UNITED CHURCH OF CHRIST
RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Church of Christ Retirement Community, Inc.
Concord, New Hampshire

We have audited the accompanying financial statements of United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
United Church of Christ Retirement Community, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights, as of December 31, 2020 and 2019, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
June 28, 2021

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,110,245	$ 1,193,746
Investments	25,746,949	24,423,185
Resident Funds	12,241	8,840
Resident Accounts Receivable (Net of Allowance for Uncollectible Accounts of $145,000 in 2020 and $176,750 in 2019)	533,665	1,064,229
Due from Havenwood-Heritage Heights Trust Fund	294,991	136,228
Inventories	379,281	40,731
Prepaid Expenses and Other Current Assets	239,075	271,803
Other Receivables	399,344	179,289
Total Current Assets	30,715,791	27,318,051
PROPERTY AND EQUIPMENT, NET	31,965,542	32,701,684
ASSETS LIMITED AS TO USE		
Other Restricted Cash and Investments	14,601	14,601
OTHER ASSETS		
Interest in Havenwood-Heritage Heights Trust Fund	25,742,952	23,125,488
Cash Surrender Value of Life Insurance	235,324	228,046
Resident Deposits	1,178,664	991,947
Total Other Assets	27,156,940	24,345,481
Total Assets	$ 89,852,874	$ 84,379,817

See accompanying Notes to Financial Statements.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2020 AND 2019

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 3,244,141	$ 1,136,478
Current Portion of Capital Lease Obligations	80,067	60,026
Accounts Payable and Accrued Expenses	2,708,289	2,749,506
Resident Funds	12,241	8,840
Refundable Advance - CARES Act Stimulus Funds	500,000	-
Total Current Liabilities	6,544,738	3,954,850
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion and Bond Issuance Costs	34,310,319	34,456,243
Capital Lease Obligations, Net of Current Portion	82,336	100,410
Refundable Entrance Fees	56,800	83,300
Deferred Revenue from Entrance Fees	11,106,422	11,557,185
Resident Deposits	1,163,659	991,947
Interest Rate Swap Agreements	2,140,677	1,597,349
Other Long-Term Liabilities	3,099	4,153
Total Liabilities	55,408,050	52,745,437
NET ASSETS		
Without Donor Restrictions	8,092,032	8,174,849
With Donor Restrictions	26,352,792	23,459,531
Total Net Assets	34,444,824	31,634,380
Total Liabilities and Net Assets	$ 89,852,874	$ 84,379,817

See accompanying Notes to Financial Statements.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUE AND OTHER SUPPORT		
Net Retirement Community Revenue	$ 10,569,112	$ 10,488,223
Net Health Services Revenue	11,099,946	11,165,885
Amortization of Deferred Revenue from Entrance Fees	1,991,013	1,830,316
Other Operating Revenues	647,388	1,065,253
Net Assets Released from Restrictions Used for Operations	2,166,388	442,254
Total Revenue and Other Support	26,473,847	24,991,931
OPERATING EXPENSES		
Salaries and Wages	13,025,668	11,426,985
Fringe Benefits	4,740,262	4,672,503
Supplies and Maintenance	2,032,599	1,113,477
Purchased Services	1,171,820	1,135,926
Ancillary Services	96,948	201,829
Food	819,302	841,277
Utilities	1,508,215	1,506,024
Depreciation	2,993,880	2,956,741
Interest Expense	1,457,045	1,512,066
Nursing Facility Assessment Tax	463,440	451,469
Other Operating Expenses	927,189	1,039,606
Total Operating Expenses	29,236,368	26,857,903
LOSS ON INTEREST RATE SWAP AGREEMENTS	(543,328)	(729,121)
LOSS FROM OPERATIONS	(3,305,849)	(2,595,093)
OTHER INCOME		
Investment Income	556,785	602,700
Net Realized and Unrealized Gains on Investments	2,553,104	3,218,010
Gain on Disposal of Fixed Assets	1,092	130
Gifts and Bequests	11,310	8,354
Total Other Income	3,122,291	3,829,194
EXCESS (DEFICIT) OF REVENUE AND OTHER SUPPORT OVER EXPENSES	$ (183,558)	$ 1,234,101

See accompanying Notes to Financial Statements.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficit) of Revenue and Other Support Over Expenses	$ (183,558)	$ 1,234,101
Net Assets Released from Restrictions Used for Capital Purchases	100,741	22,710
Increase (Decrease) in Net Assets Without Donor Restrictions	(82,817)	1,256,811
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	2,542,926	489,530
Interest in Havenwood-Heritage Heights Trust Fund	2,617,464	4,120,858
Net Assets Released from Restrictions Used for Operations	(2,166,388)	(442,254)
Net Assets Released from Restrictions Used for Capital Purchases	(100,741)	(22,710)
Increase in Net Assets With Donor Restrictions	2,893,261	4,145,424
INCREASE IN NET ASSETS	2,810,444	5,402,235
Net Assets - Beginning of Year	31,634,380	26,232,145
NET ASSETS - END OF YEAR	$ 34,444,824	$ 31,634,380

See accompanying Notes to Financial Statements.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	$ 2,810,444	$ 5,402,235
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,993,880	2,956,741
Amortization of Deferred Financing Costs	83,189	77,844
Proceeds from Entrance Fees and Deposits, Net of Refunds	1,513,750	1,799,750
Amortization of Deferred Revenue from Entrance Fees	(1,991,013)	(1,830,316)
Loss on Interest Rate Swap Agreements	543,328	729,121
Reinvested Investment Income	(580,618)	(603,962)
Net Change in Market Value - Investment Cash and Cash Equivalents	(862,138)	202,785
Noncash Investment Expense	102,680	101,502
Net Realized and Unrealized Gains on Investments and Cash Surrender Value	(2,553,104)	(3,224,570)
Gain on Disposal of Fixed Assets	(1,092)	(130)
Change in Interest in Trust Fund	(2,617,464)	(4,120,858)
Bad Debt Expense (Recoveries), Net	(25,715)	84,589
Changes in Operating Assets and Liabilities:		
Resident Accounts Receivable	556,279	(430,574)
Due from Havenwood-Heritage Heights Trust Fund	(158,763)	(13,782)
Inventories	(338,550)	(1,149)
Prepaid Expenses and Other Current Assets and Other Receivables	32,728	57,047
Other Assets	(220,055)	13,354
Accounts Payable and Accrued Expenses	458,783	159,785
Other Long-Term Liabilities	(16,059)	(1,320)
Net Cash Provided (Used) by Operating Activities	(269,510)	1,358,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(2,183,802)	(2,165,452)
Purchases of Investments	(981,003)	(3,841,031)
Proceeds from Sale of Investments	2,681,003	4,772,705
Cash Surrender Value of Life Insurance	-	(12,000)
Net Cash Used by Investing Activities	(483,802)	(1,245,778)

See accompanying Notes to Financial Statements.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	$ 213,642	$ -
Paycheck Protection Program Loan Proceeds	2,897,600	-
Principal Payment on Bonds	(1,136,480)	(1,131,196)
Payments of Deferred Financing Costs	(96,212)	-
Payments of Capital Lease Obligations	(70,877)	(64,611)
Net Cash Provided (Used) by Financing Activities	1,807,673	(1,195,807)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,054,361	(1,083,492)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	3,088,969	4,172,462
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 4,143,330	$ 3,088,969
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash Paid During the Year for Interest	$ 1,375,067	$ 1,434,231
Incurrence of Capital Lease Obligations	$ 72,844	-

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The United Church of Christ Retirement Community, Inc. (Havenwood campus) was organized on April 18, 1966. The United Church of Christ Retirement Community II, Inc. (Heritage Heights campus) was organized on May 2, 1978. In February 1988, the United Church of Christ Retirement Community II, Inc. merged into the United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights, to form the "Community," a nonprofit organization which owns and operates retirement facilities located in Concord, New Hampshire. The Community consists of 348 independent living units (363 units in 2019), 56 assisted living units (56 units in 2019), and 83 skilled nursing facility beds (83 beds in 2019). The residents of the Community are provided with a variety of services ranging from assisted or full nursing care to services for those who are able to live independently.

Residents have the option of entering into a continuing care retirement community (CCRC) contract. Under this contract, residents pay a one-time entrance fee in addition to ongoing monthly fees which, should they outlive their financial resources, allows them to occupy a unit at any level of care for 12 months at a rate based on their ability to pay. Residents who entered the Community under the CCRC contract prior to January 1, 1999 are also guaranteed a maximum of 10 nursing-bed days per year for 10 years, at no charge. Residents who entered the Community under the CCRC contract on or after January 1, 1999 are guaranteed a maximum of 10 nursing-bed days in total. The entrance fee is refundable only within the first six months after occupancy begins.

The Havenwood-Heritage Heights Trust Fund (the Trust Fund) was established on August 16, 1982 to provide financial assistance to the residents of the Community. Requests for resident assistance are made to the Trust Fund by the Community's board of directors. Payments are made at the discretion of the Trust Fund's trustees (see Note 9).

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 requires that a specified beneficiary recognize its rights to assets held by a recipient organization as an asset unless the donor has explicitly granted the recipient organization variance power. Management of the Community and the Trust Fund has determined that the Trust Fund has not been granted such variance power. Therefore, the Community's interest in the net assets of the Trust Fund has been recognized at estimated fair value in the statements of financial position. Changes in the fair market value of the Community's interest are reflected in the statements of changes of net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

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 restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. At December 31, 2020 and 2019, the governing board has not made this designation.

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.

Use of Estimates

The preparation of 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 financial statements. Estimates also affect the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which subject the Community to credit risk consist of cash and cash equivalents, accounts receivable, and investments. The risk with respect to cash equivalents is minimized by the Community's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Community's accounts receivable are primarily due from third-party payors and amounts are presented net of expected contractual allowances and uncollectible amounts. The Community's investment portfolio consists of diversified investment funds, which are subject to market, interest rate, and credit risks, among others. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in value will occur in the short-term and that such changes could be material. See Notes 3 and 15 for additional information related to investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash represent cash in bank accounts and other liquid investments with original maturities of less than three months at the date of purchase. The carrying amount reported in the balance sheets for cash and cash equivalents approximates its fair value. The total cash, cash equivalents, and restricted cash balance may at times exceed federal depository insurance limits.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows at December 31:

	2020	2019
Cash and Cash Equivalents	$ 3,110,245	$ 1,193,746
Cash included in Investments	1,018,484	1,880,622
Restricted Cash included in Assets Limited As to Use	14,601	14,601
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statements of Cash Flows	$ 4,143,330	$ 3,088,969

Resident Accounts Receivable

Resident accounts receivable is recorded at the estimated net collectible amount. Third-party payors have restrictions on time limits for billings. Management reviews the outstanding resident accounts receivable and establishes an allowance for uncollectible accounts based on the aging of specific outstanding accounts, bad debt write offs experienced in the past, and contract terms with third-party payors. Resident accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Delinquency status is determined based on contractual terms.

Approximately 61% and 71% of gross resident accounts receivable at December 31, 2020 and 2019, respectively, are due from the state of New Hampshire (Medicaid program) and the federal government (Medicare program). The Community does not require collateral for the extension of credit.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or net realizable value. Inventories, as of December 31, 2020 and 2019, consist primarily of food, medical supplies, and other dining service supplies. As of December 31, 2020, inventories include supplies and personal protective equipment included in inventories during the ongoing coronavirus pandemic.

Assets Limited as to Use

Assets limited as to use include donor-restricted investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are valued at fair value in the statements of financial position. See Note 15 for further discussion regarding fair value. Investment income or loss (including realized and unrealized gains and losses on investments and interest and dividends) is included in the accompanying statements of operations unless the income is restricted by donor or law.

Property and Equipment

The Community capitalizes all expenditures for property and equipment costing over $1,000 if purchased or at estimated fair market value at the date of receipt if donated. Expenditures for normal repairs and maintenance are charged to expense as incurred.

The Community provides for depreciation using the straight-line method by charges to operations in amounts estimated to amortize the cost or donated value of the assets over their estimated useful lives, which are as follows:

Land Improvements	20 to 30 Years
Buildings	10 to 40 Years
Furniture and Fixtures	5 to 10 Years
Equipment	5 to 10 Years
Capital Leased Equipment	Shorter of the Estimated Useful Life or Lease Term
Computer Software (Included in Equipment)	3 Years

Depreciation expense for 2020 and 2019 was $2,993,880 and $2,956,741, respectively.

The Community records impairment loss on property and equipment when events and circumstances indicate that it is probable that 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 estimation process, no impairment losses have been recorded as of December 31, 2020 and 2019.

Bond Issuance Costs

The Community provides for amortization of bond issuance costs on the straight-line method, which approximates the effective interest method over the terms of the bonds which is recorded within interest expense. Amortization expense amounted to $83,189 and $77,844 for 2020 and 2019, respectively, and is included as a component of interest expense on the statements of operations.

Deferred Revenue from Entrance Fees

Entrance fees paid by residents under the CCRC contracts are recorded as deferred revenue. The fees are amortized and recorded as revenue on the straight-line method over the actuarially determined remaining average life expectancy of the resident. Amortization of deferred revenue for the years ended December 31, 2020 and 2019 amounted to $1,991,013 and $1,830,316, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

The estimated obligation to provide future services is based on an actuarial calculation of the present value of the net estimated cost of future services and the use of facilities to be provided to current residents under the CCRC contracts. The excess (if any) of this amount over the balance of deferred revenue is reported as a liability in the statements of financial position. Changes in the estimated liability are included in operations. The obligation is discounted at 5.5% based, in part, on the expected annual increases in monthly fees. No liability was required to be recognized at December 31, 2020 or 2019. Monthly service fees are generally increased annually based upon the projected needs of the Community and are recognized in the month earned.

Refundable Advance – Cares Act Stimulus Funds

On March 27, 2020, United States Congress appropriated funding to reimburse eligible health care providers for health care related expenses or lost revenues attributable to coronavirus. During the year ended December 31, 2020, the Community received $1,158,645 of payment distributions administered by the U.S. Department of Health and Human Services (HSS) agency, Health Resources and Services Administration (HRSA), under the Provider Relief Fund (PRF) program, funded through appropriations in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Retention and use of these funds are subject to certain terms and conditions under this program and payments are not required to be paid back if all terms and conditions are met. At December 31, 2020, the Community recognized $658,645 as contributions in the statements of changes in net assets and $500,000 has been recorded as a contract liability (refundable advance) on the statements of financial position. Management believes the amounts have been recognized appropriately as of December 31, 2020.

Derivative Financial Instruments

ASC Topic 815, *Accounting for Derivative Instruments and Hedging Activities*, requires that all derivative instruments be reported on the statements of financial position at fair value and establishes criteria for designation and effectiveness of hedging relationships. The Community uses interest rate swap agreements for risk management purposes. The Community does not use derivative financial instruments for trading or speculative purposes. The Community is exposed to credit loss in the event of nonperformance by the swap counterparty. The Community has not assessed the effectiveness of the hedging relationship of the swaps and, therefore, has voluntarily designated these as ineffective. As such, the entire change in fair value of the interest rate swap agreements has been recorded within the accompanying statements of operations as a component of excess (deficit) of revenue and other support over expenses. See also Note 7.

The Community had a liability of $2,140,677 and $1,597,349 as of December 31, 2020 and 2019, respectively, representing the estimated fair value of the Community's outstanding interest rate swap agreements. The annual change in the fair value of these derivative financial instruments is recognized within income (loss) from operations in the statements of operations. For the years ended December 31, 2020 and 2019, the Community recognized a loss on the interest rate swap agreements of $543,328 and $729,121, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

Certain investment funds may use derivative financial instruments to hedge against their exposure to the stock market, to foreign currency markets, and to fluctuations in interest rates. These financial instruments may include futures contracts, swap agreements, and forward currency contracts. As these instruments are owned within the funds, the amounts associated with the Community's holdings in these funds cannot be readily determined, but are estimated by management to be immaterial to the Community's overall investments.

Resident Services Revenue

Resident services revenue is reported at the amount that reflects the consideration to which the Community expects to be entitled in exchange for providing resident services and care. Resident services revenue includes net retirement community revenue, net health services revenue and other operating revenues in the statements of operations. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Community bills the residents monthly for services and third-party payors after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Community. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Community 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 in the facility receiving skilled nursing services or residents receiving services in the facility. The Community measures the performance obligation from admission into the facility to the point when it 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 (for example, guest meals) and the Community does not believe it is required to provide additional goods or services related to that sale. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from non-refundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method.

The Community determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Community's policy and/or implicit price concessions provided to residents. The Community determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Community determines its estimate of implicit price concessions based on its historical collection experience.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

Revenues from the Medicare and Medicaid programs each accounted for approximately 4% of the Community's net resident service revenue in 2020 and 7% and 4%, respectively, in 2019. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Community believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The composition of resident services revenue by primary payor is as follows for the years ended December 31:

	2020	2019
Primary Payor:		
Private Pay	$ 20,220,801	$ 20,023,400
Insurers and Other	2,095,645	2,695,961
Total	$ 22,316,446	$ 22,719,361

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident service revenue based on its service lines, methods of reimbursement, and timing of revenue recognition are as follows for the years ended December 31:

	2020	2019
Service Lines:		
Skilled Nursing Facility	$ 8,478,334	$ 8,242,713
Assisted Living	2,813,574	3,210,887
Independent Living	11,024,538	11,265,761
Total	$ 22,316,446	$ 22,719,361
Methods of Reimbursement:		
Fee for Service	$ 22,316,446	$ 22,719,361
Timing of Revenue and Recognition:		
Services Transferred over Time	$ 21,810,642	$ 21,928,051
Services Transferred at a Point in Time	505,804	791,310
Total	$ 22,316,446	$ 22,719,361

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing Component

The Community has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Community's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Performance Indicator

The statements of operations indicate the excess (deficit) of revenue and other support over expenses as the performance indicator. Included in the performance indicator are gifts and bequests, investment income, net realized and unrealized gains and losses on investments, and gains on disposal of fixed assets, consistent with industry practice. Net assets released from restrictions used for capital purchases are excluded from the performance indicator.

Charity Care

The Community occasionally provides care to residents without charge or at amounts less than its established rates. The Community does not pursue collection of amounts determined to qualify as charity care and, therefore, such amounts are not reported as revenue. The Community determines the costs associated with providing charity care by calculating a ratio of cost to gross charges and then multiplying that ratio by gross uncompensated charges associated with providing care to residents eligible for free care. The costs of providing services to charity care residents for the years ended December 31, 2020 and 2019 were approximately $245,000 and $66,000, respectively. Funds received from gifts and grants to subsidize charity services provided for the years ended December 31, 2020 and 2019 were approximately $310,000 and $71,000, respectively. Of this funding, approximately $310,000 and $71,000 is from the Trust Fund in 2020 and 2019, respectively (see Note 9). The Community also receives Medicaid Gap Funding which is designated to offset the gap between Medicaid and private pay rates for Medicaid residents.

Advertising Expense

Advertising costs are expensed as incurred and totaled approximately $94,000 and $77,000 for the years ended December 31, 2020 and 2019, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The disclosure of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated amount the programs and supporting services benefitted (see Note 13).

Income Taxes

The Community is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). It qualifies as a publicly supported organization under IRC Section 509 and, therefore, qualifies as a public charity. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. There was no unrelated business income tax for the years ended December 31, 2020 and 2019.

The Community follows the guidance in the income tax accounting standard regarding the recognition and measurement of uncertain tax positions, if any. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Community's financial statements.

New Accounting Pronouncement – ASU 2018-13

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement* (*Topic 820): Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement.* The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The ASU is effective for fiscal years beginning December 15, 2019. For the year ended December 31, 2020, the Community adopted the ASU.

Future Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU 2020-05 deferred the adoption of this guidance until the year ended December 31, 2022. Management will be evaluating the effects of this new standard.

Subsequent Events

In preparing these financial statements, the Community has evaluated events and transactions for potential recognition or disclosure through June 28, 2021, the date the financial statements were issued. The results of this evaluation indicated that there are subsequent events or transactions that are required to be disclosed in these financial statements (see Note 16).

NOTE 2 LIQUIDITY AND AVAILABILITY

The Community regularly monitors the availability of resources required to meet its operating need and other commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing financial resources to meet expenses over a 12-month period, the Community considers all expenses related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are compromised of the following:

	2020	2019
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 3,110,245	$ 1,193,746
Investments	25,746,949	24,423,185
Resident Accounts Receivable, Net	533,665	1,064,229
Other Receivables	399,344	179,289
Total Financial Assets	$ 29,790,203	$ 26,860,449

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE

The composition of investments and assets limited as to use at December 31 is set forth in the following table:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash Equivalents and Certificates of Deposit	$ 1,003,555	$ 1,033,085	$ 1,876,432	$ 1,895,223
U.S. Government Obligations	3,425,027	3,768,578	3,848,454	4,024,058
Corporate Bonds	3,405,328	3,679,560	3,952,860	4,055,928
Foreign Bonds	307,276	352,190	313,656	329,058
Municipal Obligations	304,448	346,689	446,689	461,617
Fixed Income Mutual Funds	1,660,907	1,883,530	1,487,597	1,567,938
Common Equity Securities	8,490,007	14,697,918	7,762,928	12,103,964
Total	$ 18,596,548	$ 25,761,550	$ 19,688,616	$ 24,437,786

Investments are included in the accompanying statements of financial position as follows:

	2020	2019
Investments	$ 25,746,949	$ 24,423,185
Other Restricted Cash and Investments	14,601	14,601
Total	$ 25,761,550	$ 24,437,786

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Total interest income, realized gains and losses, and net unrealized appreciation/ depreciation for investments and assets limited as to use reported within the statements of operations and changes in net assets for the years ended December 31 are as follows:

	2020	2019
Investment Income	$ 556,785	$ 602,700
Net Realized and Unrealized Gains on Investments	2,553,104	3,218,010
Total	$ 3,109,889	$ 3,820,710

NOTE 4 RESIDENT ACCOUNTS RECEIVABLE

Net resident accounts receivable consist of the following at December 31:

	2020	2019
Private Pay Residents	$ 229,672	$ 204,900
Medicaid Residents	64,660	39,225
Medicare Residents	350,494	847,440
Other	33,839	149,414
Total	678,665	1,240,979
Less: Allowance for Uncollectible Accounts	(145,000)	(176,750)
Net Resident Accounts Receivable	$ 533,665	$ 1,064,229

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2020	2019
Land and Land Improvements	$ 3,125,853	$ 3,109,672
Buildings and Improvements	67,226,026	66,882,916
Furniture and Fixtures	2,178,151	2,675,542
Equipment	9,086,427	8,982,234
Construction in Process	1,595,922	168,123
Total	83,212,379	81,818,487
Less: Accumulated Depreciation and Amortization	(51,246,837)	(49,116,803)
Total Property and Equipment	$ 31,965,542	$ 32,701,684

NOTE 6 CAPITAL LEASE OBLIGATIONS

The Community has various capital lease obligations related to certain vehicles and equipment. Future minimum annual payments under the capital lease agreements at December 31, 2020 are as follows:

Year Ending December 31,	Amount
2021	$ 85,726
2022	67,145
2023	10,754
2024	7,136
Total	170,761
Less: Amounts Representing Interest	(8,358)
Present Value of Total Minimum Lease Payments	162,403
Less: Current Maturities	(80,067)
Long-Term Capital Lease Obligations	$ 82,336

The cost of assets recorded under capital leases, which are included in property and equipment, totaled $386,592 and $312,118 for the years ended December 31, 2020 and 2019, respectively. Accumulated amortization associated with these leases was $234,995 and $164,347 as of December 31, 2020 and 2019, respectively.

NOTE 7 LONG-TERM DEBT AND MANAGEMENT'S PLANS

Long-term debt consisted of the following at December 31:

Description	2020	2019
The Authority Variable Rate Revenue Bonds, Havenwood-Heritage Heights Issue, Series 2009; maturity at various dates through 2035	$ 12,305,000	$ 12,710,000
The Authority Variable Rate Revenue Bonds, Havenwood-Heritage Heights Issue, Series 2013B; maturity at various dates through 2042	14,347,335	14,378,853
The Authority Variable Rate Revenue Bonds, Havenwood-Heritage Heights Issue, Series 2016A; maturity at various dates through 2042	5,535,119	6,235,079
The Authority Variable Rate Revenue Bonds, Havenwood-Heritage Heights Issue, Series 2016B; maturity at various dates through 2042	2,590,972	2,590,972

NOTE 7 LONG-TERM DEBT AND MANAGEMENT'S PLANS (CONTINUED)

Description	2020	2019
PPP Loan	$ 2,897,600	$ -
Construction Loan	213,642	-
Total Debt	37,889,668	35,914,904
Less: Unamortized Debt Issuance Costs	(335,208)	(322,183)
Total Debt, Net Unamortized Debt Issuance Costs	37,554,460	35,592,721
Less: Current Portion	(3,244,141)	(1,136,478)
Total Long-Term Debt	$ 34,310,319	$ 34,456,243

During 2009, the New Hampshire Health and Education Facilities Authority (the Authority) issued the Series 2009 bonds with an original principal amount of $15,675,000 to repay the Series 2006B bonds and to pay the costs of certain capital improvements. The Series 2009 bonds were privately placed with the Community's financial institution. The Series 2009 bonds mature on January 1, 2035 and initially bore interest through September 16, 2014 at a rate equal to 68% of the sum of adjusted London Interbank Offered Rate (LIBOR), as defined, plus 2.5%. The bonds were subject to mandatory tender for purchase on September 16, 2014, at a price equal to the principal amount plus accrued interest, unless such date was extended as mutually agreed. The bonds were extended on November 1, 2013 to November 1, 2023 and the variable rate became 72% of the sum of adjusted LIBOR, as defined, plus 2.3%. As a part of the Series 2016 financing, the interest rate became 72% of the sum of adjusted LIBOR, as defined, plus 2.15% (1.66% at December 31, 2020). If the bonds are subsequently remarketed, the interest rate will become a variable rate or a fixed rate, as provided for in the bond indenture. The bonds are collateralized by a security interest in substantially all of the Community's assets, as well as its gross receipts.

The Community must annually redeem the Series 2009 bonds beginning July 1, 2011 through January 1, 2035 in increasing annual amounts ranging from $200,000 to $1,670,000. The bonds may be redeemed prior to maturity by the Community at its option under the terms of the bond indenture.

During 2013, the Authority issued the Series 2013 bonds in the aggregate principal amount of $17,470,000 to assist the Community in the funding of the construction of new units on the Heritage Heights campus, as well as renovation of existing units. The Series 2013 bond issuance consists of two sub-series, which include $3,000,000 of Series 2013A bonds and $14,470,000 of Series 2013B bonds. Proceeds from the issuance of the bonds were deposited into an escrow fund established to pay the cost of the construction project. The $3,000,000 was drawn-down under the Series 2013A bonds and was repaid in full in 2016.

NOTE 7 LONG-TERM DEBT AND MANAGEMENT'S PLANS (CONTINUED)

As of December 31, 2015, the Series 2013B bonds had been drawn-down in the full amount of $14,470,000. The amount outstanding as of December 31, 2020 and 2019 is included in the accompanying statements of financial position.

The Series 2013B bonds are subject to mandatory redemption and are redeemable annually in amounts ranging from $27,291 to $2,281,821, commencing November 1, 2017 through November 1, 2041, at which time the bonds mature. Both series bear interest commencing December 1, 2013, at a variable rate equal to 72% of LIBOR, as defined, plus 2.3%. As a part of the Series 2016 financing, the interest rate became 72% of the sum of adjusted LIBOR, as defined, plus 2.15% (1.66% at December 31, 2020).

The Community paid bond issuance costs totaling $277,380 associated with the Series 2013 issuance during 2013.

In the event that interest earned on the bonds ceases to qualify as tax-exempt under the IRC, all bonds are subject to mandatory redemption. Bonds are to be redeemed at a redemption price equal to the principal amount of the bonds, plus interest accrued to the date fixed for redemption.

During 2016, the New Hampshire Health and Education Facilities Authority issued $11,006,000 of its revenue bonds, the proceeds of which were loaned by the Authority to the Community. Two series of bonds were issued, Series 2016A and Series 2016B. The original principal amount of each series of bonds was $8,415,028 and $2,590,972, respectively. The primary purposes of the bond proceeds were to refinance the previously outstanding Series 2006A bonds and to pay the costs of certain capital improvements to be made by the Community. As of December 31, 2018, the Series 2016B bonds had been drawn-down in the full amount of $2,590,972. The Series 2016 bonds mature on December 1, 2039 and initially bear interest through the earlier of the first conversion date or November 1, 2023 at a rate equal to 65% of the sum of LIBOR, as defined, plus 65% times 2.15% (1.50% at December 31, 2020).

The Community paid bond issuance costs totaling $265,544 associated with the Series 2016 issuance during 2016.

NOTE 7 LONG-TERM DEBT AND MANAGEMENT'S PLANS (CONTINUED)

In April 2020, the Community received proceeds in the amount of $2,897,600 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Community fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period is the time that a business has to spend their PPP Loan funds. The Community has classified the loan as current and noncurrent in accordance with the terms of the law.

On November 20, 2020, the Community entered into a development and construction loan agreement with a bank. The principal amount to be advanced shall be up to $5,000,000 through November 20, 2021. The proceeds of the loan shall be used to pay the costs of certain capital improvements to be made by the Community. As of December 31, 2020, $213,642 has been drawn down. The loan shall be repaid in full on November 1, 2023 and bear interest per annum equal to the sum of the LIBOR Advantage Rate, as defined in the agreement plus 2.45% (2.59% at December 31, 2020).

The Community paid bond issuance costs totaling $96,212 associated with the development and construction loan during 2020.

All the outstanding bonds are collateralized by a security interest in substantially all of the Community's assets, as well as its gross receipts. The loan agreement includes various covenants and restrictions, as well as a requirement to meet various financial ratios, including long-term debt service coverage ratio and liquidity covenants, as defined.

The Community closely monitors compliance with the terms of its lending agreements. For the periods ended June 30, 2020 through December 31, 2020, the Community is in compliance with the terms of its lending agreement. In May 2020, the Community entered into an agreement with the lender to replace the previously required debt service coverage ratio with a requirement based on Earnings before Interest, Tax, Depreciation and Amortization (EBITDA), as adjusted by certain amounts related to entrance fees, for the calendar year 2020. The 2020 quarterly EBITDA requirements are based upon management's quarterly forecast. The terms of the amendment reset the required metrics for 2020 to include previously stipulated occupancy levels, a revised liquidity metric of .50 to 1.0 and the agreed upon EBITDA. Under this amendment, the EBITDA requirement reverts back to the previously required debt service coverage ratio for the period ending June 30, 2021.

NOTE 7 LONG-TERM DEBT AND MANAGEMENT'S PLANS (CONTINUED)

Management's projection indicated that will not meet the financial covenant requirements for the period ending June 30, 2021. In June 2021, the Community entered into an agreement with the lender to replace the previously required debt service coverage ratio with a requirement based upon EBITDA, as adjusted by certain amounts related to entrance fees, for the calendar year 2021. The 2021 quarterly EBITA requirements are based upon management's quarterly forecast. The terms of the agreed upon amendment set the required metrics for 2021 including the previously stipulated occupancy levels, a liquidity metric of .50 to 1.0 and the agreed upon EBITDA. In addition, the terms of the agreement require the retainment of a business consultant to assist the organization in identifying and implementing operational improvements, as well as a new monthly financial reporting requirement. Covenents for the year ended December 31, 2022, will be negotiated with the lender at a later date.

Effective January 2, 2014, the Community entered into a swap with RBS Citizens N.A. The swap was entered into for risk management purposes and was not designated as a hedge. The original notional amount of the swap was $14,825,000 ($12,305,000 at December 31, 2020). The swap has a termination date of November 1, 2023. The swap effectively fixes the rate on the Series 2009 bonds at 2.354%. The Community pays interest at a fixed rate of 2.354% over the term of the swap contract and receives interest at a rate equal to 72% of LIBOR, as defined in the swap agreement (0.08% at December 31, 2020 and 1.23% at December 31, 2019). The resulting difference is charged or credited to interest expense. During 2020 and 2019, such charges were $204,492 and 219,071, respectively. The Community recorded a liability equal to the fair value of the swap of $768,071 and $563,579 as of December 31, 2020 and 2019, respectively.

On January 14, 2014, the Community entered into another interest rate swap agreement with RBS Citizens, N.A. with an original notional amount of $14,470,000 ($14,347,336 at December 31, 2020). The swap was executed for risk management purposes and was not designated as a hedge. The swap has an effective date of December 1, 2014 and terminates on November 1, 2033. The swap also contains an optional early termination date of November 1, 2023 and the first of each month thereafter to and including October 1, 2033. The swap effectively fixes the variable rate on the Series 2013B bonds. The Community will pay interest at a fixed rate of 3.13% over the term of the swap contract and receive interest at a variable rate equal to 65% of LIBOR as defined in the swap agreement (0.08% at December 31, 2020 and 1.23% at December 31, 2019). The resulting difference is charged or credited to interest expense. During 2020 and 2019, such charges were $192,233 and $340,482, respectively. The Community recorded a liability equal to the fair value of the swap of 1,262,978 and $1,070,745 as of December 31, 2020 and 2019, respectively.

NOTE 7 LONG-TERM DEBT AND MANAGEMENT'S PLANS (CONTINUED)

Effective September 1, 2016, the Community entered into a swap with RBS Citizens N.A. The swap was entered into for risk management purposes and was not designated as a hedge. The original notional amount of the swap was $8,415,028 ($5,535,118 at December 31, 2020). The swap has a termination date of December 1, 2027. The swap effectively fixes the rate on the Series 2016A bonds. The Community will pay interest at a fixed rate of 0.97% over the term of the swap contract and receive interest at a variable rate equal to 65% of LIBOR as defined in the swap agreement (0.07% at December 31, 2020 and 1.11% at December 31, 2019). The resulting difference is charged or credited to interest expense. Such charges were $146,603 and $169,567 during 2020 and 2019, respectively. The Community recorded a liability of $109,628 as of December 31, 2020 and an offset to the liability equal to the fair value of the swap of $36,975 as of December 31, 2019.

The scheduled combined future principal maturities and sinking fund requirements on the mortgage bonds and other long-term debt for the next five years and in the aggregate is as follows at December 31:

Year Ending December 31,	Amount
2021	$ 3,244,141
2022	2,046,221
2023	1,467,765
2024	1,292,452
2025	1,337,336
Thereafter	28,501,753
Total	$ 37,889,668

Management's Plans

Management noted that the financial results of 2020 are a reflection of the Community's strength, tenacity and mission-based focus in a year filled with significant challenges and uncertainty due to the COVID-19 pandemic.

The operating results for 2020 were significantly impacted by the onset of the COVID-19 pandemic in March 2020. Prior to the onset of COVID-19, the Community had implemented a short-term strategic plan to enhance occupancy in all levels of care. Unfortunately, due to the pandemic, many of these plans were put on hold as management focused on the health and safety of all residents and staff, as well as adherence to new and constantly changing requirements/mandates from both the state and federal government. The Community was very fortunate to avoid an outbreak during 2020 and maintained a stable, albeit lower than expected, census for all levels of care throughout the year. Operating revenues were close to budget levels for the year. The true impact of the pandemic is reflected in operating expenses. In 2020, the Community implemented an employee hazard pay incentive program, an employee free meal program, and infection control protocols. The Community spent approximately $1.5M for COVID related expenses during the year, of which approximately $659,000 was covered by COVID Provider Relief Funds.

NOTE 7 LONG-TERM DEBT AND MANAGEMENT'S PLANS (CONTINUED)

Management's Plans (Continued)

Even in the midst of a pandemic, the Community moved forward with its strategic plans for the enhancement of independent living units. In the fall of 2020, the Community obtained financing for the first phase of the South End Project - a modernization project for the South End of the Heritage Heights campus phased over an anticipated 6-10-year period, and began construction in late 2020.

The Community remains committed to its strategic efforts to strengthen census in all areas and enhance future sustainability. As the organization implements a slow and steady re-opening process, management looks forward to resuming these strategic efforts. Strategies include but are not limited to:

- To continue the ongoing project to increase the number of private rooms in the Health Services Center, starting in 2017, nine new private rooms have been created through the combination and renovation of semiprivate rooms. Upon completion, the newly constructed private rooms have been 100% occupied.

- To maximize Medicare A revenues, the Community continues to evaluate the configuration of NF licensed beds versus SRC licensed beds on the second floor of the Health Services Center, with the goal of increasing the NF beds in use and reducing SRC beds in use.

- To enhance the inventory of independent living units, the Community continues its work on the campus masterplan for modernization of the South End of the Heritage Heights campus (the South End Project). The South End Project will be phased over 6-10 years, with Phase 1 completion and full occupancy expected in September 2021. The Community looks forward to beginning work on Phase 2 once the optimal timing is determined and financing is obtained.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31:

	2020	2019
Grounds Improvement	$ 124,661	$ 121,161
Staff Development	4,396	2,396
Resident Support	17,217	17,217
Supplies and Equipment Benefiting Residents	130,278	193,269
COVID related donations	333,288	-
Designated Programs/Projects and Resident Support (Interest in the Trust Fund)	25,742,952	23,125,488
Total	$ 26,352,792	$ 23,459,531

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The grounds improvement, staff development, resident support, supplies and equipment benefiting residents, and COVID related donations' net assets have been restricted by donors to a specific time period or purpose.

A portion of the Trust Fund has been restricted by donors to be maintained by the Community in perpetuity and a portion is restricted by donors to a specific purpose. The Trust Fund is governed by an independent board of trustees. The Community must apply to the Trust Fund to receive funds and the decisions rest solely with the board of trustees. The trustees of the Trust Fund invest the Trust Fund assets and determine the amount of funds for appropriation under its spending policy. The Community reflects the Trust Fund's presentation of its net asset classification consistently within its statements of financial position.

NOTE 9 RELATED PARTY TRANSACTIONS

The Community receives contributions from the Trust Fund on behalf of residents who apply for assistance, and whose applications are approved by the Budget and Finance Committee of the board of directors of the Community. Amounts received to fund a portion of the Community's charity care, as disclosed in Note 1, for the years ended December 31, 2020 and 2019 totaled approximately $310,000 and $71,000, respectively. In addition, the Community provides management services to the Trust Fund. Amounts received by the Community for these services amounted to $75,000 per year for 2020 and 2019. As of December 31, 2020 and 2019, the Community had amounts due from the Trust Fund totaling $294,991 and $136,228, respectively, related to support and services which are expected to be paid in 2020.

NOTE 10 TAX DEFERRED ANNUITY

The Community has established a tax deferred annuity program, which covers substantially all employees. The Community makes matching contributions to the program of up to 4% of an employee's base wage after the employee has completed one year of service. After six years of service, the employees become 100% vested in these matching contributions under a graded vesting schedule. Community contributions for the years ended December 31, 2020 and 2019 amounted to $257,015 and $245,121, respectively.

NOTE 11 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

During 2004, the Community established a supplemental executive retirement plan for the benefit of a senior management employee of the Community. The plan is an unfunded deferred compensation arrangement intended to qualify as an eligible deferred compensation plan within the meaning of IRC Section 457(b). The plan is maintained for the purpose of providing the participant with benefits equal to the account balance (as defined) upon retirement or other severance from employment. Amounts are credited to the participant's account annually, at the sole discretion of the executive committee of the board of directors. Any and all property purchased with such amounts and related income is subject to the claims of the Community's general creditors. The plan does not allow the participant to defer any of his compensation. The participant account is also credited with interest at a rate to be set by the executive committee (2.5% minimum rate, but not to exceed the applicable federal rate, as defined). During both years 2020 and 2019, approximately $23,000 and $20,000, respectively, was credited to the participant's account and recorded as deferred compensation expense. The liability related to this obligation totaled approximately $276,000 and $253,000 at December 31, 2020 and 2019, respectively.

NOTE 12 VOLUNTEER SERVICES (UNAUDITED)

Total volunteer service hours received by the Community were approximately 5,000 and 11,000 in 2020 and 2019, respectively. The volunteers provide various nonspecialized services to the Community, none of which has been recognized as revenue or expense in the statements of operations and changes in net assets.

NOTE 13 FUNCTIONAL EXPENSES

The Community provides residential and health care services to residents. The functional allocation of these expenses related to these services is as follows for the years ended December 31:

	2020				
	Program Services		Management and	Fundraising and	
	Residential	Health Care	Administrative	Development	Total
Salaries	$ 2,631,808	$ 8,577,081	$ 1,780,143	$ 36,636	$ 13,025,668
Benefits	997,556	3,060,929	666,272	15,505	4,740,262
Services	602,743	750,979	640,175	4,220	1,998,117
Supplies	1,389,208	1,198,694	460,396	1,456	3,049,754
Occupancy and Utilities	1,095,591	805,318	70,733	-	1,971,642
Depreciation	2,350,349	511,308	132,223	-	2,993,880
Interest/Amortization	1,232,443	197,168	27,434	-	1,457,045
Total Expenses	$ 10,299,698	$ 15,101,477	$ 3,777,376	$ 57,817	$ 29,236,368

NOTE 13 FUNCTIONAL EXPENSES (CONTINUED)

	2019				
	Program Services		Management and	Fundraising and	
	Residential	Health Care	Administrative	Development	Total
Salaries	$ 2,323,669	$ 7,567,812	$ 1,504,367	$ 31,137	$ 11,426,985
Benefits	976,424	3,049,775	633,380	12,924	4,672,503
Services	445,650	203,547	484,837	1,890	1,135,924
Supplies	1,208,592	1,108,922	548,048	201	2,865,763
Occupancy and Utilities	1,441,355	769,949	76,617	-	2,287,921
Depreciation	2,561,486	385,906	9,349	-	2,956,741
Interest/Amortization	1,269,640	209,366	33,060	-	1,512,066
Total Expenses	$ 10,226,816	$ 13,295,277	$ 3,289,658	$ 46,152	$ 26,857,903

Certain expenses are directly allocated to either program services, management and administrative or fundraising and development. Expenses are also allocated to either program services, management and administrative or fundraising and development based on various factors such as square footage, hours worked, number of meals and number of units.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Compliance

Laws and regulations governing the Medicare program are complex and subject to interpretation. The Community believes it is in compliance with all other applicable laws and regulations and is not aware of any other current pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program.

Legal

There are various legal actions that can occur in the ordinary course of business and management is not aware of any such matters that would have a material effect on the financial condition or results of operations of the Community. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the Community’s financial position.

Other

The Community has purchased a commercial insurance policy that provides for comprehensive general liability and professional liability coverage on a claims-made basis. As of December 31, 2020, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage nor are there any unasserted claims or incidents for which a loss accrual has not been made. The Community intends to continue coverage on a claims made basis with a commercial carrier and anticipates that such coverage will be available.

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk including the Community's own credit risk.

The fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are, therefore, determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

Investments: The fair value of investments in certificates of deposit, U.S. government obligations, corporate bonds, foreign bonds, municipal obligations, fixed income mutual funds, and common equity securities are based upon quoted prices in active markets for identical assets and are reflected as Level 1.

Interest in Havenwood-Heritage Heights Trust Fund: The fair value is determined based upon the net asset value of the Trust Fund based upon audited statements of the Trust Fund as of December 31, 2020 and 2019. The Trust Fund assets consist primarily of investments based upon quoted market prices in active or inactive markets. The interest in the Trust Fund is reflected as Level 3.

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Swaps: The fair value of the swaps is calculated using an industry standard valuation model which incorporates the sum of the present value of the future interest rate differential payments between the floating rate and fixed swap rates of 2.354%, 3.13%, and 0.97% through the maturity of the swaps (November 1, 2023, December 1, 2027, and November 1, 2033). The floating rates are based upon the current implied LIBOR yield curve (the rates at which the market currently expects LIBOR to reset for each future period) and ranged from 0.15% to 1.61% during 2020 and from 1.71% to 2.13% during 2019. The discount rates used to determine the fair value of the swaps are a function of the projections for LIBOR at that point in time. The swaps are reflected as Level 2.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the Community's assets and liabilities measured at fair value on a recurring basis at December 31, 2020:

	Level 1	Level 2	Level 3	Balance
Assets:				
Cash Equivalents and				
Certificates of Deposit	$ 1,033,085	$ -	$ -	$ 1,033,085
U.S. Government Obligations	3,768,578	-	-	3,768,578
Corporate Bonds	3,679,560	-	-	3,679,560
Foreign Bonds	352,190	-	-	352,190
Municipal Obligations	346,689	-	-	346,689
Fixed Income Mutual Funds	1,883,530	-	-	1,883,530
Common Equity Securities:				
Consumer Nondurables	1,438,866	-	-	1,438,866
Consumer Services	589,272	-	-	589,272
Business Products and				
Services	3,425,539	-	-	3,425,539
Capital Goods	1,851,372	-	-	1,851,372
Industrial Electronics	2,438,456	-	-	2,438,456
Energy	442,482	-	-	442,482
Basic Industries	496,494	-	-	496,494
Transportation	186,440	-	-	186,440
Financial	1,374,474	-	-	1,374,474
Utilities	352,500	-	-	352,500
International and Other	2,102,023	-	-	2,102,023
Interest in Havenwood-				
Heritage Heights Trust Fund	-	-	25,742,952	25,742,952
Total Assets	$ 25,761,550	$ -	$ 25,742,952	$ 51,504,502
Liabilities:				
Interest Rate Swaps	$ -	$ 2,140,677	$ -	$ 2,140,677

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Continued)

The following table presents the Community's assets and liabilities measured at fair value on a recurring basis at December 31, 2019:

	Level 1	Level 2	Level 3	Balance
Assets:				
Cash Equivalents and Certificates of Deposit	$ 1,895,223	$ -	$ -	$ 1,895,223
U.S. Government Obligations	4,024,058	-	-	4,024,058
Corporate Bonds	4,055,928	-	-	4,055,928
Foreign Bonds	329,058	-	-	329,058
Municipal Obligations	461,617	-	-	461,617
Fixed Income Mutual Funds	1,567,938	-	-	1,567,938
Common Equity Securities:				
Consumer Nondurables	1,373,704	-	-	1,373,704
Consumer Services	480,884	-	-	480,884
Business Products and Services	2,910,466	-	-	2,910,466
Capital Goods	1,466,372	-	-	1,466,372
Industrial Electronics	1,659,639	-	-	1,659,639
Energy	434,520	-	-	434,520
Basic Industries	389,022	-	-	389,022
Transportation	107,960	-	-	107,960
Financial	1,120,495	-	-	1,120,495
Utilities	298,500	-	-	298,500
International and Other	1,862,402	-	-	1,862,402
Interest in Havenwood-Heritage Heights Trust Fund	-	-	23,125,488	23,125,488
Total Assets	$ 24,437,786	$ -	$ 23,125,488	$ 47,563,274
Liabilities:				
Interest Rate Swaps	$ -	$ 1,597,349	$ -	$ 1,597,349

The following table provides a summary of unobservable inputs related to the Community's interest in Havenwood-Heritage Heights trust fund as of December 31, 2020:

Instrument	2020 Fair Value	2019 Fair Value	Principal Valuation Technique	Unobservable Inputs
Interest in Havenwood-Heritage Heights Trust Fund	$ 25,742,952	$ 23,125,488	FMV of Trust Investments	Term of Distributions

There were no purchases, sales or transfers for the years ended December 31, 2020 and 2019 related to the interest in Havenwood-Heritage Heights trust fund.

NOTE 16 SUBSEQUENT EVENTS

In preparing these financial statements, the Community has evaluated events and transactions for potential recognition or disclosure through June 28, 2021, the date the financial statements were issued. In June 2021, the Community entered into an agreement with the lender to amend the terms of its lending agreements. Please see Note 7 for additional disclosure of the amendments.