

THE RIVERWOODS GROUP
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2019 AND 2018



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**THE RIVERWOODS GROUP
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – JUNE 30, 2019	33
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY) – JUNE 30, 2019	35
CONSOLIDATING STATEMENT OF CASH FLOWS – JUNE 30, 2019	37
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – JUNE 30, 2018	39
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY) – JUNE 30, 2018	41
CONSOLIDATING STATEMENT OF CASH FLOWS – JUNE 30, 2018	43



INDEPENDENT AUDITORS' REPORT

Board of Trustees
The RiverWoods Group
Exeter, New Hampshire

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The RiverWoods Group, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets (deficiency), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The RiverWoods Group as of June 30, 2019 and 2018, and the results of their operations, changes in their net assets (deficiency), and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matters Regarding a Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, The RiverWoods Group adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new accounting standard changes the presentation of various classifications and disclosures within the consolidated financial statements. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, statements of operations and changes in net assets (deficiency) and cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
August 26, 2019

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,039,806	\$ 14,618,200
Assets Limited as to Use – Other	35,595	1,292,508
Accounts Receivable, Net	909,254	824,474
Inventories	266,639	237,000
Prepaid Expenses and Other Current Assets	825,634	1,076,129
Accrued Interest Receivable	200,206	186,642
Total Current Assets	12,277,134	18,234,953
ASSETS LIMITED AS TO USE		
Benevolent Fund	-	222,875
Other Restricted Funds	1,140,554	852,090
Endowment Funds	4,956,392	4,983,094
Total Assets Limited as to Use, Net	6,096,946	6,058,059
PROPERTY AND EQUIPMENT		
Land and Land Improvements	18,214,068	18,006,119
Buildings and Improvements	213,656,678	204,348,023
Furniture and Equipment	15,924,862	14,455,024
Projects in Process - RiverWoods Durham	39,603,147	9,385,527
Projects in Process	2,887,801	5,910,875
Total	290,286,556	252,105,568
Less: Accumulated Depreciation	(110,431,332)	(101,549,973)
Total Property and Equipment, Net	179,855,224	150,555,595
OTHER ASSETS		
Investments	77,811,346	69,255,320
Benevolent Fund - Unrestricted Portion	1,249,934	925,261
Asset Under Interest Rate Swap Agreement, Net	-	445,431
Other Assets	232,264	208,354
Deferred Marketing Costs	486,654	764,742
Total Other Assets	79,780,198	71,599,108
Total Assets	\$ 278,009,502	\$ 246,447,715

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 2,978,497	\$ 2,878,920
Accounts Payable and Accrued Expenses	2,106,705	2,673,788
Accrued Salaries, Wages, and Related Taxes	1,796,900	1,536,484
Accrued Interest Payable	<u>156,646</u>	<u>153,471</u>
Total Current Liabilities	7,038,748	7,242,663
LONG TERM DEBT, NET OF CURRENT PORTION AND DEFERRED FINANCING COSTS	88,184,806	63,243,362
OBLIGATION UNDER INTEREST RATE SWAP AGREEMENT, NET	3,906,614	-
FUTURE RESIDENTS' DEPOSITS	16,415,390	14,865,292
REFUNDABLE ENTRANCE FEE LIABILITY	174,674,311	169,501,441
DEFERRED REVENUE FROM ENTRANCE FEES	<u>28,654,501</u>	<u>27,213,603</u>
Total Liabilities	318,874,370	282,066,361
NET ASSETS (DEFICIENCY)		
Without Donor Restrictions	(45,882,907)	(40,789,210)
With Donor Restrictions	<u>5,018,039</u>	<u>5,170,564</u>
Total Net Assets (Deficiency)	<u>(40,864,868)</u>	<u>(35,618,646)</u>
Total Liabilities and Net Assets (Deficiency)	<u>\$ 278,009,502</u>	<u>\$ 246,447,715</u>

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIENCY)
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
REVENUES		
Residential Service Fees	\$ 30,662,683	\$ 30,349,866
Earned Entrance Fees	4,834,848	4,797,182
Health Center Fees	12,720,478	12,207,175
Other Operating Revenue	645,704	446,600
Investment Income	2,964,879	1,991,580
Net Assets Released from Restrictions	467,421	620,420
Total Revenues	52,296,013	50,412,823
EXPENSES		
General and Administrative	14,603,363	13,090,710
Resident Services	2,230,788	1,980,755
Dining Services	6,513,800	6,080,125
Nursing Services	10,475,000	10,355,779
Environmental Services	5,992,192	5,691,390
Facility Costs and Utilities	4,864,956	4,611,761
Depreciation and Amortization	9,301,366	8,687,394
Interest	1,980,979	1,997,733
Total Expenses	55,962,444	52,495,647
LOSS FROM OPERATIONS	(3,666,431)	(2,082,824)
NONOPERATING GAINS AND LOSSES		
Contributions	29,895	68,837
Change in Charitable Gift Annuity Liability	(15,051)	(1,724)
Gains on Sales of Assets and Investments	4,984,622	3,664,846
Total Nonoperating Gains and Losses	4,999,466	3,731,959
EXCESS OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	1,333,035	1,649,135

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIENCY) (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
EXCESS OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ 1,333,035	\$ 1,649,135
OTHER CHANGES NET ASSETS WITHOUT DONOR RESTRICTIONS		
Change in the Fair Value of Interest Rate Swap Agreements	(4,352,045)	799,340
Changes in Net Unrealized (Losses) Gains on Investments	<u>(2,074,687)</u>	<u>(206,748)</u>
Total Other Changes in Net Assets Without Donor Restrictions	<u>(6,426,732)</u>	<u>592,592</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(5,093,697)	2,241,727
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	396,150	586,686
Changes in Net Unrealized Gains (Losses) on Investments	(81,254)	226,712
Net Assets Released from Restrictions	<u>(467,421)</u>	<u>(620,420)</u>
Changes in Net Assets With Donor Restrictions ¹	<u>(152,525)</u>	<u>192,978</u>
CHANGE IN NET ASSETS (DEFICIENCY)	(5,246,222)	2,434,705
Net Assets (Deficiency) – Beginning of Year	<u>(35,618,646)</u>	<u>(38,053,351)</u>
NET ASSETS (DEFICIENCY) – END OF YEAR	<u>\$ (40,864,868)</u>	<u>\$ (35,618,646)</u>

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets (Deficiency)	\$ (5,246,222)	\$ 2,434,705
Adjustments to Reconcile Change in Net Assets (Deficiency) to		
Net Cash Provided by Operating Activities:		
Proceeds from Entrance Fees	24,433,220	18,457,797
Noncash Items Included in Change in Net Assets (Deficiency):		
Amortization of Deferred Entrance Fee Revenue	(4,834,848)	(4,797,182)
Depreciation and Amortization	9,301,366	8,687,394
Amortization of Bond Issuance Costs	79,988	79,988
Loss on Disposal of Equipment	7,395	35,318
Change in Interest Rate Swap Agreements	4,352,045	(799,340)
Unrealized (Gains) Losses on Investments, Net	2,731,699	(1,582,479)
(Increase) Decrease in Assets:		
Accounts Receivable	(84,780)	285,478
Other Receivables	(33,465)	299,831
Inventories	(29,639)	17,819
Prepaid Expenses and Other Assets	141,240	(164,769)
Accrued Interest Receivable	(1,223,564)	(92,692)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(602,084)	779,934
Accrued Salaries, Wages, and Related Taxes	260,416	82,426
Accrued Interest Payable and Other Liabilities	161,149	(204,826)
Net Cash Provided by Operating Activities	29,413,916	23,519,402
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(37,120,302)	(24,308,981)
(Increase) Decrease in Investments	(10,041,454)	15,915,039
Decrease in Assets Limited as to Use	10,642	9,405
(Increase) Decrease in Other Restricted Funds	(261,762)	249,411
Increase in Benevolent Fund	(101,798)	(393,187)
Net Cash Used by Investing Activities	(47,514,674)	(8,528,313)

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Long-Term Debt	\$ (2,878,920)	\$ (2,756,198)
Proceeds from Long-Term Debt	27,839,953	50,099
Payment of Deferred Financing Costs	-	(1,853,155)
Increase in Residents' Deposits	1,550,098	2,759,193
Refunds of Entrance Fees	<u>(12,988,767)</u>	<u>(12,828,878)</u>
Net Cash Provided (Used) by Financing Activities	<u>13,522,364</u>	<u>(14,628,939)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (4,578,394)	 362,150
Cash and Cash Equivalents – Beginning of Year	<u>14,618,200</u>	<u>14,256,050</u>
 CASH AND CASH EQUIVALENTS – END OF YEAR	 <u>\$ 10,039,806</u>	 <u>\$ 14,618,200</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 1,897,816</u>	<u>\$ 1,979,161</u>

See accompanying Notes to Consolidated Financial Statements.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The RiverWoods Group (TRWG or the Company), a New Hampshire nonprofit voluntary corporation, was incorporated on February 17, 2011. Its purpose is to support nonprofit continuing care retirement communities and further its charitable purposes by establishing, maintaining, and governing an integrated system which provides for the effective and efficient delivery of housing, food services, health services, and other services in the continuum of care to elderly persons.

The RiverWoods Company, Exeter, New Hampshire (RiverWoods Exeter), a nonprofit charitable organization, was incorporated on June 6, 1983 as a voluntary corporation. RiverWoods Exeter operates a three campus continuing care retirement community which provides housing, health care, and other related services to residents. The original campus, known as The Woods, has 201 independent living units, 20 assisted living units, and 39 skilled nursing beds. The second campus, known as The Ridge, has 81 independent living units and 11 cottages, 27 assisted living units, and 23 skilled nursing beds. The third campus, known as The Boulders, has 76 independent living units and 24 cottages, 24 assisted living units, and 16 skilled nursing beds. The operations of The Woods, The Ridge, and The Boulders began in August 1994, October 2004, and March 2010, respectively.

Birch Hill Terrace (Birch Hill) a nonprofit charitable organization, is the parent company of Women's Aid Home d/b/a Pearl Manor at Hillcrest Terrace (Pearl Manor). During the fiscal year ended June 30, 2017, Birch Hill merged with its previous sole member, Hillcrest Manor, Inc. (Hillcrest). Birch Hill has 134 independent living units and 4 cottages, 41 assisted living units, 12 memory care units and 9 intermediate nursing care suites. The facility is located in Manchester, New Hampshire. Pearl Manor holds the endowments of Birch Hill and, as a supporting entity, transfers most net investment income earned to Birch Hill. In July 2016, Hillcrest and The RiverWoods Group (TRWG) received regulatory approval from the Director of Charitable Trusts and the New Hampshire Insurance Department for the affiliation between the two organizations. Under the affiliation agreement, TRWG became the sole corporate member of Hillcrest Manor.

RiverWoods Durham, a nonprofit charitable organization, was incorporated on March 7, 2017. Construction of the RiverWoods Durham campus (the Project) began in June 2018. The Project consists of the construction and equipping of a new continuing care retirement community comprised of 150 independent living apartments, 24 assisted living suites, 24 memory support assisted living suites, and 24 skilled nursing beds in an approximately 310,000 square foot building on approximately 11 acres of land in Durham, New Hampshire.

Principles of Consolidation

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

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2016-14

During the year ended June 30, 2019, the Company adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions) and disclosures within the consolidated financial statements. The adoption of this accounting standard did not have an impact on the Company's financial position or changes in its net deficiency.

New Accounting Pronouncements – ASU 2014-09

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles of recognizing revenue from contracts with customers as discussed within ASU No. 2014-09 – *Revenue from Contracts with Customers*. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an account that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Company for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of the amended revenue recognition guidance on the Company's consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

TRWG, RiverWoods Exeter, RiverWoods Durham and Birch Hill are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Company follows the provisions of the income tax accounting standards regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on the Company's consolidated financial statements.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Indicator

For purposes of display, the excess (deficit) of revenues and net gains over expenses and losses is the operating indicator for the Company. Other changes in unrestricted net assets that are excluded from the operating indicator, consistent with industry practice, include unrealized gains and losses on investments, the effective portion of the interest rate swap agreements that are designated as hedging agreements, restricted contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and net asset transfers.

Cash Equivalents

Cash equivalents include short-term investments, excluding invested cash in investment advisory accounts, which have a maturity of three months or less when purchased and are recorded at cost, which approximates fair value.

Accounts Receivable and Entrance Fees Receivable

The Company provides an allowance for uncollectible accounts based on the allowance method using management's judgment considering historical information. Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts are continually analyzed for collectability and management determines when accounts are written off. At June 30, 2019 and 2018, the allowance for doubtful accounts was \$21,500 and \$31,542, respectively. In certain instances, RiverWoods Exeter and Birch Hill offer incoming residents the ability to defer payment of entrance fees in full on a short-term basis for a period not to exceed one year based upon market conditions.

Inventories

Inventories of supplies are carried at the lower of cost (determined by the first-in, first-out method) or net realizable value.

Investments and Investment Income

Investments, which are comprised of U.S. government, government agency and corporate obligations, equity securities, hedge fund of funds, and invested cash and cash equivalents, are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends, investment management fees, and write down of impaired investments) is included in the excess of revenues and net gains over expenses and losses. Unrealized gains and losses on investments are excluded from the excess (deficit) of revenues and net gains over expenses and losses.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Limited as to Use

Assets Limited as to Use includes certain cash and cash equivalents, donor restricted funds, and certain employee funds. Amounts required to meet current liabilities have been classified as current assets in the statements of financial position at June 30, 2019 and 2018.

Benevolence

RiverWoods Exeter and Birch Hill have established benevolence policies to provide a source for financial assistance to residents of their retirement communities who are able to demonstrate financial need to the satisfaction of their respective board of trustees. For the years ended June 30, 2019 and 2018, the amount of financial assistance provided to RiverWoods Exeter residents was approximately \$192,000 and \$137,000, respectively. For the years ended June 30, 2019 and 2018, the amount of financial assistance provided to Birch Hill residents was approximately \$711,000 and \$469,000, respectively.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Company emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The fair values of financial instruments are summarized further in Note 4.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. The Company's policy is to capitalize expenditures for major improvements that have a per unit price of \$1,500 and an economic life of at least three years and charge maintenance and repairs currently for expenditures that do not extend the useful lives of the related assets. The provision for depreciation has been computed using the straight-line method at rates that are intended to amortize the cost of assets over their estimated useful lives. Projects in process consist of ongoing projects that will be depreciated when projects are completed and placed in service. Depreciation expense for the years ended June 30, 2019 and 2018 was \$9,023,278 and \$8,409,306, respectively.

The Company records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimated process, no impairment losses have been recorded as of June 30, 2019 and 2018.

Bond Issuance Costs

Bond issuance costs are being amortized using the straight-line method, which approximates the effective interest method, over the commitment period of the existing direct purchase lender agreements.

Deferred Marketing Costs

Deferred marketing costs represent costs incurred in connection with obtaining the initial residence and care agreements of each campus and are being amortized over the estimated remaining lives of each campus' first residents.

In 2011, RiverWoods Exeter capitalized \$2,780,880 of deferred marketing costs of The Boulders. Accumulated amortization expense for The Boulders amounted to \$2,294,226 and \$2,016,138 at June 30, 2019 and 2018, respectively. Amortization of deferred marketing costs related to The Boulders totaled \$278,088 for each of the years ended June 30, 2019 and 2018.

Deferred Revenue – Entrance Fees

As of June 30, 2019, RiverWoods Exeter had three types of entrance fee agreements: 90% refundable, 50% refundable, and declining balance refund. Under the 90% agreement, resident entrance fees for the unit's first person are 90% refundable upon both the termination of residency in the retirement community of the resident, or in the case of joint residency, both residents, and upon resale of the unit. Resident entrance fees for the unit's second person are nonrefundable.

The provisions of the 50% refundable agreement are similar in all regards to the 90% agreement, except that the maximum refund upon termination of residency and resale of the unit is 50% of the first person entrance fee.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue – Entrance Fees (Continued)

Under the declining balance refund agreement, the resident or resident's designee is entitled to a refund equal to the first person entrance fee paid less a sum equal to a 4% administrative fee and 2% per month for every month of residence.

The nonrefundable portions of the entrance fees are amortized into operating revenue over the actuarially determined life expectancy of each resident. Upon termination of the contract, whether by move-out or death of the resident(s), the unamortized nonrefundable portion of the entrance fee is recorded as operating revenue. The refundable portion of these entrance fees is recorded as a liability.

RiverWoods Exeter entrance fees received for the years ended June 30, 2019 and 2018 were \$20,212,000 and \$14,997,200, respectively. For the years ended June 30, 2019 and 2018, entrance fees refunded were \$12,520,420 and \$12,564,670, respectively. Total net entrance fees collected were \$7,691,580 and \$2,432,530 for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019 and 2018, RiverWoods Exeter had \$164,667,252 and \$159,751,579, respectively, of deferred resident entrance fees are contractually refundable based upon the terms of RiverWoods Exeter refund policy.

As of June 30, 2019, Birch Hill had four types of entrance fee agreements: 70% refundable, 50% refundable, 0% refundable, and declining balance refund. For the refundable contracts, resident entrance fees for the unit's first person are refundable upon the termination of residency at Birch Hill and upon resale of the unit. Resident entrance fees for unit's second person are nonrefundable.

The nonrefundable portions of entrance fees are amortized into operating revenue over the actuarially determined life expectancy of each resident. Amortization of the nonrefundable entrance fees begins in the month of residency. Upon termination of the contract, whether by move-out or death of the resident(s), the unamortized nonrefundable portion of the entrance fees is recorded as operating revenue. The refundable portion of these entrance fees is recorded as a liability.

Birch Hill entrance fees received for the years ended June 30, 2019 and 2018 were \$4,221,220 and \$3,460,597, respectively. For the years ended June 30, 2019 and 2018, entrance fees refunded were \$468,347 and \$264,208, respectively. Total net entrance fees collected were \$3,752,873 and \$3,196,389 for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019 and 2018, Birch Hill had \$10,096,669 and \$9,466,542, respectively, of deferred resident entrance fees are contractually refundable based upon the terms of Birch Hill's refund policy.

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

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

The Company periodically engages an actuary to calculate the net present value of future revenues and the cost of providing future services and use of facilities to current residents, which is compared to the balance of deferred entrance fee revenue, allocable depreciation, and unamortized costs of acquiring initial continuing care contracts. If this calculation produces an obligation, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. RiverWoods Exeter and Birch Hill performed these calculations for 2018. As of June 30, 2019 and 2018, management's estimate indicated no need to record an additional liability for an obligation to provide future services and use of facilities.

Future Residents' Deposits

Future residents' deposits are required prior to the execution of resident agreements and the acceptance of entrance fees. Upon occupancy, future resident deposits are reclassified to refundable entrance fee liability and deferred revenue from entrance fees. Future residents' deposits as of June 30, 2019 and 2018 were \$16,415,390 and \$14,865,292, respectively.

Malpractice Loss Contingencies

The Company has a claims made policy for its malpractice insurance coverage. In the event a loss contingency should occur, the Company would give it appropriate recognition in its consolidated financial statements.

Employee Fringe Benefits

The Company has an "earned time off" plan to provide fringe benefits for its employees. Under this plan each qualifying employee "earns" hours of paid leave for each pay period worked. These hours of paid leave may be used for vacations or illness. Hours earned but not used are vested with the employee. The Company accrues the cost of these benefits as they are earned.

Charitable Gift Annuities

RiverWoods Exeter has a number of charitable gift annuities. The liability to the annuitants has been discounted to its present value, taking into consideration the life expectancy of the annuitant. The difference between the annuitant's gift and the liability to the annuitant is recorded as an contribution without donor restrictions in the year of the gift. These gift annuities provide for a series of quarterly payments during the annuitants' lives.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the board of trustees can designate, from net assets without donor restrictions, net assets designated for special use. The RiverWoods Fund, the Charitable Gift Annuities and the unrestricted portion of the Benevolent Fund are included in net assets without donor restrictions.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both. The Peabody Scholarship Fund, The Spencer Scholarship Fund, The RiverWoods Exeter Scholarship Fund, and the restricted portion of the Benevolent Fund are included in the donor-imposed restrictions that are temporary in nature. The Endowment Fund, Dodge Fund, Abbie Woodman Fund, Fuller Fund, and The Lawrence Fund are included in donor-imposed restrictions that are maintained in perpetuity.

Reclassifications

Certain items in the 2018 consolidated financial statements have been reclassified to conform to the 2019 consolidated financial statement presentation due to the retrospective implementation of ASU 2016-14.

Subsequent Events

In preparing these consolidated financial statements, the Company's policy is to evaluate events and transactions for potential recognition or disclosure through August 26, 2019, the date the consolidated financial statements were issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in these consolidated financial statements.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date, consist of the following:

	June 30, 2019
Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 10,039,806
Accounts Receivable	909,254
Investments	77,811,346
Benevolent Fund	1,249,934
Assets Limited as to Use:	
Other Restricted Funds	1,176,149
Endowment Funds	4,956,392
Total Financial Assets	96,142,881
Less Amounts not Available to be Used within One Year:	
RWE Capital Replacement Fund	10,000,000
TRWG Board Designated Funds	7,756,512
RWE Future Benevolence Fund	1,205,000
RWE Community Loan Fund	300,000
RWE Ziegler Link-Age Longevity Fund	93,995
RWE Peabody Scholarship Fund	424,212
RWE Spencer Scholarship Fund	449,107
RWE Scholarship Fund	225,235
RWE Endowment Fund	653,429
BH Donor Funds - Perpetually Restricted	3,409,662
Total Financial Assets not Available within One Year	24,517,152
Total Financial Assets Available within One Year	\$ 71,625,729

The Company has certain board-designated and donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Company has other assets limited as to use for donor-restricted purposes, which are more fully described in Note 6. Additionally, certain other board-designated assets are designated for future use. These assets limited as to use, which are more fully described in Note 3, are not available for general expenditure within the next year; however, these amounts could be made available, if necessary.

At June 30, 2019 RiverWoods Exeter and Birch Hill, the two communities currently in operation, had Days Cash on Hand of 860 days and 232 days, respectively, as calculated per each organization's continuing covenants agreement.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE

The composition of investments and assets limited as to use, which are stated at fair value, is set forth in the following table at June 30:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 4,374,062	\$ 6,277,636
U.S. Government and Government Agency Obligations	12,932,210	11,888,798
Corporate Debt Obligations	25,102,532	12,202,578
Equity Securities	42,978,759	47,336,985
Total	<u>\$ 85,387,563</u>	<u>\$ 77,705,997</u>
	<u>2019</u>	<u>2018</u>
Current Portion of Assets Limited as to Use	\$ 35,595	\$ 1,292,508
Accrued Interest Receivable	193,742	174,849
Investments	77,811,346	69,255,320
Benevolent Fund and Other Restricted Funds	7,346,880	6,983,320
Total	<u>\$ 85,387,563</u>	<u>\$ 77,705,997</u>

Management performs due diligence on the valuation of all investments. The vast majority of the underlying manager holdings are publicly traded securities with readily available market prices. Management continually reviews its investment portfolios and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of investment advisors and the length of time and extent to which the market value has been less than cost, and the ability and intent of the Company to hold investments in the long term. During the years ended June 30, 2019 and 2018, no material declines in the market value of investments are considered to be other than temporary.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30:

	2019			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets Limited as to Use	\$ 6,132,541	\$ -	\$ -	\$ 6,132,541
Investments	79,061,280	-	-	79,061,280
Liabilities:				
Obligation Under Interest Rate Swap Agreements, Net	-	(3,906,614)	-	(3,906,614)

	2018			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets Limited as to Use	\$ 7,350,567	\$ -	\$ -	\$ 7,350,567
Investments	70,180,581	-	-	70,180,581
Asset Under Interest Rate Swap Agreements, Net	-	445,431	-	445,431

The determination of the fair values above incorporates various factors. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Company's nonperformance risk on its liabilities.

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include money market funds and bank deposits, U.S. government and agency securities, corporate bonds, common stock, and mutual funds. Assets utilizing Level 3 inputs are hedge funds of funds and are considered alternative investments, since there are no observable inputs to their value. Level 3 investments are measured using a net asset value (NAV) per share, or its equivalent, as determined by the fund's investment manager.

Assets and liabilities utilizing Level 2 inputs are derivatives. The carrying amount represents fair market value and is based on a price estimated by a third party using the income approach, which uses valuation techniques to convert future cash flows to a discounted value, using current market expectations.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 LONG-TERM DEBT

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
New Hampshire Health and Education Facilities Authority:		
RWE Series 2012 Revenue Bonds, Series A	\$ 27,225,000	\$ 28,300,000
RWE Series 2012 Revenue Bonds, Series B	27,435,000	28,220,000
BH Series 2016 Revenue Bonds	10,825,783	11,804,339
RWD Series 2018 Revenue Bonds, Series B	<u>27,890,632</u>	<u>50,099</u>
Total Long-Term Debt, New Hampshire Health and Education Facilities Authority	93,376,415	68,374,438
 BH HEFA Loan	 <u>44,186</u>	 <u>84,550</u>
Total Long-Term Debt	93,420,601	68,458,988
Less: Unamortized Debt Issuance Cost	<u>(2,257,298)</u>	<u>(2,336,706)</u>
Total Long-Term Debt, Less Unamortized Debt Issuance Costs	91,163,303	66,122,282
Less: Current Portion	<u>(2,978,497)</u>	<u>(2,878,920)</u>
Total Long-Term Debt, Net of Current Portion, Less Unamortized Debt Issuance Costs	<u>\$ 88,184,806</u>	<u>\$ 63,243,362</u>

On September 28, 2012, RiverWoods Exeter entered into an agreement with the New Hampshire Health and Education Authority for \$65,605,000 Revenue Bonds, Series 2012A and Series 2012B. The proceeds were used to redeem \$64,120,000, representing the total outstanding balances of Series 1997B, Series 2003, Series 2007, and Series 2008 Bonds and to pay certain costs related to the issuance of these bonds. The Series 2012A and Series 2012B bonds are Direct Purchase Revenue Bonds and interest is payable at variable rates.

On April 1, 2015, RiverWoods Exeter entered into loan modification agreements for the Series 2012A and Series 2012B bonds. The modification reduced the variable interest rate and extended the commitment terms of the Series 2012A bonds by approximately 2.5 years to April 1, 2025 and the Series 2012B bonds by approximately 7.5 years to April 1, 2030. RiverWoods Exeter paid certain costs related to the loan modification which is included in unamortized bond issuance costs.

In July 2016, Birch Hill entered into an agreement with the New Hampshire Health and Education Facility for \$12,680,000 Revenue Bonds, Series 2016. The proceeds were used to redeem \$9,650,000 of outstanding Series 1994 Bonds and to pay certain costs related to the issuance of these bonds. An additional \$4,020,000 was acquired through the Series 2016 Revenue Bonds for planned capital projects.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 LONG-TERM DEBT (CONTINUED)

On July 1, 2016, Birch Hill entered into an agreement with People's United Bank, National Association, for an \$820,000 taxable loan. The proceeds were used to redeem \$793,885 of an outstanding subordinated loan to Catholic Medical Center and to pay certain costs related to the issuance of this taxable loan. This loan was fully repaid during fiscal year ending June 30, 2018.

On August 1, 2017, TRWG closed on a three year revolving credit loan with TD Bank, NA. The loan provides for up to \$7,000,000 of credit and is collateralized by certain cash and investments of TRWG. It carries an interest rate of 1 Month LIBOR plus 1.02%. The loan was intended to finance pre-construction costs associated with the development of RiverWoods Durham as well as to provide working capital for TRWG. As of June 30, 2019 and 2018, there is no balance on the line of credit.

On May 31, 2018, RiverWoods Durham entered into an agreement with the New Hampshire Health and Education Authority for \$98,380,000 Revenue Bonds, Series 2018A (\$52,980,000) and Series 2018B (\$45,400,000). The proceeds of the issuance will be utilized to fund the RiverWoods Durham Project (the Project). The Project consists of 1) financing the acquisition, construction, renovation, and equipping of a new continuing care retirement community comprised of independent living apartments, assisted living suites, memory support assisted living suites, and skilled nursing beds; 2) financing certain other capital expenditures by RiverWoods Durham; and 3) paying certain costs of issuing the bonds. The Series 2018A and Series 2018B bonds are Direct Purchase Revenue Bonds and interest is payable at variable rates. Proceeds are to be drawn down as costs of the Project are incurred. As of June 30, 2019, draws on the bonds have amounted to \$27,890,632.

RiverWoods Exeter has entered into a swap agreement with Morgan Stanley to enact a fixed rate swap on variable rate debt. During the years ended June 30, 2019 and 2018, the swap was recorded as a financial instrument at fair value and met the criteria as a derivative instrument. The change in the fair value of the swap is excluded from the performance indicator for the years ended June 30, 2019 and 2018. The swap agreement expires March 1, 2023 and has a fixed interest rate of 3.499%.

In June 2011, RiverWoods Exeter had entered into a swap agreement with Deutsche Bank with a fixed rate of 1.624% and a termination date of June 1, 2016. In September 2012, RiverWoods Exeter modified this interest rate swap agreement with Deutsche Bank. Effective October 1, 2012, the interest rate of the swap is 1.69% and the original notional amount was \$47,000,000. The swap was recorded as a financial instrument at fair value and met the criteria as a derivative instrument. The change in the fair value of the swap is excluded from the performance indicator for the years ended June 30, 2019 and 2018. The swap agreement expires October 1, 2022.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 LONG-TERM DEBT (CONTINUED)

RiverWoods Exeter has entered into an agreement with Deutsche Bank to enact a variable to fixed swap. The swap agreement was designated as a derivative and recorded at fair value as an asset or a liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The term of the swap is through March 1, 2023 and the interest rate is 4.189%.

Birch Hill has entered into an interest rate swap agreement that effectively converts the variable interest rate on the Series 2016 Bond to a fixed interest rate of 0.8525%. The original notional amount was \$12,680,000. The swap agreement was designated as a derivative and recorded at fair value as an asset or a liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The term of the swap is through July 1, 2026.

RiverWoods Durham has entered into a forward interest rate swap agreement with TD Bank that effectively converts the variable interest rate on a portion of the Series 2018B Bonds to a fixed interest rate of 2.1610%. The original notional amount on the effective date is \$7,270,000. The swap agreement was designated as a derivative and recorded at fair value as an asset or a liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The swap effective date is November 1, 2018 and the term of the swap is through January 1, 2020.

RiverWoods Durham has entered into a forward interest rate swap agreement with TD Bank that effectively converts the variable interest rate on a portion of the Series 2018A Bonds to a fixed interest rate of 2.4360%. The original notional amount on the effective date is \$1,166,250. The swap agreement was designated as a derivative and recorded at fair value as an asset or liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The swap effective date is May 1, 2019 and the term of the swap is through June 1, 2028.

RiverWoods Durham has entered into a forward interest rate swap agreement with SunTrust Bank that effectively converts the variable interest rate on a portion of the Series 2018A Bonds to a fixed interest rate of 2.4660%. The original notional amount on the effective date is \$1,166,250. The swap agreement was designated as a derivative and recorded at fair value as an asset or a liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The swap effective date is May 1, 2019 and the term of the swap is through June 1, 2028.

RiverWoods Durham has entered into a forward interest rate swap agreement with People's United Bank that effectively converts the variable interest rate on a portion of the Series 2018A Bonds to a fixed interest rate of 2.4660%. The original notional amount on the effective date is \$777,500. The swap agreement was designated as a derivative and recorded at fair value as an asset or liability in the balance sheet with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The swap effective date is May 1, 2019 and the term of the swap is through June 1, 2028.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 LONG-TERM DEBT (CONTINUED)

Following is a summary of interest rate swaps outstanding at June 30, 2019:

	Current Notional Amount	Fixed Rate	Expiration Year
RWE - Deutsche Bank	\$ 3,645,000	4.189%	2023
RWE - Deutsche Bank	45,092,000	1.690%	2022
RWE - Morgan Stanley	3,190,000	3.499%	2023
BH - People's United Bank	10,825,783	0.8525%	2026
RWD - TD Bank	34,050,000	2.161%	2020
RWD - TD Bank	2,692,500	2.436%	2028
RWD - SunTrust Bank	2,692,500	2.466%	2028
RWD - People's United Bank	1,795,000	2.466%	2028
Total Notional Amount	<u>\$ 103,982,783</u>		

RiverWoods Exeter and Birch Hill are required by the Loan Agreements to meet certain financial ratios. As of June 30, 2019 and 2018, management is not aware of any violations with these financial covenants.

Total interest expense incurred was approximately \$1,901,000 and \$1,942,500 for the years ended June 30, 2019 and 2018, respectively.

Interest capitalized during the years ended June 30, 2019 and 2018 was \$1,210,000 and \$100,833, respectively.

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

Year Ending June 30,	2012 Series A	2012 Series B	2016 Series	HEFA Loan	2018B Series	Total
2020	\$ 1,120,000	\$ 815,000	\$ 1,002,727	\$ 40,770	\$ -	\$ 2,978,497
2021	1,175,000	860,000	1,066,991	3,416	27,890,632	30,996,039
2022	1,220,000	910,000	1,097,340	-	-	3,227,340
2023	1,310,000	985,000	1,124,910	-	-	3,419,910
2024	1,405,000	1,025,000	1,153,059	-	-	3,583,059
2024 and Thereafter	20,995,000	22,840,000	5,380,756	-	-	49,215,756
Total	<u>\$ 27,225,000</u>	<u>\$ 27,435,000</u>	<u>\$ 10,825,783</u>	<u>\$ 44,186</u>	<u>\$ 27,890,632</u>	<u>\$ 93,420,601</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions (subject to donor or time restrictions that are of a temporary nature) are comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Unappropriated Income on Permanently Restricted		
Endowments - Birch Hill	\$ 390,398	\$ 679,796
Benevolent Fund - RiverWoods Exeter	-	73,833
Peabody Scholarship Fund - RiverWoods Exeter	441,459	388,750
RiverWoods Exeter Scholarship Fund	18,438	-
Other - RiverWoods Exeter	1,348	7,319
Total	<u>\$ 851,643</u>	<u>\$ 1,149,698</u>

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

	<u>2019</u>	<u>2018</u>
Permanently Restricted Endowment Funds - Birch Hill		
Dodge Fund, Income Unrestricted	\$ 73,733	\$ 73,733
Abbie Woodman Fund, Income Unrestricted	155,692	155,692
Fuller Fund, Income Unrestricted	3,169,205	3,169,205
Lawrence Fund, Income Restricted for Pin Money to the Residents of Pearl Manor	11,032	11,032
Total Permanently Restricted Endowments - Birch Hill	<u>3,409,662</u>	<u>3,409,662</u>
Permanently Restricted Funds - RiverWoods Exeter		
Endowment Fund	370,624	295,144
Spencer Fund	386,110	316,060
Total Permanently Restricted Funds - RiverWoods Exeter	<u>756,734</u>	<u>611,204</u>
Total	<u>\$ 4,166,396</u>	<u>\$ 4,020,866</u>

NOTE 7 BIRCH HILL ENDOWMENT

Birch Hill's endowment primarily consists of funds established to support operations. Its endowment includes donor-restricted endowment funds to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 BIRCH HILL ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

Birch Hill has interpreted the state of New Hampshire Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Birch Hill classifies as net assets with donor restrictions held in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, unless explicitly stated otherwise by the donor, realized and unrealized net appreciation in investments in donor-restricted endowment funds held in perpetuity is classified as net assets with donor restrictions that are temporary in nature until appropriated by the board of trustees for expenditure. Funds designated by the board of trustees to function as endowments are classified as net assets without donor restrictions.

In accordance with the Act, Birch Hill considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment Composition and Changes in Endowment

The endowment asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Donor-Restricted Funds - Birch Hill	\$ -	\$ 390,398	\$ 3,409,662	\$ 3,800,060

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 BIRCH HILL ENDOWMENT (CONTINUED)

The changes in endowment assets as of June 30, 2019 are as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Donor-Restricted Funds - Birch Hill	\$ -	\$ 390,398	\$ 3,409,662	\$ 3,800,060
Endowment Assets, June 30, 2018	\$ -	\$ 679,796	\$ 3,409,662	\$ 4,089,458
Investment Return:				
Investment Income	-	87,856	-	87,856
Net Depreciation	-	(169,110)	-	(169,110)
Total Investment Return	-	(81,254)	-	(81,254)
Amounts Appropriated for Expenditure	-	(204,358)	-	(204,358)
Distribution of Pearl Manor's Income	-	(3,786)	-	(3,786)
Endowment Assets, June 30, 2019	<u>\$ -</u>	<u>\$ 390,398</u>	<u>\$ 3,409,662</u>	<u>\$ 3,800,060</u>

The endowment asset composition by type of fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Donor-Restricted Funds - Birch Hill	\$ -	\$ 679,796	\$ 3,409,662	\$ 4,089,458

The changes in endowment assets as of June 30, 2018 are as follows:

	Without Donor Restrictions	Temporary in Nature	Held in Perpetuity	Total
Endowment Assets, June 30, 2017	\$ -	\$ 657,789	\$ 3,409,662	\$ 4,067,451
Investment Return:				
Investment Income	-	87,224	-	87,224
Net Appreciation	-	139,488	-	139,488
Total Investment Return	-	226,712	-	226,712
Amounts Appropriated for Expenditure	-	(201,641)	-	(201,641)
Distribution of Pearl Manor's Income	-	(3,064)	-	(3,064)
Endowment Assets, June 30, 2018	<u>\$ -</u>	<u>\$ 679,796</u>	<u>\$ 3,409,662</u>	<u>\$ 4,089,458</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 BIRCH HILL ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

Birch Hill has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Birch Hill must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate market indices while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Birch Hill 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). Birch Hill targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Policy

In accordance with the Act, the board of trustees is allowed to appropriate for expenditure for the uses and purposes for which the endowment fund is established so much of the net appreciation, realized and unrealized, in the fair value of the assets of the endowment fund over the historic dollar value of the fund as is prudent. In so doing, the board must consider long- and short-term needs of the institution in carrying out its purpose, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The board has established a spending policy providing for distributions of a minimum of 85% of the interest and dividends and realized gains, less all fees and realized losses, from Pearl Manor's investment portfolio to Birch Hill Terrace, unless additional amounts are appropriated to support operations. Under this policy, total distributions are not to exceed 5% of the trailing three year average market value of endowed funds, unless approved by the board. Distributions of \$217,339 were made pursuant to this policy, during the year ended June 30, 2019.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 FUNCTIONAL EXPENSES

The Company provides residential living services and general health care services to its residents. All natural classes of expenses that are not directly related to the Company's programs are allocated to one or more management and general functions based on estimates of time and effort involved. Expenses related to providing these services are as follows at June 30:

	2019		
	Care and Service to Community Members	Management and General	Total Expenses
Salaries	\$ 18,124,810	\$ 6,034,621	\$ 24,159,431
Payroll Taxes and Fringe Benefits	4,685,481	1,786,381	6,471,862
Contract Labor	353,114	94,752	447,866
Professional Fees	345,338	-	345,338
Dues and Subscriptions	23,248	47,331	70,579
Resident Supplies/Expenses	1,035,464	59,802	1,095,266
Office Supplies	842,387	214,479	1,056,866
Printing and Advertising	471,809	167,078	638,887
Equipment Lease and Maintenance	1,274,542	354,308	1,628,850
Postage	27,344	14,290	41,634
Telephone and IT Services	140,112	982,398	1,122,510
Insurance	3,584	531,943	535,527
Interest and Banking Fees	1,734,832	266,449	2,001,281
Utilities	-	2,641,964	2,641,964
Property Taxes	-	1,691,447	1,691,447
Depreciation and Amortization	7,588,605	1,712,761	9,301,366
Travel	54,935	196,523	251,458
Food	1,795,713	268,325	2,064,038
Miscellaneous	160,845	235,429	396,274
Total Expenses	<u>\$ 38,662,163</u>	<u>\$ 17,300,281</u>	<u>\$ 55,962,444</u>

	2018		
	Care and Service to Community Members	Management and General	Total Expenses
Salaries	\$ 17,460,390	\$ 5,459,895	\$ 22,920,285
Payroll Taxes and Fringe Benefits	4,574,414	1,526,408	6,100,822
Contract Labor	449,276	68,993	518,269
Professional Fees	337,316	570,743	908,059
Dues and Subscriptions	22,523	54,155	76,678
Resident Supplies/Expenses	757,435	71,912	829,347
Office Supplies	841,395	180,457	1,021,852
Printing and Advertising	419,317	124,429	543,746
Equipment Lease and Maintenance	1,096,281	318,125	1,414,406
Postage	17,578	11,153	28,731
Telephone and IT Services	151,472	282,083	433,555
Insurance	2,609	501,025	503,634
Interest and Banking Fees	1,749,073	265,754	2,014,827
Utilities	-	2,490,416	2,490,416
Property Taxes	-	1,620,610	1,620,610
Depreciation and Amortization	7,068,886	1,618,508	8,687,394
Travel	19,677	140,395	160,072
Food	1,603,313	239,576	1,842,889
Miscellaneous	183,861	196,194	380,055
Total Expenses	<u>\$ 36,754,816</u>	<u>\$ 15,740,831</u>	<u>\$ 52,495,647</u>

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 EMPLOYEE BENEFIT PLAN

During 2000, RiverWoods Exeter established a defined contribution plan for all eligible employees. The plan requires RiverWoods Exeter to match certain percentages of employee voluntary contributions based upon years of service. Pension expense was \$215,144 and \$205,695 for the years ended June 30, 2019 and 2018, respectively.

Birch Hill offers a defined contribution plan to eligible employees. The plan establishes individual employee accounts and covers all qualified employees. Birch Hill will match one-half of employee contributions to the plan, up to 4% if their annual salary. For the years ended June 30, 2019 and 2018, Birch Hill incurred matching contributions of \$34,596 and \$31,513, respectively. These costs were charged to operations.

The RiverWoods Group offers a defined contribution plan for all eligible employees. The plan requires TRWG to match certain percentages of employee voluntary contributions based upon years of service. Pension expense was \$31,761 and \$28,797 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts at commercial banks. The cash balances in each bank are insured by the FDIC up to certain dollar limitations. The concentration of credit risk varies with the funds held in the accounts and fluctuates based on available balances during the year.

The Company grants credit without collateral to its residents. The Company requires third-party insurance for those residents receiving health care services. The mix of receivables from patients and third-party payors at June 30 was as follows:

	2019	2018
Medicare and Supplemental Insurance	62%	61%
Residents and Other Accounts Receivable	38%	39%
Total	100%	100%

NOTE 11 RELATED PARTY

During fiscal year ended June 30, 2019, RiverWoods Exeter paid TRWG management and development fees of \$1,206,000 and incurred expenses that TRWG reimbursed of \$73,000; both of which were eliminated in consolidation. During fiscal year ended June 30, 2018, RiverWoods Exeter paid TRWG management and development fees of \$1,136,004 and incurred expenses that TRWG reimbursed of \$63,996; both of which were eliminated in consolidation. Information technology was centralized at the TRWG level during fiscal year 2019. During fiscal year ended June 30, 2019, RiverWoods Exeter paid TRWG information technology fees of \$452,003 which were eliminated in consolidation.

During fiscal year ended June 30, 2019, RiverWoods Exeter incurred marketing expenses of \$5,518 that RiverWoods Durham reimbursed and which were eliminated in consolidation.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 RELATED PARTY (CONTINUED)

During fiscal years ended June 30, 2019 and 2018, Birch Hill paid TRWG management and development fees of \$352,083 and \$249,202, respectively, which were eliminated in consolidation. Information technology was centralized at the TRWG level during fiscal year 2019. During fiscal year ended June 30, 2019, Birch Hill paid TRWG information technology fees of \$152,001 which were eliminated in consolidation.

On July 8, 2016, Birch Hill entered into an equity support agreement with TRWG, for a \$2,000,000 subordinated loan, with the availability of an additional \$3,000,000, if needed. This agreement provides liquidity support as required under the People's United Muni Finance Corp and People's United Bank, National Association lending agreement. Principal may be repaid upon the latter of i) July 8, 2021, or ii) satisfaction of certain financial benchmarks as defined in the Financial Support Agreement. Interest at 3% is paid in monthly installments. All unpaid principal and accrued interest must be repaid by July 8, 2026. The amount outstanding on the loan at June 30, 2019 and 2018 is \$2,000,000. Birch Hill paid TRWG \$60,000 in interest on the loan during each of the years ended June 30, 2019 and 2018, respectively. These amounts are eliminated in consolidation.

On June 25, 2019, Birch Hill entered into a loan agreement with TRWG in the amount of \$1,700,000 that can be drawn upon at an interest rate of 0%. The agreement is intended to allow Birch Hill to be able to meet certain financial covenants contained in the bond purchase agreement from July 2016 with the New Hampshire Health and Education Facility for \$12,680,000 Revenue Bonds, Series 2016. Principal outstanding on the loan will be repaid in thirty-six equal installments beginning August 1, 2025. The amount outstanding on the loan at June 30, 2019 is \$495,000 and is eliminated in consolidation.

During fiscal years ended June 30, 2019 and 2018, RiverWoods Durham paid TRWG management and development fees of \$240,000 and \$20,000, respectively, which were eliminated in consolidation.

On May 1, 2018, TRWG entered into two guaranty agreements to support the financing of the RiverWoods Durham project. Under the terms of the first of these agreements (Completion and Performance), TRWG agreed to provide an unlimited guarantee for the construction and completion of the RWD project. Under the terms of the second guaranty agreement (Payment and Performance), following project completion, the TRWG guarantee of RWD's bond and swap payment obligations is limited to \$4,500,000. Once the project reaches stabilization (as defined in the Payment and Performance Guaranty), the guaranty agreement is to be amended and restated. Following that amendment and restatement, TRWG's obligations become nonrecourse to it unless one of certain defined events should occur.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 RELATED PARTY (CONTINUED)

During fiscal year ended June 30, 2018, RiverWoods Exeter loaned \$12,100,000 to RiverWoods Durham in a subordinated note arrangement pursuant to the RiverWoods Durham Series 2018 A and B financing discussed in Note 5. Interest on the obligation is 10% simple interest annually and will be paid upon the date of maturity. Principal may be repaid upon the satisfaction of certain financial benchmarks as defined in the Financial Support Agreement. RiverWoods Exeter recognized \$1,210,000 and \$100,833 in interest income and interest receivable as of June 30, 2019 and 2018, respectively. RiverWoods Durham recognized \$1,210,000 and \$100,833 of capitalized interest and accrued interest payable as of June 30, 2019 and 2018, respectively. All unpaid principal and accrued interest must be repaid by June 1, 2048. All such amounts were eliminated in consolidation.

During fiscal year ended June 30, 2018, TRWG transferred \$2,000,000 to RiverWoods Durham as a net asset transfer, which was eliminated in consolidation.

The amounts due (to)/from the entities that are eliminated in consolidation are comprised of the following at June 30, 2019:

	RiverWoods Durham	TRWG	Birch Hill	RiverWoods Exeter	Total
Due to TRWG	\$ (54,502)	\$ -	\$ (4,120)	\$ -	\$ (58,622)
Due to RiverWoods Exeter	(61,816)	(11,829)	(13,498)	-	(87,143)
Due from RiverWoods Durham	-	54,502	-	61,816	116,318
Due from Birch Hill	-	4,120	-	13,498	17,618
Due from TRWG	-	-	-	11,829	11,829
Total	<u>\$ (116,318)</u>	<u>\$ 46,793</u>	<u>\$ (17,618)</u>	<u>\$ 87,143</u>	<u>\$ -</u>

The amounts due (to)/from the entities that are eliminated in consolidation are comprised of the following at June 30, 2018:

	RiverWoods Durham	TRWG	RiverWoods Exeter	Total
Due to TRWG	\$ (4,124)	\$ -	\$ (9,204)	\$ (13,328)
Due to RiverWoods Exeter	(11,002)	-	-	(11,002)
Due from RiverWoods Exeter	-	9,204	-	9,204
Due from RiverWoods Durham	-	4,124	11,002	15,126
Total	<u>\$ (15,126)</u>	<u>\$ 13,328</u>	<u>\$ 1,798</u>	<u>\$ -</u>

NOTE 12 INSURANCE

Effective October 23, 2014, RiverWoods Exeter began participating in an insurance risk retention group, the Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), a group insurance captive corporation licensed by the state of Illinois, to cover basic professional and general liability insurance on a claims-made basis. RiverWoods Exeter has a 0.71% subscriber interest in the CCrRRG Reciprocal.

THE RIVERWOODS GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 13 CONTINGENCIES AND COMMITMENTS

Boulders Campus

As a condition of site plan approval for its third campus, The Boulders, RiverWoods Exeter agreed to provide land and funds for the Town of Exeter, New Hampshire to put towards the construction of a future fire substation. During the fiscal year ending June 30, 2011, RiverWoods Exeter provided the funds as per the agreement. No land has been contributed at this time.

Litigation

The Company occasionally finds itself as a defendant in legal suits that develop in the normal course of its activities. Although it is impossible to determine the ultimate resolution of matters that remain unresolved at this time, The Company does not anticipate that there will be any material effect on these consolidated financial statements as a result of any action presently in progress.

Industry Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government statutes.

RiverWoods Durham

In fiscal year 2018, RiverWoods Durham began construction on their new site as described in Note 1 and received bank financing for the project. The campus will open in multiple phases, with the first one expected to open in November 2019.

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 406,238	\$ 7,694,729	\$ 1,189,856	\$ 748,983	\$ 10,039,806	\$ -	\$ 10,039,806
Assets Limited as to Use - Other	-	35,595	-	-	35,595	-	35,595
Accounts Receivable, Net	-	847,555	61,699	-	909,254	-	909,254
Inventories	-	249,512	17,127	-	266,639	-	266,639
Prepaid Expenses and Other Current Assets	6,789	726,905	91,940	-	825,634	-	825,634
Intercompany	2,541,793	87,143	-	-	2,628,936	(2,628,936)	-
Accrued Interest Receivable	6,464	1,498,136	6,439	-	1,511,039	(1,310,833)	200,206
Total Current Assets	<u>2,961,284</u>	<u>11,139,575</u>	<u>1,367,061</u>	<u>748,983</u>	<u>16,216,903</u>	<u>(3,939,769)</u>	<u>12,277,134</u>
ASSETS LIMITED AS TO USE							
Other Restricted Funds	-	1,140,554	-	-	1,140,554	-	1,140,554
Endowment Funds	-	653,429	4,302,963	-	4,956,392	-	4,956,392
Total Assets Limited as to Use	<u>-</u>	<u>1,793,983</u>	<u>4,302,963</u>	<u>-</u>	<u>6,096,946</u>	<u>-</u>	<u>6,096,946</u>
PROPERTY, PLANT, AND EQUIPMENT							
Land and Land Improvements	-	10,631,491	6,100,724	1,481,853	18,214,068	-	18,214,068
Building and Improvements	-	164,595,022	49,061,656	-	213,656,678	-	213,656,678
Furniture and Equipment	19,323	11,787,531	4,118,008	-	15,924,862	-	15,924,862
Projects in Process - RiverWoods Durham	-	-	-	39,603,147	39,603,147	-	39,603,147
Projects in Process	12,419	2,598,077	277,305	-	2,887,801	-	2,887,801
Total	<u>31,742</u>	<u>189,612,121</u>	<u>59,557,693</u>	<u>41,085,000</u>	<u>290,286,556</u>	<u>-</u>	<u>290,286,556</u>
Less: Accumulated Depreciation	(1,187)	(87,884,473)	(22,545,672)	-	(110,431,332)	-	(110,431,332)
Total Property, Plant, and Equipment	<u>30,555</u>	<u>101,727,648</u>	<u>37,012,021</u>	<u>41,085,000</u>	<u>179,855,224</u>	<u>-</u>	<u>179,855,224</u>
OTHER ASSETS							
Investments	9,506,512	62,595,806	5,709,028	-	77,811,346	-	77,811,346
Notes Receivable	-	12,100,000	-	-	12,100,000	(12,100,000)	-
Benevolent Fund - Unrestricted Portion	-	963,817	286,117	-	1,249,934	-	1,249,934
Other Assets	-	232,264	-	-	232,264	-	232,264
Deferred Marketing Costs	-	486,654	-	-	486,654	-	486,654
Total Other Assets	<u>9,506,512</u>	<u>76,378,541</u>	<u>5,995,145</u>	<u>-</u>	<u>91,880,198</u>	<u>(12,100,000)</u>	<u>79,780,198</u>
Total Assets	<u>\$ 12,498,351</u>	<u>\$ 191,039,747</u>	<u>\$ 48,677,190</u>	<u>\$ 41,833,983</u>	<u>\$ 294,049,271</u>	<u>\$ (16,039,769)</u>	<u>\$ 278,009,502</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019**

LIABILITIES AND NET ASSETS (DEFICIENCY)	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT LIABILITIES							
Current Portion of Long-Term Debt	\$ -	\$ 1,935,000	\$ 1,043,497	\$ -	\$ 2,978,497	\$ -	\$ 2,978,497
Accounts Payable and Accrued Expenses	46,753	1,372,450	683,251	4,251	2,106,705	-	2,106,705
Accrued Salaries, Wages, and Related Taxes	252,632	1,105,432	402,176	36,660	1,796,900	-	1,796,900
Accrued Interest Payable	-	138,017	18,629	1,310,833	1,467,479	(1,310,833)	156,646
Intercompany	-	-	2,512,618	116,318	2,628,936	(2,628,936)	-
Total Current Liabilities	299,385	4,550,899	4,660,171	1,468,062	10,978,517	(3,939,769)	7,038,748
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEFERRED FINANCING COSTS	-	52,491,839	9,656,070	26,036,897	88,184,806	-	88,184,806
SUBORDINATED NOTES PAYABLE	-	-	-	12,100,000	12,100,000	(12,100,000)	-
OBLIGATION UNDER INTEREST RATE SWAP AGREEMENT, NET	-	389,231	(137,484)	3,654,867	3,906,614	-	3,906,614
FUTURE RESIDENTS' DEPOSITS	-	15,958,215	30,007	427,168	16,415,390	-	16,415,390
REFUNDABLE ENTRANCE FEE LIABILITY	-	164,577,642	10,096,669	-	174,674,311	-	174,674,311
DEFERRED REVENUE FROM ENTRANCE FEES	-	20,180,340	8,474,161	-	28,654,501	-	28,654,501
Total Liabilities	299,385	258,148,166	32,779,594	43,686,994	334,914,139	(16,039,769)	318,874,370
NET ASSETS (DEFICIT)							
Without Donor Restrictions	12,198,966	(68,326,398)	12,097,536	(1,853,011)	(45,882,907)	-	(45,882,907)
With Donor Restrictions	-	1,217,979	3,800,060	-	5,018,039	-	5,018,039
Total Net Assets (Deficit)	12,198,966	(67,108,419)	15,897,596	(1,853,011)	(40,864,868)	-	(40,864,868)
Total Liabilities and Net Assets (Deficit)	\$ 12,498,351	\$ 191,039,747	\$ 48,677,190	\$ 41,833,983	\$ 294,049,271	\$ (16,039,769)	\$ 278,009,502

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
YEAR ENDED JUNE 30, 2019**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
REVENUE							
Residential Service Fees	\$ -	\$ 25,151,591	\$ 5,511,092	\$ -	\$ 30,662,683	\$ -	\$ 30,662,683
Earned Entrance Fees	-	3,070,285	1,764,563	-	4,834,848	-	4,834,848
Health Center Fees	-	7,650,284	5,070,194	-	12,720,478	-	12,720,478
Management, Development, and IT Fees	2,375,087	-	-	-	2,375,087	(2,375,087)	-
Other Operating Revenue	-	533,409	112,295	-	645,704	-	645,704
Investment Income	260,825	2,669,554	94,500	-	3,024,879	(60,000)	2,964,879
Net Assets Released from Restrictions	-	233,639	233,782	-	467,421	-	467,421
Total Revenue	<u>2,635,912</u>	<u>39,308,762</u>	<u>12,786,426</u>	<u>-</u>	<u>54,731,100</u>	<u>(2,435,087)</u>	<u>52,296,013</u>
EXPENSES							
General and Administrative	2,621,760	9,724,587	4,480,394	151,709	16,978,450	(2,375,087)	14,603,363
Resident Services	-	1,903,392	327,396	-	2,230,788	-	2,230,788
Dining Services	-	4,861,148	1,615,694	36,958	6,513,800	-	6,513,800
Nursing Services	-	7,880,449	2,592,128	2,423	10,475,000	-	10,475,000
Environmental Services	-	4,911,527	1,078,701	1,964	5,992,192	-	5,992,192
Facility Costs and Utilities	34,687	4,007,325	820,351	2,593	4,864,956	-	4,864,956
Depreciation and Amortization	1,187	6,537,278	2,762,901	-	9,301,366	-	9,301,366
Interest	-	1,703,819	337,160	-	2,040,979	(60,000)	1,980,979
Total Expenses	<u>2,657,634</u>	<u>41,529,525</u>	<u>14,014,725</u>	<u>195,647</u>	<u>58,397,531</u>	<u>(2,435,087)</u>	<u>55,962,444</u>
INCOME (LOSS) FROM OPERATIONS	(21,722)	(2,220,763)	(1,228,299)	(195,647)	(3,666,431)	-	(3,666,431)
NONOPERATING GAINS AND LOSSES							
Contributions	-	28,050	1,845	-	29,895	-	29,895
Change in Charitable Gift Annuity Liability	-	(15,051)	-	-	(15,051)	-	(15,051)
Gains on Sales of Assets and Investments	<u>73,688</u>	<u>4,759,873</u>	<u>151,061</u>	<u>-</u>	<u>4,984,622</u>	<u>-</u>	<u>4,984,622</u>
Total Nonoperating Gains and Losses	<u>73,688</u>	<u>4,772,872</u>	<u>152,906</u>	<u>-</u>	<u>4,999,466</u>	<u>-</u>	<u>4,999,466</u>
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	51,966	2,552,109	(1,075,393)	(195,647)	1,333,035	-	1,333,035

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY) (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ 51,966	\$ 2,552,109	\$ (1,075,393)	\$ (195,647)	\$ 1,333,035	\$ -	\$ 1,333,035
OTHER CHANGES IN ASSETS WITHOUT DONOR RESTRICTIONS							
Change in the Fair Value of Interest Rate Swap Agreements	-	(680,599)	(418,236)	(3,253,210)	(4,352,045)	-	(4,352,045)
Changes in Net Unrealized Gains (Losses) on Investments	240,195	(2,491,504)	176,622	-	(2,074,687)	-	(2,074,687)
Total Other Changes in Net Assets Without Donor Restrictions	<u>240,195</u>	<u>(3,172,103)</u>	<u>(241,614)</u>	<u>(3,253,210)</u>	<u>(6,426,732)</u>	<u>-</u>	<u>(6,426,732)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	292,161	(619,994)	(1,317,007)	(3,448,857)	(5,093,697)	-	(5,093,697)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS							
Contributions	-	370,512	25,638	-	396,150	-	396,150
Changes in Net Realized and Unrealized Gains (Losses) on Investments	-	-	(81,254)	-	(81,254)	-	(81,254)
Net Assets Released from Restrictions	-	(233,639)	(233,782)	-	(467,421)	-	(467,421)
Changes in Net Assets With Donor Restrictions	<u>-</u>	<u>136,873</u>	<u>(289,398)</u>	<u>-</u>	<u>(152,525)</u>	<u>-</u>	<u>(152,525)</u>
CHANGE IN NET ASSETS (DEFICIENCY)	292,161	(483,121)	(1,606,405)	(3,448,857)	(5,246,222)	-	(5,246,222)
Net Assets (Deficiency) – Beginning of Year	<u>11,906,805</u>	<u>(66,625,298)</u>	<u>17,504,001</u>	<u>1,595,846</u>	<u>(35,618,646)</u>	<u>-</u>	<u>(35,618,646)</u>
NET ASSETS (DEFICIT) – END OF YEAR	<u>\$ 12,198,966</u>	<u>\$ (67,108,419)</u>	<u>\$ 15,897,596</u>	<u>\$ (1,853,011)</u>	<u>\$ (40,864,868)</u>	<u>\$ -</u>	<u>\$ (40,864,868)</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets (Deficiency)	\$ 292,161	\$ (483,121)	\$ (1,606,405)	\$ (3,448,857)	\$ (5,246,222)	\$ -	\$ (5,246,222)
Adjustments to Reconcile Change in Net Assets (Deficiency) to Net Cash Provided (Used) by Operating Activities:							
Proceeds from Entrance Fees	-	20,212,000	4,221,220	-	24,433,220	-	24,433,220
Noncash Items Included in Change in Net Assets (Deficiency):							
Amortization of Deferred Entrance Fee Revenue	-	(3,070,285)	(1,764,563)	-	(4,834,848)	-	(4,834,848)
Depreciation and Amortization	1,187	6,537,278	2,762,901	-	9,301,366	-	9,301,366
Amortization of Bond Issuance Costs	-	55,645	24,343	-	79,988	-	79,988
Loss on Disposal of Equipment	-	5,200	2,195	-	7,395	-	7,395
Change in Interest Rate Swap Agreements	-	680,599	418,236	3,253,210	4,352,045	-	4,352,045
Unrealized Losses on Investments, Net	240,195	2,491,504	-	-	2,731,699	-	2,731,699
(Increase) Decrease in Assets:							
Accounts Receivable	-	(60,691)	(24,089)	-	(84,780)	-	(84,780)
Other Receivables	(33,465)	-	-	-	(33,465)	-	(33,465)
Inventories	-	(31,130)	1,491	-	(29,639)	-	(29,639)
Prepaid Expenses and Other Assets	2,163	17,716	121,361	-	141,240	-	141,240
Accrued Interest Receivable	5,329	(1,228,036)	(857)	-	(1,223,564)	-	(1,223,564)
Increase (Decrease) in Liabilities:							
Accounts Payable and Accrued Expenses	(8,715)	(40,714)	(560,533)	7,878	(602,084)	-	(602,084)
Accrued Salaries, Wages, and Related Taxes	131,565	48,017	44,174	36,660	260,416	-	260,416
Accrued Interest Payable and Other Liabilities	-	46,362	13,595	101,192	161,149	-	161,149
Net Cash Provided (Used) by Operating Activities	630,420	25,180,344	3,653,069	(49,917)	29,413,916	-	29,413,916
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of Property and Equipment	(31,742)	(5,315,597)	(2,765,343)	(29,007,620)	(37,120,302)	-	(37,120,302)
(Increase) Decrease in Investments	(7,565,445)	(3,506,058)	(216,222)	1,246,271	(10,041,454)	-	(10,041,454)
Increase in Notes Receivable	(495,000)	-	-	-	(495,000)	495,000	-
Decrease in Assets Limited as to Use	-	10,642	-	-	10,642	-	10,642
(Increase) Decrease in Other Restricted Funds	-	(343,016)	81,254	-	(261,762)	-	(261,762)
Increase in Benevolent Fund	-	(69,104)	(32,694)	-	(101,798)	-	(101,798)
Net Cash Provided (Used) by Investing Activities	(8,092,187)	(9,223,133)	(2,933,005)	(27,761,349)	(48,009,674)	495,000	(47,514,674)

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM FINANCING ACTIVITIES							
Payment of Long-Term Debt	\$ -	\$ (1,860,000)	\$ (1,018,920)	\$ -	\$ (2,878,920)	\$ -	\$ (2,878,920)
Proceeds from Loan	-	-	495,000	-	495,000	(495,000)	-
Proceeds from Long-Term Debt	-	-	-	27,839,953	27,839,953	-	27,839,953
Increase (Decrease) in Residents' Deposits	-	1,253,540	(120,810)	417,368	1,550,098	-	1,550,098
Refunds of Entrance Fees	-	(12,520,420)	(468,347)	-	(12,988,767)	-	(12,988,767)
Net Cash Provided (Used) by Financing Activities	-	(13,126,880)	(1,113,077)	28,257,321	14,017,364	(495,000)	13,522,364
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,461,767)	2,830,331	(393,013)	446,055	(4,578,394)	-	(4,578,394)
Cash and Cash Equivalents – Beginning of Year	7,868,005	4,864,398	1,582,869	302,928	14,618,200	-	14,618,200
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 406,238</u>	<u>\$ 7,694,729</u>	<u>\$ 1,189,856</u>	<u>\$ 748,983</u>	<u>\$ 10,039,806</u>	<u>\$ -</u>	<u>\$ 10,039,806</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Cash Paid for Interest	-	1,640,976	256,840	-	1,897,816	-	1,897,816

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 7,868,005	\$ 4,864,398	\$ 1,582,869	\$ 302,928	\$ 14,618,200	\$ -	\$ 14,618,200
Assets Limited as to Use - Other	-	46,237	-	1,246,271	1,292,508	-	1,292,508
Accounts Receivable, Net	-	786,864	37,610	-	824,474	-	824,474
Inventories	-	218,382	18,618	-	237,000	-	237,000
Prepaid Expenses and Other Current Assets	8,952	853,876	213,301	-	1,076,129	-	1,076,129
Intercompany	2,013,328	1,798	-	-	2,015,126	(2,015,126)	-
Accrued Interest Receivable	11,793	270,100	5,582	-	287,475	(100,833)	186,642
Total Current Assets	<u>9,902,078</u>	<u>7,041,655</u>	<u>1,857,980</u>	<u>1,549,199</u>	<u>20,350,912</u>	<u>(2,115,959)</u>	<u>18,234,953</u>
ASSETS LIMITED AS TO USE							
Benevolent Fund	-	222,875	-	-	222,875	-	222,875
Other Restricted Funds	-	852,090	-	-	852,090	-	852,090
Endowment Funds	-	598,877	4,384,217	-	4,983,094	-	4,983,094
Total Assets Limited as to Use	<u>-</u>	<u>1,673,842</u>	<u>4,384,217</u>	<u>-</u>	<u>6,058,059</u>	<u>-</u>	<u>6,058,059</u>
PROPERTY, PLANT, AND EQUIPMENT							
Land and Land Improvements	-	10,423,542	6,100,724	1,481,853	18,006,119	-	18,006,119
Building and Improvements	-	158,577,707	45,770,316	-	204,348,023	-	204,348,023
Furniture and Equipment	-	10,712,035	3,742,989	-	14,455,024	-	14,455,024
Projects in Process - RiverWoods Durham	-	-	-	9,385,527	-	-	-
Projects in Process	-	4,652,957	1,257,918	-	15,296,402	-	15,296,402
Total	<u>-</u>	<u>184,366,241</u>	<u>56,871,947</u>	<u>10,867,380</u>	<u>252,105,568</u>	<u>-</u>	<u>252,105,568</u>
Less: Accumulated Depreciation	<u>-</u>	<u>(81,689,800)</u>	<u>(19,860,173)</u>	<u>-</u>	<u>(101,549,973)</u>	<u>-</u>	<u>(101,549,973)</u>
Total Property, Plant, and Equipment	<u>-</u>	<u>102,676,441</u>	<u>37,011,774</u>	<u>10,867,380</u>	<u>150,555,595</u>	<u>-</u>	<u>150,555,595</u>
OTHER ASSETS							
Investments	2,181,262	61,581,252	5,492,806	-	69,255,320	-	69,255,320
Notes Receivable	-	12,100,000	-	-	12,100,000	(12,100,000)	-
Benevolent Fund - Unrestricted Portion	-	671,838	253,423	-	925,261	-	925,261
Asset Under Interest Rate Swap Agreement, Net	-	291,368	555,720	(401,657)	445,431	-	445,431
Other Assets	-	208,354	-	-	208,354	-	208,354
Deferred Marketing Costs	-	764,742	-	-	764,742	-	764,742
Total Other Assets	<u>2,181,262</u>	<u>75,617,554</u>	<u>6,301,949</u>	<u>(401,657)</u>	<u>83,699,108</u>	<u>(12,100,000)</u>	<u>71,599,108</u>
Total Assets	<u>\$ 12,083,340</u>	<u>\$ 187,009,492</u>	<u>\$ 49,555,920</u>	<u>\$ 12,014,922</u>	<u>\$ 260,663,674</u>	<u>\$ (14,215,959)</u>	<u>\$ 246,447,715</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2018**

LIABILITIES AND NET ASSETS (DEFICIENCY)	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CURRENT LIABILITIES							
Current Portion of Long-Term Debt	\$ -	\$ 1,860,000	\$ 1,018,920	\$ -	\$ 2,878,920	\$ -	\$ 2,878,920
Accounts Payable and Accrued Expenses	55,468	1,413,164	1,208,783	(3,627)	2,673,788	-	2,673,788
Accrued Salaries, Wages, and Related Taxes	121,067	1,057,415	358,002	-	1,536,484	-	1,536,484
Accrued Interest Payable	-	130,819	22,652	100,833	254,304	(100,833)	153,471
Intercompany	-	-	2,000,000	15,126	2,015,126	(2,015,126)	-
Total Current Liabilities	<u>176,535</u>	<u>4,461,398</u>	<u>4,608,357</u>	<u>112,332</u>	<u>9,358,622</u>	<u>(2,115,959)</u>	<u>7,242,663</u>
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEFERRED FINANCING COSTS	-	54,371,194	10,675,224	(1,803,056)	63,243,362	-	63,243,362
SUBORDINATED NOTES PAYABLE	-	-	-	12,100,000	12,100,000	(12,100,000)	-
FUTURE RESIDENTS' DEPOSITS	-	14,704,675	150,817	9,800	14,865,292	-	14,865,292
REFUNDABLE ENTRANCE FEE LIABILITY	-	160,034,899	9,466,542	-	169,501,441	-	169,501,441
DEFERRED REVENUE FROM ENTRANCE FEES	-	20,062,624	7,150,979	-	27,213,603	-	27,213,603
Total Liabilities	176,535	253,634,790	32,051,919	10,419,076	296,282,320	(14,215,959)	282,066,361
NET ASSETS (DEFICIT)							
Without Donor Restrictions	11,906,805	(67,706,404)	13,414,543	1,595,846	(40,789,210)	-	(40,789,210)
With Donor Restrictions	-	1,081,106	4,089,458	-	5,170,564	-	5,170,564
	<u>11,906,805</u>	<u>(66,625,298)</u>	<u>17,504,001</u>	<u>1,595,846</u>	<u>(35,618,646)</u>	<u>-</u>	<u>(35,618,646)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 12,083,340</u>	<u>\$ 187,009,492</u>	<u>\$ 49,555,920</u>	<u>\$ 12,014,922</u>	<u>\$ 260,663,674</u>	<u>\$ (14,215,959)</u>	<u>\$ 246,447,715</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
YEAR ENDED JUNE 30, 2018**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
REVENUE							
Residential Service Fees	\$ -	\$ 24,803,549	\$ 5,546,317	\$ -	\$ 30,349,866	\$ -	\$ 30,349,866
Earned Entrance Fees	-	3,204,468	1,592,714	-	4,797,182	-	4,797,182
Health Center Fees	-	7,358,989	4,848,186	-	12,207,175	-	12,207,175
Management, Development, and IT Fees	1,405,206	-	-	-	1,405,206	(1,405,206)	-
Other Operating Revenue	-	289,316	157,284	-	446,600	-	446,600
Investment Income	189,070	1,793,990	68,520	-	2,051,580	(60,000)	1,991,580
Net Assets Released from Restrictions	-	415,715	204,705	-	620,420	-	620,420
Total Revenue	1,594,276	37,866,027	12,417,726	-	51,878,029	(1,465,206)	50,412,823
EXPENSES							
General and Administrative	1,593,803	8,958,787	3,940,829	2,497	14,495,916	(1,405,206)	13,090,710
Resident Services	-	1,731,613	249,142	-	1,980,755	-	1,980,755
Dining Services	-	4,491,017	1,589,108	-	6,080,125	-	6,080,125
Nursing Services	-	7,775,420	2,580,359	-	10,355,779	-	10,355,779
Environmental Services	-	4,564,943	1,126,447	-	5,691,390	-	5,691,390
Facility Costs and Utilities	9,996	3,808,442	793,323	-	4,611,761	-	4,611,761
Depreciation and Amortization	-	6,270,962	2,416,432	-	8,687,394	-	8,687,394
Interest	-	1,690,154	367,579	-	2,057,733	(60,000)	1,997,733
Total Expenses	1,603,799	39,291,338	13,063,219	2,497	53,960,853	(1,465,206)	52,495,647
INCOME (LOSS) FROM OPERATIONS	(9,523)	(1,425,311)	(645,493)	(2,497)	(2,082,824)	-	(2,082,824)
NONOPERATING GAINS AND LOSSES							
Contributions	-	24,160	44,677	-	68,837	-	68,837
Change in Charitable Gift Annuity Liability	-	(1,724)	-	-	(1,724)	-	(1,724)
Gains (Losses) on Sales of Assets and Investments	470,731	1,823,583	1,370,532	-	3,664,846	-	3,664,846
Total Nonoperating Gains and Losses	470,731	1,846,019	1,415,209	-	3,731,959	-	3,731,959
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	461,208	420,708	769,716	(2,497)	1,649,135	-	1,649,135

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY) (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
EXCESS (DEFICIT) OF REVENUES AND NET GAINS OVER EXPENSES AND LOSSES	\$ 461,208	\$ 420,708	\$ 769,716	\$ (2,497)	\$ 1,649,135	\$ -	\$ 1,649,135
OTHER CHANGES IN ASSETS WITHOUT DONOR RESTRICTIONS							
Change in the Fair Value of Interest Rate Swap Agreements	-	990,987	210,010	(401,657)	799,340	-	799,340
Changes in Net Unrealized Gains (Losses) on Investments	(270,819)	1,351,727	(1,287,656)	-	(206,748)	-	(206,748)
Net Asset Transfer	(2,000,000)	-	-	2,000,000	-	-	-
Total Other Changes in Net Assets Without Donor Restrictions	<u>(2,270,819)</u>	<u>2,342,714</u>	<u>(1,077,646)</u>	<u>1,598,343</u>	<u>592,592</u>	<u>-</u>	<u>592,592</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,809,611)	2,763,422	(307,930)	1,595,846	2,241,727	-	2,241,727
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS							
Contributions	-	586,686	-	-	586,686	-	586,686
Changes in Net Realized and Unrealized Gains (Losses) on Investments	-	-	226,712	-	226,712	-	226,712
Net Assets Released from Restrictions	-	(415,715)	(204,705)	-	(620,420)	-	(620,420)
Changes in Net Assets With Donor Restrictions	<u>-</u>	<u>170,971</u>	<u>22,007</u>	<u>-</u>	<u>192,978</u>	<u>-</u>	<u>192,978</u>
CHANGE IN NET ASSETS (DEFICIENCY)	(1,809,611)	2,934,393	(285,923)	1,595,846	2,434,705	-	2,434,705
Net Assets (Deficiency) – Beginning of Year	<u>13,716,416</u>	<u>(69,559,691)</u>	<u>17,789,924</u>	<u>-</u>	<u>(38,053,351)</u>	<u>-</u>	<u>(38,053,351)</u>
NET ASSETS (DEFICIT) – END OF YEAR	<u>\$ 11,906,805</u>	<u>\$ (66,625,298)</u>	<u>\$ 17,504,001</u>	<u>\$ 1,595,846</u>	<u>\$ (35,618,646)</u>	<u>\$ -</u>	<u>\$ (35,618,646)</u>

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets (Deficiency)	\$ (1,809,611)	\$ 2,934,393	\$ (285,923)	\$ 1,595,846	\$ 2,434,705	\$ -	\$ 2,434,705
Adjustments to Reconcile Change in Net Assets (Deficiency) to Net Cash Provided by Operating Activities:							
Proceeds from Entrance Fees	-	14,997,200	3,460,597	-	18,457,797	-	18,457,797
Noncash Items Included in Change in Net Assets (Deficiency):							
Amortization of Deferred Entrance Fee Revenue	-	(3,204,468)	(1,592,714)	-	(4,797,182)	-	(4,797,182)
Depreciation and Amortization	-	6,270,962	2,416,432	-	8,687,394	-	8,687,394
Amortization of Bond Issuance Costs	-	55,645	24,343	-	79,988	-	79,988
Loss on Disposal of Equipment	-	20,780	14,538	-	35,318	-	35,318
Change in Interest Rate Swap Agreements	-	(990,987)	(210,010)	401,657	(799,340)	-	(799,340)
Unrealized Gains on Investments, Net	(230,752)	(1,351,727)	-	-	(1,582,479)	-	(1,582,479)
Changes in Assets and Liabilities							
(Increase) Decrease in Assets:							
Accounts Receivable	-	277,271	8,207	-	285,478	-	285,478
Other Receivables	353,016	2,799	(55,984)	-	299,831	-	299,831
Inventories	-	15,354	2,465	-	17,819	-	17,819
Prepaid Expenses and Other Assets	(7,985)	(176,633)	19,849	-	(164,769)	-	(164,769)
Accrued Interest Receivable	(11,793)	(79,804)	(1,095)	-	(92,692)	-	(92,692)
Increase (Decrease) in Liabilities:							
Accounts Payable and Accrued Expenses	34,085	360,967	388,509	(3,627)	779,934	-	779,934
Accrued Salaries, Wages, and Related Taxes	(3,989)	55,569	30,846	-	82,426	-	82,426
Accrued Interest Payable and Other Liabilities	(705)	163,394	(13,156)	(354,359)	(204,826)	-	(204,826)
Net Cash Provided (Used) by Operating Activities	(1,677,734)	19,350,715	4,206,904	1,639,517	23,519,402	-	23,519,402
CASH FLOWS FROM INVESTING ACTIVITIES							
(Purchases) Disposals of Property and Equipment	474,959	(7,999,550)	(6,373,819)	(10,410,571)	(24,308,981)	-	(24,308,981)
(Increase) Decrease in Investments	8,653,273	11,112,423	(2,604,386)	(1,246,271)	15,915,039	-	15,915,039
Increase in Notes Receivable	-	(12,100,000)	-	-	(12,100,000)	12,100,000	-
Decrease in Assets Limited as to Use	-	9,405	-	-	9,405	-	9,405
Increase (Decrease) in Other Restricted Funds	-	(348,717)	598,128	-	249,411	-	249,411
Decrease in Benevolent Fund	-	(139,764)	(253,423)	-	(393,187)	-	(393,187)
Net Cash Provided (Used) by Investing Activities	9,128,232	(9,466,203)	(8,633,500)	(11,656,842)	(20,628,313)	12,100,000	(8,528,313)

**THE RIVERWOODS GROUP
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	The RiverWoods Group	The RiverWoods Company Exeter, NH	Birch Hill Terrace & Subsidiary	RiverWoods Durham	Combined	Eliminations	Consolidated
CASH FLOWS FROM FINANCING ACTIVITIES							
Payment of Long-Term Debt	\$ -	\$ (1,770,000)	\$ (986,198)	\$ -	\$ (2,756,198)	\$ -	\$ (2,756,198)
Proceeds from Subordinated Note	-	-	-	12,100,000	12,100,000	(12,100,000)	-
Proceeds from Long-Term Debt	-	-	-	50,099	50,099	-	50,099
Payment of Deferred Financing Costs	-	-	-	(1,853,155)	(1,853,155)	-	(1,853,155)
Increase in Residents' Deposits	-	2,802,130	(637)	(42,300)	2,759,193	-	2,759,193
Refunds of Entrance Fees	-	(12,564,670)	(264,208)	-	(12,828,878)	-	(12,828,878)
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(11,532,540)</u>	<u>(1,251,043)</u>	<u>10,254,644</u>	<u>(2,528,939)</u>	<u>(12,100,000)</u>	<u>(14,628,939)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,450,498	(1,648,028)	(5,677,639)	237,319	362,150	-	362,150
Cash and Cash Equivalents - Beginning of Year	<u>417,507</u>	<u>6,512,426</u>	<u>7,260,508</u>	<u>65,609</u>	<u>14,256,050</u>	<u>-</u>	<u>14,256,050</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,868,005</u>	<u>\$ 4,864,398</u>	<u>\$ 1,582,869</u>	<u>\$ 302,928</u>	<u>\$ 14,618,200</u>	<u>\$ -</u>	<u>\$ 14,618,200</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION							
Cash Paid for Interest	<u>\$ -</u>	<u>\$ 1,607,985</u>	<u>\$ 371,176</u>	<u>\$ -</u>	<u>\$ 1,979,161</u>	<u>\$ -</u>	<u>\$ 1,979,161</u>

