

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

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**



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**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the results of its operations and changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis-of-Matter Regarding Substantial Doubt about United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights' Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights will continue as a going concern. As discussed in Notes 1 and 7 to the financial statements, there is substantial doubt about the ability of United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights to continue as a going concern at December 31, 2022. Management's evaluation of the events and conditions and management's plans in regard to that matter also are described in Notes 1 and 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Church of Christ Retirement Community, Inc., dba: Havenwood-Heritage Heights' ability to continue as a going concern for a reasonable period of time.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
April 24, 2023

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 851,216	\$ 1,974,122
Investments	24,916,719	28,989,401
Resident Funds	7,049	11,892
Resident Accounts Receivable	415,243	314,056
Due from Havenwood-Heritage Heights Trust Fund	148,967	147,684
Inventories	332,049	419,598
Prepaid Expenses and Other Current Assets	397,561	390,688
Other Receivables	234,637	265,547
Total Current Assets	<u>27,303,441</u>	<u>32,512,988</u>
PROPERTY AND EQUIPMENT, NET	34,694,822	34,489,916
ASSETS LIMITED AS TO USE		
Other Restricted Cash and Investments	<u>14,601</u>	<u>14,601</u>
Total Assets Limited as to Use	14,601	14,601
OTHER ASSETS		
Interest in Havenwood-Heritage Heights Trust Fund	26,244,202	29,824,307
Cash Surrender Value of Life Insurance	250,277	242,744
Resident Deposits	1,010,429	1,007,171
Interest Rate Swap Agreements	707,461	-
Right-of-Use Assets - Finance Leases	58,782	106,633
Total Other Assets	<u>28,271,151</u>	<u>31,180,855</u>
Total Assets	<u><u>\$ 90,284,015</u></u>	<u><u>\$ 98,198,360</u></u>

See accompanying Notes to Financial Statements.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 36,093,509	\$ 1,218,334
Current Portion of Lease Liabilities - Finance Leases	53,769	81,302
Accounts Payable and Accrued Expenses	2,695,798	2,582,613
Resident Funds	7,049	11,892
Refundable Advance - CARES Act Stimulus Funds	-	224,791
Total Current Liabilities	<u>38,850,125</u>	<u>4,118,932</u>
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion and Bond Issuance Costs	-	35,957,464
Long-Term Lease Liabilities - Finance Leases	7,913	34,798
Refundable Entrance Fees	32,500	43,400
Deferred Revenue from Entrance Fees	12,660,845	12,043,755
Resident Deposits	1,010,429	1,007,171
Interest Rate Swap Agreements	-	1,110,364
Total Long-Term Liabilities	<u>13,711,687</u>	<u>50,206,047</u>
Total Liabilities	52,561,812	54,324,979
NET ASSETS		
Without Donor Restrictions	10,887,868	13,349,051
With Donor Restrictions	26,834,335	30,524,330
Total Net Assets	<u>37,722,203</u>	<u>43,873,381</u>
Total Liabilities and Net Assets	<u><u>\$ 90,284,015</u></u>	<u><u>\$ 98,198,360</u></u>

See accompanying Notes to Financial Statements.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND OTHER SUPPORT		
Retirement Community Revenue	\$ 10,811,916	\$ 10,262,398
Health Services Revenue	11,989,249	11,642,513
Amortization of Deferred Revenue from Entrance Fees	2,246,810	2,040,067
Other Operating Revenues	800,040	697,658
Net Assets Released from Restrictions Used for Operations	<u>1,864,060</u>	<u>1,977,741</u>
Total Revenue and Other Support	27,712,075	26,620,377
OPERATING EXPENSES		
Salaries and Wages	12,903,012	12,902,121
Fringe Benefits	4,704,329	4,854,850
Supplies and Maintenance	2,001,226	1,848,128
Purchased Services	1,302,829	1,299,255
Ancillary Services	76,564	75,466
Food	830,559	808,459
Utilities	1,744,462	1,533,661
Depreciation	2,655,048	2,752,688
Interest Expense	1,688,216	1,497,257
Nursing Facility Assessment Tax	566,417	528,615
Other Operating Expenses	<u>900,345</u>	<u>1,027,678</u>
Total Operating Expenses	29,373,007	29,128,178
GAIN ON INTEREST RATE SWAP AGREEMENTS	<u>1,817,825</u>	<u>1,030,313</u>
GAIN (LOSS) FROM OPERATIONS	156,893	(1,477,488)
OTHER INCOME (LOSS)		
Investment Income	583,258	592,107
Net Realized and Unrealized Gain (Loss) on Investments	(3,232,664)	3,257,571
Gain (Loss) on Disposal of Fixed Assets	2,725	(34,997)
Gifts and Bequests	3,605	10,784
Paycheck Protection Program Loan Forgiveness	-	2,897,600
Total Other Income (Loss)	<u>(2,643,076)</u>	<u>6,723,065</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SUPPORT OVER (UNDER) EXPENSES	<u><u>\$ (2,486,183)</u></u>	<u><u>\$ 5,245,577</u></u>

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficiency) of Revenue and Other Support Over (Under) Expenses	\$ (2,486,183)	\$ 5,245,577
Net Assets Released from Restrictions Used for Capital Purchases	<u>25,000</u>	<u>11,442</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	(2,461,183)	5,257,019
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions of Cash and Other Financial Assets	1,058,206	1,149,398
Contributions of Nonfinancial Assets	720,964	929,968
Interest in Havenwood-Heritage Heights Trust Fund	(3,580,105)	4,081,355
Net Assets Released from Restrictions Used for Operations	(1,864,060)	(1,977,741)
Net Assets Released from Restrictions Used for Capital Purchases	<u>(25,000)</u>	<u>(11,442)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(3,689,995)</u>	<u>4,171,538</u>
INCREASE (DECREASE) IN NET ASSETS	(6,151,178)	9,428,557
Net Assets - Beginning of Year	<u>43,873,381</u>	<u>34,444,824</u>
NET ASSETS - END OF YEAR	<u><u>\$ 37,722,203</u></u>	<u><u>\$ 43,873,381</u></u>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (6,151,178)	\$ 9,428,557
Adjustments to Reconcile Increase (Decrease) in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	2,577,912	2,672,301
Amortization of Deferred Financing Costs	136,044	118,624
Amortization of ROU Asset - Finance Leases	77,136	80,387
Proceeds from Entrance Fees and Deposits, Net of Refunds	2,853,000	2,964,000
Amortization of Deferred Revenue from Entrance Fees	(2,246,810)	(2,040,067)
Gain on Interest Rate Swap Agreements	(1,817,825)	(1,030,313)
Reinvested Investment Income	(582,258)	(602,046)
Net Change in Market Value - Investment Cash and		
Cash Equivalents	(574,083)	98,939
Noncash Investment Expense	104,743	109,745
Net Realized and Unrealized (Gains) Losses on Investments and		
Cash Surrender Value	3,232,664	(3,257,571)
(Gain) Loss on Disposal of Fixed Assets	(2,725)	34,997
Forgiveness of Paycheck Protection Program Loan	-	(2,897,600)
Change in Interest in Trust Fund	3,580,105	(4,081,355)
Bad Debt Expense (Recoveries), Net	(81,415)	63,585
Changes in Operating Assets and Liabilities:		
Resident Accounts Receivable	(19,772)	156,024
Due from Havenwood-Heritage Heights Trust Fund	(1,283)	147,307
Inventories	87,549	(40,317)
Prepaid Expenses and Other Current Assets and		
Other Receivables	(6,873)	(151,613)
Other Assets	30,910	133,797
Accounts Payable and Accrued Expenses	(111,606)	(400,885)
Other Long-Term Liabilities	(9,095)	21,001
Net Cash Provided by Operating Activities	<u>1,075,140</u>	<u>1,527,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(2,780,093)	(5,383,268)
Purchases of Investments	(2,633,024)	(3,288,687)
Proceeds from Sale of Investments	3,943,024	3,788,687
Net Cash Used by Investing Activities	<u>(1,470,093)</u>	<u>(4,883,268)</u>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	\$ -	\$ 4,786,358
Principal Payment on Bonds	(1,218,333)	(2,329,427)
Payments of Deferred Financing Costs	-	(56,617)
Payments of Finance Leases	(83,703)	(81,727)
Net Cash Provided (Used) by Financing Activities	<u>(1,302,036)</u>	<u>2,318,587</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,696,989)	(1,037,184)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>3,106,146</u>	<u>4,143,330</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,409,157</u>	<u>\$ 3,106,146</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash Paid During the Year for Interest	<u>\$ 1,538,005</u>	<u>\$ 1,332,677</u>
ROU Asset Received in Exchange for Finance Leases	<u>\$ 29,284</u>	<u>\$ 35,424</u>

See accompanying Notes to Financial Statements.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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 349 independent living units (350 units in 2021), 42 assisted living units (44 units in 2021), and 91 skilled nursing facility beds (91 beds in 2021). 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, and for general support 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 in net assets.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

The accompanying financial statements have been prepared assuming that the Community will continue as a going concern. The Community's bonds and construction loan have a current maturity date of November 1, 2023 and therefore have been classified as a current liability in the Community's statements of financial position as of December 31, 2022. Additionally, as explained in Note 7, commencing with the test period ending June 30, 2023 and thereafter, the minimum debt service coverage ratio of at least 1.15 to 1.0 shall be reinstated and tested semi-annually at the end of the fiscal year and each six month period thereafter. Management's projection indicates that the Community will not meet the financial covenant requirements for the period ending June 30, 2023. Management's plans are described in Note 7.

Because it is not possible at this time to predict the outcome of management's efforts, substantial doubt remains regarding the ability of the Community to continue as a going concern during the ensuing year.

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, 2022 and 2021, 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.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 statements of financial position 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:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 851,216	\$ 1,974,122
Cash included in Investments	543,340	1,117,423
Restricted Cash included in Assets Limited As to Use	<u>14,601</u>	<u>14,601</u>
Total Cash, Cash Equivalents, and Restricted		
Cash Shown in the Statements of Cash Flows	<u>\$ 1,409,157</u>	<u>\$ 3,106,146</u>

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Accounts Receivable

Resident accounts receivable is recorded at the estimated transaction price. 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 45% and 72% of gross resident accounts receivable at December 31, 2022 and 2021, 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.

The opening and closing balances in resident accounts receivable were as follows:

	<u>Resident Accounts Receivable</u>
January 1, 2021	\$ 533,665
December 31, 2021	314,056
December 31, 2022	415,243

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or net realizable value. Inventories, as of December 31, 2022 and 2021, consist primarily of food, medical supplies, and other dining service supplies. As of December 31, 2022 and 2021, 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.

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.

UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Community determines if an arrangement is a lease at inception. Finance leases are included in right-of-use (ROU) assets—finance leases and lease liability—finance leases in the statements of financial position. In evaluating the Community's operating lease agreements, it was determined that operating leases do not have a material impact to the financial statements, and therefore, the Community has elected not to apply FASB ACS 842 to operating leases. The Organization has also elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

ROU assets represent the Community's right to use an underlying asset for the lease term and lease liabilities represent the Community's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Community will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Community has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

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
Computer Software (Included in Equipment)	3 Years

Depreciation expense for the years ended December 31, 2022 and 2021 was \$2,577,912 and \$2,672,301, respectively.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
DBA: HAVENWOOD-HERITAGE HEIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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, 2022 and 2021.

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 \$136,044 and \$118,624 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 amounted to \$2,246,810 and \$2,040,067, respectively.

The opening and closing balances in deferred revenue from entrance fees were as follows:

	<u>Deferred Revenue from Entrance Fees</u>
January 1, 2021	\$ 11,106,422
December 31, 2021	12,043,755
December 31, 2022	12,660,845

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, 2022 or 2021. Monthly service fees are generally increased annually based upon the projected needs of the Community and are recognized in the month earned.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 years ended December 31, 2022 and 2021, the Community received \$331,659 and \$290,749, respectively, 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, 2022 and 2021, the Community recognized \$556,450 and \$565,958, respectively as contributions with donor restrictions in the statements of changes in net assets and \$-0- and \$224,791, respectively, 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, 2022 and 2021.

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 (deficiency) of revenue and other support over (under) expenses. See also Note 7.

The Community had an asset (liability) of \$707,461 and (\$1,110,364) as of December 31, 2022 and 2021, 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 gain (loss) from operations in the statements of operations. For the years ended December 31, 2022 and 2021, the Community recognized a gain on the interest rate swap agreements of \$1,817,825 and \$1,030,313 respectively.

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.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonrefundable 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.

Revenues from the Medicare and Medicaid programs each accounted for approximately 4% of the Community's net resident service revenue in both 2022 and 2021. 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.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

The composition of resident services revenue and amortization of deferred revenue from entrance fees by primary payor is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Primary Payor:		
Private Pay	\$ 23,631,770	\$ 22,364,752
Insurers and Other	2,216,245	2,277,884
Total	<u>\$ 25,848,015</u>	<u>\$ 24,642,636</u>

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 and amortization of deferred revenue from entrance fees based on its service lines, methods of reimbursement, and timing of revenue recognition are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Service Lines:		
Skilled Nursing Facility	\$ 10,322,820	\$ 9,671,079
Assisted Living	1,920,668	2,184,468
Independent Living	13,604,527	12,787,089
Total	<u>\$ 25,848,015</u>	<u>\$ 24,642,636</u>
Methods of Reimbursement:		
Fee for Service	<u>\$ 25,848,015</u>	<u>\$ 24,642,636</u>
Timing of Revenue and Recognition:		
Services Transferred over Time	\$ 25,216,040	\$ 24,097,862
Services Transferred at a Point in Time	631,975	544,774
Total	<u>\$ 25,848,015</u>	<u>\$ 24,642,636</u>

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.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (deficiency) of revenue and other support over (under) 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, gain (loss) on disposal of fixed assets, and paycheck protection program loan forgiveness, 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, 2022 and 2021 were approximately \$172,000 and \$208,000, respectively. Funds received from gifts and grants to subsidize charity services provided for the years ended December 31, 2022 and 2021 were approximately \$133,000 and \$167,000, respectively. Of this funding, approximately \$133,000 and \$167,000 is from the Trust Fund in 2022 and 2021, respectively (see Note 9). The Community also receives Medicaid Gap Funding which is designated to partially offset the gap between Medicaid and private pay rates for Medicaid residents.

Advertising Expense

Advertising costs are expensed as incurred and totaled approximately \$90,000 and \$97,000 for the years ended December 31, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS
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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, 2022 and 2021.

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 Pronouncements

Accounting Standards Update (ASU) 2016-02

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Community adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the earliest comparative period presented. The adoption of this accounting standard did not have an impact on the Community's statements of operations and changes in net assets.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

Accounting Standards Update (ASU) 2020-07

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Community adopted the standard on January 1, 2022. The Community has updated disclosures as necessary (see Note 16 Contributed Nonfinancial Assets).

Subsequent Events

In preparing these financial statements, the Community has evaluated events and transactions for potential recognition or disclosure through April 24, 2023, the date the 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 financial statements.

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 statements of financial position date, are compromised of the following:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 851,216	\$ 1,974,122
Investments	24,916,719	28,989,401
Resident Accounts Receivable	415,243	314,056
Other Receivables	234,637	265,547
Total Financial Assets	<u>\$ 26,417,815</u>	<u>\$ 31,543,126</u>

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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:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash Equivalents and				
Certificates of Deposit	\$ 559,168	\$ 557,941	\$ 1,121,977	\$ 1,132,024
U.S. Government Obligations	3,804,736	3,562,344	3,619,769	3,790,028
Corporate Bonds	2,797,169	2,620,196	2,846,189	2,979,075
Foreign Bonds	313,655	288,139	313,656	335,614
Municipal Obligations	204,448	226,653	321,603	348,107
Fixed Income Mutual Funds	3,347,012	2,721,437	3,226,435	3,330,685
Common Equity Securities	9,184,877	14,954,610	8,452,842	17,088,469
Total	<u>\$ 20,211,065</u>	<u>\$ 24,931,320</u>	<u>\$ 19,902,471</u>	<u>\$ 29,004,002</u>

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

	2022	2021
Investments	\$ 24,916,719	\$ 28,989,401
Other Restricted Cash and Investments	14,601	14,601
Total	<u>\$ 24,931,320</u>	<u>\$ 29,004,002</u>

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:

	2022	2021
Investment Income	\$ 583,258	\$ 592,107
Net Realized and Unrealized Gains (Losses) on Investments	(3,232,664)	3,257,571
Total	<u>\$ (2,649,406)</u>	<u>\$ 3,849,678</u>

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NOTE 4 RESIDENT ACCOUNTS RECEIVABLE

Resident accounts receivable consist of the following at December 31:

	2022	2021
Private Pay Residents	\$ 193,770	\$ 125,814
Medicaid Residents	48,708	58,667
Medicare Residents	176,790	309,920
Other	32,975	14,655
Total	452,243	509,056
Less: Allowance for Uncollectible Accounts	(37,000)	(195,000)
Resident Accounts Receivable	<u>\$ 415,243</u>	<u>\$ 314,056</u>

NOTE 5 PROPERTY AND EQUIPMENT

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

	2022	2021
Land and Land Improvements	\$ 3,963,231	\$ 3,930,319
Buildings and Improvements	73,080,362	70,905,409
Furniture and Fixtures	2,203,212	2,153,788
Equipment	8,592,137	8,377,813
Construction in Process	299,312	348,546
Total	88,138,254	85,715,875
Less: Accumulated Depreciation and Amortization	(53,443,432)	(51,225,959)
Total Property and Equipment	<u>\$ 34,694,822</u>	<u>\$ 34,489,916</u>

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NOTE 6 LEASES

The Community leases equipment and vehicles for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2024. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information regarding the Community's finance leases.

	<u>2022</u>	<u>2021</u>
Lease Costs:		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$ 77,136	\$ 80,387
Interest on Lease Liabilities	2,671	5,697
Total Lease Cost	<u>\$ 79,807</u>	<u>\$ 86,084</u>
Other Information:		
Cash Paid for Amounts Included In the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	\$ 79,807	\$ 86,084
Financing Cash Flows from Finance Leases	83,703	81,727
Right-of-Use Assets Obtained In Exchange for New Finance Lease Liabilities	29,284	35,424
Weighted-Average Remaining Lease Term - Finance Leases	1.0 Years	1.6 Years
Weighted-Average Discount Rate - Finance Leases	4.13%	4.33%

A maturity analysis of annual undiscounted cash flows for finance lease liabilities as of December 31, 2022 is as follows:

<u>Year Ending December 31,</u>	<u>Finance Leases</u>
2023	\$ 55,087
2024	8,056
Total	63,143
Less: Amounts Representing Interest	(1,461)
Present Value of Total Minimum Lease Payments	61,682
Less: Current Maturities	(53,769)
Long-Term Finance Lease Obligations	<u>\$ 7,913</u>

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NOTE 7 LONG-TERM DEBT AND MANAGEMENT'S PLANS

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

<u>Description</u>	<u>2022</u>	<u>2021</u>
The Authority Variable Rate Revenue Bonds, Havenwood-Heritage Heights Issue, Series 2009; maturity at various dates through 2035	\$ 11,445,000	\$ 11,880,000
The Authority Variable Rate Revenue Bonds, Havenwood-Heritage Heights Issue, Series 2013B; maturity at various dates through 2042	14,284,574	14,317,907
The Authority Variable Rate Revenue Bonds, Havenwood-Heritage Heights Issue, Series 2016A; maturity at various dates through 2042	4,065,119	4,815,119
The Authority Variable Rate Revenue Bonds, Havenwood-Heritage Heights Issue, Series 2016B; maturity at various dates through 2042	2,590,972	2,590,972
Construction Loan	<u>3,845,000</u>	<u>3,845,000</u>
Total Debt	36,230,665	37,448,998
Less: Unamortized Debt Issuance Costs	<u>(137,156)</u>	<u>(273,200)</u>
Total Debt, Net Unamortized Debt Issuance Costs	36,093,509	37,175,798
Less: Current Portion	<u>(36,093,509)</u>	<u>(1,218,334)</u>
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 35,957,464</u>

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

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%. As part of the loan amendment dated August 12, 2021, the interest rate became 72% of LIBOR, as defined, plus 2.45% (4.73% and 1.84% as of December 31, 2022 and 2021, respectively). 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.

The Series 2009 bonds are due on November 1, 2023 as part of a put provision; therefore, the principal balance is classified as current on the statements of financial position for the year ended December 31, 2022.

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.

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, 2022 and 2021 is included in the accompanying statements of financial position.

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

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%. As part of the loan amendment dated August 12, 2021, the interest rate became 72% of LIBOR, as defined, plus 2.45% (4.73% and 1.84% at December 31, 2022 and 2021, respectively).

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

The Series 2013B bonds are due on November 1, 2023 as part of a put provision; therefore, the principal balance is classified as current on the statements of financial position for the year ended December 31, 2022.

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 bore 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%. As part of the loan amendment dated August 12, 2021, the interest rate became 65.01% times the LIBOR rate, as defined, plus 2.45% (4.37% and 1.66% at December 31, 2022 and 2021, respectively).

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

The Series 2016A and Series 2016B bonds are due on November 1, 2023 as part of a put provision; therefore, the principal balance is classified as current on the statements of financial position for the year ended December 31, 2022.

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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). Management applied for loan forgiveness on June 25, 2021. On September 7, 2021, the Community received forgiveness of the loan principal of \$2,897,600 from the SBA. This amount is recognized as other income in the statements of operations and changes in net assets as of December 31, 2021.

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, 2021, the full amount of \$5,000,000 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% (6.84% and 2.55% at December 31, 2022 and 2021, respectively).

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

The Community capitalized interest costs associated with the development and construction loan of \$-0- and \$40,310 for the years ended December 31, 2022 and 2021, respectively.

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, 2022 through December 31, 2022, 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 upon 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 were 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 June 2021, the Community entered into another agreement with the lender to extend the terms of the May 2020 agreement through 2021. 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.

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

In January 2022, the Community entered into an agreement with the lender to further suspend the previously required debt service coverage ratio for the December 31, 2021, June 30, 2022, and the December 31, 2022 test periods. During such suspension period, such covenant shall be replaced with a minimum EBITDA requirement, tested on a quarterly basis. Commencing with the test period ending June 30, 2023 and thereafter, the minimum debt service coverage ratio of at least 1.15 to 1.0 shall be reinstated and tested semi-annually at the end of the fiscal year and each six month period thereafter. Management's projection indicates that the Community will not meet the financial covenant requirements for the period ending June 30, 2023.

Management's Plans and Going Concern Considerations

Management has evaluated conditions that raise substantial doubt and has concluded that substantial doubt about the Community's ability to continue as a going concern within twelve months after the date of financial statement issuance has not been alleviated. Management notes the following change that has impacted its projected cash flows for the next twelve months.

In November 2023, the Community's privately held tax-exempt bond series (Series 2009, Series 2013 and Series 2016 Bonds) and a taxable loan with its current lender, Citizens Bank, will mature. Because maturity will happen within the next 12 months, accounting standards require these obligations to be reclassified from long term debt to short term debt as of December 31, 2022. If the Community is not able to refinance these obligations, the Community's present cash flows would not enable it to pay off the obligations when they mature.

As anticipated and planned, the management team has been working with its investment banker since mid-2022 to establish strategic parameters for a scheduled refinancing, and to arrange for replacement long-term refinancing opportunities, both with its current lender and a new lender. Management expects that a new long-term financing agreement will be in place well in advance of the November 2023, thereby enabling the Community to meet its obligations in the next twelve months.

In addition to its refinancing efforts in the coming year, the Community is also focused on strategic efforts to strengthen census and enhance sustainability in all levels of care, which will also strengthen its future cash flows. Strategies include, but are not limited to the following:

- To continue the reconfiguration of the Health Services Center beds to fully utilize nursing facility licensed beds and reduce the number of supported residential care beds. This will allow the Community to take advantage of short-term rehabilitation admissions and maximize potential Medicare A revenues.

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

Management's Plans and Going Concern Considerations (Continued)

- To continue the private room project in the Health Services Center through the combination and renovation of semiprivate rooms. Private rooms are highly desirable and previously constructed units have been 100% occupied since their completion, adding consistent and predictable revenues and enhanced resident quality of life.
- To continue the enhancement of independent living units on the Heritage Heights campus with the South End redevelopment project. This project began in late 2019, as the Community began planning for the modernization of the South End of the Heritage Heights campus (the South End Project). Phase 1 of the South End Project was fully presold, successfully completed in the fall of 2021, generated over \$1M in entrance fees, and is 100% occupied. Management is now actively planning for Phase 2 and is hopeful to break ground in the fall of 2023.
- To continue to take advantage of other combination/renovation opportunities as they arise and update the inventory of units at all levels of care. In 2022, ten new Juniper accommodations were completed in 2022 and early 2023, generating new entrance fees and monthly revenues.

Despite the turbulence of the healthcare world, the continued impact of the Pandemic, and the uncertain economic times, the Community continues to provide excellent care and services for over 500 residents, and actively supports 300 plus staff members. The Community remains optimistic about future opportunities and looks forward to enhancing the Community's sustainability well into the future.

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 (\$11,445,000 and \$11,880,000 December 31, 2022 and 2021, respectively). 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 (2.97% and 0.05% at December 31, 2022 and 2021, respectively). The resulting difference is charged or credited to interest expense. During 2022 and 2021, such credits were \$517,075 and \$363,888, respectively. The Community recorded an asset (liability) equal to the fair value of the swap of \$112,892 and (\$404,183) as of December 31, 2022 and 2021, respectively.

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

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 (\$14,284,574 and \$14,317,909 at December 31, 2022 and 2021, respectively). 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 (2.97% and 0.05% at December 31, 2022 and 2021, respectively). The resulting difference is charged or credited to interest expense. During 2022 and 2021, such credits were \$1,108,247 and \$576,596, respectively. The Community recorded an asset (liability) equal to the fair value of the swap of \$421,866 and (\$686,381) as of December 31, 2022 and 2021, respectively.

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 (\$4,065,118 and \$4,815,118 at December 31, 2022 and 2021, respectively). 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 (2.68% and 0.04% at December 31, 2022 and 2021, respectively). The resulting difference is charged or credited to interest expense. Such credits were \$192,503 and \$89,829 during 2022 and 2021, respectively. The Community recorded an asset (liability) equal to the fair value of the swap of \$172,703 and (\$19,800) as of December 31, 2022 and 2021, respectively.

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:

<u>Year Ending December 31.</u>	<u>Amount</u>
2023	<u>\$ 36,230,665</u>
Total	<u><u>\$ 36,230,665</u></u>

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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Grounds Improvement	\$ 145,661	\$ 165,661
Staff Development	23,672	15,346
Resident Support	17,217	17,217
Supplies and Equipment Benefiting Residents	118,423	123,280
COVID Related Donations	285,160	378,519
Designated Programs/Projects and Resident Support (Interest in the Trust Fund)	26,244,202	29,824,307
Total	<u>\$ 26,834,335</u>	<u>\$ 30,524,330</u>

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, 2022 and 2021 totaled approximately \$133,000 and \$167,000, 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 2022 and 2021. As of December 31, 2022 and 2021, the Community had amounts due from the Trust Fund totaling \$148,967 and \$147,684, respectively, related to support and services which are expected to be paid in 2023.

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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, 2022 and 2021 amounted to \$276,090 and \$261,873, 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 the years ended December 2022 and 2021, approximately \$28,000 and \$26,000, respectively, was credited to the participant's account and recorded as deferred compensation expense. The liability related to this obligation totaled approximately \$330,000 and \$301,000 at December 31, 2022 and 2021, respectively.

NOTE 12 VOLUNTEER SERVICES (UNAUDITED)

Total volunteer service hours received by the Community were approximately 6,800 and 5,000 in 2022 and 2021, 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.

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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:

	2022				
	Program Services		Management and	Fundraising and	Total
	Residential	Health Care	Administrative	Development	
Salaries	\$ 2,505,241	\$ 8,748,979	\$ 1,613,655	\$ 35,137	\$ 12,903,012
Benefits	960,523	3,112,270	622,580	8,956	4,704,329
Services	599,297	709,177	683,927	4,126	1,996,527
Supplies	1,577,630	1,219,724	317,048	594	3,114,996
Occupancy and Utilities	1,321,838	928,391	60,650	-	2,310,879
Depreciation	2,085,817	418,126	151,105	-	2,655,048
Interest/Amortization	1,461,095	197,303	29,818	-	1,688,216
Total Expenses	<u>\$ 10,511,441</u>	<u>\$ 15,333,970</u>	<u>\$ 3,478,783</u>	<u>\$ 48,813</u>	<u>\$ 29,373,007</u>

	2021				
	Program Services		Management and	Fundraising and	Total
	Residential	Health Care	Administrative	Development	
Salaries	\$ 2,506,549	\$ 8,727,447	\$ 1,632,989	\$ 35,136	\$ 12,902,121
Benefits	1,002,518	3,170,856	665,401	16,075	4,854,850
Services	575,907	768,577	772,284	5,387	2,122,155
Supplies	1,310,418	1,123,538	502,338	537	2,936,831
Occupancy and Utilities	1,137,823	863,371	61,082	-	2,062,276
Depreciation	2,125,990	481,482	145,216	-	2,752,688
Interest/Amortization	1,278,935	192,695	25,627	-	1,497,257
Total Expenses	<u>\$ 9,938,140</u>	<u>\$ 15,327,966</u>	<u>\$ 3,804,937</u>	<u>\$ 57,135</u>	<u>\$ 29,128,178</u>

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.

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NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2022, 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.

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NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2022 and 2021. 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.

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 2.11% to 3.68% during 2022 and from 0.10% to 1.80% during 2021. 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.

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NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the Community's assets measured at fair value on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Balance
Assets:				
U.S. Government Obligations	\$ 3,562,344	\$ -	\$ -	\$ 3,562,344
Corporate Bonds	2,620,196	-	-	2,620,196
Foreign Bonds	288,139	-	-	288,139
Municipal Obligations	226,653	-	-	226,653
Fixed Income Mutual Funds	2,721,437	-	-	2,721,437
Common Equity Securities:				
Consumer Nondurables	1,621,543	-	-	1,621,543
Consumer Services	815,220	-	-	815,220
Business Products and Services	2,955,661	-	-	2,955,661
Capital Goods	2,356,181	-	-	2,356,181
Industrial Electronics	1,685,396	-	-	1,685,396
Energy	1,352,429	-	-	1,352,429
Basic Industries	387,072	-	-	387,072
Transportation	324,230	-	-	324,230
Financial	1,397,440	-	-	1,397,440
Utilities	316,360	-	-	316,360
Information Technology	282,172	-	-	282,172
International and Other	1,460,906	-	-	1,460,906
Interest in Havenwood-Heritage Heights Trust Fund	-	-	26,244,202	26,244,202
Interest Rate Swaps	-	707,461	-	707,461
Total Assets	<u>\$ 24,373,379</u>	<u>\$ 707,461</u>	<u>\$ 26,244,202</u>	<u>\$ 51,325,042</u>

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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, 2021:

	Level 1	Level 2	Level 3	Balance
Assets:				
U.S. Government Obligations	\$ 3,790,028	\$ -	\$ -	\$ 3,790,028
Corporate Bonds	2,979,075	-	-	2,979,075
Foreign Bonds	335,614	-	-	335,614
Municipal Obligations	348,107	-	-	348,107
Fixed Income Mutual Funds	3,330,685	-	-	3,330,685
Common Equity Securities:				
Consumer Nondurables	1,798,108	-	-	1,798,108
Consumer Services	905,225	-	-	905,225
Business Products and Services	3,875,571	-	-	3,875,571
Capital Goods	2,023,937	-	-	2,023,937
Industrial Electronics	2,219,756	-	-	2,219,756
Energy	1,023,380	-	-	1,023,380
Basic Industries	522,580	-	-	522,580
Transportation	171,360	-	-	171,360
Financial	1,530,048	-	-	1,530,048
Utilities	315,900	-	-	315,900
International and Other	2,702,604	-	-	2,702,604
Interest in Havenwood-Heritage Heights Trust Fund	-	-	29,824,307	29,824,307
Total Assets	\$ 27,871,978	\$ -	\$ 29,824,307	\$ 57,696,285
Liabilities:				
Interest Rate Swaps	\$ -	\$ 1,110,364	\$ -	\$ 1,110,364

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, 2022:

Instrument	2022	2021	Principal Valuation Technique	Unobservable Inputs
	Fair Value	Fair Value		
Interest in Havenwood-Heritage Heights Trust Fund	\$ 26,244,202	\$ 29,824,307	FMV of Trust Investments	Term of Distributions

There were no purchases, sales or transfers for the years ended December 31, 2022 and 2021 related to the interest in Havenwood-Heritage Heights Trust Fund.

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NOTE 16 CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statements of operations and changes in net assets included:

	Revenue Recognized in 2022	Revenue Recognized in 2021	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
COVID-19 Test Kits and Testing Services	\$ 720,964	\$ 929,968	The COVID-19 test kits and testing services are used to test staff and residents in accordance with the donor restrictions.	The Community shall conduct surveillance testing in accordance with the testing cycles and estimated test volumes based on the COVID-19 testing positivity rate in the county in which the Community operates.	The Community has a contract with the State of New Hampshire, Department of Health and Human Services (the State) in which the State donates COVID-19 test kits and testing services directly to the Community. The contract states the cost per test is \$100.