



United Church of Christ Retirement Community, Inc. d/b/a Havenwood-Heritage Heights

FINANCIAL STATEMENTS

December 31, 2024 and 2023

With Independent Auditor's Report



**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

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BDMP Assurance, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Church of Christ Retirement Community, Inc.
d/b/a Havenwood-Heritage Heights

Opinion

We have audited the accompanying financial statements of United Church of Christ Retirement Community, Inc., d/b/a Havenwood-Heritage Heights (the Community), which comprise the statement of financial position as of December 31, 2024, and the related statement of operations and cash flows for the year 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 the Organization as of December 31, 2024, and the changes in its net assets and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended December 31, 2023, were audited by other auditors, whose report dated May 23, 2024, expressed an unmodified opinion on these statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 U.S. 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 U.S. 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 the Organization's 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 the Organization's ability to continue as a going concern for a reasonable period of time.

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.

BMP Assurance, LLP

Portland, Maine
May 2, 2025

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Statements of Financial Position

December 31, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents	\$ 2,147,998	\$ 868,434
Investments	17,516,222	24,563,088
Resident funds	6,430	7,872
Resident accounts receivable, net	565,362	651,932
Due from Havenwood-Heritage Heights Trust Fund	123,918	122,549
Inventories	79,644	123,062
Prepaid expenses	418,414	425,055
Other receivables	<u>227,344</u>	<u>182,864</u>
Total current assets	21,085,332	26,944,856
Property and equipment, net	41,830,987	34,493,888
Assets limited as to use		
Restricted cash	<u>14,600</u>	<u>24,600</u>
Total assets limited as to use	14,600	24,600
Other assets		
Interest in Havenwood-Heritage Heights Trust Fund	32,064,663	29,575,131
Cash surrender value of life insurance	265,864	257,896
Resident deposits	1,081,367	1,026,968
Interest rate swap agreements	148,222	363,435
Right-of-use assets – financing leases	<u>359,251</u>	<u>259,763</u>
Total other assets	<u>33,919,367</u>	<u>31,483,193</u>
Total assets	\$ <u>96,850,286</u>	\$ <u>92,946,537</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
Current liabilities		
Current portion of long-term debt	\$ 478,440	\$ 7,679,692
Current portion of lease liabilities – financing	97,224	65,911
Accounts payable and accrued expenses	3,685,818	2,626,315
Resident funds	<u>12,350</u>	<u>7,872</u>
Total current liabilities	<u>4,273,832</u>	10,379,790
Long-term liabilities		
Long-term debt, net of current portion and bond issuance costs	34,438,693	27,230,524
Lease liabilities – financing, excluding current portion	249,095	178,004
Refundable entrance fees	66,000	23,800
Deferred revenue from entrance fees	13,612,219	13,211,715
Resident deposits	<u>1,071,089</u>	<u>1,026,968</u>
Total long-term liabilities	<u>49,437,096</u>	<u>41,671,011</u>
Total liabilities	53,710,928	52,050,801
Net assets		
Without donor restrictions	10,700,629	10,928,904
With donor restrictions	<u>32,438,729</u>	<u>29,966,832</u>
Total net assets	<u>43,139,358</u>	<u>40,895,736</u>
Total liabilities and net assets	\$ <u>96,850,286</u>	\$ <u>92,946,537</u>

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Statements of Operations

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue and other support		
Retirement community revenue	\$ 12,076,460	\$ 11,279,641
Health services revenue	13,411,761	12,059,375
Amortization of deferred revenue from entrance fees	2,184,147	2,238,830
Other operating revenues	866,068	826,275
Net assets released from restrictions used for operations	<u>491,080</u>	<u>878,389</u>
Total revenue and other support	29,029,516	27,282,510
Operating expenses		
Salaries and wages	14,110,768	13,613,966
Fringe benefits	4,681,579	4,657,164
Supplies and maintenance	1,181,664	1,475,410
Purchased services	1,525,598	1,580,152
Ancillary services	49,840	87,423
Food	948,177	834,501
Utilities	1,677,079	1,734,933
Depreciation	2,793,124	2,742,319
Interest expense	1,781,991	1,851,835
Nursing facility assessment tax	637,319	562,621
Other operating expenses	<u>1,165,430</u>	<u>1,223,802</u>
Total operating expenses	30,552,569	30,364,126
Loss on interest rate swap agreements	<u>(215,213)</u>	<u>(344,027)</u>
Loss from operations	(1,738,266)	(3,425,643)
Other income (loss)		
Investment income	447,073	607,352
Net realized and unrealized gain on investments	1,119,778	2,579,099
(Loss) gain on disposal of fixed assets	(70,872)	758
Gifts and bequests	<u>14,012</u>	<u>272,337</u>
Total other income (loss)	<u>1,509,991</u>	<u>3,459,546</u>
(Deficiency) excess of revenue and other support over (under) expenses	<u>\$ (228,275)</u>	<u>\$ 33,903</u>

The accompanying notes are an integral part of these financial statements.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Statements of Changes in Net Assets

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions		
(Deficiency) excess of revenue and other support over (under) expenses	\$ (228,275)	\$ 33,903
Net assets released from restrictions used for capital purchases	<u> -</u>	<u> 7,133</u>
(Decrease) increase in net assets without donor restrictions	(228,275)	41,036
Changes in net assets with donor restrictions		
Contributions of cash and other financial assets	436,327	482,371
Contributions of nonfinancial assets	37,118	204,719
Interest in Havenwood-Heritage Heights Trust Fund	2,489,532	3,330,929
Net assets released from restrictions used for operations	(491,080)	(878,389)
Net assets released from restrictions used for capital purchases	<u> -</u>	<u> (7,133)</u>
Increase in net assets with donor restrictions	<u>2,471,897</u>	<u>3,132,497</u>
Increase in net assets	2,243,622	3,173,533
Net assets, beginning of year	<u>40,895,736</u>	<u>37,722,203</u>
Net assets, end of year	<u>\$ 43,139,358</u>	<u>\$ 40,895,736</u>

The accompanying notes are an integral part of these financial statements.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Increase in net assets	\$ 2,243,622	\$ 3,173,533
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,692,576	2,660,696
Amortization of deferred financing costs	56,110	109,182
Amortization of ROU asset – finance leases	100,548	81,623
Proceeds from entrance fees and deposits, net of refunds	2,626,850	2,781,000
Amortization of deferred revenue from entrance fees	(2,184,147)	(2,238,830)
Loss on interest rate swap agreements	215,213	344,026
Reinvested investment income	(429,342)	(612,115)
Net change in market value – investment cash and cash equivalents	(720,319)	209,679
Net realized and unrealized gains on investments and cash surrender value	(1,119,778)	(2,579,099)
Loss (gain) on disposal of fixed assets	70,872	(758)
Change in interest in trust fund	(2,489,532)	(3,330,929)
Provision for credit losses	97,847	91,811
Changes in operating assets and liabilities:		
Resident accounts receivable	(11,277)	(328,500)
Due from Havenwood-Heritage Heights Trust Fund	(1,369)	26,418
Inventories	43,418	208,987
Prepaid expenses and other current assets and other receivables	6,641	(27,494)
Other assets	(98,879)	51,773
Accounts payable and accrued expenses	1,059,673	(69,483)
Other liabilities	48,599	-
Net cash provided by operating activities	<u>2,207,326</u>	<u>551,520</u>
Cash flows from investing activities		
Purchase of property and equipment	(10,100,547)	(2,459,004)
Purchases of investments	(13,674,046)	(9,418,269)
Proceeds from sale of investments	22,273,507	12,955,495
Net cash (used) provided by investing activities	<u>(1,501,086)</u>	<u>1,078,222</u>
Cash flows from financing activities		
Principal payment on bonds	(7,682,930)	(1,254,283)
Changes in deferred financing costs	(266,070)	(38,192)
Refinancing of debt (additional borrowings)	7,899,807	-
Payments of finance leases	(97,632)	(100,371)
Net cash used by financing activities	<u>(146,825)</u>	<u>(1,392,846)</u>

The accompanying notes are an integral part of these financial statements.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Statements of Cash Flows (Concluded)

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net increase in cash, cash equivalents, and restricted cash	559,415	236,896
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,646,053</u>	<u>1,409,157</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 2,205,468</u>	<u>\$ 1,646,053</u>
Supplemental disclosures of noncash investing and financing activities		
Cash paid during the year for interest	<u>\$ 1,747,119</u>	<u>\$ 1,722,726</u>
ROU asset received in exchange for finance leases	<u>\$ -</u>	<u>\$ 282,604</u>
Noncash investment expense	<u>\$ 82,739</u>	<u>\$ 100,583</u>
Composition of cash and cash equivalents, restricted cash, end of year		
Cash and cash equivalents	<u>\$ 2,147,998</u>	\$ 868,434
Cash included in investments	<u>42,870</u>	753,019
Restricted cash included in assets limited as to use	<u>14,600</u>	<u>24,600</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 2,205,468</u>	<u>\$ 1,646,053</u>

The accompanying notes are an integral part of these financial statements.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Notes to Financial Statements

December 31, 2024 and 2023

Organization and Nature of Business

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., d/b/a 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 347 independent living units, 35 assisted living units, and 91 skilled nursing facility beds. 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. The Trust Fund is a 501(c)3 corporation, separate from the Community, and is governed by an independent board of trustees, which includes two cross-over members from the Community's board of directors. 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, *Not-for-Profit Entities—Revenue Recognition*, 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.

1. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Notes to Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023, 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 U.S. generally accepted accounting principles (U.S. GAAP) 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.

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. However, management believes the credit risk related to those balances is minimal. The Community has not experienced any losses on such accounts.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Notes to Financial Statements

December 31, 2024 and 2023

Resident Accounts Receivable and Allowance for Credit Losses

Resident accounts receivable is reported net of an allowance for credit losses to represent the Community's estimate of expected losses at the statements of financial position date. The adequacy of the Community's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts more than 90 days past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance.

Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly.

Changes in the allowance for credit losses were as follows:

	<u>2024</u>	<u>2023</u>
Allowance for credit losses:		
Balance, beginning of year	129,000	37,000
Provision for losses	97,847	91,811
Recoveries	<u>153</u>	<u>189</u>
Balance, end of year	<u>\$ 227,000</u>	<u>\$ 129,000</u>

Approximately 58% and 61% of gross resident accounts receivable at December 31, 2024 and 2023, 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, net were as follows:

January 1, 2023	\$ 415,243
December 31, 2023	651,932
December 31, 2024	565,362

Inventories

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

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
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Notes to Financial Statements

December 31, 2024 and 2023

Assets Limited as to Use

Assets limited as to use include cash deposits for the employee dental plan.

Investments

Investments are valued at fair value in the statements of financial position. 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.

Right-of-Use Assets and Lease Liabilities

The Community determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Community determines these assets are leased because the Community has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Community determines it does not have the right to control and direct the use of the identified asset. The Community's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Community separately identifies lease and non-lease components, such as maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its facility and equipment leases. The Community has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease agreement.

Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Community determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. FASB ASC Topic 842, *Leases* (Topic 842) requires the use of the implicit rate in the lease when readily determinable. As the leases do not provide an implicit rate, the Community elected the to use their incremental borrowing rate when the rate of the lease is not implicit in the lease agreement.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
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Notes to Financial Statements

December 31, 2024 and 2023

The lease term may include options to extend or to terminate the lease that the Community is reasonably certain to exercise. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Whereas finance lease ROU assets are amortized to amortization expense over the lease term and interest is expensed on the lease liabilities throughout the lease term.

In evaluating operating leases, it was determined the operating leases do not have a material impact to the financial statements, and therefore, the Community has elected not to apply FASB ASC 842 to operating leases. The Community has elected not to record leases with an initial term of 12 months or less on the balance sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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, 2024 and 2023 was \$2,793,124 and \$2,742,319, 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, 2024 and 2023.

Bond Issuance Costs

Bond issuance costs consist of fees for obtaining financing as capitalized and amortized 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 \$56,110 and \$109,182 for the years ended December 31, 2024 and 2023, respectively, and is included as a component of interest expense on the statements of operations.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
D/B/A HAVENWOOD-HERITAGE HEIGHTS**

Notes to Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023 amounted to \$2,184,147 and \$2,238,830, respectively.

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

January 1, 2023	\$	12,660,845
December 31, 2023		13,211,715
December 31, 2024		13,612,219

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, 2024 or 2023. Monthly service fees are generally increased annually based upon the projected needs of the Community and are recognized in the month earned.

Derivative Financial Instruments

FASB 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 (deficiency) excess of revenue and other support over (under) expenses.

**UNITED CHURCH OF CHRIST RETIREMENT COMMUNITY, INC.
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Notes to Financial Statements

December 31, 2024 and 2023

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 payers (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 payers 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.

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Revenues from the Medicare and Medicaid programs accounted for approximately 4% and 2%, respectively, of the Community's net resident service revenue in 2024 and approximately 5% and 2%, respectively, of the Community's net resident service revenue in 2023. 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 and amortization of deferred revenue from entrance fees by primary payer is as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Primary Payor:		
Private Pay	\$26,812,944	\$24,294,629
Insurers and Other	<u>1,725,492</u>	<u>2,109,492</u>
Total	<u>\$28,538,436</u>	<u>\$26,404,121</u>

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

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>2024</u>	<u>2023</u>
Service Lines:		
Skilled Nursing Facility	\$11,623,314	\$10,445,904
Assisted Living	1,988,594	1,846,131
Independent Living	<u>14,926,528</u>	<u>14,112,086</u>
Total	<u>\$28,538,436</u>	<u>\$26,404,121</u>
Methods of Reimbursement:		
Fee for Service	<u>\$28,538,436</u>	<u>\$26,404,121</u>
Timing of Revenue and Recognition:		
Services Transferred over Time	\$27,854,581	\$25,779,720
Services Transferred at a Point in Time	<u>683,855</u>	<u>624,401</u>
Total	<u>\$28,538,436</u>	<u>\$26,404,121</u>

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 payers 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 payer pays for that service will be one year or less.

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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 (deficiency) excess 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, and gain (loss) 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, 2024 and 2023 were approximately \$69,000 and \$106,000, respectively. Funds received from gifts and grants to subsidize charity services provided for the years ended December 31, 2024 and 2023 were approximately \$60,000 and \$87,000, respectively. Of this funding, approximately \$60,000 and \$87,000 was received from the Trust Fund in 2024 and 2023, respectively. The Community also receives Medicaid Gap Funding from the Trust Fund 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 \$79,921 and \$71,797 for the years ended December 31, 2024 and 2023, respectively.

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Functional Allocation of Expenses

The disclosure of functional expenses presents the natural classification detail of expenses by function. Accordingly, 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.

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, 2024 and 2023.

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.

Subsequent Events

In preparing these financial statements, the Community has evaluated events and transactions for potential recognition or disclosure through May 2, 2025, 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.

2. Availability and Liquidity of Financial Assets

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,147,998	\$ 868,434
Investments	17,516,222	24,563,088
Resident accounts receivable, net	565,362	651,932
Other receivables	<u>227,344</u>	<u>182,864</u>
Financial assets at end of year for current use	<u>\$20,456,926</u>	<u>\$26,266,318</u>

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3. Investments and Assets Limited As to Use

The composition of investments and assets limited as to use as of December 31 is as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents and certificates of deposit	\$ 57,470	\$ 57,470	\$ 786,716	\$ 777,619
U.S. government obligations	5,729,395	5,696,325	7,491,158	7,360,777
Corporate bonds	1,850,155	1,788,778	2,496,441	2,390,425
Foreign bonds	199,344	190,552	213,345	199,472
Municipal obligations	244,562	242,925	204,448	234,105
Mutual funds and other fixed income	712,948	710,487	3,249,246	2,731,555
Common equity securities	4,549,750	8,844,285	6,108,294	10,893,735
Total	<u>\$13,343,624</u>	<u>\$17,530,822</u>	<u>\$20,549,648</u>	<u>\$24,587,688</u>

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

	<u>2024</u>	<u>2023</u>
Investments	\$17,516,222	\$24,563,088
Other restricted cash	14,600	24,600
Total	<u>\$17,530,822</u>	<u>\$24,587,688</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:

	<u>2024</u>	<u>2023</u>
Investment income	\$ 447,073	\$ 607,352
Net realized and unrealized gains on investments	1,119,778	2,579,099
Total	<u>\$ 1,566,851</u>	<u>\$ 3,186,451</u>

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4. Resident Accounts Receivable

Resident accounts receivable consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Private pay	\$ 299,106	\$ 291,256
Medicaid	23,206	22,899
Medicare	433,330	432,983
Other	<u>36,720</u>	<u>33,794</u>
	792,362	780,932
Less: Allowance for credit losses	<u>(227,000)</u>	<u>(129,000)</u>
Resident accounts receivable, net	<u>\$ 565,362</u>	<u>\$ 651,932</u>

5. Property and Equipment

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

	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 3,927,219	\$ 3,972,998
Buildings and improvements	72,542,140	74,514,660
Furniture and fixtures	2,078,601	2,273,445
Equipment	8,804,971	8,898,636
Construction in process	<u>10,095,686</u>	<u>885,629</u>
Total	97,448,617	90,545,368
Less: accumulated depreciation and amortization	<u>(55,617,630)</u>	<u>(56,051,480)</u>
Property and equipment, net	<u>\$ 41,830,987</u>	<u>\$ 34,493,888</u>

2024 South End Project Phase 2

In January 2024, construction began on the second phase of the multi-phase redevelopment project for the South End of the Heritage Heights campus. The South End redevelopment project is a multi-phased modernization project anticipated to be completed over a 6 to 10 year period. In 2024, three existing buildings comprised of 17 independent living units were demolished, and three new buildings comprised of 13 independent living units, with full basements and garages, are in the final stages of construction. The project will be funded by a \$8,500,000 construction loan with the Havenwood Heritage Heights Trust Fund and operating cash. At December 31, 2024, the balance of the project was approximately \$9,800,000, which is included in construction in progress. Interest of approximately \$87,200 was capitalized during 2024 as part of the project. Construction was completed in February 2025.

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Notes to Financial Statements

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6. Leases

The Community has entered the following lease arrangements:

Finance Leases

The Community has various equipment leases used for operations. Termination of the leases generally are prohibited unless there is a violation under the lease agreements.

Lease Costs

Lease costs for the year ended December 31 is as follows:

Finance leases:	<u>2024</u>	<u>2023</u>
Amortization of ROU asset	\$ 100,546	\$ 81,623
Interest on lease liabilities	<u>15,266</u>	<u>7,248</u>
Total lease cost	<u>\$ 115,812</u>	<u>\$ 88,871</u>

Other Information

Finance leases:	<u>2024</u>	<u>2023</u>
Remaining terms:	May 2026 to June 2029	July 2024 to June 2028
Interest rates:	4.25% to 5.08%	4.25% to 5.08%

Future Minimum Lease Payments and Reconciliation to the Balance Sheet

	<u>Finance Lease</u>
2025	\$ 111,120
2026	98,492
2027	89,472
2028	66,444
2029	<u>12,654</u>
Total minimum lease payments	378,182
Amounts representing interest	<u>(31,863)</u>
Present value of future minimum lease payments	346,319
Less: current portion	<u>(97,224)</u>
	<u>\$ 249,095</u>

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7. Long-Term Debt

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

	<u>2024</u>	<u>2023</u>
Series 2009 Variable Rate Revenue Bonds New Hampshire Health and Education Facilities Authority, Havenwood-Heritage Heights Issue, due in vary amounts through April 2029, with varying interest rates equal to .79 times SOFR plus 2.60% (5.73% at December 31, 2024)	\$10,540,940	\$11,000,000
Series 2013B Variable Rate Revenue Bonds New Hampshire Health and Education Facilities Authority, Havenwood-Heritage Heights Issue, due in vary amounts through April 2042, with varying interest rates equal to .79 times SOFR plus 2.60% (5.73% at December 31, 2024)	14,217,999	14,250,410
Series 2016A Variable Rate Revenue Bonds New Hampshire Health and Education Facilities Authority, Havenwood-Heritage Heights Issue; paid in full during April 2024.	-	3,290,000
Series 2016B Variable Rate Revenue Bonds New Hampshire Health and Education Facilities Authority, Havenwood-Heritage Heights Issue; due in vary amounts through April 2042, with varying interest rates equal to .79 times SOFR plus 2.60% (5.73% at December 31, 2024)	2,534,511	2,590,972
2020 Construction loan, paid in full during April 2024	-	3,845,000
2024 Construction loan due on February 8, 2029, bears an interest rate at 3% through December 31, 2024	<u>7,899,807</u>	<u>-</u>
Total long-term debt before unamortized debt issuance costs	35,193,257	34,976,382
Less: unamortized debt issuance costs	<u>(276,124)</u>	<u>(66,166)</u>
Total long-term debt	34,917,133	34,910,216
Less: current portion	<u>(478,440)</u>	<u>(7,679,692)</u>
Total long-term debt, excluding current installments	<u>\$34,438,693</u>	<u>\$27,230,524</u>

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Bonds Payable

Effective June 1, 2023, the Community executed an amendment to the bond agreements for the Series 2009, 2013 and 2016 bonds that changed the interest rate reference from LIBOR to SOFR. This change was not considered a substantial modification to the contract.

Series 2009 Bonds – 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 initially matured on January 1, 2035 and initially bore interest through September 16, 2014. The bonds were subject to mandatory tender for purchase on September 16, 2014, at a price equal to the principal amount plus accrued interest. The bonds were extended on November 1, 2013 to November 1, 2023, and were due on that date as part of a put provision. On November 1, 2023, the due date was extended to January 30, 2024. On April 23, 2024, an 8th supplemental loan agreement extended the maturity date to April 23, 2029.

Series 2013 Bonds – 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. The \$3,000,000 under the Series 2013A bonds was repaid in full in 2016.

The Series 2013B bonds are subject to mandatory redemption and are redeemable annually in various amounts, commencing November 1, 2017 through November 1, 2041, at which time the bonds originally matured. The bonds were due on November 1, 2023 as part of a put provision. On November 1, 2023, the due date was extended to January 30, 2024. On April 23, 2024, an 9th supplemental amendment to the bond purchase agreement extended the maturity date to April 23, 2029.

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.

Series 2016 Bonds – 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. The Series 2016 bonds originally matured on December 1, 2039 and initially bore interest through the earlier of the first conversion date or November 1, 2023. The bonds were due on November 1, 2023 as part of a put provision. On November 1, 2023, the due date was extended to January 30, 2024. On April 23, 2024, an 8th amendment to the bond purchase agreement extended the maturity date to April 23, 2029. In addition, during April 2024, the 2016A series was paid in full.

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Notes Payable

2020 Construction Loan

The Community entered into a development and construction loan agreement with Citizens Bank for \$5,000,000. The total principal advanced was \$5,000,000. The proceeds of the loan were used to pay the costs of the first phase of the South End redevelopment project on the Heritage Heights campus. On November 1, 2023 the due date of the loan was extended to January 30, 2024. The loan was paid in full in April 2024.

2024 Construction Loan

On February 8, 2024, the Community entered into a development and construction loan agreement with Citizens Bank. The principal amount to be advanced shall be up to \$8,500,000 through August 2025. 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, 2024, \$7,899,807 had been drawn down. Interest only payments will be made through the construction period. Beginning January 1, 2025 and continuing annually until the maturity date, interest is charged at the higher of: (1) 3% or (2) the average yield on the fixed income portion of the Havenwood-Heritage Heights Trust Fund's investment portfolio over the fourth quarter of the prior year, reset on January 1 of each year, and fixed for such year. The entire principal balance, together with all interest and other charges accrued thereon, shall be due and payable on February 8, 2029.

Collateral and Guaranty

All the outstanding bonds and loans are collateralized by a security interest in substantially all of the Community's assets, as well as its gross receipts. On January 30, 2024, the Trust Fund executed a guaranty agreement with the lender whereas the Trust Fund will serve as guarantor for the Community's bond and loan obligations. On April 23, 2024, a first amendment to the guaranty agreement was entered into with the Trust Fund, which reflected the amended terms of the bond and loan agreements.

Loan Covenants

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 was in compliance with the covenants to maintain a debt service coverage ratio of at least 1.15 to 1.0 and maintain a reserve ratio of at least .50 at December 31, 2024.

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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:

2025	\$ 478,440
2026	505,060
2027	535,860
2028	570,130
2029	8,507,267
Thereafter	<u>24,596,500</u>
Total	<u>\$ 35,193,257</u>

Interest Rate Swaps

The Community participates in certain fixed-payor swap contracts related to underlying, variable rate debt obligations. The purpose of these contracts is to protect the Community against rising interest rates related to the variable rate debt. These contracts qualify for hedge accounting as a cash flow hedge. 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, 2024 and 2023, the Community recognized a loss on the interest rate swap agreements of \$215,213 and \$344,027, respectively. The Community expects to hold the swap contracts until their respective maturities, at which point unrealized gains or losses will be zero. The fair value of the interest rate swaps was an asset of \$148,222 and \$363,435 as of December 31, 2024 and 2023. The interest swaps contract terms are as follows:

Effective May 1, 2024, the Community entered into a new swap agreement with Citizens Bank, N.A. with a fixed rate of 3.95% and a floating rate of 79% of SOFR, among a few other terms. The original notional amount of the swap was \$14,825,000 (\$10,540,940 at December 31, 2024). The swap has a termination date of November 1, 2041.

Effective September 1, 2016, the Community entered into a swap with RBS Citizens N.A. The original notional amount of the swap was \$8,415,028 (\$3,290,000 at December 31, 2023). The Community terminated the swap agreement in May 2024.

Effective January 14, 2014, the Community entered into an interest rate swap agreement with RBS Citizens, N.A. with an original notional amount of \$14,470,000 (\$14,217,999 and \$14,250,410 at December 31, 2024 and 2023, respectively). 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 3.177% over the term of the swap contract and receive interest at a variable rate equal to 72% of SOFR as defined in the swap agreement.

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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 (\$11,000,000 at December 31, 2023). The swap terminated on November 1, 2023.

8. Net Assets with Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Grounds improvement	\$ 173,608	\$ 165,758
Staff development	32,544	28,295
Resident support	17,217	17,217
Supplies and equipment benefiting residents	110,573	110,838
COVID related donations	40,124	69,593
Designated programs/projects and resident support (interest in the Trust Fund)	<u>32,064,663</u>	<u>29,575,131</u>
Total	<u>\$ 32,438,729</u>	<u>\$ 29,966,832</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.

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, 2024 and 2023 totaled approximately \$60,000 and \$87,000, 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 2024 and 2023. As of December 31, 2024 and 2023, the Community had amounts due from the Trust Fund totaling \$123,918 and \$122,549, respectively, related to support and services which are expected to be paid in 2025.

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Notes to Financial Statements

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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, 2024 and 2023 amounted to \$295,548 and \$276,864, respectively.

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 2024 and 2023, \$29,867 and \$29,068, respectively, was credited to the participant's account and recorded as deferred compensation expense. The liability related to this obligation totaled \$388,675 and \$358,807 at December 31, 2024 and 2023, respectively.

12. Volunteer Services (Unaudited)

Total volunteer service hours received by the Community were approximately 12,000 and 10,000 in 2024 and 2023, 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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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:

	2024				Total
	Program Services		Management and Administrative	Fundraising and Development	
	Residential	Health Care			
Salaries	\$ 2,907,731	\$ 9,561,849	\$ 1,608,040	\$ 33,148	\$14,110,768
Benefits	936,321	3,065,324	667,820	12,114	4,681,579
Resident services	610,216	259,406	655,976	-	1,525,598
Supplies	1,696,095	1,178,029	470,481	506	3,345,111
Occupancy and utilities	1,281,056	990,595	42,747	-	2,314,398
Depreciation	2,236,380	409,052	147,692	-	2,793,124
Interest/amortization	1,515,057	221,042	45,892	-	1,781,991
Total expenses	<u>\$11,182,856</u>	<u>\$15,685,297</u>	<u>\$ 3,638,648</u>	<u>\$ 45,768</u>	<u>\$30,552,569</u>

	2023				Total
	Program Services		Management and Administrative	Fundraising and Development	
	Residential	Health Care			
Salaries	\$ 2,653,882	\$ 9,391,844	\$ 1,533,393	\$ 34,847	\$13,613,966
Benefits	952,440	3,110,921	585,531	8,272	4,657,164
Resident services	646,210	461,761	638,957	3,420	1,750,348
Supplies	1,569,569	1,323,444	557,926	-	3,450,939
Occupancy and utilities	1,332,754	902,631	62,170	-	2,297,555
Depreciation	2,163,569	423,539	155,211	-	2,742,319
Interest/amortization	1,614,190	198,583	39,062	-	1,851,835
Total expenses	<u>\$10,932,614</u>	<u>\$15,812,723</u>	<u>\$ 3,572,250</u>	<u>\$ 46,539</u>	<u>\$30,364,126</u>

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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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, 2024, 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.

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.

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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 or Level 2.

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, 2024 and 2023. 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 through the maturity of the swaps. 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 measured at fair value on a recurring basis at December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u>
Assets:				
Cash investments	\$ 42,870	\$ -	\$ -	\$ 42,870
U.S. government obligations	-	5,696,325	-	5,696,325
Corporate bonds	-	1,788,778	-	1,788,778
Foreign bonds	-	190,552	-	190,552
Municipal obligations	-	242,925	-	242,925
Mutual funds and other fixed income	710,487	-	-	710,487
Common equity securities	8,844,285	-	-	8,844,285
Cash surrender value of life insurance	265,864	-	-	265,864
Interest in Havenwood-Heritage Heights Trust Fund	-	-	32,064,663	32,064,663
Interest rate swaps	-	148,222	-	148,222
Total assets	<u>\$ 9,863,506</u>	<u>\$ 8,066,802</u>	<u>\$32,064,663</u>	<u>\$49,994,971</u>

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The following table presents the Community's assets measured at fair value on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Balance
Assets:				
Cash investments	\$ 753,019	\$ -	\$ -	\$ 753,019
U.S. government obligations	-	7,360,777	-	7,360,777
Corporate bonds	-	2,390,425	-	2,390,425
Foreign bonds	-	199,472	-	199,472
Municipal obligations	-	234,105	-	234,105
Mutual funds and other fixed income	2,731,555	-	-	2,731,555
Cash surrender value of life insurance	257,896	-	-	257,896
Common equity securities	10,893,735	-	-	10,893,735
Interest in Havenwood-Heritage Heights Trust Fund	-	-	29,575,131	29,575,131
Interest rate swaps	-	363,435	-	363,435
Total assets	<u>\$14,636,205</u>	<u>\$10,548,214</u>	<u>\$29,575,131</u>	<u>\$54,759,550</u>

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, 2024:

Instrument	2024 Fair Value	2023 Fair Value	Principal Valuation Technique	Unobservable Inputs
Interest in Havenwood-Heritage Heights Trust Fund	<u>\$ 32,064,663</u>	<u>\$29,575,131</u>	FMV of Trust Investments	Term of Distributions

There were no purchases, sales, or transfers for the years ended December 31, 2024 and 2023 related to the interest in Havenwood-Heritage Heights Trust Fund.

16. Contributed Nonfinancial Assets

For the years ended December 31, 2024 and 2023, the Community received nonfinancial contributions in the form of COVID-19 test kits, personal protective equipment, and testing services. These items were used to support staff and resident testing in accordance with donor restrictions and public health guidelines. The donated COVID-19 test kits were received under a federal Health and Human Services Department program. In 2023, the Community had a COVID-19 testing contract with the State of New Hampshire, Department of Health and Human Services, under which the State donated the testing services. The agreement indicated a cost of \$100 per test. Revenues recorded for 2024 and 2023 were \$66,587 and \$420,286 respectively.