Permanently Restricted Funds - RiverWoods Exeter		
Endowment Fund	373,997	370,624
Spencer Fund	410,488	386,110
Total Permanently Restricted Funds - RiverWoods Exeter	<u>784,485</u>	<u>756,734</u>
Total	<u>\$ 4,194,147</u>	<u>\$ 4,166,396</u>

NOTE 7 BIRCH HILL ENDOWMENT

Birch Hill's endowment primarily consists of funds established to support operations. Its endowment includes donor-restricted endowment funds to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 BIRCH HILL ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

Birch Hill has interpreted the state of New Hampshire Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Birch Hill classifies as net assets with donor restrictions held in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, unless explicitly stated otherwise by the donor, realized and unrealized net appreciation in investments in donor-restricted endowment funds held in perpetuity is classified as net assets with donor restrictions that are temporary in nature until appropriated by the board of trustees for expenditure. Funds designated by the board of trustees to function as endowments are classified as net assets without donor restrictions.

In accordance with the Act, Birch Hill 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
- (7) The investment policies of the organization

Endowment Composition and Changes in Endowment

The endowment asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Donor-Restricted Funds - Birch Hill	\$ -	\$ 644,803	\$ 3,409,662	\$ 4,054,465

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 BIRCH HILL ENDOWMENT (CONTINUED)

Endowment Composition and Changes in Endowment (Continued)

The changes in endowment assets as of June 30, 2020 are as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Donor-Restricted Funds - Birch Hill	\$ -	\$ 644,803	\$ 3,409,662	\$ 4,054,465
Endowment Assets, June 30, 2019	\$ -	\$ 872,474	\$ 3,409,662	\$ 4,282,136
Investment Return:				
Investment Income	-	89,483	-	89,483
Net Depreciation	-	(101,217)	-	(101,217)
Total Investment Return	-	(11,734)	-	(11,734)
Amounts Appropriated for Expenditure	-	(211,333)	-	(211,333)
Distribution of Pearl Manor's Income	-	(4,604)	-	(4,604)
Endowment Assets (Deficit), June 30, 2020	<u>\$ -</u>	<u>\$ 644,803</u>	<u>\$ 3,409,662</u>	<u>\$ 4,054,465</u>

The endowment asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Donor-Restricted Funds - Birch Hill	\$ -	\$ 872,474	\$ 3,409,662	\$ 4,282,136

The changes in endowment assets as of June 30, 2019 are as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Endowment Assets, June 30, 2018	\$ -	\$ 944,533	\$ 3,409,662	\$ 4,354,195
Investment Return:				
Investment Income	-	87,856	-	87,856
Net Appreciation	-	48,229	-	48,229
Total Investment Return	-	136,085	-	136,085
Amounts Appropriated for Expenditure	-	(204,358)	-	(204,358)
Distribution of Pearl Manor's Income	-	(3,786)	-	(3,786)
Endowment Assets, June 30, 2019	<u>\$ -</u>	<u>\$ 872,474</u>	<u>\$ 3,409,662</u>	<u>\$ 4,282,136</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 BIRCH HILL ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

Birch Hill has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Birch Hill must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate market indices while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Birch Hill relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Birch Hill targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Policy

In accordance with the Act, the board of trustees is allowed to appropriate for expenditure for the uses and purposes for which the endowment fund is established so much of the net appreciation, realized and unrealized, in the fair value of the assets of the endowment fund over the historic dollar value of the fund as is prudent. In so doing, the board must consider long- and short-term needs of the institution in carrying out its purpose, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The board has established a spending policy providing for distributions of a minimum of 85% of the interest and dividends and realized gains, less all fees and realized losses, from Pearl Manor's investment portfolio to Birch Hill Terrace, unless additional amounts are appropriated to support operations. Under this policy, total distributions are not to exceed 5% of the trailing three year average market value of endowed funds, unless approved by the board. Distributions of \$222,193 were made pursuant to this policy, during the year ended June 30, 2020.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 FUNCTIONAL EXPENSES

The Company provides residential living services and general health care services to its residents. All natural classes of expenses that are not directly related to the Company's programs are allocated to one or more management and general functions based on estimates of time and effort involved. Expenses related to providing these services are as follows at June 30:

	2020		
	Care and Service to Community Members	Management and General	Total Expenses
Salaries	\$ 23,619,882	\$ 5,918,002	\$ 29,537,884
Payroll Taxes and Fringe Benefits	5,635,982	1,842,634	7,478,616
Contract Labor	811,595	165,169	976,764
Professional Fees	315,717	401,920	717,637
Dues and Subscriptions	36,071	60,619	96,690
Resident Supplies/Expenses	835,220	44,865	880,085
Office Supplies	1,036,178	223,331	1,259,509
Printing and Advertising	856,451	169,176	1,025,627
Equipment Lease and Maintenance	783,738	269,660	1,053,398
Telephone and IT Services	250,570	545,719	796,289
Insurance	401,590	184,883	586,473
Interest and Banking Fees	1,413,670	196,593	1,610,263
Utilities	2,530,887	493,631	3,024,518
Property Taxes	2,058,017	363,180	2,421,197
Depreciation and Amortization	9,364,537	2,404,550	11,769,087
Travel	71,539	147,625	219,163
Food	2,079,263	310,695	2,389,958
Miscellaneous	278,234	313,431	591,665
COVID19 Expenses	926,430	-	926,430
Total Expenses	<u>\$ 53,305,570</u>	<u>\$ 14,055,683</u>	<u>\$ 67,361,253</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 FUNCTIONAL EXPENSES (CONTINUED)

	2019		
	Care and Service to Community Members	Management and General	Total Expenses
Salaries	\$ 18,124,810	\$ 6,034,621	\$ 24,159,431
Payroll Taxes and Fringe Benefits	4,685,481	1,786,381	6,471,862
Contract Labor	353,114	94,752	447,866
Professional Fees	345,338	-	345,338
Dues and Subscriptions	23,248	47,331	70,579
Resident Supplies/Expenses	1,035,464	59,802	1,095,266
Office Supplies	842,387	214,479	1,056,866
Printing and Advertising	471,809	167,078	638,887
Equipment Lease and Maintenance	1,274,542	354,308	1,628,850
Postage	27,344	14,290	41,634
Telephone and IT Services	140,112	982,398	1,122,510
Insurance	450,484	85,043	535,527
Interest and Banking Fees	1,734,832	266,449	2,001,281
Utilities	2,200,273	441,691	2,641,964
Property Taxes	1,402,029	289,418	1,691,447
Depreciation and Amortization	7,588,605	1,712,761	9,301,366
Travel	54,935	196,523	251,458
Food	1,795,713	268,325	2,064,038
Miscellaneous	160,845	235,429	396,274
Total Expenses	<u>\$ 42,711,365</u>	<u>\$ 13,251,079</u>	<u>\$ 55,962,444</u>

NOTE 9 EMPLOYEE BENEFIT PLAN

The Company offers defined contribution plans for all eligible employees of the system. The plans require each entity to match certain percentages of employee voluntary contributions based upon years of service. Pension expense for RiverWoods Exeter was \$223,539 and \$215,144 for the years ended June 30, 2020 and 2019, respectively. Pension expense for Birch Hill was \$39,424 and \$34,596 for the years ended June 30, 2020 and 2019, respectively. Pension expense for the RiverWoods Group was \$46,827 and \$31,761 for the years ended June 30, 2020 and 2019, respectively. Pension expense for RiverWoods Durham was \$18,767 for the year ended June 30, 2020.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts at commercial banks. The cash balances in each bank are insured by the FDIC up to certain dollar limitations. The concentration of credit risk varies with the funds held in the accounts and fluctuates based on available balances during the year.

The Company grants credit without collateral to its residents. The Company requires third-party insurance for those residents receiving health care services. The mix of receivables from patients and third-party payors at June 30 was as follows:

	2020	2019
Medicare and Supplemental Insurance	39%	38%
Residents and Other Accounts Receivable	61%	62%
Total	100%	100%

NOTE 11 RELATED PARTY

During fiscal year ended June 30, 2020, RiverWoods Exeter paid TRWG management and development fees of \$1,245,000 and incurred expenses that TRWG reimbursed of \$73,296; both of which were eliminated in consolidation. During fiscal year ended June 30, 2019, RiverWoods Exeter paid TRWG management and development fees of \$1,206,000 and incurred expenses that TRWG reimbursed of \$73,000; both of which were eliminated in consolidation. During fiscal years ended June 30, 2020 and 2019, RiverWoods Exeter paid TRWG information technology fees of \$519,000 and \$452,003, respectively, which were eliminated in consolidation.

During fiscal years ended June 30, 2020 and 2019, RiverWoods Exeter incurred marketing expenses of \$46,943 and \$5,518, respectively, which RiverWoods Durham reimbursed and which were eliminated in consolidation.

During fiscal years ended June 30, 2020 and 2019, Birch Hill paid TRWG management and development fees of \$327,096 and \$352,083, respectively, which were eliminated in consolidation. During fiscal years ended June 30, 2020 and 2019, Birch Hill paid TRWG information technology fees of \$163,548 and \$152,001, respectively, which were eliminated in consolidation.

On July 8, 2016, Birch Hill entered into an equity support agreement with TRWG, for a \$2,000,000 subordinated loan, with the availability of an additional \$3,000,000, if needed. This agreement provides liquidity support as required under the People's United Muni Finance Corp and People's United Bank, National Association lending agreement. Principal may be repaid upon the latter of i) July 8, 2021, or ii) satisfaction of certain financial benchmarks as defined in the Financial Support Agreement. Interest at 3% is paid in monthly installments. All unpaid principal and accrued interest must be repaid by July 8, 2026. The amount outstanding on the loan at June 30, 2020 and 2019 is \$2,000,000. Birch Hill paid TRWG \$60,000 in interest on the loan during each of the years ended June 30, 2020 and 2019, respectively. These amounts are eliminated in consolidation.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 RELATED PARTY (CONTINUED)

On June 25, 2019, Birch Hill entered into a loan agreement with TRWG in the amount of \$1,700,000 that can be drawn upon at an interest rate of 0%. The agreement is intended to allow Birch Hill to be able to meet certain financial covenants contained in the bond purchase agreement from July 2016 with the New Hampshire Health and Education Facility for \$12,680,000 Revenue Bonds, Series 2016. Principal outstanding on the loan will be repaid in thirty-six equal installments beginning August 1, 2025. The amount outstanding on the loan at June 30, 2020 is \$495,000 and is eliminated in consolidation.

During fiscal years ended June 30, 2020 and 2019, RiverWoods Durham paid TRWG management and development fees of \$316,903 and \$240,000, respectively, which were eliminated in consolidation. During fiscal years ended June 30, 2020 and 2019, RiverWoods Durham paid TRWG information technology fees of \$150,000 and \$-0-, respectively, which were eliminated in consolidation.

On May 1, 2018, TRWG entered into two guaranty agreements to support the financing of the RiverWoods Durham project. Under the terms of the first of these agreements (Completion and Performance), TRWG agreed to provide an unlimited guarantee for the construction and completion of the RWD project. Under the terms of the second guaranty agreement (Payment and Performance), following project completion, the TRWG guarantee of RWD's bond and swap payment obligations is limited to \$4,500,000. Once the project reaches stabilization (as defined in the Payment and Performance Guaranty), the guaranty agreement is to be amended and restated. Following that amendment and restatement, TRWG's obligations become nonrecourse to it unless one of certain defined events should occur.

During fiscal year ended June 30, 2018, RiverWoods Exeter loaned \$12,100,000 to RiverWoods Durham in a subordinated note arrangement pursuant to the RiverWoods Durham Series 2018 A and B financing discussed in Note 5. Interest on the obligation is 10% simple interest annually and will be paid upon the date of maturity. Principal may be repaid upon the satisfaction of certain financial benchmarks as defined in the Financial Support Agreement. RiverWoods Exeter recognized \$1,106,680 and \$1,210,000 in interest income as of June 30, 2020 and 2019, respectively, on this arrangement. RiverWoods Exeter has \$2,417,514 and \$1,310,833 of accrued interest receivable at June 30, 2020 and 2019, respectively, pursuant to this arrangement. RiverWoods Durham recognized \$1,106,680 and \$1,210,000 of capitalized interest as of June 30, 2020 and 2019, respectively, on this arrangement. RiverWoods Durham has \$2,417,514 and \$1,310,833 of accrued interest payable at June 30, 2020 and 2019, respectively, pursuant to this arrangement. All unpaid principal and accrued interest must be repaid by June 1, 2048. All such amounts were eliminated in consolidation. On March 27, 2020, RiverWoods Durham paid \$4,033,333 of principal to RiverWoods Exeter, leaving a principal balance of \$8,066,667 outstanding at June 30, 2020, which is eliminated in consolidation.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 RELATED PARTY (CONTINUED)

A benefit of a system is the ability to share knowledge and resources across the entities. For the Company's System, this typically includes shared staffing and employee benefits, supplies and personal protective equipment, and management fees. The accounts are reconciled on a monthly basis.

The amounts due (to)/from the entities that are eliminated in consolidation are comprised of the following at June 30, 2020:

	RiverWoods Durham	TRWG	Birch Hill	RiverWoods Exeter	Total
Due to TRWG	\$ (59,614)	\$ -	\$ (25,337)	\$ -	\$ (84,951)
Due to RiverWoods Exeter	-	(44,756)	(155,265)	-	(200,021)
Due to RiverWoods Durham	-	-	(18,864)	(20,661)	(39,525)
Due from RiverWoods Durham	-	59,614	-	-	59,614
Due from RiverWoods Exeter	20,661	-	-	-	20,661
Due from Birch Hill	18,864	25,337	-	155,265	199,466
Due from TRWG	-	-	-	44,756	44,756
Total	<u>\$ (20,089)</u>	<u>\$ 40,195</u>	<u>\$ (199,466)</u>	<u>\$ 179,360</u>	<u>\$ -</u>

The amounts due (to)/from the entities that are eliminated in consolidation are comprised of the following at June 30, 2019:

	RiverWoods Durham	TRWG	Birch Hill	RiverWoods Exeter	Total
Due to TRWG	\$ (54,502)	\$ -	\$ (4,120)	\$ -	\$ (58,622)
Due to RiverWoods Exeter	(61,816)	(11,829)	(13,498)	-	(87,143)
Due from RiverWoods Durham	-	54,502	-	61,816	116,318
Due from Birch Hill	-	4,120	-	13,498	17,618
Due from TRWG	-	-	-	11,829	11,829
Total	<u>\$ (116,318)</u>	<u>\$ 46,793</u>	<u>\$ (17,618)</u>	<u>\$ 87,143</u>	<u>\$ -</u>

NOTE 12 INSURANCE

Effective October 23, 2014, RiverWoods Exeter began participating in an insurance risk retention group, the Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), a group insurance captive corporation licensed by the state of Illinois, to cover basic professional and general liability insurance on a claims-made basis. RiverWoods Exeter has a 0.71% subscriber interest in the CCrRRG Reciprocal.

NOTE 13 CONTINGENCIES AND COMMITMENTS

Boulders Campus

As a condition of site plan approval for its third campus, The Boulders, RiverWoods Exeter agreed to provide land and funds for the Town of Exeter, New Hampshire to put towards the construction of a future fire substation. During the fiscal year ending June 30, 2011, RiverWoods Exeter provided the funds as per the agreement. No land has been contributed at this time.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Litigation

The Company occasionally finds itself as a defendant in legal suits that develop in the normal course of its activities. Although it is impossible to determine the ultimate resolution of matters that remain unresolved at this time, the Company does not anticipate that there will be any material effect on these consolidated financial statements as a result of any action presently in progress.

Industry Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government statutes.

RiverWoods Durham

The RWD Health Center, which includes the assisted living, memory support and skilled nursing units as well as associated common areas, is expected to open in August 2020. The construction project is expected to be closed out in November 2020.

NOTE 14 COVID-19 AND GOVERNMENT GRANT INCOME

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has impacted various parts of its operations for the year ended June 30, 2020 and financial results including but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of health care and other personnel, and loss of revenue due to reductions in certain revenue streams. Management believes the Company is taking appropriate actions to mitigate the negative impact of this pandemic.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 14 COVID-19 AND GOVERNMENT GRANT INCOME (CONTINUED)

On March 27, 2020, United States Congress appropriated funding to reimburse eligible health care providers for health care related expenses or lost revenues attributable to coronavirus. During the year ended June 30, 2020, the Company, specifically RiverWoods Exeter, received \$962,444 of payment distributions administered by the U.S. Department of Health and Human Services (HSS) agency, Health Resources and Services Administration (HRSA), under the Provider Relief Fund (PRF) program, funded through appropriations in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Retention and use of these funds are subject to certain terms and conditions under this program and payments are not required to be paid back if all terms and conditions are met.

As of June 30, 2020, the Company recognized into income from operations \$544,107 of the total distributions received. Of this amount, \$489,289 was utilized for payroll and non-payroll related expenditures. The remainder of \$54,818 was attributable to lost revenues due to the ongoing pandemic. The balance of \$418,337 is recorded as a liability on the consolidated statement of financial position and will be applied to ongoing eligible reimbursable expenditures and lost revenues. Any unused portion will be returned to the administering agencies.

NOTE 15 SUBSEQUENT EVENTS

On August 1, 2020, TRWG extended the terms of its revolving credit loan with TD Bank, NA. The loan provides for up to \$7,000,000 of credit and is collateralized by certain cash and investments of TRWG. The maturity date has been extended to February 28, 2023.

On July 1, 2020, Birch Hill was granted permission to forego principal payments for July, August, and September of 2020. These three payments were deferred and must be repaid by June 30, 2022. The current portion of debt as of June 30, 2020 was reduced to reflect the nine months of principal payments to be paid in fiscal year 2021. The regularly scheduled principal payments to be made in fiscal year 2022 now include these three deferred payments.

In July 2020, RWE and BH received \$114,000 and \$212,500, respectively, from the State of NH Governor's Office for Emergency Relief and Recovery's (GOFERR) LTC Provider Relief Program. These funds will be utilized to offset payroll and non-payroll related expenditures as well as lost revenues related to the ongoing pandemic.

In August 2020, RWE received \$123,100 from the HSS agency, HRSA, under the PRF program funded through appropriations in the CARES Act. Retention and use of these funds are subject to certain terms and conditions under this program and payments are not required to be paid back if all terms and conditions are met.

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 884,745	\$ 8,307,172	\$ 3,429,416	\$ 15,271,262	\$ 27,892,595	\$ -	\$ 27,892,595
Assets Limited as to Use - Other	-	60,901	-	-	60,901	-	60,901
Entrance Fees and Accounts Receivable, Net	-	954,883	298,305	1,090,960	2,344,148	-	2,344,148
Inventories	266,871	216,971	11,339	25,456	520,637	-	520,637
Prepaid Expenses and Other Current Assets	25,111	875,270	105,836	85,537	1,091,754	-	1,091,754
Intercompany	2,535,195	179,360	-	-	2,714,555	(2,714,555)	-
Accrued Interest Receivable	1,236	2,573,338	1,961	19,599	2,596,134	(2,417,541)	178,593
Total Current Assets	<u>3,713,158</u>	<u>13,167,895</u>	<u>3,846,857</u>	<u>16,492,814</u>	<u>37,220,724</u>	<u>(5,132,096)</u>	<u>32,088,628</u>
ASSETS LIMITED AS TO USE							
Other Restricted Funds	-	1,237,492	-	-	1,237,492	-	1,237,492
Endowment Funds	-	676,638	4,069,036	-	4,745,674	-	4,745,674
Total Assets Limited as to Use	<u>-</u>	<u>1,914,130</u>	<u>4,069,036</u>	<u>-</u>	<u>5,983,166</u>	<u>-</u>	<u>5,983,166</u>
PROPERTY, PLANT, AND EQUIPMENT							
Land and Land Improvements	-	10,886,380	6,178,997	2,606,602	19,671,979	-	19,671,979
Building and Improvements	-	167,729,226	50,293,491	73,229,090	291,251,807	-	291,251,807
Furniture and Equipment	74,563	12,481,467	4,449,617	3,118,739	20,124,386	-	20,124,386
Projects in Process - RiverWoods Durham	-	-	-	21,592,768	21,592,768	-	21,592,768
Projects in Process	-	5,059,687	243,455	-	5,303,142	-	5,303,142
Total	<u>74,563</u>	<u>196,156,760</u>	<u>61,165,560</u>	<u>100,547,199</u>	<u>357,944,082</u>	<u>-</u>	<u>357,944,082</u>
Less: Accumulated Depreciation	(12,483)	(94,363,052)	(25,461,557)	(1,613,457)	(121,450,549)	-	(121,450,549)
Total Property, Plant, and Equipment	<u>62,080</u>	<u>101,793,708</u>	<u>35,704,003</u>	<u>98,933,742</u>	<u>236,493,533</u>	<u>-</u>	<u>236,493,533</u>
OTHER ASSETS							
Investments	8,222,491	60,108,967	5,779,877	14,320,454	88,431,789	-	88,431,789
Notes Receivable	-	8,066,667	-	-	8,066,667	(8,066,667)	-
Benevolent Fund - Unrestricted Portion	-	781,174	318,427	-	1,099,601	-	1,099,601
Other Assets	-	266,150	-	-	266,150	-	266,150
Deferred Marketing Costs	-	208,566	-	4,272,096	4,480,662	-	4,480,662
Total Other Assets	<u>8,222,491</u>	<u>69,431,524</u>	<u>6,098,304</u>	<u>18,592,550</u>	<u>102,344,869</u>	<u>(8,066,667)</u>	<u>94,278,202</u>
Total Assets	<u>\$ 11,997,729</u>	<u>\$ 186,307,257</u>	<u>\$ 49,718,200</u>	<u>\$ 134,019,106</u>	<u>\$ 382,042,292</u>	<u>\$ (13,198,763)</u>	<u>\$ 368,843,529</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020**

LIABILITIES AND NET ASSETS (DEFICIENCY)	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT LIABILITIES							
Current Portion of Long-Term Debt	\$ -	\$ 2,035,000	\$ 809,010	\$ -	\$ 2,844,010	\$ -	\$ 2,844,010
Accounts Payable and Accrued Expenses	56,950	1,363,856	902,604	1,530,882	3,854,292	-	3,854,292
Deferred Revenue Liability	-	418,337	-	-	418,337	-	418,337
Accrued Salaries, Wages, and Related Taxes	290,104	1,452,063	414,736	251,410	2,408,313	-	2,408,313
Accrued Interest Payable	-	63,906	18,111	2,417,514	2,499,531	(2,417,541)	81,990
Intercompany	-	-	2,694,466	20,089	2,714,555	(2,714,555)	-
Total Current Liabilities	<u>347,054</u>	<u>5,333,162</u>	<u>4,838,927</u>	<u>4,219,895</u>	<u>14,739,038</u>	<u>(5,132,096)</u>	<u>9,606,942</u>
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEFERRED FINANCING COSTS	-	50,512,484	8,871,403	44,496,721	103,880,608	-	103,880,608
SUBORDINATED NOTES PAYABLE	-	-	-	8,066,667	8,066,667	(8,066,667)	-
OBLIGATION UNDER INTEREST RATE SWAP AGREEMENT, NET	-	1,393,867	259,001	7,233,197	8,886,065	-	8,886,065
FUTURE RESIDENTS' DEPOSITS	-	14,941,550	95,900	258,940	15,296,390	-	15,296,390
REFUNDABLE ENTRANCE FEE LIABILITY	-	164,319,671	12,467,271	66,094,350	242,881,292	-	242,881,292
DEFERRED REVENUE FROM ENTRANCE FEES	-	21,051,276	9,845,361	11,839,635	42,736,272	-	42,736,272
Total Liabilities	347,054	257,552,010	36,377,863	142,209,405	436,486,332	(13,198,763)	423,287,569
NET ASSETS (DEFICIT)							
Without Donor Restrictions	11,650,675	(72,577,124)	9,285,872	(8,190,700)	(59,831,277)	-	(59,831,277)
With Donor Restrictions	-	1,332,371	4,054,465	401	5,387,237	-	5,387,237
Total Net Assets (Deficit)	<u>11,650,675</u>	<u>(71,244,753)</u>	<u>13,340,337</u>	<u>(8,190,299)</u>	<u>(54,444,040)</u>	<u>-</u>	<u>(54,444,040)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 11,997,729</u>	<u>\$ 186,307,257</u>	<u>\$ 49,718,200</u>	<u>\$ 134,019,106</u>	<u>\$ 382,042,292</u>	<u>\$ (13,198,763)</u>	<u>\$ 368,843,529</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
YEAR ENDED JUNE 30, 2020**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
REVENUE							
Residential Service Fees	\$ -	\$ 25,992,227	\$ 5,579,581	\$ 3,899,700	\$ 35,471,508	\$ -	\$ 35,471,508
Earned Entrance Fees	-	3,361,464	2,216,976	651,315	6,229,755	-	6,229,755
Health Center Fees	-	7,481,388	4,806,096	-	12,287,484	-	12,287,484
Management, Development, and IT Fees	2,721,547	-	-	-	2,721,547	(2,721,547)	-
Other Operating Revenue	-	189,362	58,655	(32,504)	215,513	-	215,513
Investment Income, Net of Fees	242,885	3,042,461	94,911	25,024	3,405,281	(60,000)	3,345,281
Government Grant Income	-	544,107	-	-	544,107	-	544,107
Net Assets Released from Restrictions	-	331,248	250,103	-	581,351	-	581,351
Total Revenue	2,964,432	40,942,257	13,006,322	4,543,535	61,456,546	(2,781,547)	58,674,999
EXPENSES							
General and Administrative	3,643,808	10,484,785	4,731,211	2,408,212	21,268,016	(2,721,547)	18,546,469
Resident Services	-	1,851,482	366,337	338,736	2,556,555	-	2,556,555
Dining Services	-	5,189,321	1,585,452	1,062,095	7,836,868	-	7,836,868
Nursing Services	-	8,560,711	2,915,019	554,297	12,030,027	-	12,030,027
Environmental Services	-	4,975,720	1,237,127	756,896	6,969,743	-	6,969,743
Facility Costs and Utilities	47,004	4,633,462	814,382	560,287	6,055,135	-	6,055,135
Depreciation and Amortization	11,295	6,818,477	2,922,477	1,816,891	11,569,140	-	11,569,140
Interest	-	1,421,345	316,013	119,958	1,857,316	(60,000)	1,797,316
Total Expenses	3,702,107	43,935,303	14,888,018	7,617,372	70,142,800	(2,781,547)	67,361,253
LOSS FROM OPERATIONS	(737,675)	(2,993,046)	(1,881,696)	(3,073,837)	(8,686,254)	-	(8,686,254)
NONOPERATING GAINS AND LOSSES							
Contributions	231,007	7,641	1,891	-	240,539	-	240,539
Change in Charitable Gift Annuity Liability	-	(19,588)	-	-	(19,588)	-	(19,588)
Changes in Net Unrealized Gains (Losses) on Equity Investments	(227,396)	(3,459,845)	(212,007)	226,251	(3,672,997)	-	(3,672,997)
Gains on Sales of Assets and Investments	216,153	2,836,439	216,759	787	3,270,138	-	3,270,138
Total Nonoperating Gains and Losses	219,764	(635,353)	6,643	227,038	(181,908)	-	(181,908)
DEFICIT OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	(517,911)	(3,628,399)	(1,875,053)	(2,846,799)	(8,868,162)	-	(8,868,162)

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY) (CONTINUED)
YEAR ENDED JUNE 30, 2020**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
DEFICIT OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ (517,911)	\$ (3,628,399)	\$ (1,875,053)	\$ (2,846,799)	\$ (8,868,162)	\$ -	\$ (8,868,162)
OTHER CHANGES IN ASSETS WITHOUT DONOR RESTRICTIONS							
Change in the Fair Value of Interest Rate Swap Agreements	-	(1,004,636)	(396,485)	(3,578,330)	(4,979,451)	-	(4,979,451)
Changes in Net Unrealized Gains (Losses) on Non-Equity Investments	(30,380)	382,309	(58,050)	87,440	381,319	-	381,319
Total Other Changes in Net Assets Without Donor Restrictions	(30,380)	(622,327)	(454,535)	(3,490,890)	(4,598,132)	-	(4,598,132)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(548,291)	(4,250,726)	(2,329,588)	(6,337,689)	(13,466,294)	-	(13,466,294)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS							
Contributions	-	445,640	34,166	401	480,207	-	480,207
Changes in Net Realized and Unrealized Gains (Losses) on Investments	-	-	(11,734)	-	(11,734)	-	(11,734)
Net Assets Released from Restrictions	-	(331,248)	(250,103)	-	(581,351)	-	(581,351)
Changes in Net Assets With Donor Restrictions	-	114,392	(227,671)	401	(112,878)	-	(112,878)
CHANGE IN NET ASSETS (DEFICIENCY)	(548,291)	(4,136,334)	(2,557,259)	(6,337,288)	(13,579,172)	-	(13,579,172)
Net Assets (Deficiency) – Beginning of Year	12,198,966	(67,108,419)	15,897,596	(1,853,011)	(40,864,868)	-	(40,864,868)
NET ASSETS (DEFICIT) – END OF YEAR	<u>\$ 11,650,675</u>	<u>\$ (71,244,753)</u>	<u>\$ 13,340,337</u>	<u>\$ (8,190,299)</u>	<u>\$ (54,444,040)</u>	<u>\$ -</u>	<u>\$ (54,444,040)</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets (Deficiency)	\$ (548,291)	\$ (4,136,334)	\$ (2,557,259)	\$ (6,337,288)	\$ (13,579,172)	\$ -	\$ (13,579,172)
Adjustments to Reconcile Change in Net Assets (Deficiency) to Net Cash Provided (Used) by Operating Activities:							
Proceeds from Entrance Fees	-	13,586,000	6,937,625	1,099,700	21,623,325	-	21,623,325
Noncash Items Included in Change in Net Assets (Deficiency):							
Amortization of Deferred Entrance Fee Revenue	-	(3,361,464)	(2,216,976)	(651,315)	(6,229,755)	-	(6,229,755)
Depreciation and Amortization	11,295	6,818,477	2,922,477	1,816,891	11,569,140	-	11,569,140
Amortization of Bond Issuance Costs	-	55,645	24,343	119,958	199,946	-	199,946
Loss on Disposal of Equipment	-	6,706	3,703	-	10,409	-	10,409
Change in Interest Rate Swap Agreements	-	1,004,636	396,485	3,578,330	4,979,451	-	4,979,451
Unrealized (Gains) Losses on Investments, Net	(257,776)	(3,077,536)	(270,057)	313,691	(3,291,678)	-	(3,291,678)
(Increase) Decrease in Assets:							
Accounts Receivable	-	(107,328)	58,444	(19,418)	(68,302)	-	(68,302)
Other Receivables	6,598	-	-	-	6,598	-	6,598
Entrance Fees Receivable	-	-	(295,050)	(1,071,542)	(1,366,592)	-	(1,366,592)
Inventories	(266,871)	32,541	5,788	(25,456)	(253,998)	-	(253,998)
Prepaid Expenses and Other Assets	(18,322)	(274,468)	(13,896)	(85,537)	(392,223)	-	(392,223)
Accrued Interest Receivable	5,228	(1,075,202)	4,478	(19,599)	(1,085,095)	-	(1,085,095)
Increase (Decrease) in Liabilities:							
Accounts Payable and Accrued Expenses	10,197	409,743	1,435	1,527,081	1,948,456	-	1,948,456
Accrued Salaries, Wages, and Related Taxes	37,472	346,631	12,560	214,750	611,413	-	611,413
Accrued Interest Payable and Other Liabilities	-	(238,500)	181,330	1,010,452	953,282	-	953,282
Net Cash Provided (Used) by Operating Activities	(1,020,470)	9,989,547	5,195,430	1,470,698	15,635,205	-	15,635,205
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of Property and Equipment	(42,820)	(6,613,155)	(1,618,162)	(59,462,649)	(67,736,786)	-	(67,736,786)
(Increase) Decrease in Investments	1,541,797	5,564,375	(70,849)	(14,634,145)	(7,598,822)	-	(7,598,822)
Decrease in Notes Receivable	-	4,033,333	-	-	4,033,333	(4,033,333)	-
Increase in Assets Limited as to Use	-	(25,306)	-	-	(25,306)	-	(25,306)
(Increase) Decrease in Other Restricted Funds	-	(363,908)	641,775	-	277,867	-	277,867
(Increase) Decrease in Benevolent Fund	-	182,643	(32,310)	-	150,333	-	150,333
Net Cash Provided (Used) by Investing Activities	1,498,977	2,777,982	(1,079,546)	(74,096,794)	(70,899,381)	(4,033,333)	(74,932,714)

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM FINANCING ACTIVITIES							
Payment of Long-Term Debt	\$ -	\$ (1,935,000)	\$ (1,043,497)	\$ (45,400,000)	\$ (48,378,497)	\$ -	(48,378,497)
Payment of Subordinated Note	-	-	-	(4,033,333)	(4,033,333)	4,033,333	-
Proceeds from Long-Term Debt	-	-	-	63,805,460	63,805,460	-	63,805,460
Payment of Deferred Financing Costs	-	-	-	(65,594)	(65,594)	-	(65,594)
Increase (Decrease) in Residents' Deposits	-	(1,025,665)	65,893	(168,228)	(1,128,000)	-	(1,128,000)
Payment of Deferred Marketing Costs	-	-	-	(4,475,530)	(4,475,530)	-	(4,475,530)
Proceeds from Entrance Fees - Initial Sales	-	-	-	78,073,500	78,073,500	-	78,073,500
Refunds of Entrance Fees	-	(9,438,182)	(760,929)	(587,900)	(10,787,011)	-	(10,787,011)
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(12,398,847)</u>	<u>(1,738,533)</u>	<u>87,148,375</u>	<u>73,010,995</u>	<u>4,033,333</u>	<u>77,044,328</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	478,507	368,682	2,377,351	14,522,279	17,746,819	-	17,746,819
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>406,238</u>	<u>8,125,957</u>	<u>1,363,939</u>	<u>748,983</u>	<u>10,645,117</u>	<u>-</u>	<u>10,645,117</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 884,745</u>	<u>\$ 8,494,639</u>	<u>\$ 3,741,290</u>	<u>\$ 15,271,262</u>	<u>\$ 28,391,936</u>	<u>\$ -</u>	<u>\$ 28,391,936</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Cash Paid for Interest	<u>\$ -</u>	<u>\$ 1,439,811</u>	<u>\$ 317,138</u>	<u>\$ 1,891,004</u>	<u>\$ 1,756,949</u>	<u>\$ -</u>	<u>\$ 3,647,953</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 406,238	\$ 7,694,729	\$ 1,189,856	\$ 748,983	\$ 10,039,806	\$ -	\$ 10,039,806
Assets Limited as to Use - Other	-	35,595	-	-	35,595	-	35,595
Entrance Fees and Accounts Receivable, Net	-	847,555	61,699	-	909,254	-	909,254
Inventories	-	249,512	17,127	-	266,639	-	266,639
Prepaid Expenses and Other Current Assets	6,789	726,905	91,940	-	825,634	-	825,634
Intercompany	2,541,793	87,143	-	-	2,628,936	(2,628,936)	-
Accrued Interest Receivable	6,464	1,498,136	6,439	-	1,511,039	(1,310,833)	200,206
Total Current Assets	<u>2,961,284</u>	<u>11,139,575</u>	<u>1,367,061</u>	<u>748,983</u>	<u>16,216,903</u>	<u>(3,939,769)</u>	<u>12,277,134</u>
ASSETS LIMITED AS TO USE							
Other Restricted Funds	-	1,140,554	-	-	1,140,554	-	1,140,554
Endowment Funds	-	653,429	4,302,963	-	4,956,392	-	4,956,392
Total Assets Limited as to Use	<u>-</u>	<u>1,793,983</u>	<u>4,302,963</u>	<u>-</u>	<u>6,096,946</u>	<u>-</u>	<u>6,096,946</u>
PROPERTY, PLANT, AND EQUIPMENT							
Land and Land Improvements	-	10,631,491	6,100,724	1,481,853	18,214,068	-	18,214,068
Building and Improvements	-	164,595,022	49,061,656	-	213,656,678	-	213,656,678
Furniture and Equipment	19,323	11,787,531	4,118,008	-	15,924,862	-	15,924,862
Projects in Process - RiverWoods Durham	-	-	-	39,603,147	39,603,147	-	39,603,147
Projects in Process	12,419	2,598,077	277,305	-	2,887,801	-	2,887,801
Total	<u>31,742</u>	<u>189,612,121</u>	<u>59,557,693</u>	<u>41,085,000</u>	<u>290,286,556</u>	<u>-</u>	<u>290,286,556</u>
Less: Accumulated Depreciation	<u>(1,187)</u>	<u>(87,884,473)</u>	<u>(22,545,672)</u>	<u>-</u>	<u>(110,431,332)</u>	<u>-</u>	<u>(110,431,332)</u>
Total Property, Plant, and Equipment	<u>30,555</u>	<u>101,727,648</u>	<u>37,012,021</u>	<u>41,085,000</u>	<u>179,855,224</u>	<u>-</u>	<u>179,855,224</u>
OTHER ASSETS							
Investments	9,506,512	62,595,806	5,709,028	-	77,811,346	-	77,811,346
Notes Receivable	-	12,100,000	-	-	12,100,000	(12,100,000)	-
Benevolent Fund - Unrestricted Portion	-	963,817	286,117	-	1,249,934	-	1,249,934
Other Assets	-	232,264	-	-	232,264	-	232,264
Deferred Marketing Costs	-	486,654	-	-	486,654	-	486,654
Total Other Assets	<u>9,506,512</u>	<u>76,378,541</u>	<u>5,995,145</u>	<u>-</u>	<u>91,880,198</u>	<u>(12,100,000)</u>	<u>79,780,198</u>
Total Assets	<u>\$ 12,498,351</u>	<u>\$ 191,039,747</u>	<u>\$ 48,677,190</u>	<u>\$ 41,833,983</u>	<u>\$ 294,049,271</u>	<u>\$ (16,039,769)</u>	<u>\$ 278,009,502</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019**

LIABILITIES AND NET ASSETS (DEFICIENCY)	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT LIABILITIES							
Current Portion of Long-Term Debt	\$ -	\$ 1,935,000	\$ 1,043,497	\$ -	\$ 2,978,497	\$ -	\$ 2,978,497
Accounts Payable and Accrued Expenses	46,753	1,372,450	683,251	4,251	2,106,705	-	2,106,705
Accrued Salaries, Wages, and Related Taxes	252,632	1,105,432	402,176	36,660	1,796,900	-	1,796,900
Accrued Interest Payable	-	138,017	18,629	1,310,833	1,467,479	(1,310,833)	156,646
Intercompany	-	-	2,512,618	116,318	2,628,936	(2,628,936)	-
Total Current Liabilities	299,385	4,550,899	4,660,171	1,468,062	10,978,517	(3,939,769)	7,038,748
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEFERRED FINANCING COSTS	-	52,491,839	9,656,070	26,036,897	88,184,806	-	88,184,806
SUBORDINATED NOTES PAYABLE	-	-	-	12,100,000	12,100,000	(12,100,000)	-
OBLIGATION UNDER INTEREST RATE SWAP AGREEMENT, NET	-	389,231	(137,484)	3,654,867	3,906,614	-	3,906,614
FUTURE RESIDENTS' DEPOSITS	-	15,958,215	30,007	427,168	16,415,390	-	16,415,390
REFUNDABLE ENTRANCE FEE LIABILITY	-	164,577,642	10,096,669	-	174,674,311	-	174,674,311
DEFERRED REVENUE FROM ENTRANCE FEES	-	20,180,340	8,474,161	-	28,654,501	-	28,654,501
Total Liabilities	299,385	258,148,166	32,779,594	43,686,994	334,914,139	(16,039,769)	318,874,370
NET ASSETS (DEFICIT)							
Without Donor Restrictions	12,198,966	(68,326,398)	11,615,460	(1,853,011)	(46,364,983)	-	(46,364,983)
With Donor Restrictions	-	1,217,979	4,282,136	-	5,500,115	-	5,500,115
Total Net Assets (Deficit)	12,198,966	(67,108,419)	15,897,596	(1,853,011)	(40,864,868)	-	(40,864,868)
Total Liabilities and Net Assets (Deficit)	\$ 12,498,351	\$ 191,039,747	\$ 48,677,190	\$ 41,833,983	\$ 294,049,271	\$ (16,039,769)	\$ 278,009,502

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
YEAR ENDED JUNE 30, 2019**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
REVENUE							
Residential Service Fees	\$ -	\$ 25,151,591	\$ 5,511,092	\$ -	\$ 30,662,683	\$ -	\$ 30,662,683
Earned Entrance Fees	-	3,070,285	1,764,563	-	4,834,848	-	4,834,848
Health Center Fees	-	7,650,284	5,070,194	-	12,720,478	-	12,720,478
Management, Development, and IT Fees	2,375,087	-	-	-	2,375,087	(2,375,087)	-
Other Operating Revenue	-	533,409	112,295	-	645,704	-	645,704
Investment Income, Net of Fees	260,825	2,669,554	94,500	-	3,024,879	(60,000)	2,964,879
Net Assets Released from Restrictions	-	233,639	233,782	-	467,421	-	467,421
Total Revenue	<u>2,635,912</u>	<u>39,308,762</u>	<u>12,786,426</u>	<u>-</u>	<u>54,731,100</u>	<u>(2,435,087)</u>	<u>52,296,013</u>
EXPENSES							
General and Administrative	2,621,760	9,724,587	4,480,394	151,709	16,978,450	(2,375,087)	14,603,363
Resident Services	-	1,903,392	327,396	-	2,230,788	-	2,230,788
Dining Services	-	4,861,148	1,615,694	36,958	6,513,800	-	6,513,800
Nursing Services	-	7,880,449	2,592,128	2,423	10,475,000	-	10,475,000
Environmental Services	-	4,911,527	1,078,701	1,964	5,992,192	-	5,992,192
Facility Costs and Utilities	34,687	4,007,325	820,351	2,593	4,864,956	-	4,864,956
Depreciation and Amortization	1,187	6,537,278	2,762,901	-	9,301,366	-	9,301,366
Interest	-	1,703,819	337,160	-	2,040,979	(60,000)	1,980,979
Total Expenses	<u>2,657,634</u>	<u>41,529,525</u>	<u>14,014,725</u>	<u>195,647</u>	<u>58,397,531</u>	<u>(2,435,087)</u>	<u>55,962,444</u>
LOSS FROM OPERATIONS	(21,722)	(2,220,763)	(1,228,299)	(195,647)	(3,666,431)	-	(3,666,431)
NONOPERATING GAINS AND LOSSES							
Contributions	-	28,050	1,845	-	29,895	-	29,895
Change in Charitable Gift Annuity Liability	-	(15,051)	-	-	(15,051)	-	(15,051)
Changes in Net Unrealized Gains (Losses) on Equity Investments	53,075	(3,649,048)	(106,295)	-	(3,702,268)	-	(3,702,268)
Gains on Sales of Assets and Investments	73,688	4,759,873	151,061	-	4,984,622	-	4,984,622
Total Nonoperating Gains and Losses	<u>126,763</u>	<u>1,123,824</u>	<u>46,611</u>	<u>-</u>	<u>1,297,198</u>	<u>-</u>	<u>1,297,198</u>
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	105,041	(1,096,939)	(1,181,688)	(195,647)	(2,369,233)	-	(2,369,233)

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY) (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ 105,041	\$ (1,096,939)	\$ (1,181,688)	\$ (195,647)	\$ (2,369,233)	\$ -	\$ (2,369,233)
OTHER CHANGES IN ASSETS WITHOUT DONOR RESTRICTIONS							
Change in the Fair Value of Interest Rate Swap Agreements	-	(680,599)	(418,236)	(3,253,210)	(4,352,045)	-	(4,352,045)
Changes in Net Unrealized Gains on Non-Equity Investments	187,120	1,157,544	282,917	-	1,627,581	-	1,627,581
Total Other Changes in Net Assets Without Donor Restrictions	187,120	476,945	(135,319)	(3,253,210)	(2,724,464)	-	(2,724,464)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	292,161	(619,994)	(1,317,007)	(3,448,857)	(5,093,697)	-	(5,093,697)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS							
Contributions	-	370,512	25,638	-	396,150	-	396,150
Changes in Net Realized and Unrealized Gains (Losses) on Investments	-	-	136,085	-	136,085	-	136,085
Net Assets Released from Restrictions	-	(233,639)	(233,782)	-	(467,421)	-	(467,421)
Changes in Net Assets With Donor Restrictions	-	136,873	(72,059)	-	64,814	-	64,814
CHANGE IN NET ASSETS (DEFICIENCY)	292,161	(483,121)	(1,389,066)	(3,448,857)	(5,028,883)	-	(5,028,883)
Net Assets (Deficiency) – Beginning of Year	11,906,805	(66,625,298)	17,286,662	1,595,846	(35,835,985)	-	(35,835,985)
NET ASSETS (DEFICIT) – END OF YEAR	<u>\$ 12,198,966</u>	<u>\$ (67,108,419)</u>	<u>\$ 15,897,596</u>	<u>\$ (1,853,011)</u>	<u>\$ (40,864,868)</u>	<u>\$ -</u>	<u>\$ (40,864,868)</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets (Deficiency)	\$ 292,161	\$ (483,121)	\$ (1,389,066)	\$ (3,448,857)	\$ (5,028,883)	\$ -	\$ (5,028,883)
Adjustments to Reconcile Change in Net Assets (Deficiency) to Net Cash Provided (Used) by Operating Activities:							
Proceeds from Entrance Fees	-	20,212,000	4,221,220	-	24,433,220	-	24,433,220
Noncash Items Included in Change in Net Assets (Deficiency):							
Amortization of Deferred Entrance Fee Revenue	-	(3,070,285)	(1,764,563)	-	(4,834,848)	-	(4,834,848)
Depreciation and Amortization	1,187	6,537,278	2,762,901	-	9,301,366	-	9,301,366
Amortization of Bond Issuance Costs	-	55,645	24,343	-	79,988	-	79,988
Loss on Disposal of Equipment	-	5,200	2,195	-	7,395	-	7,395
Change in Interest Rate Swap Agreements	-	680,599	418,236	3,253,210	4,352,045	-	4,352,045
Unrealized Losses on Investments, Net	240,195	2,491,504	-	-	2,731,699	-	2,731,699
(Increase) Decrease in Assets:							
Accounts Receivable	-	(60,691)	(24,089)	-	(84,780)	-	(84,780)
Other Receivables	(33,465)	-	-	-	(33,465)	-	(33,465)
Inventories	-	(31,130)	1,491	-	(29,639)	-	(29,639)
Prepaid Expenses and Other Assets	2,163	17,716	121,361	-	141,240	-	141,240
Accrued Interest Receivable	5,329	(1,228,036)	(857)	-	(1,223,564)	-	(1,223,564)
Increase (Decrease) in Liabilities:							
Accounts Payable and Accrued Expenses	(8,715)	(40,714)	(777,872)	7,878	(819,423)	-	(819,423)
Accrued Salaries, Wages, and Related Taxes	131,565	48,017	44,174	36,660	260,416	-	260,416
Accrued Interest Payable and Other Liabilities	-	46,362	13,595	101,192	161,149	-	161,149
Net Cash Provided (Used) by Operating Activities	<u>630,420</u>	<u>25,180,344</u>	<u>3,653,069</u>	<u>(49,917)</u>	<u>29,413,916</u>	<u>-</u>	<u>29,413,916</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of Property and Equipment	(31,742)	(5,315,597)	(2,765,343)	(29,007,620)	(37,120,302)	-	(37,120,302)
(Increase) Decrease in Investments	(7,565,445)	(3,506,058)	(216,222)	1,246,271	(10,041,454)	-	(10,041,454)
Increase in Notes Receivable	(495,000)	-	-	-	(495,000)	495,000	-
Decrease in Assets Limited as to Use	-	10,642	-	-	10,642	-	10,642
Increase in Other Restricted Funds	-	(72,142)	(790,156)	-	(862,298)	-	(862,298)
Increase in Benevolent Fund	-	(69,104)	(32,694)	-	(101,798)	-	(101,798)
Net Cash Used by Investing Activities	<u>(8,092,187)</u>	<u>(8,952,259)</u>	<u>(3,804,415)</u>	<u>(27,761,349)</u>	<u>(48,610,210)</u>	<u>495,000</u>	<u>(48,115,210)</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM FINANCING ACTIVITIES							
Payment of Long-Term Debt	\$ -	\$ (1,860,000)	\$ (1,018,920)	\$ -	\$ (2,878,920)	\$ -	\$ (2,878,920)
Proceeds from Loan	-	-	495,000	-	495,000	(495,000)	-
Proceeds from Long-Term Debt	-	-	-	27,839,953	27,839,953	-	27,839,953
Increase (Decrease) in Residents' Deposits	-	1,253,540	(120,810)	417,368	1,550,098	-	1,550,098
Refunds of Entrance Fees	-	(12,520,420)	(468,347)	-	(12,988,767)	-	(12,988,767)
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(13,126,880)</u>	<u>(1,113,077)</u>	<u>28,257,321</u>	<u>14,017,364</u>	<u>(495,000)</u>	<u>13,522,364</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(7,461,767)	3,101,205	(1,264,423)	446,055	(5,178,930)	-	(5,178,930)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>7,868,005</u>	<u>5,024,752</u>	<u>2,628,362</u>	<u>302,928</u>	<u>14,618,200</u>	<u>-</u>	<u>15,824,047</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 406,238</u>	<u>\$ 8,125,957</u>	<u>\$ 1,363,939</u>	<u>\$ 748,983</u>	<u>\$ 9,439,270</u>	<u>\$ -</u>	<u>\$ 10,645,117</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Cash Paid for Interest	<u>\$ -</u>	<u>\$ 1,640,976</u>	<u>\$ 256,840</u>	<u>\$ -</u>	<u>\$ 1,897,816</u>	<u>\$ -</u>	<u>\$ 1,897,816</u>

