

Laurel Lake Retirement Community, Inc. and Subsidiary

YEARS ENDED DECEMBER 31, 2022 AND 2021

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

YEARS ENDED DECEMBER 31, 2022 AND 2021

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent auditor's report | 1-2 |
| Financial statements: | |
| Consolidated statements of financial position | 3 |
| Consolidated statements of activities and changes in net assets | 4 |
| Consolidated statements of functional expenses | 5 |
| Consolidated statements of cash flows | 6 |
| Notes to consolidated financial statements | 7-26 |
| Accompanying supplementary information: | |
| Independent auditor's report on accompanying supplementary information | 27 |
| Consolidating statement of financial position, December 31, 2022 | 28 |
| Consolidating statement of activities and changes in net assets, year ended December 31, 2022 | 29 |
| Consolidating statement of cash flows, year ended December 31, 2022 | 30 |

Independent Auditor's Report

The Board of Directors
Laurel Lake Retirement Community, Inc. and Subsidiary
Hudson, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Laurel Lake Retirement Community, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Laurel Lake Retirement Community, Inc. and Subsidiary as of December 31, 2022 and 2021, and the consolidated 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Laurel Lake Retirement Community, Inc. and Subsidiary 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Lake Retirement Community, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 Laurel Lake Retirement Community, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Lake Retirement Community, Inc. and Subsidiary'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.

HW & CO.

Cleveland, Ohio
May 31, 2023

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

ASSETS

| | 2022 | 2021 |
|---|----------------------|-----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 4,086,131 | \$ 3,337,275 |
| Accounts receivable: | | |
| Trade, net of allowance for doubtful accounts | 503,149 | 564,609 |
| Other | 374,489 | 482,030 |
| Entrance fees receivable | | 23,958 |
| Prepaid expenses and other | 152,263 | 218,858 |
| Total current assets | 5,116,032 | 4,626,730 |
| Property and equipment: | | |
| Land and improvements | 6,835,417 | 6,702,787 |
| Buildings and improvements | 80,205,223 | 78,015,307 |
| Equipment | 6,991,298 | 6,332,900 |
| Furniture and fixtures | 2,343,590 | 2,318,974 |
| Construction-in-progress | 146,465 | 806,701 |
| | 96,521,993 | 94,176,669 |
| Less accumulated depreciation | 31,683,170 | 27,581,267 |
| | 64,838,823 | 66,595,402 |
| Other assets: | | |
| Investments: | | |
| Available-for-sale securities | 23,128,064 | 27,015,865 |
| Other | 539,308 | 344,308 |
| Interest rate swap asset | 1,132,154 | |
| Operating rights to licensed beds | 1,500,000 | 1,500,000 |
| | 26,299,526 | 28,860,173 |
| | \$ 96,254,381 | \$ 100,082,305 |

LIABILITIES AND NET ASSETS

| | 2022 | 2021 |
|--|--------------------------|---------------------------|
| Current liabilities: | | |
| Accounts payable, trade | \$ 1,032,295 | \$ 930,603 |
| Accrued expenses: | | |
| Salaries, wages and related liabilities | 358,460 | 604,612 |
| Compensated absences | 260,166 | 245,996 |
| Real estate taxes | 1,148,255 | 1,132,408 |
| Interest | 109,929 | 130,961 |
| Other | 314,020 | 330,800 |
| Current portion of long-term debt | 1,364,168 | 1,302,500 |
| Total current liabilities | 4,587,293 | 4,677,880 |
| Long-term liabilities: | | |
| Security deposits | 2,209,745 | 1,683,275 |
| Long-term debt, net of current portion and debt issuance costs | 27,666,179 | 29,010,154 |
| Interest rate swaps liability | | 1,313,031 |
| Refundable entrance fee liability | 1,228,733 | 1,422,275 |
| Gift annuities payable | 445,070 | 488,269 |
| Deferred revenue, entrance fees | 35,537,718 | 34,792,572 |
| Total liabilities | 71,674,738 | 73,387,456 |
| Net assets: | | |
| Without donor restrictions | 23,007,362 | 25,017,516 |
| With donor restrictions | 1,572,281 | 1,677,333 |
| Total net assets | 24,579,643 | 26,694,849 |
| | \$ 96,254,381 | \$ 100,082,305 |

See notes to consolidated financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|--|---|--|
| Changes in net assets without donor restrictions: | | |
| Revenue and other support: | | |
| Resident services: | | |
| Service fees | \$ 15,233,886 | \$ 15,101,209 |
| Amortization of deferred revenue | 5,174,665 | 4,624,699 |
| Nursing services and other | 3,287,514 | 3,183,317 |
| Stimulus revenue | 130,028 | |
| Investment income, net | 626,390 | 500,587 |
| Contributions | 1,286,164 | 1,432,876 |
| Net assets released from donor restrictions for operations | 94,372 | 112,337 |
| | 25,833,019 | 24,955,025 |
| Expenses: | | |
| Salaries and wages | 7,982,224 | 7,130,174 |
| Employee benefits | 2,306,844 | 2,325,012 |
| | 10,289,068 | 9,455,186 |
| Purchased services | 4,134,430 | 4,760,798 |
| Supplies | 2,185,143 | 1,969,141 |
| Utilities | 1,446,759 | 1,413,358 |
| Rent | 11,027 | 6,520 |
| Insurance | 437,372 | 395,139 |
| Interest | 1,357,831 | 1,414,640 |
| Depreciation | 4,101,903 | 4,056,536 |
| Taxes | 1,239,171 | 1,159,551 |
| Other | 370,527 | 319,379 |
| Foundation | 192,275 | 245,710 |
| | 25,765,506 | 25,195,958 |
| Operating income (loss) | 67,513 | (240,933) |
| Unrealized gain on interest rate swaps | 2,445,185 | 1,289,426 |
| Realized gain on investments, net | 186,529 | 1,109,308 |
| Unrealized gain (loss) on equity securities, net | (3,309,961) | 545,168 |
| | Excess of revenue and other support over expenses | (excess of expenses over revenue and other support) |
| | (610,734) | 2,702,969 |
| Other changes in net assets without donor restrictions: | | |
| Gain on PPP loan forgiveness | | 1,842,800 |
| Unrealized gain (loss) on debt securities, net | (1,399,420) | 106,010 |
| | Increase (decrease) in net assets without donor restrictions | 4,651,779 |
| | (2,010,154) | 4,651,779 |
| Changes in net assets with donor restrictions: | | |
| Contributions | 34,257 | 102,996 |
| Investment income (loss), net | (44,878) | 4,299 |
| Realized gain (loss) on investments, net | (59) | 14,760 |
| Net assets released from donor restrictions for operations | (94,372) | (112,337) |
| | Increase (decrease) in net assets with donor restrictions | 9,718 |
| | (105,052) | 9,718 |
| Increase (decrease) in net assets | (2,115,206) | 4,661,497 |
| Net assets, beginning of year | 26,694,849 | 22,033,352 |
| Net assets, end of year | \$ 24,579,643 | \$ 26,694,849 |

See notes to consolidated financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | | | 2021 | | | |
|--------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Salaries and wages | \$ 6,944,538 | \$ 957,865 | \$ 79,821 | \$ 7,982,224 | \$ 6,203,254 | \$ 855,619 | \$ 71,301 | \$ 7,130,174 |
| Employee benefits | 2,006,955 | 276,821 | 23,068 | 2,306,844 | 2,022,761 | 279,001 | 23,250 | 2,325,012 |
| Purchased services | 3,596,954 | 496,132 | 41,344 | 4,134,430 | 4,141,894 | 571,296 | 47,608 | 4,760,798 |
| Supplies | 1,901,075 | 262,217 | 21,851 | 2,185,143 | 1,713,153 | 236,297 | 19,691 | 1,969,141 |
| Utilities | 1,258,680 | 173,611 | 14,468 | 1,446,759 | 1,229,621 | 169,603 | 14,134 | 1,413,358 |
| Rent | 9,594 | 1,323 | 110 | 11,027 | 5,673 | 782 | 65 | 6,520 |
| Insurance | 380,514 | 52,485 | 4,373 | 437,372 | 343,771 | 47,417 | 3,951 | 395,139 |
| Interest | 1,181,313 | 162,940 | 13,578 | 1,357,831 | 1,230,737 | 169,757 | 14,146 | 1,414,640 |
| Depreciation | 3,568,656 | 492,228 | 41,019 | 4,101,903 | 3,529,187 | 486,784 | 40,565 | 4,056,536 |
| Taxes | 1,078,078 | 148,701 | 12,392 | 1,239,171 | 1,008,809 | 139,146 | 11,596 | 1,159,551 |
| Other | 322,359 | 44,463 | 3,705 | 370,527 | 277,860 | 38,325 | 3,194 | 319,379 |
| Foundation | 167,279 | 23,073 | 1,923 | 192,275 | 213,768 | 29,485 | 2,457 | 245,710 |
| | <u>\$ 22,415,995</u> | <u>\$ 3,091,859</u> | <u>\$ 257,652</u> | <u>\$ 25,765,506</u> | <u>\$ 21,920,488</u> | <u>\$ 3,023,512</u> | <u>\$ 251,958</u> | <u>\$ 25,195,958</u> |

See notes to consolidated financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ (2,115,206) | \$ 4,661,497 |
| Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents provided by operating activities: | | |
| Unrealized (gain) loss on investments, net | 4,709,381 | (651,178) |
| Realized loss on investments, net | (768,041) | (1,614,194) |
| Depreciation | 4,101,903 | 4,056,536 |
| Amortization of debt issuance costs | 28,943 | 28,943 |
| Amortization of deferred revenue, entrance fees | (5,174,665) | (4,624,699) |
| Unrealized gain on interest rate swaps | (2,445,185) | (1,289,426) |
| Bad debt expense | 29,250 | 11,989 |
| Entrance fees received, not expected to be refunded | 5,682,293 | 5,459,806 |
| Gain on forgiveness of PPP forgivable loan | | (1,842,800) |
| Contributions with donor restrictions | (300) | (2,050) |
| Changes in assets and liabilities: | | |
| Decrease (increase) in accounts receivable and other assets | 438,073 | (146,458) |
| Increase (decrease) in accounts payable and other current liabilities | 142,488 | (84,758) |
| | <u>4,628,934</u> | <u>3,963,208</u> |
| Cash flows from investing activities: | | |
| Expenditures for property and equipment | (2,345,324) | (3,605,359) |
| Decrease in entrance fees receivable | 23,958 | 271,492 |
| Proceeds from sale of available-for-sale securities | 6,204,648 | 5,880,827 |
| Purchase of available-for-sale securities | (6,258,187) | (2,672,887) |
| Purchase of other investments | (195,000) | |
| | <u>(2,569,905)</u> | <u>(125,927)</u> |
| Cash flows from financing activities: | | |
| Change in gift annuities payable, net | (43,199) | (20,098) |
| Contributions with donor restrictions | 300 | 2,050 |
| Refunds of refundable entrance fees | (643,024) | (715,428) |
| Entrance fees received, expected to be refunded | 687,000 | 370,000 |
| Payments on long-term debt | (1,311,250) | (1,256,252) |
| | <u>(1,310,173)</u> | <u>(1,619,728)</u> |
| Net increase in cash and cash equivalents | 748,856 | 2,217,553 |
| Cash and cash equivalents, beginning of year | <u>3,337,275</u> | <u>1,119,722</u> |
| Cash and cash equivalents, end of year | <u>\$ 4,086,131</u> | <u>\$ 3,337,275</u> |

See notes to consolidated financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. **Description of Community and summary of significant accounting policies:**

Description of Community and basis of consolidation:

The accompanying consolidated financial statements include the accounts of Laurel Lake Retirement Community, Inc. (the Community) and Laurel Lake Retirement Community Foundation, Inc. (the Foundation) (collectively, referred to as Laurel Lake). The Foundation is a not-for-profit organization established to solicit donations for the benefit of the Community. The Foundation's sole member is the Community. All significant intercompany transactions have been eliminated in consolidation.

The Ohio Department of Health (ODH) regulates many types of health care facilities through both state licensure and Federal certification rules. ODH approved the Community's licenses to continue to operate as a nursing facility and residential care facility through December 2023. The Community expects the licenses to continually be renewed by ODH in future years.

Laurel Lake, located in Hudson, Ohio, is a continuing care retirement community (CCRC) consisting of 293 residential units, 56 assisted living units and 75 licensed nursing beds. The Community operates under the "life care" concept in which residents enter into an occupancy agreement, which requires payment of a one-time entrance fee and a subsequent monthly service fee. Generally, these payments entitle residents to the use and privileges of the Community for life including certain nursing services provided in Laurel Lake's skilled nursing facility. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the Community.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with maturities of three months or less.

At December 31, 2022 and throughout the year, Laurel Lake maintained balances in various accounts in excess of federally insured limits. Laurel Lake does not expect to incur any losses resulting from cash held in financial institutions.

Accounts receivable:

Accounts receivable are recorded as performance obligations are satisfied.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Community and summary of significant accounting policies (continued):

Accounts receivable (continued):

Potentially uncollectible resident accounts are provided for on the allowance method based on management's evaluation of outstanding accounts receivable at year end. Management periodically reviews long-term accounts receivable and assesses the likelihood of collection. If collection is remote, management will write-off the account at that time. Management recorded an estimated allowance for doubtful accounts of \$10,000 at December 31, 2022 and 2021.

Property and equipment:

Property and equipment are recorded at historical cost or, if donated or impaired, at fair market value at the date of receipt or determination. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation (straight-line method) is provided in amounts sufficient to amortize the cost of the related assets over their estimated useful lives ranging from 5 to 40 years.

Investments – available-for-sale securities:

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated statements of financial position. Investment income (including realized gains and losses on investments, unrealized gains and losses on equity securities, interest and dividends) is included in the performance indicator in the consolidated statements of activities and changes in net assets. Unrealized gains and losses on debt securities are excluded from the performance indicator.

Laurel Lake invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could have a material effect on the consolidated statements of financial position, activities and changes in net assets and cash flows.

Investments – other:

The Community has minority investments in certain organizations. These investments are accounted for under the cost method of accounting based on the Community's ownership percentage and certain other factors.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Community and summary of significant accounting policies (continued):

Operating rights to licensed beds:

Intangible assets with indefinite useful lives are not to be amortized, but management is required to determine if the intangible asset has been impaired. Management of Laurel Lake has determined that operating rights to licensed beds are an intangible asset with an indefinite useful life. Laurel Lake has the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Laurel Lake electing to perform a qualitative assessment is not required to calculate the fair value of an indefinite-lived intangible asset (and perform the quantitative impairment test) unless Laurel Lake determines, based on the qualitative assessment, that it is more likely than not that the asset is impaired. Management of Laurel Lake has determined that the carrying value of the operating rights to licensed beds has not been impaired.

Security deposits and entrance fee receivables:

Security deposits represent amounts paid by prospective residents who have signed a residence agreement to reserve a specific living unit or to reserve a place on the waiting list for available units. Generally, a deposit of at least 10% of the entrance fee is collected when the residence agreement is signed. The balance of the fee is payable on or before the date the resident moves in, or otherwise establishes residency. Prospective residents may cancel their residence agreements at any time prior to occupancy and receive a full refund of the entrance fee deposit, less an application fee of \$1,000 under certain circumstances.

The Community enters into promissory notes recorded as entrance fee receivables on the consolidated statements of financial position, with certain new residents who sign resident contracts. Interest accrues at 4% per annum. Principal plus accrued interest is receivable by the Community in one installment when certain conditions are met or interest charges may be collected monthly. The Community believes these notes are fully collectible. Therefore, there is no allowance for uncollectible amounts at December 31, 2022 and 2021.

Derivative instruments:

The Community utilizes interest rate swap contracts (which are considered a derivative instrument) to manage its exposure to interest rate risk on its variable rate debt. U.S. GAAP requires derivatives to be recorded in the consolidated statements of financial position at fair value. Changes in the fair value of derivative instruments (not meeting hedge designation requirements) are recorded in the consolidated statements of activities and changes in net assets as an unrealized gain on interest rate swaps, which is included in the performance indicator.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. **Description of Community and summary of significant accounting policies (continued):**

Gift annuities:

The Foundation receives assets from donors under gift annuity agreements designating the Foundation as the trustee and charitable remainder beneficiary of these assets. The terms of the trust agreements require that the Foundation, as trustee, invest the assets and pay an annuity to the annuitant, the donor or a specified beneficiary over the remainder of the annuitants' or specified beneficiary's life. Upon the death of the named individual, the Foundation may use its remainder interest, as designated by the annuitant.

The Foundation has recorded the donated assets in the consolidated financial statements as investments and recorded a liability for the actuarial present value of the future annuity payments to reflect the time value of money (through discounts for interest). The discount rate used to compute the liability was 7.75% in 2022 and 3.25% in 2021. These rates are commensurate with the risk associated with the ultimate payment of the obligation. The Foundation records a contribution to net assets with donor restrictions for the difference between the assets received and the recorded liability for future annuity payments.

Debt issuance costs:

Unamortized debt issuance costs are included with long-term debt in the consolidated statements of financial position at December 31, 2022 and 2021. Additionally, amortization of the debt issuance costs is included with interest expense in the consolidated statements of activities and changes in net assets. Debt issuance costs are being amortized over the term of the related debt. Amortization of such costs totaled \$28,943 in 2022 and 2021. Accumulated amortization was \$148,753 at December 31, 2022 and \$119,810 at December 31, 2021.

Income taxes:

The Community and Foundation are recognized as exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations qualifying under Internal Revenue Code Section 501(c)(3).

Deferred revenue and refundable entrance fees:

The contract between the Community and a resident stipulates that (1) a portion of the advance fee is refundable if the contract holder's unit is reoccupied by a subsequent resident, (2) the refund is limited to the proceeds of reoccupancy, and (3) the legal environment and the entity's management policy and practice supports the withholding of refunds under condition (2). Consequently, refundable advanced fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of the reoccupancy, are accounted for and reported as a liability. The Community's refundable advanced fees are refundable from reoccupancy; however they are not limited to the proceeds of the reoccupancy. Therefore, the Community records the refundable advance fees as a liability.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Community and summary of significant accounting policies (continued):

Deferred revenue and refundable entrance fees (continued):

The Community offers three types of resident contracts (Plan A, Plan B and Plan C) with regard to the one-time entrance fee paid in addition to the monthly service fees. Under Plan A agreements, residents or their estates receive a refund equal to their entrance fee less a 10% cancellation fee and less 1.5% of their entrance fees for each month of residency if the resident leaves before five years or expires after one year of establishing residency. Plan A entrance fees are recorded as deferred revenue, entrance fees in the consolidated statements of financial position, which is being amortized over the estimated remaining life expectancy of each resident.

Under Plan B agreements, 94% of a resident's entrance fee is refundable upon reoccupancy of the unit (including receipt of the entrance fee from the new occupant). The refundable portion of Plan B entrance fees (94% of the fee) is not amortized. The nonrefundable portion of Plan B entrance fees (6% of the fee) is amortized over the estimated life expectancy of each resident.

Under Plan C agreements, residents or their estates receive a refund upon reoccupancy of the unit (including receipt of the entrance fee from the new occupant). The refund is equal to their entrance fee less the sum of: a) 10% of the entrance fee paid and b) 1.5% of the entrance fee paid for each month of residency up to a maximum amount of 40% of the entrance fee. The refundable portion of Plan C entrance fees (50% of the fee) is not amortized. The nonrefundable portion of Plan C entrance fees (remaining 50% of fee) is amortized over the estimated life expectancy of each resident.

Entrance fees received in advance of residency and deposits are accounted for and represent contract liabilities and are reported as either refundable entrance fee liability, deferred revenue entrance fees, and security deposits on the consolidated statements of financial position. Contract liabilities are \$38,976,196 at December 31, 2022, \$37,898,122 at December 31, 2021 and \$37,510,672 at January 1, 2021.

Obligation to provide future services and the use of facilities to current residents:

The Community annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future service obligations (FSO) and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with a corresponding charge to expense. As of December 31, 2022 and 2021, no such liability was determined to be required. The discount rate used to estimate the FSO was 4.5% in 2022 and 2021.

Net assets:

Net assets with donor restrictions are those whose use by Laurel Lake has been limited by donors to a specific time period or purpose from resources on which donors place no restriction or that arise as a result of the operations of Laurel Lake for its stated purposes. Earnings on investments of net assets with donor restrictions are recorded to net assets with donor restrictions. Restricted contributions, which primarily relate to the Foundation, are recorded to net assets with donor restrictions.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Community and summary of significant accounting policies (continued):

Endowments and board-designated net assets:

Laurel Lake's endowment consists of several individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Board-designated funds are primarily intended to support various current and future programs, however board-designated funds, including principal, are expendable for any purpose, at any time, as may be deemed appropriate and as approved by the Board of Directors, and as such, are not considered to be an endowment by management and are included with net assets without donor restrictions. Primarily all investments held in the Foundation are board-designated funds.

Interpretation of relevant law:

Laurel Lake is subject to the State of Ohio's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because these net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of these net assets also are subject to purpose restrictions that must be met before reclassifying those net assets without donor restrictions. Laurel Lake's Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted funds, Laurel Lake considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Laurel Lake's Board of Directors has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally, in accordance with UPMIFA, Laurel Lake considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- The duration and preservation of the fund
- The purpose of Laurel Lake and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Laurel Lake
- The investment policies of Laurel Lake

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Community and summary of significant accounting policies (continued):

Interpretation of relevant law (continued):

Laurel Lake's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Laurel Lake must hold in perpetuity. In order to satisfy its long-term rate-of-return objectives, Laurel Lake relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Laurel Lake targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Since the donor has not restricted the use of investment income (interest and dividend, realized and unrealized gains and losses) on the donor-restricted endowment funds, Laurel Lake has the ability to utilize those earnings for its operations. At December 31, 2022 and 2021, the investment income has been reclassified as net assets with donor restriction and will be released from restriction upon the need for expenditure. In establishing this policy, Laurel Lake considered the long-term expected return on its endowment. This is consistent with Laurel Lake's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional growth through new gifts.

Revenue recognition:

The Community recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps, (1) identify the contract(s), (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Resident service revenue is reported at the amount that reflects the consideration to which the Community expects to be entitled in exchange for services provided. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally the Community bills the residents and third-party payors in the month subsequent to when the services being provided. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Community. The Community's healthcare services primarily represent services that are bundled and treated as a single performance obligation satisfied over time as services are rendered. The Community measures the performance obligation on a daily basis for the nursing facility and assisted living as the services are provided from the date of admission/move in until the date of discharge/move out. The Community provides other ancillary services, which are not included in the original performance obligation and, therefore, are treated as separate performance obligations satisfied at a point in time when those services are provided.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Community and summary of significant accounting policies (continued):

Revenue recognition (continued):

Since performance obligations relate to contracts with a duration of less than one year, the Community has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Under Laurel Lakes' assisted living residency agreements, which are generally for a contractual term of one month, Laurel Lake provides services to these residents for a stated monthly fee. Laurel Lake has determined that the services included under the residency agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time. Laurel Lakes' assisted living admission agreements contain both lease and nonlease components. Laurel Lake elected to combine the embedded lease and the nonlease components as a single component, determined the nonlease components to be the predominate component of the contract and these agreements have been accounted for under ASC 606.

Under Laurel Lakes' independent living resident leases, Laurel Lake provides housing to these residents for a monthly rental fee. Laurel Lake recognizes revenue for these housing services in accordance with the provisions of FASB ASC Topic 842, *Leases* (See Note 2).

The Community determines the transaction price based on contractually agreed-upon amounts or rates, reduced by contractual adjustments provided to third-party payors and other adjustments for estimated of variable considerations, such as implicit price concessions. The Community utilizes the expected value method to determine the amount of variable consideration that should be included to arrive at the transaction price, using contractual agreements and historical reimbursement experience with each payor type. The Community assesses collectability on all accounts prior to providing services.

Laws and regulations governing the Medicare program are complex and subject to interpretation. Potential noncompliance with laws and regulations can be subject to future government review and interpretation as well as regulatory action.

The Community recognizes revenue in the consolidated statements of activities and changes in net assets and contract assets on the consolidated statements of financial position only when the services have been provided. Since the Community has performed its obligations under the contracts, it has unconditional rights to the consideration recorded and classifies those billed amounts as accounts receivable. There are no contract assets at December 31, 2022 and 2021.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. **Description of Community and summary of significant accounting policies (continued):**

Contributions:

Contributions are recorded as revenue when they are received or when the donor makes an unconditional promise to give. Contributions received are recorded as support with or without donor restrictions depending on the existence or nature of any donor restrictions. Laurel Lake discloses conditional contributions, which are those with a measurable performance or other barrier and a right of return, in its consolidated financial statements. They are not recognized until the conditions on which they depend have been met. There are no conditional contributions at December 31, 2022 and 2021. Contributions that are donor restricted are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other contributions with donor restrictions 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 net assets released from donor restrictions on the consolidated statements of activities and changes in net assets.

Nursing facility revenue:

Inpatient services; private pay payors:

The Community's private pay rates are determined, published and periodically updated by management.

Generally, residents also who are covered by third-party payors are responsible for co-insurance, deductibles, and resident liability (i.e., social security, pension, etc.) amounts which vary in amount. The Community estimates the transaction price for private pay residents and residents with co-insurance, deductibles and resident liability amounts based on historical experience and current market conditions.

The Community has elected a practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component due to its expectation that the period between the time the service is performed and the time payment is received will be one year or less. However, in certain instances, the Community enters into payment agreements with residents that allow payments in excess of one year, for those situations, the financing components is not significant to the contract.

A summary of the payment arrangement with significant third-party payors are as follows:

Inpatient services; Medicare:

Services rendered to Medicare program beneficiaries are paid at prospectively determined rates under an acuity-based classification system. Rates are adjusted annually by the Centers for Medicare & Medicaid Services on October 1, in conjunction with the beginning of the Federal fiscal year. Federal rates are subject to a county-specific wage adjustment based on the relative hospital wage level of the geographic area of the facility compared to the national average hospital wage level.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Community and summary of significant accounting policies (continued):

Nursing facility revenue (continued):

Inpatient services; Medicare (continued):

Collection of accounts receivable in the ordinary course of business is dependent on the Medicare program's ability to make timely payments to health care providers. Amounts included in accounts receivable, net of credit balances, due from the Medicare program totaled \$102,146 at December 31, 2022 and \$130,314 at December 31, 2021.

Inpatient services; other third-party payors:

Payment agreements with commercial insurance carriers and managed care companies provided for payment using prospectively determined daily rates.

Assisted living revenue:

The Community's assisted living rates are determined, published, and periodically updated by management.

Independent living revenue:

The Community's independent living rates are determined, published, and periodically updated by management. The Community also has entrance fee contracts with its residents (Note 1).

Disaggregation of revenue:

The Community has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, services, method of reimbursement, and timing of when revenue is recognized. The following is a summary of the composition of nursing facility and retirement center revenue by primary payor for the years ended December 31, 2022 and 2021:

| | 2022 | | | 2021 | | |
|----------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| | Nursing | Residential | Total | Nursing | Residential | Total |
| Medicare | 6% | | 6% | 8% | | 8% |
| Private | <u>8</u> | <u>86%</u> | <u>94</u> | <u>6</u> | <u>86%</u> | <u>92</u> |
| Total | <u><u>14%</u></u> | <u><u>86%</u></u> | <u><u>100%</u></u> | <u><u>14%</u></u> | <u><u>86%</u></u> | <u><u>100%</u></u> |

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. **Description of Community and summary of significant accounting policies (continued):**

Performance indicator:

The consolidated statements of activities and changes in net assets include a “performance indicator,” excess of revenue and other support over expenses (excess of expenses over revenue and other support). Changes, if any, in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including contributions with donor restrictions used for the purpose of acquiring long-lived assets), support from the Foundation and changes in net assets with donor restrictions.

Classification of expenses:

Certain categories of expenses require allocation to more than one program or supporting function on a reasonable basis that is consistently applied. Expenses that are allocated include 1) salaries and wages and related employee benefits, which are allocated based on time and effort, 2) depreciation, interest, and real estate taxes, which are allocated based on square footage, 3) dining related expenses, which are allocated based on meals served, 4) laundry and certain supplies and equipment, which are allocated based on patient days, and 5) housekeeping, certain supplies and equipment, and utilities, which are allocated based on average occupied units. The remaining expenses, which are not directly identifiable by program or support service, are allocated based on best estimates of management.

Advertising:

The Community expenses advertising expenditures as incurred. Advertising expense totaled \$54,009 in 2022 and \$162,089 in 2021 and is included in purchased services expenses in the consolidated statements of activities and changes in net assets.

Recent accounting pronouncement:

In June 2016, FASB issued Accounting Standards Update (“ASU”) No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU requires a financial asset, or group of financial assets, measured at amortized cost basis to be presented at the net amount expected to be collected. Measurement of expected credit losses is based on historical experience, current conditions, and reasonable supportable forecasts that affect the collectability of the reported amount. This ASU also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In November 2019, FASB issued an ASU to defer the implementation date of this ASU. Therefore, the Community will be required to adopt and implement this ASU for years beginning after December 15, 2022. Management is currently evaluating the impact this ASU will have on its consolidated financial statements and will adopt the ASU upon its effective date.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of Community and summary of significant accounting policies (continued):

Reclassifications:

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the 2022 presentation.

2. Independent living resident leases:

Laurel Lake's independent living resident leases contain embedded leases of property and equipment. The independent living resident leases include access on future continuing care needs and a monthly fee for use of the living unit, utilities, furnishings, meals, laundry services, wellness and health maintenance, housekeeping, parking and transportation, social and recreational programs, repairs, clinic, security, mail, among other services. Laurel Lake elected to combine the lease and nonlease components of the monthly fee for independent living resident leases and, because the lease component was determined to be the predominate component of the contract, they have been combined as a single component and accounted for under ASC Topic 842. As a result, Laurel Lake presented the lease of property and equipment and other services in the same line item on the consolidated statements of activities and changes in net assets, service fees, for the years ended December 31, 2022 and 2021. The entrance fee did not qualify for combination with other nonlease components of the contract because its benefits relate to discounts and access on potential future services with Laurel Lake. As such, it has been accounted for separately under ASC Topic 606.

Laurel Lake leases independent living units to residents under non-cancellable agreements. The agreements contain residents' option to terminate the agreement with 90-days' notice to Laurel Lake. Laurel Lake believes that it is reasonably certain that residents intend to stay for a time period longer than 12 months. As a result, estimated lease terms for independent living residency agreements are considered a long-term lease. The agreements require residents to pay minimum monthly lease payments ranging from \$2,088 to \$3,739. The independent living resident leases do not contain a guaranteed residual value. Laurel Lake classifies these independent living resident leases as operating leases.

Management makes certain estimates and assumptions regarding the independent living resident leases, renewal and amendments, including, but not limited to property value, property lives, discount rates and lease terms, all of which can impact (i) the classification and accounting for a lease as operating or finance, including sales-type and direct financing and (ii) variable payments that are taken into consideration when calculating lease income. The amount of depreciation and lease income reported would vary if different estimates and assumptions were used.

Laurel Lake does not have substitution rights, and the lessee holds the right to direct the use of and obtain substantially all of the economic benefits from the use of the identified assets. The independent living resident lease income is all considered fixed based on Laurel Lake electing to combine the lease and nonlease components and is \$10,916,955 in 2022 and \$10,555,712 in 2021 and is included in service fees on the consolidated statements of activities and changes in net assets. Estimated minimum future lease payments from the non-cancellable independent living residency operating lease agreements is approximately \$10,900,000 in 2023 and each year thereafter.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

3. COVID-19 pandemic:

The COVID-19 pandemic created economic uncertainties which contributed to significant volatility for businesses. Consequently, there is, and continues to be, uncertainty and risk with respect to the Community and its financial results. The Community received funds from stimulus funds as part of the Coronavirus Aid Relief and Economic Security Act (CARES Act) and American Rescue Plan (ARP) during 2022 to assist with ongoing operations of the Community. Management has, and will continue to, monitor the situation to make changes to its operations in an attempt to minimize any future financial impact. The Community was impacted by certain provisions of the CARES Act, as summarized below:

Stimulus funding:

The Community received stimulus funding from programs under the CARES Act. These funds are specifically designated for health care and related providers and are known as either Provider Relief Funds (PRF) or Coronavirus Relief Funds (CRF). The funds are required to be used for increase in expenses and/or lost revenue relating to the COVID-19/pandemic. The Community recognizes stimulus relief funds as income once there is reasonable assurance that the applicable terms and conditions required to retain the funds have been met. During the year ended December 31, 2022, the Community received and recognized \$130,028 of aggregate stimulus relief funds as stimulus revenue in accordance with FASB ASC Topic 958, *Contributions*. The above amounts received are Federal funds received either from the U.S. Department of Health and Human Services (HHS) or from the Ohio's Office of Budget and Management (OBM) that were provided to OBM by the U.S. Department of Treasury (Treasury).

SBA Paycheck Protection Program note payable:

During 2020, the Community received a forgivable loan from the Small Business Administration's (SBA) Payroll Protection Program (PPP) totaling \$1,842,800 and applied for loan forgiveness. The loan funds were provided from the provisions of the CARES Act and were forgivable by the SBA, if amounts were used for eligible payroll costs and other eligible expenses as defined in the CARES Act and other SBA related issued guidance. The Community received approval for loan forgiveness from the financial institution and the SBA during 2021. In accordance with U.S. GAAP, the Community has recorded the forgivable loan in accordance with FASB ASC 470 (Debt) and, therefore has recorded the loan as a current liability at December 31, 2020. During 2021, the loan was forgiven and the Community recognized income totaling \$1,842,800 from the loan forgiveness.

4. Liquidity and availability:

Laurel Lake's financial assets available within one year of the consolidated statements of financial position at December 31, 2022 and 2021 for general expenditures are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 4,086,131 | \$ 3,337,275 |
| Investments, net of amounts with donor restrictions | 21,555,783 | 25,338,532 |
| Accounts and entrance fees receivable | <u>877,638</u> | <u>1,070,597</u> |
| | <u>\$ 26,519,552</u> | <u>\$ 29,746,404</u> |

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

4. Liquidity and availability (continued):

As part of Laurel Lake’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Community invests cash in excess of daily requirements in short-term investments. Additionally, the Community’s endowment funds consist of donor-restricted endowments, whose income is not restricted for specific purposes and, therefore is available for general expenditure. Based on the Community’s investment and spending policy, \$28,130 in 2022 and \$73,008 in 2021 of accumulated earnings on endowment funds is available for use and will be released from restriction upon need for expenditure and a board resolution. Accumulated earnings on endowment funds are included in investments.

5. Investments:

The composition of the fair value of investments at December 31, 2022 and 2021 is summarized as follows:

| | 2022 | 2021 |
|-----------------------|----------------------|----------------------|
| Marketable securities | <u>\$ 23,128,064</u> | <u>\$ 27,015,865</u> |

6. Investments – other:

The carrying value of the Community’s investments – other at December 31, 2022 and 2021 are as follows:

| Name | Ownership | 2022 | 2021 |
|---------------------------------------|-----------|-------------------|-------------------|
| Caring Communities (A) | 5% | \$ 94,208 | \$ 94,208 |
| Senior Pharmacy Services Ltd. (A) (B) | 16.66% | 250,000 | 250,000 |
| Northeast Ohio Hospice, Inc. (A) | 25% | 100 | 100 |
| Northeast Ohio Home Care (A) (C) | 25% | <u>195,000</u> | <u> </u> |
| | | <u>\$ 539,309</u> | <u>\$ 344,308</u> |

(A) Investments are accounted for under the cost method of accounting. The Community has elected to measure nonmarketable equity securities using the measurement alternative (i.e., cost plus or minus changes resulting from observable prices in orderly transactions with identical or a similar investment of the same issuer, if any), on a prospective basis. Nonmarketable equity securities under the measurement alternative are also assessed for impairment. When the qualitative assessment indicates that impairment exists, the investment is written down, with impairment recognized in earnings. The Community has not observed any price changes with respect to these investments, nor has it observed any indicators or impairments. The Community received distributions totaling \$487,680 in 2022 and \$203,287 in 2021, which is recorded in nursing services and other revenue and other support on the consolidated statements of activities and changes in net assets.

(B) Amounts paid to the pharmacy for services provided during 2022 and 2021 amounted to \$69,471 and \$77,488, respectively.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

6. Investments – other (continued):

(C) During 2022, the Community invested in a home health care organization for \$195,000. This investment constitutes a 25% ownership.

7. Fair value:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Laurel Lake has the ability to access.

Level 2 – Inputs that are derived principally from or corroborated by observable market data by correlation or other means. Inputs to the methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Laurel Lake believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

7. Fair value (continued):

The following fair value measurement information is presented in accordance with U.S. GAAP at December 31, 2022 and 2021:

| | 2022 | | | 2021 | | |
|---------------------------------------|--|--|---------------------|--|--|-----------------------|
| | Measurement | | | Measurement | | |
| | Quoted Prices in Active Markets <u>Fair Value</u> (Level 1) | Other Observable Inputs (Level 2) | | Quoted Prices in Active Markets <u>Fair Value</u> (Level 1) | Other Observable Inputs (Level 2) | |
| Marketable securities: | | | | | | |
| Fixed income | \$ 11,762,724 | \$ 11,762,724 | \$ 8,453,692 | \$ 8,453,692 | | |
| Common stock | 4,964,760 | 4,964,760 | 5,034,654 | 5,034,654 | | |
| Bonds: | | | | | | |
| Corporate and foreign | 3,208,689 | \$ 3,208,689 | 5,731,793 | | \$ 5,731,793 | |
| Mutual funds: | | | | | | |
| Blend | 494,039 | 449,039 | 2,567,491 | 2,567,491 | | |
| Domestic | <u>2,697,852</u> | <u>2,697,852</u> | <u>5,228,235</u> | <u>5,228,235</u> | | |
| | <u>\$ 23,128,064</u> | <u>\$ 19,919,375</u> | <u>\$ 3,208,689</u> | <u>\$ 27,015,865</u> | <u>\$ 21,284,072</u> | <u>\$ 5,731,793</u> |
| Interest rate swaps asset (liability) | <u>\$ 1,132,154</u> | | <u>\$ 1,132,154</u> | <u>\$ (1,313,031)</u> | | <u>\$ (1,313,031)</u> |

Fair value for Level 1 of fixed income, common stock, and mutual funds is based on the value at the daily closing price as reported by the fund. These funds held by Laurel Lake are open-ended marketable securities that are registered with the Securities and Exchange Commission and are required to publish their daily net asset value (NAV) and to transact at that price. Fair value for Level 2 corporate and foreign bonds, as well as, debt derivatives is based on calculations prepared by the financial institute utilizing the interest rates and yield curves in the third-party market.

8. Long-term debt:

| | 2022 | 2021 |
|---|---------------|---------------|
| Term loan payable to a bank, interest at SOFR plus applicable basis points ranging from 1.95% to 2.25% (6.07% at December 31, 2022 and 2.05% at December 31, 2021). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. Remaining monthly principal payments range from \$41,250 to \$58,333 with a balloon payment of the remaining principal and interest due in December 2026. The note is secured by primarily all assets of Laurel Lake and subject to certain covenants and restrictions | \$ 12,162,498 | \$ 12,758,748 |

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

8. Long-term debt (continued):

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Term loan payable to a bank, interest at SOFR plus applicable basis points ranging from 1.95% to 2.25% (6.07% at December 31, 2022 and 2.05% at December 31, 2021). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. Remaining monthly principal payments range from \$26,667 to \$34,583, with a balloon payment of the remaining principal and interest due in December 2026. The note is secured by primarily all assets of Laurel Lake and subject to certain covenants and restrictions | 10,032,918 | 10,432,918 |
| Bonds payable, see (A) below | <u>7,190,000</u> | <u>7,505,000</u> |
| | 29,385,416 | 30,696,666 |
| Less current portion | 1,364,168 | 1,302,500 |
| Less debt issuance costs | <u>355,069</u> | <u>384,012</u> |
| | <u>\$ 27,666,179</u> | <u>\$ 29,010,154</u> |

(A) Laurel Lake has an agreement with the County of Summit, Ohio for \$9,580,000 of tax-exempt Healthcare Facilities Revenue Bonds (\$7,190,000 outstanding at December 31, 2022 and \$7,505,000 outstanding at December 31, 2021). Interest is at 3.721% for the initial rate period from the issue date of December 31, 2013 through July 1, 2026. The interest rate will reset under terms of the bond agreement on July 1, 2026. The bonds may not be converted before this date. Principal and Interest payments are due October 1 each year and continue until the bonds mature on October 1, 2038.

Future maturities of long-term debt are as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|----------------------|
| 2023 | \$ 1,364,168 |
| 2024 | 1,405,000 |
| 2025 | 1,445,000 |
| 2026 | 19,381,248 |
| 2027 | 385,000 |
| Thereafter | <u>5,405,000</u> |
| | <u>\$ 29,385,416</u> |

Included in interest expense on the consolidated statements of activities and changes in net assets is interest of \$1,328,888 in 2022 and \$1,385,697 in 2021 plus amortization of debt issuance costs.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

9. Interest rate swaps:

The Community has interest rate swap agreements with a bank to hedge its risk relative to the term loans. The fair value of the interest rate swaps are based on calculations prepared by the bank, which provide for a reasonable approximation of fair market value. The fair market value represents amounts the counter party would pay or receive from the Community if the swap agreements were terminated at that date.

Information related to the interest rate swap agreements at December 31, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2022</u> | <u>2021</u> | <u>2021</u> |
|-------------------------------------|-------------------|-------------------|---------------------|---------------------|
| Maturity date | December 2026 | December 2026 | December 2026 | December 2026 |
| Total notional amount | \$ 12,223,750 | \$ 10,075,417 | \$ 12,815,833 | \$ 10,472,084 |
| Fixed rates paid by borrower | <u>2.44%</u> | <u>2.46%</u> | <u>2.44%</u> | <u>2.46%</u> |
| Variable rates received by borrower | <u>4.12%</u> | <u>4.12%</u> | <u>.10%</u> | <u>.10%</u> |
| Total swap asset (liability) | <u>\$ 620,479</u> | <u>\$ 511,675</u> | <u>\$ (711,649)</u> | <u>\$ (601,382)</u> |

10. Endowments (with donor restrictions):

Laurel Lake's disclosure of its endowment net asset composition by type of fund is as follows at December 31:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Donor-restricted endowment funds | <u>\$ 292,250</u> | <u>\$ 336,828</u> |
| Changes in endowment net assets for the years ended December 31: | | |
| | <u>2022</u> | <u>2021</u> |
| Endowment net assets, beginning of year | \$ 336,828 | \$ 299,748 |
| Investment income (loss) | (44,878) | 35,030 |
| Contributions | <u>300</u> | <u>2,050</u> |
| Endowment net assets, end of year | <u>\$ 292,250</u> | <u>\$ 336,828</u> |

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

11. Net assets with donor restrictions:

Net assets with donor restrictions at December 31:

| | 2022 | 2021 |
|--|--------------|--------------|
| Net assets whose restrictions expire by usage: | | |
| Staff education | \$ 12,300 | \$ 19,881 |
| Wellness | 120,422 | 93,473 |
| SN care | 21,481 | 21,480 |
| Other programs | 127,830 | 165,773 |
| Life care | 997,998 | 1,042,898 |
| | 1,280,031 | 1,343,505 |
| Accumulated investment income available for general activities upon board resolution | 28,130 | 73,008 |
| Net assets restricted in perpetuity: | | |
| Campus Endowment Fund | 166,886 | 166,886 |
| Other endowments | 97,234 | 96,934 |
| | 264,120 | 263,820 |
| Total net assets with donor restrictions | \$ 1,572,281 | \$ 1,677,333 |

Net assets were released from donor restrictions for operations totaling \$94,372 in 2022 and \$112,337 in 2021.

12. Retirement plan:

The Community has a 403(b) defined contribution retirement plan (the Plan), for all eligible employees. The Plan provides for employee contributions through salary reduction. During 2022 and 2021, the Community matched 100% of the employee's contribution up to 4% of eligible wages. In addition, the Community may elect to contribute 1% of compensation for each eligible employee. The Community did not elect to contribute 1% in 2022 and 2021. Total expense under the Plan was approximately \$95,000 in 2022 and \$108,000 in 2021.

13. Insurance:

Professional medical liability insurance

The Community has an agreement with a multi-provider risk retention group for its professional medical liability insurance which commenced January 1, 2014. The risk retention group obtained reinsurance with another insurance company. The risk retention group insurance coverage is a claims-made policy. The Community has a self-insured retention per occurrence and the policy includes a reimbursement provision of a maximum amount per claim and a maximum aggregate claim per the term of the policy. An estimate of claims incurred and reported but unpaid and estimates for incurred but unreported claims of \$127,400 at December 31, 2022 and \$147,712 at December 31, 2021 is included in accrued expenses, other in the consolidated statements of financial position.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

13. Insurance (continued):

Self-insured state workers' compensation

During 2019, the Community became self-insured with regard to the State of Ohio Bureau of Workers' Compensation program. The Community will reimburse for substantiated claims of insured employees up to \$350,000 per occurrence. Amounts in excess of the reimbursement maximum will be covered by an excess insurance policy up to a maximum of \$1,000,000 per occurrence. Based upon Community management's estimates, are claims incurred and reported but unpaid, estimates for incurred but unreported claims and the present value of future payments relating to permanent disability claims amounting to \$11,989 at December 31, 2022 and \$39,291 at December 31, 2021, which are included in accrued expenses, other in the consolidated statements of financial position.

14. Consolidated statements of cash flows:

| | <u>2022</u> | <u>2021</u> |
|------------------------|---------------------|---------------------|
| Cash paid for interest | <u>\$ 1,349,920</u> | <u>\$ 1,412,738</u> |

15. Subsequent events:

Subsequent to year end, the Community applied to receive additional funding from Ohio's Office of Budget and Management, the state agency responsible for distributing American Rescue Plan Act funding that the Ohio legislature appropriated for skilled nursing facilities in Ohio House Bill (HB) 45 which was signed into law on January 6, 2023. The funds must be used to support relief of pandemic related impacts with respect to the Community's workforce beginning January 27, 2020 through June 30, 2024. The Community received approximately \$130,000 of funding from HB 45 in 2023.

In preparing this financial statement, Laurel Lake management has evaluated events and transactions for potential recognition or disclosure through May 31, 2023, the date Laurel Lake's consolidated financial statements were available to be issued.

Independent Auditor's Report on Accompanying Supplementary Information

The Board of Directors
Laurel Lake Retirement Community, Inc. and Subsidiary
Hudson, Ohio

We have audited the consolidated financial statements of Laurel Lake Retirement Community, Inc. and Subsidiary as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated May 31, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the statement of financial position, results of activities or cash flows for the individual entities. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2022 consolidated financial statements as a whole.

HW & Co.

Cleveland, Ohio
May 31, 2023

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

| | Laurel Lake Retirement Community, Inc. | Laurel Lake Retirement Community Foundation, Inc. | Eliminations | Consolidated |
|---|--|--|--------------------|----------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,831,013 | \$ 255,118 | | \$ 4,086,131 |
| Accounts receivable: | | | | |
| Trade, net of allowance for doubtful accounts | 503,149 | | | 503,149 |
| Intercompany | 36,558 | 25 | \$ (36,583) | |
| Other | 1,485 | 373,004 | | 374,489 |
| Prepaid expenses and other | 152,263 | | | 152,263 |
| | <u>4,524,468</u> | <u>628,147</u> | <u>(36,583)</u> | <u>5,116,032</u> |
| Property and equipment: | | | | |
| Land and improvements | 6,835,417 | | | 6,835,417 |
| Buildings and improvements | 80,205,223 | | | 80,205,223 |
| Equipment | 6,991,298 | | | 6,991,298 |
| Furniture and fixtures | 2,343,590 | | | 2,343,590 |
| Construction-in-progress | 146,465 | | | 146,465 |
| | <u>96,521,993</u> | | | <u>96,521,993</u> |
| Less accumulated depreciation | 31,683,170 | | | 31,683,170 |
| | <u>64,838,823</u> | | | <u>64,838,823</u> |
| Other assets: | | | | |
| Investments: | | | | |
| Available-for-sale securities | 18,679,743 | 4,448,321 | | 23,128,064 |
| Other | 539,308 | | | 539,308 |
| Interest rate swap asset | 1,132,154 | | | 1,132,154 |
| Operating rights to licensed beds | 1,500,000 | | | 1,500,000 |
| | <u>21,851,205</u> | <u>4,448,321</u> | | <u>26,299,526</u> |
| | <u>\$ 91,214,496</u> | <u>\$ 5,076,468</u> | <u>\$ (36,583)</u> | <u>\$ 96,254,381</u> |

LIABILITIES AND NET ASSETS

| | Laurel Lake Retirement Community, Inc. | Laurel Lake Retirement Community Foundation, Inc. | Eliminations | Consolidated |
|---|--|--|--------------------|----------------------|
| Current liabilities: | | | | |
| Accounts payable: | | | | |
| Trade | \$ 1,032,295 | | | \$ 1,032,295 |
| Intercompany | | \$ 36,583 | \$ (36,583) | |
| Accrued expenses: | | | | |
| Salaries, wages and related liabilities | 358,460 | | | 358,460 |
| Compensated absences | 260,166 | | | 260,166 |
| Real estate taxes | 1,148,255 | | | 1,148,255 |
| Interest | 109,929 | | | 109,929 |
| Other | 314,020 | | | 314,020 |
| Current portion of long-term debt | 1,364,168 | | | 1,364,168 |
| | <u>4,587,293</u> | <u>36,583</u> | <u>(36,583)</u> | <u>4,587,293</u> |
| Total current liabilities | | | | |
| | 4,587,293 | 36,583 | (36,583) | 4,587,293 |
| Long-term liabilities: | | | | |
| Security deposits | 2,209,745 | | | 2,209,745 |
| Long-term debt, net of current portion and debt issuance costs | 27,666,179 | | | 27,666,179 |
| Refundable entrance fee liability | 1,228,733 | | | 1,228,733 |
| Gift annuities payable | | 445,070 | | 445,070 |
| Deferred revenue, entrance fees | 35,537,718 | | | 35,537,718 |
| | <u>71,229,668</u> | <u>481,653</u> | <u>(36,583)</u> | <u>71,674,738</u> |
| Total liabilities | | | | |
| | 71,229,668 | 481,653 | (36,583) | 71,674,738 |
| Net assets: | | | | |
| Without donor restrictions | 19,984,828 | 3,022,534 | | 23,007,362 |
| With donor restrictions | | 1,572,281 | | 1,572,281 |
| | <u>19,984,828</u> | <u>4,594,815</u> | | <u>24,579,643</u> |
| Total net assets | | | | |
| | 19,984,828 | 4,594,815 | | 24,579,643 |
| | <u>\$ 91,214,496</u> | <u>\$ 5,076,468</u> | <u>\$ (36,583)</u> | <u>\$ 96,254,381</u> |

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

| | Laurel Lake Retirement Community, Inc. | Laurel Lake Retirement Community Foundation, Inc. | Eliminations | Consolidated |
|---|--|--|--------------|---------------|
| Changes in net assets without donor restrictions: | | | | |
| Revenue and other support: | | | | |
| Resident services: | | | | |
| Service fees | \$ 15,233,886 | | | \$ 15,233,886 |
| Amortization of deferred revenue | 5,174,665 | | | 5,174,665 |
| Nursing services and other | 3,287,514 | | | 3,287,514 |
| Stimulus revenue | 130,028 | | | 130,028 |
| Investment income, net | 519,082 | \$ 107,308 | | 626,390 |
| Contributions | 619,619 | 776,171 | \$ (109,626) | 1,286,164 |
| Net assets released from donor restrictions for operations | | 94,372 | | 94,372 |
| Total revenue and other support | 24,964,794 | 977,851 | (109,626) | 25,833,019 |
| Expenses: | | | | |
| Salaries and wages | 7,982,224 | | | 7,982,224 |
| Employee benefits | 2,306,844 | | | 2,306,844 |
| Total employment expenses | 10,289,068 | | | 10,289,068 |
| Purchased services | 4,134,430 | | | 4,134,430 |
| Supplies | 2,185,143 | | | 2,185,143 |
| Utilities | 1,446,759 | | | 1,446,759 |
| Rent | 11,027 | | | 11,027 |
| Insurance | 437,372 | | | 437,372 |
| Interest | 1,357,831 | | | 1,357,831 |
| Depreciation | 4,101,903 | | | 4,101,903 |
| Taxes | 1,239,171 | | | 1,239,171 |
| Other | 370,527 | | | 370,527 |
| Foundation | | 301,901 | (109,626) | 192,275 |
| Total expenses | 25,573,231 | 301,901 | (109,626) | 25,765,506 |
| Operating income (loss) | (608,437) | 675,950 | | 67,513 |
| Unrealized gain on interest rate swaps | 2,445,185 | | | 2,445,185 |
| Realized gain (loss) on investments | 287,773 | (101,244) | | 186,529 |
| Unrealized loss on equity securities, net | (2,587,277) | (722,684) | | (3,309,961) |
| Excess of expenses over revenue and other support | (462,756) | (147,978) | | (610,734) |
| Other change in net assets without donor restrictions: | | | | |
| Unrealized loss on debt securities, net | (1,280,743) | (118,677) | | (1,399,420) |
| Decrease in net assets without donor restrictions | (1,743,499) | (266,655) | | (2,010,154) |
| Changes in net assets with donor restrictions: | | | | |
| Contributions | | 34,257 | | 34,257 |
| Investment income, net | | (44,878) | | (44,878) |
| Realized loss on investments | | (59) | | (59) |
| Net assets released from donor restrictions for operations | | (94,372) | | (94,372) |
| Decrease in net assets with donor restrictions | | (105,052) | | (105,052) |
| Decrease in net assets | (1,743,499) | (371,707) | | (2,115,206) |
| Net assets, beginning of year | 21,728,327 | 4,966,522 | | 26,694,849 |
| Net assets, end of year | \$ 19,984,828 | \$ 4,594,815 | \$ | \$ 24,579,643 |

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

| | Laurel Lake Retirement Community, Inc. | Laurel Lake Retirement Community Foundation, Inc. | Eliminations | Consolidated |
|---|--|--|--------------|---------------------|
| Cash flows from operating activities: | | | | |
| Decrease in net assets | \$ (1,743,499) | \$ (371,707) | | \$ (2,115,206) |
| Adjustments to reconcile decrease in net assets to net cash and cash equivalents provided by operating activities: | | | | |
| Unrealized loss on investments, net | 3,868,020 | 841,361 | | 4,709,381 |
| Realized (gain) loss on investments, net | (806,855) | 38,814 | | (768,041) |
| Depreciation | 4,101,903 | | | 4,101,903 |
| Amortization of debt issuance costs | 28,943 | | | 28,943 |
| Amortization of deferred revenue, entrance fees | (5,174,665) | | | (5,174,665) |
| Unrealized gain on interest rate swaps | (2,445,185) | | | (2,445,185) |
| Bad debt expense | 29,250 | | | 29,250 |
| Entrance fees received, not expected to be refunded | 5,682,293 | | | 5,682,293 |
| Contributions with donor restrictions | | (300) | | (300) |
| Changes in assets and liabilities: | | | | |
| Decrease in accounts receivable and other assets | 245,988 | 77,209 | \$ 114,876 | 438,073 |
| Increase (decrease) in accounts payable and other current liabilities | 373,215 | (115,851) | (114,876) | 142,488 |
| Net cash and cash equivalents provided by operating activities | <u>4,159,408</u> | <u>469,526</u> | | <u>4,628,934</u> |
| Cash flows from investing activities: | | | | |
| Expenditures for property and equipment | (2,345,324) | | | (2,345,324) |
| Decrease in entrance fees receivable | 23,958 | | | 23,958 |
| Proceeds from sale of available-for-sale securities | 5,072,279 | 1,132,369 | | 6,204,648 |
| Purchase of available-for-sale securities | (4,349,481) | (1,908,706) | | (6,258,187) |
| Purchase of other investments | (195,000) | | | (195,000) |
| Net cash and cash equivalents used in investing activities | <u>(1,793,568)</u> | <u>(776,337)</u> | | <u>(2,569,905)</u> |
| Cash flows from financing activities: | | | | |
| Change in gift annuities payable, net | | (43,199) | | (43,199) |
| Contributions with donor restrictions | | 300 | | 300 |
| Refunds of refundable entrance fees | (643,024) | | | (643,024) |
| Entrance fees received, expected to be refunded | 687,000 | | | 687,000 |
| Payments on long-term debt | (1,311,250) | | | (1,311,250) |
| Net cash and cash equivalents used in financing activities | <u>(1,267,274)</u> | <u>(42,899)</u> | | <u>(1,310,173)</u> |
| Net increase (decrease) in cash and cash equivalents | 1,098,566 | (349,710) | | 748,856 |
| Cash and cash equivalents, beginning of year | <u>2,732,447</u> | <u>604,828</u> | | <u>3,337,275</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,831,013</u> | <u>\$ 255,118</u> | <u>\$</u> | <u>\$ 4,086,131</u> |