

THE RIVERWOODS GROUP
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2021 AND 2020



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**THE RIVERWOODS GROUP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The RiverWoods Group
Exeter, New Hampshire

Report on the 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, 2021 and 2020, 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 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, 2021 and 2020, and the results of its operations, changes in its net assets (deficiency), and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, The RiverWoods Group adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. The new accounting standard clarifies how revenue is to be recognized and requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. 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, consolidating statements of operations and changes in net assets (deficiency), and consolidating statements of 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 1, 2021

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 43,369,933	\$ 27,892,595
Assets Limited as to Use – Other	69,243	60,901
Entrance Fees and Accounts Receivable, Net	887,799	2,344,148
Inventories	646,869	520,637
Prepaid Expenses and Other Current Assets	1,361,686	1,091,754
Accrued Interest Receivable	173,272	178,593
Total Current Assets	46,508,802	32,088,628
ASSETS LIMITED AS TO USE		
Other Restricted Funds	1,616,351	1,237,492
Endowment Funds	5,950,392	4,745,674
Total Assets Limited as to Use, Net	7,566,743	5,983,166
PROPERTY AND EQUIPMENT		
Land and Land Improvements	19,686,993	19,671,979
Buildings and Improvements	320,406,476	291,251,807
Furniture and Equipment	20,962,840	20,124,386
Projects in Process - RiverWoods Durham	91,605	21,592,768
Projects in Process	8,841,612	5,303,142
Total	369,989,526	357,944,082
Less: Accumulated Depreciation	(134,432,093)	(121,450,549)
Total Property and Equipment, Net	235,557,433	236,493,533
OTHER ASSETS		
Investments	101,920,900	88,431,789
Benevolent Fund - Unrestricted Portion	1,141,623	1,099,601
Other Assets	232,701	266,150
Deferred Marketing Costs	798,619	4,480,662
Total Other Assets	104,093,843	94,278,202
Total Assets	\$ 393,726,821	\$ 368,843,529

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2021 AND 2020

LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 3,488,737	\$ 2,844,010
Accounts Payable and Accrued Expenses	4,068,792	3,854,292
Deferred Revenue Liability	-	418,337
Accrued Salaries, Wages, and Related Taxes	2,243,902	2,408,313
Accrued Interest Payable	<u>67,007</u>	<u>81,990</u>
Total Current Liabilities	9,868,438	9,606,942
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEFERRED FINANCING COSTS	107,392,462	103,880,608
OBLIGATION UNDER INTEREST RATE SWAP AGREEMENT, NET	5,751,008	8,886,065
FUTURE RESIDENTS' DEPOSITS	22,374,030	15,296,390
REFUNDABLE ENTRANCE FEE LIABILITY	255,536,403	242,911,922
DEFERRED REVENUE FROM ENTRANCE FEES	<u>44,214,235</u>	<u>42,705,642</u>
Total Liabilities	445,136,576	423,287,569
NET ASSETS (DEFICIENCY)		
Without Donor Restrictions	(57,957,048)	(59,895,250)
With Donor Restrictions	<u>6,547,293</u>	<u>5,451,210</u>
Total Net Assets (Deficiency)	<u>(51,409,755)</u>	<u>(54,444,040)</u>
Total Liabilities and Net Assets (Deficiency)	<u>\$ 393,726,821</u>	<u>\$ 368,843,529</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, 2021 AND 2020

	2021	2020
REVENUES		
Residential Service Fees	\$ 42,378,247	\$ 35,403,320
Earned Entrance Fees	5,474,604	6,229,755
Health Center Fees	11,959,563	12,287,484
Other Operating Revenue	(190,947)	283,701
Investment Income, Net of Fees	2,200,851	2,234,146
Government Grant Income	2,372,462	544,107
Net Assets Released from Restrictions	660,426	581,351
Total Revenues	64,855,206	57,563,864
EXPENSES		
General and Administrative	22,827,365	18,546,469
Resident Services	2,834,392	2,556,555
Dining Services	7,760,197	7,836,868
Nursing Services	14,008,290	12,030,027
Environmental Services	7,413,122	6,969,743
Facility Costs and Utilities	7,303,766	6,055,135
Depreciation and Amortization	13,200,894	11,569,140
Interest	3,687,733	690,636
Total Expenses	79,035,759	66,254,573
LOSS FROM OPERATIONS	(14,180,553)	(8,690,709)
NONOPERATING GAINS AND LOSSES		
Contributions	289,145	240,539
Change in Charitable Gift Annuity Liability	(32,480)	(19,588)
Changes in Net Unrealized Gains (Losses) on Equity Investments	14,622,516	(3,672,997)
Gains on Sales of Assets and Investments	1,199,719	3,270,138
Total Nonoperating Gains and Losses	16,078,900	(181,908)
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	1,898,347	(8,872,617)

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ 1,898,347	\$ (8,872,617)
OTHER CHANGES NET ASSETS WITHOUT DONOR RESTRICTIONS		
Change in the Fair Value of Interest Rate Swap Agreements	3,135,057	(4,979,451)
Other Non-Operating Revenue	632,598	-
Changes in Net Unrealized Gains on Non-Equity Investments	(129,822)	385,774
Total Other Changes in Net Assets Without Donor Restrictions	<u>3,637,833</u>	<u>(4,593,677)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	5,536,180	(13,466,294)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	535,973	480,207
Changes in Net Unrealized Gains (Losses) on Investments	1,220,536	(11,734)
Net Assets Released from Restrictions	(660,426)	(581,351)
Changes in Net Assets With Donor Restrictions	<u>1,096,083</u>	<u>(112,878)</u>
CHANGE IN NET ASSETS (DEFICIENCY)	6,632,263	(13,579,172)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(3,597,978)	-
Net Assets (Deficiency) – Beginning of Year	<u>(54,444,040)</u>	<u>(40,864,868)</u>
NET ASSETS (DEFICIENCY) – END OF YEAR	<u>\$ (51,409,755)</u>	<u>\$ (54,444,040)</u>

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets (Deficiency)	\$ 6,632,263	\$ (13,579,172)
Adjustments to Reconcile Change in Net Assets (Deficiency) to Net Cash Provided by Operating Activities:		
Proceeds from Entrance Fees	35,092,200	21,623,325
Noncash Items Included in Change in Net Assets (Deficiency):		
Amortization of Deferred Entrance Fee Revenue	(5,474,604)	(6,229,755)
Depreciation and Amortization	13,200,894	11,569,140
Amortization of Bond Issuance Costs	319,905	199,946
Loss on Disposal of Equipment	139,036	10,409
Change in Interest Rate Swap Agreements	(3,135,057)	4,979,451
Unrealized (Gains) Losses on Investments, Net	(14,492,694)	3,291,678
(Increase) Decrease in Assets:		
Accounts Receivable	177,507	(68,302)
Other Receivables	(545,473)	6,598
Entrance Fees Receivable	1,278,842	(1,366,592)
Inventories	(126,232)	(253,998)
Prepaid Expenses and Other Assets	(57,123)	(392,223)
Accrued Interest Receivable	2,422,862	(1,085,095)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	209,046	1,948,456
Accrued Salaries, Wages, and Related Taxes	(164,411)	611,413
Accrued Interest Payable and Other Liabilities	(2,150,453)	953,282
Net Cash Provided by Operating Activities	33,326,508	22,218,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(12,319,765)	(67,736,786)
Decrease (Increase) in Investments	10,210	(13,642,064)
Decrease (Increase) in Assets Limited as to Use	(8,342)	(25,306)
Increase in Other Restricted Funds	(631,337)	(262,247)
(Increase) Decrease in Benevolent Fund	(42,022)	150,333
Net Cash Used by Investing Activities	(12,991,256)	(81,516,070)

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Long-Term Debt	\$ (2,844,010)	\$ (48,378,497)
Proceeds from Long-Term Debt	6,680,686	63,805,460
Payment of Deferred Financing Costs	-	(65,594)
Increase (Decrease) in Residents' Deposits	7,077,640	(1,128,000)
Payment of Deferred Marketing Costs	-	(4,475,530)
Proceeds from Entrance Fees - Initial Sales	2,270,900	78,073,500
Refunds of Entrance Fees	(18,084,264)	(10,787,011)
Net Cash (Used) Provided by Financing Activities	(4,899,048)	77,044,328
 NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	15,436,204	17,746,819
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	28,391,936	10,645,117
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 43,828,140	\$ 28,391,936
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 3,467,137	\$ 3,647,953

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 at 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. 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. During the fiscal year ended June 30, 2021, the organization completed its rebranding of the community to be consistent with the other communities within the System. Birch Hill now does business as RiverWoods Manchester (RWM).

RiverWoods Durham, a nonprofit charitable organization, was incorporated on March 7, 2017. Construction began in June 2018 and was completed in July 2020. RiverWoods Durham is comprised of 150 independent living apartments, 24 assisted living suites, 36 memory support assisted living suites, and 12 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 nursing units as well as associated common areas, was purposely delayed due to the COVID-19 pandemic. Two thirds of the Health Center units were available for occupancy in August 2020. The remaining Health Center units were left vacant in fiscal year 2021 for safety reasons. It is anticipated that this last floor will open in the first quarter of fiscal year 2022.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

In February 2021, RiverWoods Exeter, RiverWoods Manchester, and RiverWoods Durham completed the regulatory process to establish a unitary board structure. This process combined the existing operating boards into one unitary board which has fiduciary duties for all currently existing communities.

Principles of Consolidation

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

New Accounting Pronouncement – ASU 2014-09

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

During the year ended June 30, 2021, the Company adopted ASU 2014-09. In addition to expanded financial statement disclosures in Note 1 to the consolidated financial statements, the adoption results in a cumulative effect of change in accounting principle as it relates to deferred marketing costs (See Note 16).

Future Change in Accounting Policies

In June 2020, the FASB issued ASU 2020-05 which provided a one-year deferral of the effective dates of ASC 842, Leases, for all private companies and certain not-for-profit entities. For private companies and private NFPs, the leasing standard is effective for fiscal years beginning after December 15, 2021; therefore, the Company will adopt the standard effective for the year ended June 30, 2023.

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, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

TRWG, RiverWoods Exeter, RiverWoods Manchester, and RiverWoods Durham 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, 2021 and 2020:

	2021				
	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Consolidated
Cash and Cash Equivalents	\$ 930,676	\$ 23,430,503	\$ 2,330,953	\$ 16,677,801	\$ 43,369,933
Restricted Cash included in Restricted Funds and Assets Limited as to Use	-	232,877	225,330	-	458,207
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidating and Consolidated Statements of Cash Flows	<u>\$ 930,676</u>	<u>\$ 23,663,380</u>	<u>\$ 2,556,283</u>	<u>\$ 16,677,801</u>	<u>\$ 43,828,140</u>
	2020				
	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & 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>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, the allowance for doubtful accounts was \$13,680 and \$57,820, respectively. In certain instances, RiverWoods Exeter, RiverWoods Manchester, 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, 2021 and 2020.

Benevolence

RiverWoods Exeter and RiverWoods Manchester 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, 2021 and 2020, the amount of financial assistance provided to RiverWoods Exeter residents was approximately \$235,000 and \$244,000, respectively. For the years ended June 30, 2021 and 2020, the amount of financial assistance provided to RiverWoods Manchester residents was approximately \$454,000 and \$516,000, respectively.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 2022. For the fiscal years ended June 30, 2021 and 2020, 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, RiverWoods Manchester, 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.

In the fiscal year ended 2020, TRWG matched initial contributions, dollar for dollar, totaling \$20,000. As of June 30, 2021, the Company had received a total of \$175,000 in contributions from community residents and staff. TRWG has provided financial assistance from this program of \$35,291 and \$15,883, respectively, for the fiscal years ended June 30, 2021 and 2020.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 AND 2020

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, 2021 and 2020 was \$13,116,829 and \$11,087,618, 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, 2021 and 2020.

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. As of June 30, 2020, accumulated amortization was \$2,572,314. Amortization of deferred marketing costs related to The Boulders totaled \$278,088 for of the year ended June 30, 2020. In conjunction with the adoption of ASU 2014-09, the Company wrote off the remaining balance of deferred marketing costs at July 1, 2020 of \$208,566 which are no longer permitted to be capitalized under the new standard.

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. In conjunction with the adoption of ASU 2014-09, the Company wrote off those deferred marketing costs which are no longer permitted to be capitalized under the new standard. At June 30, 2021, RiverWoods Durham has allowable deferred marketing costs of \$924,717 and accumulated amortization of \$126,098. Amortization of allowable deferred marketing costs totaled \$84,065 for of the year ended June 30, 2021.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue – Entrance Fees

As of June 30, 2021, 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 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.

As of June 30, 2021, RiverWoods Manchester 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 RiverWoods Manchester 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.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue – Entrance Fees (Continued)

As of June 30, 2021, 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.

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

Entrance fee activities for RWE, RWM, and RWD are as follows for the years ended June 30:

	2021			
	RiverWoods Exeter	RiverWoods Manchester	RiverWoods Durham	Total
Entrance Fees Received	\$ 24,748,000	\$ 5,968,000	\$ 6,647,100	\$ 37,363,100
Entrance Fees Refunded	(17,179,070)	(554,284)	(350,910)	(18,084,264)
Net Entrance Fees Received	\$ 7,568,930	\$ 5,413,716	\$ 6,296,190	\$ 19,278,836
	2020			
	RiverWoods Exeter	RiverWoods Manchester	RiverWoods Durham	Total
Entrance Fees Received	\$ 13,586,000	\$ 6,937,625	\$ 79,173,200	\$ 99,696,825
Entrance Fees Refunded	(9,438,182)	(760,929)	(587,900)	(10,787,011)
Net Entrance Fees Received	\$ 4,147,818	\$ 6,176,696	\$ 78,585,300	\$ 88,909,814

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue – Entrance Fees (Continued)

Based upon the terms of their respective refund policies, RiverWoods Exeter, RiverWoods Manchester, and RiverWoods Durham had the following contractually refundable deferred resident entrance fees for the years ended June 30:

	2021			
	RiverWoods Exeter	RiverWoods Manchester	RiverWoods Durham	Total
Contractually Refundable Deferred Resident Entrance Fees	\$ 169,736,500	\$ 15,841,823	\$ 71,339,440	\$ 256,917,763
	2020			
	RiverWoods Exeter	RiverWoods Manchester	RiverWoods Durham	Total
Contractually Refundable Deferred Resident Entrance Fees	\$ 165,622,913	\$ 12,467,281	\$ 66,564,670	\$ 244,654,864

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 RiverWoods Manchester performed these calculations for 2018. Additionally, RiverWoods Durham performed an actuarial study in 2018. As of June 30, 2021 and 2020, management's estimate indicated no need to record an additional liability for an obligation to provide future services and use of facilities.

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, 2021 and 2020 were \$22,374,030 and \$15,296,390, respectively.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Resident Services – Monthly Fees and Other Operating Revenues

Resident services – monthly fees and other operating revenues are reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing resident services and care. These amounts are due from residents.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents receiving skilled nursing or other services within the facilities or residents receiving services within or outside of the facilities. The Company measures the performance obligation from admission into the facilities or commencement of services to the point when the Company is no longer required to provide services to that resident, which is generally at the time of discharge or termination of the resident contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (e.g., guest meals) and the Company does not believe it is required to provide additional goods or services related to that sale.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services – Monthly Fees and Other Operating Revenues (Continued)

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments and discounts provided to uninsured patients in accordance with the Company's policy and/or implicit price concessions provided to residents. The Company determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience. Substantially all of the Company's revenue is from private pay and delivered based on the terms of the resident contract.

The composition of resident services – monthly fees and other operating revenues based on its service lines, primary payor, method of reimbursement, and timing of revenue recognition are as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Service Lines:		
Independent Living	\$ 47,171,793	\$ 41,530,271
Nursing Facility	4,241,200	4,978,290
Assisted Living	7,213,102	7,695,699
Memory Care	995,372	-
Total	<u>\$ 59,621,467</u>	<u>\$ 54,204,260</u>
Primary Payor:		
Private Pay	\$ 59,185,220	\$ 53,803,013
Medicare	436,247	401,247
Total	<u>\$ 59,621,467</u>	<u>\$ 54,204,260</u>
Method of Reimbursement:		
Fee for Service	59,582,960	\$ 54,175,010
Retail Sales	38,507	29,250
Total	<u>\$ 59,621,467</u>	<u>\$ 54,204,260</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	\$ 59,582,960	\$ 54,175,010
Sales at Point in Time	38,507	29,250
Total	<u>\$ 59,621,467</u>	<u>\$ 54,204,260</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain items in the 2020 consolidated financial statements have been reclassified to conform to the 2021 consolidated financial statement presentation due to the adoption of ASU 2014-19 and certain changes made to increase transparency among net assets with and without donor restriction.

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 1, 2021, the date the consolidated financial statements were issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in these consolidated financial statements.

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, 2021</u>	<u>June 30, 2020</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 43,369,933	\$ 27,892,595
Accounts Receivable	887,799	2,344,148
Investments	101,920,900	88,431,789
Benevolent Fund	1,141,623	1,099,601
Assets Limited as to Use:		
Other Restricted Funds	1,685,594	1,298,393
Endowment Funds	5,950,392	4,745,674
Total Financial Assets	<u>154,956,241</u>	<u>125,812,200</u>
Less Amounts not Available to be Used within One Year:		
RWE Capital Replacement Fund	2,000,000	9,161,000
TRWG Board-Designated Funds	9,803,333	8,222,491
RWE Future Benevolence Fund	1,236,000	1,258,000
RWE Community Loan Fund	400,000	400,000
RWE Ziegler Link-Age Longevity Fund	71,139	79,177
RWE Peabody Scholarship Fund	631,199	503,523
RWE Spencer Scholarship Fund	662,497	487,705
RWE Scholarship Fund	322,655	246,264
RWE Endowment Fund	883,731	676,638
RWM Donor Funds - Perpetually Restricted	3,409,662	3,409,662
Total Financial Assets not Available within One Year	<u>19,420,216</u>	<u>24,444,460</u>
Total Financial Assets Available within One Year	<u>\$ 135,536,025</u>	<u>\$ 101,367,740</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021, RiverWoods Exeter, RiverWoods Manchester, and RiverWoods Durham had Days Cash on Hand of 906 days, 296 days, and 804 days, respectively, as calculated per each organization's continuing covenants agreement.

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

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,807,756	\$ 2,251,495
U.S. Government and Government Agency Obligations	11,322,542	19,430,183
Corporate Debt Obligations	35,708,638	30,619,121
Equity Securities	<u>62,032,845</u>	<u>43,453,251</u>
Total	<u>\$ 110,871,781</u>	<u>\$ 95,754,050</u>
	<u>2021</u>	<u>2020</u>
Current Portion of Assets Limited as to Use	\$ 69,243	\$ 60,901
Accrued Interest Receivable	173,272	178,593
Investments	101,920,900	88,431,789
Benevolent Fund and Other Restricted Funds	<u>8,708,366</u>	<u>7,082,767</u>
Total	<u>\$ 110,871,781</u>	<u>\$ 95,754,050</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, 2021 and 2020, 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, 2021 AND 2020

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:

	2021			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets Limited as to Use	\$ 7,635,986	\$ -	\$ -	\$ 7,635,986
Investments	103,062,523	-	-	103,062,523
Liabilities:				
Obligation Under Interest Rate Swap Agreements, Net	-	(5,751,008)	-	(5,751,008)
	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)

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, 2021 AND 2020

NOTE 5 LONG-TERM DEBT

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
New Hampshire Health and Education Facilities Authority:		
RWE Series 2012 Revenue Bonds, Series A	\$ 24,930,000	\$ 26,105,000
RWE Series 2012 Revenue Bonds, Series B	25,760,000	26,620,000
RWM Series 2016 Revenue Bonds	9,017,463	9,823,056
RWD Series 2018 Revenue Bonds, Series A	<u>52,976,777</u>	<u>46,296,091</u>
Total Long-Term Debt, New Hampshire Health and Education Facilities Authority	112,684,240	108,844,147
RWM HEFA Loan	<u>-</u>	<u>3,416</u>
Total Long-Term Debt	112,684,240	108,847,563
Less: Unamortized Debt Issuance Cost	<u>(1,803,041)</u>	<u>(2,122,945)</u>
Total Long-Term Debt, Less Unamortized Debt Issuance Costs	110,881,199	106,724,618
Less: Current Portion	<u>(3,488,737)</u>	<u>(2,844,010)</u>
Total Long-Term Debt, Net of Current Portion, Less Unamortized Debt Issuance Costs	<u>\$ 107,392,462</u>	<u>\$ 103,880,608</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, RiverWoods Manchester 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, 2021 AND 2020

NOTE 5 LONG-TERM DEBT (CONTINUED)

On July 1, 2020, RiverWoods Manchester 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 which were paid in fiscal year 2021. The regularly scheduled principal payments to be made in fiscal year 2022 now include these three deferred payments.

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, 2021 and 2020, 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.

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 were utilized to fund the RiverWoods Durham Project (the Project). The Project consisted 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 were drawn down as costs of the Project were incurred. Draws on the bonds have amounted to \$52,976,777 and \$46,296,091 as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020. 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, 2021 and 2020.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 and changes in net assets (deficiency) below the operating indicator. The term of the swap is through March 1, 2023 and the interest rate is 4.189%.

RiverWoods Manchester 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 and changes in net assets (deficiency) below the operating indicator. The term of the swap is through July 1, 2026.

RiverWoods Durham entered into a forward interest rate swap agreement with TD Bank that effectively converted the variable interest rate on a portion of the Series 2018B Bonds to a fixed interest rate of 2.1610%. 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 and changes in net assets (deficiency) below the operating indicator. The swap effective date was 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 and changes in net assets (deficiency) 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 and changes in net assets (deficiency) 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, 2021 AND 2020

NOTE 5 LONG-TERM DEBT (CONTINUED)

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 and changes in net assets (deficiency) below the operating indicator. The swap effective date is May 1, 2019 and the term of the swap is through June 1, 2028.

Following is a summary of interest rate swaps outstanding at June 30, 2021:

	Current Notional Amount	Fixed Rate	Expiration Calendar Year
RWE - Deutsche Bank	\$ 2,315,000	4.189%	2023
RWE - TD Bank	44,175,500	1.133%	2022
RWE - Morgan Stanley	1,665,000	3.499%	2023
RWM - People's United Bank	8,756,065	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	\$ 104,591,565		

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

<u>Year Ending June 30,</u>	2012 <u>Series A</u>	2012 <u>Series B</u>	2016 <u>Series</u>	2018A <u>Series</u>	<u>Total</u>
2022	\$ 1,220,000	\$ 910,000	\$ 1,358,737	\$ -	\$ 3,488,737
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	1,490,000	1,090,000	400,238	1,310,000	4,290,238
2027 and Thereafter	18,060,000	20,690,000	3,798,375	49,036,777	91,585,152
Total	\$ 24,930,000	\$ 25,760,000	\$ 9,017,463	\$ 52,976,777	\$ 112,684,240

RiverWoods Exeter, RiverWoods Manchester, and RiverWoods Durham are required by the Loan Agreements to meet certain financial ratios. As of June 30, 2021 and 2020, management is not aware of any violations with these financial covenants.

Total interest expense incurred on swaps and bonds was approximately \$3,336,000 and \$1,597,000 for the years ended June 30, 2021 and 2020, respectively.

Interest capitalized during the years ended June 30, 2021 and 2020 was \$-0- and \$1,891,000, respectively.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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>2021</u>	<u>2020</u>
Unappropriated Income on Permanently Restricted		
Endowments - RiverWoods Manchester	\$ 1,656,998	\$ 659,373
Peabody Scholarship Fund - RiverWoods Exeter	512,222	498,794
RiverWoods Exeter Scholarship Fund	51,977	31,408
Other - RiverWoods Exeter	69,243	67,087
RiverWoods Durham - Employee Appreciation	425	401
Total	<u>\$ 2,290,865</u>	<u>\$ 1,257,063</u>

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

	<u>2021</u>	<u>2020</u>
Permanently Restricted Endowment Funds - RiverWoods		
Manchester		
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	<u>11,032</u>	<u>11,032</u>
Total Permanently Restricted Endowments -		
RiverWoods Manchester	3,409,662	3,409,662
Permanently Restricted Funds - RiverWoods Exeter		
Endowment Fund	383,375	373,997
Spencer Fund	<u>463,391</u>	<u>410,488</u>
Total Permanently Restricted Funds -		
RiverWoods Exeter	<u>846,766</u>	<u>784,485</u>
Total	<u>\$ 4,256,428</u>	<u>\$ 4,194,147</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 RIVERWOODS EXETER FUND BALANCES

The following table represents the changes in the net assets without donor restrictions and with donor restrictions for the various funds held at RiverWoods Exeter for fiscal year June 30, 2021:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Total Fund Balances - RWE, June 30, 2020	\$ 1,380,975	\$ 597,289	\$ 784,485	\$ 2,762,749
RWE Peabody Fund, June 30, 2020	4,729	498,794	-	503,523
Donations	-	13,428	-	13,428
Investment Income	134,249	-	-	134,249
Disbursements of Funds	(20,000)	-	-	(20,000)
Total RWE Peabody Fund, June 30, 2021	<u>118,978</u>	<u>512,222</u>	<u>-</u>	<u>631,200</u>
RWE Scholarship Fund, June 30, 2020	214,856	31,408	-	246,264
Donations	-	20,569	-	20,569
Investment Income	65,822	-	-	65,822
Disbursements of Funds	(10,000)	-	-	(10,000)
Total RWE Scholarship Fund, June 30, 2021	<u>270,678</u>	<u>51,977</u>	<u>-</u>	<u>322,655</u>
RWE Employee Appreciation Fund, June 30, 2020	-	67,087	-	67,087
Donations	-	328,268	-	328,268
Net Assets Released from Restrictions	-	(326,112)	-	(326,112)
Total RWE Employee Appreciation Fund, June 30, 2021	<u>-</u>	<u>69,243</u>	<u>-</u>	<u>69,243</u>
RWE Benevolent Fund, June 30, 2020	781,174	-	-	781,174
Donations	-	17,705	-	17,705
Investment Income	137,637	-	-	137,637
Disbursements of Funds	(222,632)	-	-	(222,632)
Net Assets Released from Restrictions	-	(17,705)	-	(17,705)
Total RWE Benevolent Fund, June 30, 2021	<u>696,179</u>	<u>-</u>	<u>-</u>	<u>696,179</u>
RWE Endowment Fund, June 30, 2020	302,640	-	373,998	676,638
Donations	-	-	9,377	9,377
Investment Income	197,716	-	-	197,716
Total RWE Endowment Fund, June 30, 2021	<u>500,356</u>	<u>-</u>	<u>383,375</u>	<u>883,731</u>
RWE Spencer Fund, June 30, 2020	77,218	-	410,487	487,705
Donations	-	-	52,904	52,904
Investment Income	132,387	-	-	132,387
Disbursements of Funds	(10,500)	-	-	(10,500)
Total RWE Spencer Fund, June 30, 2021	<u>199,105</u>	<u>-</u>	<u>463,391</u>	<u>662,496</u>
Total Fund Balances - RWE, June 30, 2021	<u>\$ 1,785,296</u>	<u>\$ 633,442</u>	<u>\$ 846,766</u>	<u>\$ 3,265,504</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 RIVERWOODS MANCHESTER ENDOWMENT

RiverWoods Manchester’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.

Interpretation of Relevant Law

RiverWoods Manchester 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, RiverWoods Manchester 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, RiverWoods Manchester 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, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>Temporary in Nature</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Donor-Restricted Funds - RWM	\$ -	\$ 1,656,998	\$ 3,409,662	\$ 5,066,660

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 RIVERWOODS MANCHESTER ENDOWMENT (CONTINUED)

Endowment Composition and Changes in Endowment (Continued)

The changes in endowment assets as of June 30, 2021 are as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Donor-Restricted Funds - RWM	\$ -	\$ 1,656,998	\$ 3,409,662	\$ 5,066,660
Endowment Assets, June 30, 2020	\$ -	\$ 659,373	\$ 3,409,662	\$ 4,069,035
Investment Return:				
Investment Income	-	74,644	-	74,644
Net Appreciation	-	1,145,892	-	1,145,892
Total Investment Return	-	1,220,536	-	1,220,536
Amounts Appropriated for Expenditure	-	(219,261)	-	(219,261)
Distribution of Pearl Manor's Income	-	(3,650)	-	(3,650)
Endowment Assets, June 30, 2021	<u>\$ -</u>	<u>\$ 1,656,998</u>	<u>\$ 3,409,662</u>	<u>\$ 5,066,660</u>

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 - RWM	\$ -	\$ 659,373	\$ 3,409,662	\$ 4,069,035

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

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Endowment Assets, June 30, 2019	\$ -	\$ 893,301	\$ 3,409,662	\$ 4,302,963
Investment Return:				
Investment Income	-	93,938	-	93,938
Net Depreciation	-	(101,069)	-	(101,069)
Total Investment Return	-	(7,131)	-	(7,131)
Amounts Appropriated for Expenditure	-	(222,193)	-	(222,193)
Distribution of Pearl Manor's Income	-	(4,604)	-	(4,604)
Endowment Assets, June 30, 2020	<u>\$ -</u>	<u>\$ 659,373</u>	<u>\$ 3,409,662</u>	<u>\$ 4,069,035</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 RIVERWOODS MANCHESTER ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

RiverWoods Manchester 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 RiverWoods Manchester 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, RiverWoods Manchester 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). RiverWoods Manchester 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 RiverWoods Manchester, 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 \$222,910 were made pursuant to this policy, during the year ended June 30, 2021.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 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:

	2021		
	Care and Service to Community Members	Management and General	Total Expenses
Salaries	\$ 26,139,488	\$ 5,694,453	\$ 31,833,941
Payroll Taxes and Fringe Benefits	6,268,476	2,073,646	8,342,122
Contract Labor	836,972	129,826	966,798
Professional Fees	353,644	1,278,980	1,632,624
Dues and Subscriptions	68,838	81,426	150,264
Resident Supplies/Expenses	778,230	32,271	810,501
Office Supplies	1,153,592	449,047	1,602,639
Printing and Advertising	1,037,523	204,745	1,242,268
Equipment Lease and Maintenance	1,106,288	325,387	1,431,675
Telephone and IT Services	302,988	691,843	994,831
Insurance	571,222	252,047	823,269
Interest and Banking Fees	2,869,405	525,476	3,394,881
Utilities	3,025,023	607,828	3,632,851
Property Taxes	2,383,837	420,677	2,804,514
Depreciation and Amortization	11,091,115	2,429,684	13,520,799
Travel	7,595	20,971	28,566
Food	2,302,803	344,097	2,646,900
Miscellaneous	486,173	247,777	733,950
COVID19 Non-Salary Expenses	2,442,366	-	2,442,366
Total Expenses	<u>\$ 63,225,578</u>	<u>\$ 15,810,181</u>	<u>\$ 79,035,759</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 FUNCTIONAL EXPENSES (CONTINUED)

	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
Postage	-	-	-
Telephone and IT Services	250,570	545,719	796,289
Insurance	401,590	184,883	586,473
Interest and Banking Fees	421,992	81,591	503,583
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 Non-Salary Expenses	926,430	-	926,430
Total Expenses	<u>\$ 52,313,892</u>	<u>\$ 13,940,681</u>	<u>\$ 66,254,573</u>

NOTE 10 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 the RiverWoods Group was \$70,414 and \$46,827 for the years ended June 30, 2021 and 2020, respectively. Pension expense for RiverWoods Exeter was \$214,218 and \$223,539 for the years ended June 30, 2021 and 2020, respectively. Pension expense for RiverWoods Manchester was \$39,249 and \$39,424 for the years ended June 30, 2021 and 2020, respectively. Pension expense for RiverWoods Durham was \$42,545 and \$18,767 for the years ended June 30, 2021 and 2020, respectively.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 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:

	2021	2020
Medicare and Supplemental Insurance	22%	39%
Residents and Other Accounts Receivable	78%	61%
Total	<u>100%</u>	<u>100%</u>

NOTE 12 RELATED PARTY

RWE, RWM, and RWD remit fees to TRWG for management and development, information technology, and administrative support services as agreed upon in their respective management service agreements. During fiscal year 2021, certain administrative positions were moved to TRWG from RiverWoods Exeter. The administrative support services performed by these individuals is charged out by TRWG to the community incurring the services as administrative support fees.

Management and development, information technology, and administrative support fees paid by RWE, RWM, and RWD are as follows for the years ended June 30. All amounts eliminate upon consolidation.

	2021			
	RiverWoods Exeter	RiverWoods Manchester	RiverWoods Durham	Total
Fees Paid to TRWG:				
Management and Development	\$ 1,216,700	\$ 256,504	\$ 650,002	\$ 2,123,206
Information Technology	506,900	128,252	195,000	830,152
Administrative Support	600,310	277,540	244,321	1,122,171
Total	<u>\$ 2,323,910</u>	<u>\$ 662,296</u>	<u>\$ 1,089,323</u>	<u>\$ 4,075,529</u>
	2020			
	RiverWoods Exeter	RiverWoods Manchester	RiverWoods Durham	Total
Fees Paid to TRWG:				
Management and Development	\$ 1,245,000	\$ 327,096	\$ 316,903	\$ 1,888,999
Information Technology	519,000	163,548	150,000	832,548
Total	<u>\$ 1,764,000</u>	<u>\$ 490,644</u>	<u>\$ 466,903</u>	<u>\$ 2,721,547</u>

THE RIVERWOODS GROUP
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NOTE 12 RELATED PARTY (CONTINUED)

During fiscal year ended June 30, 2021, RiverWoods Exeter incurred expenses that TRWG reimbursed of \$74,000 which were eliminated in consolidation. During fiscal year ended June 30, 2020, RiverWoods Exeter incurred expenses that TRWG reimbursed of \$73,296 which were eliminated in consolidation.

During fiscal years ended June 30, 2021 and 2020, RiverWoods Exeter incurred marketing expenses of \$2,120 and \$46,943, respectively, which RiverWoods Durham reimbursed and which were eliminated in consolidation.

On July 8, 2016, RiverWoods Manchester 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, 2021 and 2020 is \$2,000,000. RiverWoods Manchester paid TRWG \$60,000 in interest on the loan during each of the years ended June 30, 2021 and 2020, respectively. These amounts are eliminated in consolidation.

On June 25, 2019, RiverWoods Manchester 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 RiverWoods Manchester 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, 2021 and 2020 is \$495,000 and is 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, 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 2021, RWD achieved stabilization.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 RELATED PARTY (CONTINUED)

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. Principal may be repaid upon the satisfaction of certain financial benchmarks as defined in the Financial Support Agreement. 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. On May 13, 2021, RiverWoods Durham paid the remaining principal balance of \$8,066,667 plus all accrued interest to RiverWoods Exeter, leaving a principal of \$-0- outstanding at June 30, 2021. RiverWoods Exeter recognized \$700,953 and \$1,106,680 in interest income as of June 30, 2021 and 2020, respectively, on this arrangement. RiverWoods Exeter has \$-0- and \$2,417,514 of accrued interest receivable at June 30, 2021 and 2020, respectively, pursuant to this arrangement. RiverWoods Durham recognized \$700,953 and \$1,106,680 of capitalized interest as of June 30, 2021 and 2020, respectively, on this arrangement. RiverWoods Durham has \$-0- and \$2,417,514 of accrued interest payable at June 30, 2021 and 2020, respectively, pursuant to this arrangement. All such amounts were eliminated in consolidation.

During fiscal year 2021, RiverWoods Durham effected a \$2,000,000 net asset transfer to TRWG. Due to the success of the community, RiverWoods Durham reimbursed TRWG for its initial equity investment in the project. These amounts are eliminated upon consolidation.

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, 2021:

	TRWG	RiverWoods Exeter	RiverWoods Manchester	RiverWoods Durham	Total
Due to TRWG	\$ -	\$ (472,631)	\$ (48,889)	\$ (64,148)	\$ (585,668)
Due to RiverWoods Exeter	-	-	(30,005)	-	(30,005)
Due to RiverWoods Manchester	-	-	-	(517)	(517)
Due to RiverWoods Durham	-	(52,807)	-	-	(52,807)
Due from RiverWoods Exeter	472,631	-	-	52,807	525,438
Due from RiverWoods Manchester	48,889	30,005	-	-	78,894
Due from RiverWoods Durham	64,148	-	517	-	64,665
Total	<u>\$ 585,668</u>	<u>\$ (495,433)</u>	<u>\$ (78,377)</u>	<u>\$ (11,858)</u>	<u>\$ -</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 RELATED PARTY (CONTINUED)

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

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

NOTE 13 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 0.55% subscriber interest in the CCrRRG Reciprocal.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 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.

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.

NOTE 15 COVID-19 AND GOVERNMENT GRANT INCOME

During fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is continuing to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Company, COVID-19 has impacted various parts of its operations for the years ended June 30, 2021 and 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 continues to take appropriate actions to mitigate the negative impact of this pandemic.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 15 COVID-19 AND GOVERNMENT GRANT INCOME (CONTINUED)

Federal Relief Grants

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 years ended June 30, 2021 and 2020, RiverWoods Exeter received \$792,579 and \$962,444, respectively, of payment distributions administered by the U.S. Department of Health and Human Services (HHS) 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, RiverWoods Exeter 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 at June 30, 2020 was recorded as a liability on the consolidated statement of financial position. As of June 30, 2021, the Company recognized into income from operations the remaining \$1,210,916 of the total distributions received. These funds were utilized to offset payroll and non-payroll related expenditures as well as lost revenues, where permitted, related to the ongoing pandemic. Management believes the amounts have been recognized appropriately as of June 30, 2021 and 2020, respectively.

During the year ended June 30, 2021, RiverWoods Manchester received \$276,606 of payment distributions administered by the HHS 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.

As of June 30, 2021, RiverWoods Manchester recognized into income from operations \$276,606 of the total distributions received. These funds were utilized to offset payroll and non-payroll related expenditures as well as lost revenues, where permitted, related to the ongoing pandemic. Management believes the amounts have been recognized appropriately as of June 30, 2021.

State Relief Grants

During the fiscal year ended 2021, RiverWoods Exeter and RiverWoods Manchester received \$114,000 and \$330,140, respectively, from the State of New Hampshire Governor's Office for Emergency Relief and Recovery's (GOFERR) LTC Provider Relief Program. These funds were utilized to offset payroll and non-payroll related expenditures as well as lost revenues related to the ongoing pandemic. These amounts have been recognized into income from operations in fiscal year 2021. Management believes the amounts have been recognized appropriately as of June 30, 2021.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 15 COVID-19 AND GOVERNMENT GRANT INCOME (CONTINUED)

State Relief Grants (Continued)

During the fiscal year ended 2021, RiverWoods Exeter received and recognized into income from operations, \$419,800 from the State of New Hampshire. These funds received were to offset COVID-19 testing costs incurred by RiverWoods Exeter. Management believes the amounts have been recognized appropriately as of June 30, 2021.

During the fiscal year ended 2021, RiverWoods Manchester received and recognized into income from operations, \$21,000 from the State of New Hampshire. These funds received were to offset COVID-19 testing costs incurred by RiverWoods Manchester. Management believes the amounts have been recognized appropriately as of June 30, 2021.

NOTE 16 CUMULATIVE EFFECT – CHANGE IN ACCOUNTING PRINCIPLE FOR DEFERRED MARKETING COSTS

During the year ended June 30, 2021, the Company adopted ASU 2014-09. Previously, the Company deferred costs of acquiring initial continuing-care contracts that were expected to be recovered from future revenues. These costs included salaries and commissions paid to sales office personnel located at the community, direct response advertising costs, and initial branding of the projects. The costs were amortized on a straight-line basis over the average expected remaining lives of the residents under the contract or the contract term, if shorter. Amortization began upon the earlier of one year from initial occupancy of the independent living units or upon stabilized occupancy of those units. Under ASU 2014-09, these deferred marketing costs no longer qualify for capitalization as the new guidance only allows for capitalization of incremental costs of obtaining a contract with a customer if the entity expects to recover those costs.

The adoption of ASU 2014-09 results in an adjustment increasing consolidating net deficit by \$3,597,978 and decreasing the asset for deferred marketing costs as of July 1, 2020. The following table presents the opening net deficit, as adjusted for the cumulative effect of the change in accounting for deferred marketing costs.

	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Consolidated
Net Assets (Deficiency) as Originally Reported - July 1, 2020	\$ 11,650,675	\$ (71,244,753)	\$ 13,340,337	\$ (8,190,299)	\$ (54,444,040)
Cumulative Effect of Change in Accounting for Deferred Marketing Costs	-	(208,566)	-	(3,389,412)	(3,597,978)
Net Assets as Restated - July 1, 2020	<u>\$ 11,650,675</u>	<u>\$ (71,453,319)</u>	<u>\$ 13,340,337</u>	<u>\$ (11,579,711)</u>	<u>\$ (58,042,018)</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 930,676	\$ 23,430,503	\$ 2,330,953	\$ 16,677,801	\$ 43,369,933	\$ -	\$ 43,369,933
Assets Limited as to Use - Other	-	69,243	-	-	69,243	-	69,243
Entrance Fees and Accounts Receivable, Net	-	711,492	118,257	58,050	887,799	-	887,799
Inventories	338,716	222,966	35,735	49,452	646,869	-	646,869
Prepaid Expenses and Other Current Assets	4,809	1,178,058	113,919	64,900	1,361,686	-	1,361,686
Intercompany	3,080,668	-	-	-	3,080,668	(3,080,668)	-
Accrued Interest Receivable	5,492	140,723	6,262	20,795	173,272	-	173,272
Total Current Assets	<u>4,360,361</u>	<u>25,752,985</u>	<u>2,605,126</u>	<u>16,870,998</u>	<u>49,589,470</u>	<u>(3,080,668)</u>	<u>46,508,802</u>
ASSETS LIMITED AS TO USE							
Other Restricted Funds	-	1,616,351	-	-	1,616,351	-	1,616,351
Endowment Funds	-	883,731	5,066,661	-	5,950,392	-	5,950,392
Total Assets Limited as to Use	<u>-</u>	<u>2,500,082</u>	<u>5,066,661</u>	<u>-</u>	<u>7,566,743</u>	<u>-</u>	<u>7,566,743</u>
PROPERTY, PLANT, AND EQUIPMENT							
Land and Land Improvements	-	10,886,380	6,194,011	2,606,602	19,686,993	-	19,686,993
Building and Improvements	-	172,210,890	51,806,556	96,389,030	320,406,476	-	320,406,476
Furniture and Equipment	87,422	13,102,073	4,559,360	3,213,985	20,962,840	-	20,962,840
Projects in Process - RiverWoods Durham	-	-	-	91,605	91,605	-	91,605
Projects in Process	87,163	6,689,651	2,064,798	-	8,841,612	-	8,841,612
Total	<u>174,585</u>	<u>202,888,994</u>	<u>64,624,725</u>	<u>102,301,222</u>	<u>369,989,526</u>	<u>-</u>	<u>369,989,526</u>
Less: Accumulated Depreciation	<u>(19,075)</u>	<u>(101,018,654)</u>	<u>(28,347,747)</u>	<u>(5,046,617)</u>	<u>(134,432,093)</u>	<u>-</u>	<u>(134,432,093)</u>
Total Property, Plant, and Equipment	<u>155,510</u>	<u>101,870,340</u>	<u>36,276,978</u>	<u>97,254,605</u>	<u>235,557,433</u>	<u>-</u>	<u>235,557,433</u>
OTHER ASSETS							
Investments	9,803,333	67,781,167	7,191,908	17,144,492	101,920,900	-	101,920,900
Notes Receivable	-	-	-	-	-	-	-
Benevolent Fund - Unrestricted Portion	-	696,179	445,444	-	1,141,623	-	1,141,623
Other Assets	-	232,701	-	-	232,701	-	232,701
Deferred Marketing Costs	-	-	-	798,619	798,619	-	798,619
Total Other Assets	<u>9,803,333</u>	<u>68,710,047</u>	<u>7,637,352</u>	<u>17,943,111</u>	<u>104,093,843</u>	<u>-</u>	<u>104,093,843</u>
Total Assets	<u>\$ 14,319,204</u>	<u>\$ 198,833,454</u>	<u>\$ 51,586,117</u>	<u>\$ 132,068,714</u>	<u>\$ 396,807,489</u>	<u>\$ (3,080,668)</u>	<u>\$ 393,726,821</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2021**

LIABILITIES AND NET ASSETS (DEFICIENCY)	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT LIABILITIES							
Current Portion of Long-Term Debt	\$ -	\$ 2,130,000	\$ 1,358,737	\$ -	\$ 3,488,737	\$ -	\$ 3,488,737
Accounts Payable and Accrued Expenses	130,325	2,482,117	586,096	870,254	4,068,792	-	4,068,792
Accrued Salaries, Wages, and Related Taxes	418,652	1,118,831	374,479	331,940	2,243,902	-	2,243,902
Accrued Interest Payable	-	50,553	16,454	-	67,007	-	67,007
Intercompany	-	495,433	2,573,377	11,858	3,080,668	(3,080,668)	-
Total Current Liabilities	548,977	6,276,934	4,909,143	1,214,052	12,949,106	(3,080,668)	9,868,438
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEFERRED FINANCING COSTS	-	48,438,129	7,537,010	51,417,323	107,392,462	-	107,392,462
OBLIGATION UNDER INTEREST RATE SWAP AGREEMENT, NET	-	751,820	109,603	4,889,585	5,751,008	-	5,751,008
FUTURE RESIDENTS' DEPOSITS	-	16,765,200	-	5,608,830	22,374,030	-	22,374,030
REFUNDABLE ENTRANCE FEE LIABILITY	-	168,034,860	15,811,193	71,690,350	255,536,403	-	255,536,403
DEFERRED REVENUE FROM ENTRANCE FEES	-	21,999,157	10,672,831	11,542,247	44,214,235	-	44,214,235
Total Liabilities	548,977	262,266,100	39,039,780	146,362,387	448,217,244	(3,080,668)	445,136,576
NET ASSETS (DEFICIT)							
Without Donor Restrictions	13,770,227	(64,912,854)	7,479,677	(14,294,098)	(57,957,048)	-	(57,957,048)
With Donor Restrictions	-	1,480,208	5,066,660	425	6,547,293	-	6,547,293
Total Net Assets (Deficit)	13,770,227	(63,432,646)	12,546,337	(14,293,673)	(51,409,755)	-	(51,409,755)
Total Liabilities and Net Assets (Deficit)	\$ 14,319,204	\$ 198,833,454	\$ 51,586,117	\$ 132,068,714	\$ 396,807,489	\$ (3,080,668)	\$ 393,726,821

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
YEAR ENDED JUNE 30, 2021**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
REVENUE							
Residential Service Fees	\$ -	\$ 26,065,746	\$ 5,667,457	\$ 10,645,044	\$ 42,378,247	\$ -	\$ 42,378,247
Earned Entrance Fees	-	2,821,818	1,655,208	997,578	5,474,604	-	5,474,604
Health Center Fees	-	6,542,755	3,577,033	1,839,775	11,959,563	-	11,959,563
Management, Development, Administrative and IT Fees	4,075,529	-	-	-	4,075,529	(4,075,529)	-
Other Operating Revenue	-	(199,958)	47,099	(38,088)	(190,947)	-	(190,947)
Investment Income, Net of Fees	185,704	2,238,608	69,092	468,400	2,961,804	(760,953)	2,200,851
Government Grant Income	-	1,744,716	627,746	-	2,372,462	-	2,372,462
Net Assets Released from Restrictions	-	343,817	249,396	67,213	660,426	-	660,426
Total Revenue	4,261,233	39,557,502	11,893,031	13,979,922	69,691,688	(4,836,482)	64,855,206
EXPENSES							
General and Administrative	5,686,350	11,239,722	4,941,553	5,035,269	26,902,894	(4,075,529)	22,827,365
Resident Services	-	1,862,679	348,728	622,985	2,834,392	-	2,834,392
Dining Services	-	4,484,356	1,372,109	1,903,732	7,760,197	-	7,760,197
Nursing Services	-	8,548,301	2,849,734	2,610,255	14,008,290	-	14,008,290
Environmental Services	-	4,617,844	1,583,232	1,212,046	7,413,122	-	7,413,122
Facility Costs and Utilities	74,000	4,763,151	887,685	1,578,930	7,303,766	-	7,303,766
Depreciation and Amortization	22,824	6,717,878	2,942,966	3,517,226	13,200,894	-	13,200,894
Interest	-	1,240,457	295,421	2,912,808	4,448,686	(760,953)	3,687,733
Total Expenses	5,783,174	43,474,388	15,221,428	19,393,251	83,872,241	(4,836,482)	79,035,759
LOSS FROM OPERATIONS	(1,521,941)	(3,916,886)	(3,328,397)	(5,413,329)	(14,180,553)	-	(14,180,553)
NONOPERATING GAINS AND LOSSES							
Contributions	218,316	69,047	1,782	-	289,145	-	289,145
Change in Charitable Gift Annuity Liability	-	(32,480)	-	-	(32,480)	-	(32,480)
Changes in Net Unrealized Gains on Equity Investments	1,210,589	10,356,573	746,636	2,308,718	14,622,516	-	14,622,516
Gains on Sales of Assets and Investments	104,071	898,098	86,581	110,969	1,199,719	-	1,199,719
Total Nonoperating Gains and Losses	1,532,976	11,291,238	834,999	2,419,687	16,078,900	-	16,078,900
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	11,035	7,374,352	(2,493,398)	(2,993,642)	1,898,347	-	1,898,347

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY) (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ 11,035	\$ 7,374,352	\$ (2,493,398)	\$ (2,993,642)	\$ 1,898,347	\$ -	\$ 1,898,347
OTHER CHANGES IN ASSETS WITHOUT DONOR RESTRICTIONS							
Change in the Fair Value of Interest Rate Swap Agreements	-	642,047	149,398	2,343,612	3,135,057	-	3,135,057
Net Asset Transfer	2,000,000	-	-	(2,000,000)	-	-	-
Other Non-Operating Revenue	-	326,960	305,638	-	632,598	-	632,598
Changes in Net Unrealized Gains (Losses) on Non-Equity Investments	108,517	(421,120)	246,737	(63,956)	(129,822)	-	(129,822)
Total Other Changes in Net Assets Without Donor Restrictions	<u>2,108,517</u>	<u>547,887</u>	<u>701,773</u>	<u>279,656</u>	<u>3,637,833</u>	<u>-</u>	<u>3,637,833</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,119,552	7,922,239	(1,791,625)	(2,713,986)	5,536,180	-	5,536,180
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS							
Contributions	-	442,251	26,485	67,237	535,973	-	535,973
Changes in Net Realized and Unrealized Gains on Investments	-	-	1,220,536	-	1,220,536	-	1,220,536
Net Assets Released from Restrictions	-	(343,817)	(249,396)	(67,213)	(660,426)	-	(660,426)
Changes in Net Assets With Donor Restrictions	<u>-</u>	<u>98,434</u>	<u>997,625</u>	<u>24</u>	<u>1,096,083</u>	<u>-</u>	<u>1,096,083</u>
CHANGE IN NET ASSETS (DEFICIENCY)	2,119,552	8,020,673	(794,000)	(2,713,962)	6,632,263	-	6,632,263
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(208,566)	-	(3,389,412)	(3,597,978)	-	(3,597,978)
Net Assets (Deficiency) – Beginning 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>
NET ASSETS (DEFICIT) – END OF YEAR	<u>\$ 13,770,227</u>	<u>\$ (63,432,646)</u>	<u>\$ 12,546,337</u>	<u>\$ (14,293,673)</u>	<u>\$ (51,409,755)</u>	<u>\$ -</u>	<u>\$ (51,409,755)</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets (Deficiency)	\$ 2,119,552	\$ 8,020,673	\$ (794,000)	\$ (2,713,962)	\$ 6,632,263	\$ -	\$ 6,632,263
Adjustments to Reconcile Change in Net Assets (Deficiency) to Net Cash Provided by Operating Activities:							
Proceeds from Entrance Fees	-	24,748,000	5,968,000	4,376,200	35,092,200	-	35,092,200
Noncash Items Included in Change in Net Assets (Deficiency):							
Amortization of Deferred Entrance Fee Revenue	-	(2,821,818)	(1,655,208)	(997,578)	(5,474,604)	-	(5,474,604)
Depreciation and Amortization	22,824	6,717,878	2,942,966	3,517,226	13,200,894	-	13,200,894
Amortization of Bond Issuance Costs	-	55,645	24,344	239,916	319,905	-	319,905
Loss on Disposal of Equipment	-	10,526	128,510	-	139,036	-	139,036
Change in Interest Rate Swap Agreements	-	(642,047)	(149,398)	(2,343,612)	(3,135,057)	-	(3,135,057)
Unrealized Gains on Investments, Net	(1,319,106)	(9,935,453)	(993,373)	(2,244,762)	(14,492,694)	-	(14,492,694)
(Increase) Decrease in Assets:							
Accounts Receivable	-	243,391	(27,252)	(38,632)	177,507	-	177,507
Other Receivables	(545,473)	-	-	-	(545,473)	-	(545,473)
Entrance Fees Receivable	-	-	207,300	1,071,542	1,278,842	-	1,278,842
Inventories	(71,845)	(5,995)	(24,396)	(23,996)	(126,232)	-	(126,232)
Prepaid Expenses and Other Assets	20,302	(89,979)	(8,083)	20,637	(57,123)	-	(57,123)
Accrued Interest Receivable	(4,256)	2,432,615	(4,301)	(1,196)	2,422,862	-	2,422,862
Increase (Decrease) in Liabilities:							
Accounts Payable and Accrued Expenses	73,375	699,924	96,375	(660,628)	209,046	-	209,046
Accrued Salaries, Wages, and Related Taxes	128,548	(333,232)	(40,257)	80,530	(164,411)	-	(164,411)
Accrued Interest Payable and Other Liabilities	-	398,038	(122,746)	(2,425,745)	(2,150,453)	-	(2,150,453)
Net Cash Provided (Used) by Operating Activities	423,921	29,498,166	5,548,481	(2,144,060)	33,326,508	-	33,326,508
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of Property and Equipment	(116,254)	(6,805,036)	(3,644,451)	(1,754,024)	(12,319,765)	-	(12,319,765)
(Increase) Decrease in Investments	(261,736)	2,263,253	(1,412,031)	(579,276)	10,210	-	10,210
Decrease in Notes Receivable	-	8,066,667	-	-	8,066,667	(8,066,667)	-
Decrease in Assets Limited as to Use	-	(8,342)	-	-	(8,342)	-	(8,342)
Increase in Other Restricted Funds	-	(540,542)	(90,795)	-	(631,337)	-	(631,337)
(Increase) Decrease in Benevolent Fund	-	84,995	(127,017)	-	(42,022)	-	(42,022)
Net Cash Provided (Used) by Investing Activities	(377,990)	3,060,995	(5,274,294)	(2,333,300)	(4,924,589)	(8,066,667)	(12,991,256)

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM FINANCING ACTIVITIES							
Payment of Long-Term Debt	\$ -	\$ (2,035,000)	\$ (809,010)	\$ -	\$ (2,844,010)	\$ -	\$ (2,844,010)
Payment of Subordinated Note	-	-	-	(8,066,667)	(8,066,667)	8,066,667	-
Proceeds from Long-Term Debt	-	-	-	6,680,686	6,680,686	-	6,680,686
Increase (Decrease) in Residents' Deposits	-	1,823,650	(95,900)	5,349,890	7,077,640	-	7,077,640
Payment of Deferred Marketing Costs	-	-	-	-	-	-	-
Proceeds from Entrance Fees - Initial Sales	-	-	-	2,270,900	2,270,900	-	2,270,900
Refunds of Entrance Fees	-	(17,179,070)	(554,284)	(350,910)	(18,084,264)	-	(18,084,264)
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(17,390,420)</u>	<u>(1,459,194)</u>	<u>5,883,899</u>	<u>(12,965,715)</u>	<u>8,066,667</u>	<u>(4,899,048)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	45,931	15,168,741	(1,185,007)	1,406,539	15,436,204	-	15,436,204
Cash, Cash Equivalents, and Restricted Cash - Beginning 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>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 930,676</u>	<u>\$ 23,663,380</u>	<u>\$ 2,556,283</u>	<u>\$ 16,677,801</u>	<u>\$ 43,828,140</u>	<u>\$ -</u>	<u>\$ 43,828,140</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Cash Paid for Interest	<u>-</u>	<u>\$ 1,198,165</u>	<u>\$ 293,810</u>	<u>\$ 1,975,162</u>	<u>\$ 1,491,975</u>	<u>\$ -</u>	<u>\$ 3,467,137</u>

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

ASSETS	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & 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	<u>(12,483)</u>	<u>(94,363,052)</u>	<u>(25,461,557)</u>	<u>(1,613,457)</u>	<u>(121,450,549)</u>	<u>-</u>	<u>(121,450,549)</u>
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	RiverWoods Manchester & 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	12,497,901	66,094,350	242,911,922	-	242,911,922
DEFERRED REVENUE FROM ENTRANCE FEES	-	21,051,276	9,814,731	11,839,635	42,705,642	-	42,705,642
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	(72,626,527)	9,271,302	(8,190,700)	(59,895,250)	-	(59,895,250)
With Donor Restrictions	-	1,381,774	4,069,035	401	5,451,210	-	5,451,210
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	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
REVENUE							
Residential Service Fees	\$ -	\$ 25,992,227	\$ 5,511,393	\$ 3,899,700	\$ 35,403,320	\$ -	\$ 35,403,320
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	126,843	(32,504)	283,701	-	283,701
Investment Income, Net of Fees	242,885	3,042,461	90,456	25,024	3,400,826	(1,166,680)	2,234,146
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	13,001,867	4,543,535	61,452,091	(3,888,227)	57,563,864
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	(1,166,680)	690,636
Total Expenses	3,702,107	43,935,303	14,888,018	7,617,372	70,142,800	(3,888,227)	66,254,573
LOSS FROM OPERATIONS	(737,675)	(2,993,046)	(1,886,151)	(3,073,837)	(8,690,709)	-	(8,690,709)
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)
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	(517,911)	(3,628,399)	(1,879,508)	(2,846,799)	(8,872,617)	-	(8,872,617)

**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	RiverWoods Manchester & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ (517,911)	\$ (3,628,399)	\$ (1,879,508)	\$ (2,846,799)	\$ (8,872,617)	\$ -	\$ (8,872,617)
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 on Non-Equity Investments	(30,380)	382,309	(53,595)	87,440	385,774	-	385,774
Total Other Changes in Net Assets Without Donor Restrictions	<u>(30,380)</u>	<u>(622,327)</u>	<u>(450,080)</u>	<u>(3,490,890)</u>	<u>(4,593,677)</u>	<u>-</u>	<u>(4,593,677)</u>
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	<u>-</u>	<u>114,392</u>	<u>(227,671)</u>	<u>401</u>	<u>(112,878)</u>	<u>-</u>	<u>(112,878)</u>
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	<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>
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	RiverWoods Manchester & 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	(504,918)	16,144,619	5,735,544	843,316	22,218,561	-	22,218,561
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	1,026,245	(590,697)	(70,849)	(14,006,763)	(13,642,064)	-	(13,642,064)
Increase in Notes Receivable	-	4,033,333	-	-	4,033,333	(4,033,333)	-
Decrease in Assets Limited as to Use	-	(25,306)	-	-	(25,306)	-	(25,306)
(Increase) Decrease in Other Restricted Funds	-	(363,908)	101,661	-	(262,247)	-	(262,247)
(Increase) Decrease in Benevolent Fund	-	182,643	(32,310)	-	150,333	-	150,333
Net Cash Provided (Used) by Investing Activities	983,425	(3,377,090)	(1,619,660)	(73,469,412)	(77,482,737)	(4,033,333)	(81,516,070)

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

	The RiverWoods Group	The RiverWoods Company Exeter, NH	RiverWoods Manchester & 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)
Payments to 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)
Payments 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	-	(12,398,847)	(1,738,533)	87,148,375	73,010,995	4,033,333	77,044,328
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	406,238	8,125,957	1,363,939	748,983	10,645,117	-	10,645,117
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>\$ 3,647,953</u>	<u>\$ -</u>	<u>\$ 3,647,953</u>

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