

**Peterborough Retirement
Community at Upland Farm, Inc.
d/b/a RiverMead**

Financial Statements

December 31, 2024 and 2023

Peterborough Retirement Community at Upland Farm, Inc.
d/b/a RiverMead

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Independent Auditors' Report

To the Board of Trustees of
Peterborough Retirement Community at Upland Farm, Inc. d/b/a RiverMead

Opinion

We have audited the financial statements of Peterborough Retirement Community at Upland Farm, Inc. d/b/a RiverMead (RiverMead), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RiverMead as of December 31, 2024 and 2023, and the results of its operations, changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 3, 2025

Peterborough Retirement Community at Upland Farm, Inc.
d/b/a RiverMead

Balance Sheets

December 31, 2024 and 2023

	2024	2023		2024	2023
Assets			Liabilities and Net Deficit		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 3,088,444	\$ 3,638,090	Current maturities of long-term debt	\$ 2,463,249	\$ 2,387,546
Assets whose use is limited:			Accounts payable	815,713	588,328
Held in trust for benefit of residents	4,980	3,381	Held in trust for benefit of residents	4,980	3,381
Accounts receivable:			Accrued salaries, wages		
Residents	132,576	151,080	and related taxes	1,014,575	1,200,061
Entrance fees	31,676	-	Accrued interest	127,028	133,707
Other	69,945	87,043	Prepaid revenue	403,619	284,156
Supplies inventory	68,279	101,794	Current portion of refunds payable	861,750	-
Prepaid expenses and					
other current assets	706,694	532,712	Total current liabilities	5,690,914	4,597,179
Total current assets	4,102,594	4,514,100	Refundable Advance	1,628,004	-
Assets Whose Use is Limited			Long-Term Debt, Net	46,283,647	48,679,906
Board-designated	23,316,238	15,746,727	Refundable Fees and Deposits	25,792,268	28,012,326
Donor-restricted	288,086	297,240	Deferred Revenues From		
Total assets whose use is limited	23,604,324	16,043,967	Advance Fees	42,451,086	38,534,238
Derivative Financial Instruments	4,004,203	3,743,498	Total liabilities	121,845,919	119,823,649
Property and Equipment, Net	74,423,741	75,946,099	Net Deficit		
			Net deficit without donor restrictions	(15,999,143)	(19,873,226)
			Net assets with donor restrictions	288,086	297,241
			Total net deficit	(15,711,057)	(19,575,985)
Total assets	\$ 106,134,862	\$ 100,247,664	Total liabilities and net deficit	\$ 106,134,862	\$ 100,247,664

See notes to financial statements

Peterborough Retirement Community at Upland Farm, Inc.
d/b/a RiverMead

Statements of Operations

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues, Gains and Other Support		
Resident service fees	\$ 16,307,106	\$ 15,329,776
Health center fees	7,053,630	5,838,874
Amortization of advance fees	5,928,100	5,648,814
Interest and dividend income	806,018	492,314
Net assets released for operations	44,661	97,992
Other operating revenue	<u>521,512</u>	<u>408,535</u>
Total revenues, gains and other support	<u>30,661,027</u>	<u>27,816,305</u>
Expenses		
Health services	5,309,590	5,131,823
Culinary services	4,323,808	4,137,314
Depreciation	4,871,067	4,894,992
Utilities, insurance and taxes	3,207,928	2,871,324
Interest	1,614,701	1,667,999
General and administrative	2,391,336	2,129,001
Employee benefits	1,688,389	1,691,021
Facilities	1,829,139	1,817,037
Environmental services	1,294,163	1,213,849
Resident services	1,249,167	1,202,049
Marketing	<u>572,064</u>	<u>453,411</u>
Total expenses	<u>28,351,352</u>	<u>27,209,820</u>
Operating income	2,309,675	606,485
Other Gains (Losses)		
Realized gain (loss) on investments, net	100,679	(1,024,378)
Change in net unrealized gains on investments	1,203,024	2,516,671
Change in fair value of derivative financial instruments	<u>260,705</u>	<u>(758,658)</u>
Revenues and gains in excess of expenses and decrease in net deficit without donor restrictions	<u><u>\$ 3,874,083</u></u>	<u><u>\$ 1,340,120</u></u>

See notes to financial statements

Peterborough Retirement Community at Upland Farm, Inc.
d/b/a RiverMead

Statements of Changes in Net Deficit
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net Deficit Without Donor Restrictions		
Revenues and gains in excess of expenses and decrease in net deficit without donor restrictions	<u>\$ 3,874,083</u>	<u>\$ 1,340,120</u>
Net Assets With Donor Restrictions		
Contributions	16,065	10,900
Net investment income	19,441	13,106
Net assets released for operations	<u>(44,661)</u>	<u>(97,992)</u>
Decrease in net assets with donor restrictions	<u>(9,155)</u>	<u>(73,986)</u>
Decrease in net deficit	3,864,928	1,266,134
Net Deficit, Beginning	<u>(19,575,985)</u>	<u>(20,842,119)</u>
Net Deficit, Ending	<u><u>\$ (15,711,057)</u></u>	<u><u>\$ (19,575,985)</u></u>

See notes to financial statements

**Peterborough Retirement Community at Upland Farm, Inc.
d/b/a RiverMead**

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Decrease in net deficit	\$ 3,864,928	\$ 1,266,134
Adjustments to reconcile decrease in net deficit to net cash provided by operating activities:		
Depreciation	4,871,067	4,894,992
Interest component of debt issuance costs	66,988	66,988
Change in fair value of derivative financial instruments	(260,705)	758,658
Proceeds from nonrefundable advance fees	10,168,745	6,653,605
Amortization of advance fees	(5,928,100)	(5,648,814)
Realized and unrealized gain on investments, net	(1,303,703)	(1,492,293)
Changes in assets and liabilities:		
Accounts receivable	35,602	(34,162)
Supplies inventory	33,515	(6,407)
Prepaid expenses and other current assets	(173,982)	39,435
Refundable deposits	(80,986)	415,386
Accounts payable	227,385	(131,325)
Held in trust for benefit of residents	1,599	(559)
Accrued salaries, wages and related taxes	(185,486)	(8,963)
Accrued interest	(6,679)	(19,022)
Prepaid revenue	119,463	23,082
Refundable advance	1,628,004	-
Net cash provided by operating activities	<u>13,077,655</u>	<u>6,776,735</u>
Cash Flows From Investing Activities		
Net (purchases) sales of assets whose use is limited	(294,807)	4,572,325
Purchase of property and equipment	(3,348,709)	(2,187,117)
Net cash (used in) provided by investing activities	<u>(3,643,516)</u>	<u>2,385,208</u>
Cash Flows From Financing Activities		
Proceeds from refundable advance fees	1,688,360	2,538,590
Repayment of long-term debt	(2,387,544)	(2,318,321)
Refunds of advance fees	(3,321,155)	(2,422,580)
Net cash used in financing activities	<u>(4,020,339)</u>	<u>(2,202,311)</u>
Net increase in cash and cash equivalents and restricted cash and cash equivalents	5,413,800	6,959,632
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>8,873,654</u>	<u>1,914,022</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 14,287,454</u>	<u>\$ 8,873,654</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 1,554,392</u>	<u>\$ 1,620,033</u>
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 3,088,444	\$ 3,638,090
Board-designated	11,160,183	5,189,181
Held in trust for benefit of residents	4,980	3,381
Donor-restricted	<u>33,847</u>	<u>43,002</u>
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 14,287,454</u>	<u>\$ 8,873,654</u>

See notes to financial statements

Peterborough Retirement Community at Upland Farm, Inc. d/b/a RiverMead

Notes to Financial Statements
December 31, 2024 and 2023

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Peterborough Retirement Community at Upland Farm, Inc. d/b/a RiverMead (RiverMead) was organized in 1991 as a New Hampshire not-for-profit corporation to own, maintain and operate a continuing care retirement community, which provides housing, healthcare and other related services to its residents. The community, located in Peterborough, New Hampshire, consists of independent living cottages, villas and apartments and a health center. RiverMead completed construction and began operations in December 1995.

RiverMead has undergone two significant expansion projects since it began operations. The first project was to develop "the Village" campus on 35 acres adjacent to the community's original "Mead" campus. This project was completed in 2013 and included the addition of 40 independent living units and 20 assisted living units, as well as dining and other common areas.

The second project, which was completed in 2022, added 28 independent living units bringing RiverMead's total number of independent living units to 181. This project also renovated dining and other common areas on both of RiverMead's campuses and renovated and expanded the health center to contain a total of 67 assisted living and 35 memory support units.

RiverMead evaluated subsequent events for recognition or disclosure through April 3, 2025 the date the financial statements were available to be issued.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents and restricted cash and cash equivalents include investments in highly liquid debt instruments with an initial maturity date of three months or less.

Accounts Receivable, Residents

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

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues and gains in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

RiverMead's investments are comprised of a variety of financial instruments. Management of RiverMead's investment portfolio is governed by its investment policy and overseen by the Board of Trustees. The fair values reported in the balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the balance sheets could change materially in the near term.

Peterborough Retirement Community at Upland Farm, Inc. d/b/a RiverMead

Notes to Financial Statements
December 31, 2024 and 2023

Assets Whose Use is Limited

Assets whose use is limited assets held in trust for the benefits of residents, assets designated by the Board of Trustees for future use and donor-restricted assets. Amounts available to meet current liabilities of RiverMead have been classified as current assets in the balance sheets.

Property and Equipment

Property and equipment acquisitions are stated at cost. RiverMead's policy is to capitalize expenditures for major improvements and charge maintenance and repair expense for expenditures, which do not extend the useful lives of the related assets. Depreciation is computed on the straight-line method based on the estimated useful lives of each class of depreciable asset.

	Estimated Useful Lives (Years)
Vehicles	5
Furniture and equipment	5-10
Land improvements	10-20
Building improvements	10-20
Buildings	40

Debt Issuance Costs

Debt issuance costs are being amortized over the term of the related debt using the straight-line method, which approximates the effective interest method. Amortization expense, which is included as a component of interest expense, was \$66,988 in both 2024 and 2023.

Prepaid Revenue

Residents are charged monthly service fees, which are billed one month in advance. Advance billings for monthly fees are recorded as prepaid revenue in the accompanying balance sheets and recognized as resident service fees revenues when earned. Additionally, any charges to residents not included in the monthly fees are charged at the end of each month.

Derivative Financial Instruments

RiverMead entered into interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the balance sheets and related changes in fair value are reported in the statements of operations as a change in fair value of derivative financial instruments.

Peterborough Retirement Community at Upland Farm, Inc. d/b/a RiverMead

Notes to Financial Statements
December 31, 2024 and 2023

Net Assets (Deficit)

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

Net Deficit Without Donor Restrictions - All revenue not restricted by donors is accounted for in net deficit without donor restrictions.

Net Assets With Donor Restrictions - 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 those resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished; net assets with donor restrictions are reclassified to net deficit without donor restrictions.

Benevolent Assistance

RiverMead has a policy of providing benevolent assistance to residents who are unable to pay the full cost of care and services. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since RiverMead does not expect to collect the normal charges for services provided, charges for benevolent assistance are not included in revenue. Benevolent assistance provided to residents was \$128,706 in 2024 and \$87,127 in 2023.

Obligation to Provide Future Services

RiverMead engages an actuary to periodically calculate the present value of the net cost of future service and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenues from advance fees. If the present value of the net obligation to provide future service and use of facilities (discounted at 5.0%) exceeds the deferred revenue from advance fees, a liability is recorded with the corresponding charge to income. Because no excess was calculated, no liability was recorded at December 31, 2024 and 2023.

Fee Revenues

Fee revenues are reported at the amount that reflects the consideration RiverMead expects to receive from residents in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Fee revenue is recognized as performance obligations are satisfied.

Resident Service and Health Center Fees

Resident service fee revenues are primarily comprised of assisted living, memory support and independent living revenue streams, which are primarily derived from providing housing and services to life-care residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. RiverMead has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, RiverMead considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, assisted living, memory support and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

Peterborough Retirement Community at Upland Farm, Inc. d/b/a RiverMead

Notes to Financial Statements
December 31, 2024 and 2023

Payment terms and conditions for RiverMead's resident service fees vary by contract type, although terms generally require payment to be made within 10 days. Fee revenues for recurring and routine monthly services are generally billed monthly in advance. Fee revenues for ancillary services are generally billed monthly in arrears. Resident service fees collected from residents in advance are classified as prepaid revenue in the accompanying balance sheets until the performance obligations are satisfied at which point they are included in resident service fees revenues.

Advance Fees

RiverMead offers three residence and care agreement options: a traditional agreement, a 50% refund agreement and a 90% refund agreement. Under the traditional agreement, refunds are equal to the first person advance fee paid less a sum equal to 4% for the first month of residence and 2% per month for additional months of residence. Under the 50% refund agreements, refunds are equal to the first-person advance fee paid less a sum equal to 4% for the first month of residence and 2% per month for additional months of residence, to a minimum of 50%. Under the 90% refund agreement, refunds are generally equal to 90% of the first person advance fee paid. A second person advance fee is also charged but is not refundable. Refunds are payable within 30 days of the termination of a residence and care agreement and payment of an advance fee by a new resident for the independent living unit vacated by the resident. Contractual refund obligations under existing resident agreements approximate \$38,800,000 and \$37,828,000 at December 31, 2024 and 2023, respectively.

The guaranteed refund component of advance fees is not amortized to income and is classified as refundable fees and deposits in the accompanying balance sheets.

Nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from advanced fee in the accompanying balance sheets. RiverMead applies the practical expedient in Accounting Standards Codification (ASC) 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

Revenue from nonrefundable advance fees is recognized by amortizing the nonrefundable advance fee using the straight-line method over the annually adjusted, estimated life expectancies of the residents, which approximates the period of time the goods and services outlined in residence and care agreements are expected to be transferred to residents and RiverMead's performance obligations are to be satisfied. The unamortized portion of advance fees is classified as deferred revenues from advance fees in the accompanying balance sheets. Amortization of advance fees was \$5,928,100 in 2024 and \$5,648,814 in 2023.

Both the refundable and nonrefundable portion of advance fees are generally collected from residents in advance of move-in.

Contract Balances

Contract assets represent the RiverMead's right to consideration in exchange for goods or services that RiverMead has transferred to a resident when that right is conditioned on something other than the passage of time (for example, RiverMead's future performance). Contract liabilities represent RiverMead's obligation to transfer goods or services to a resident for which RiverMead has received consideration (or the amount is due) from the resident.

Peterborough Retirement Community at Upland Farm, Inc. d/b/a RiverMead

Notes to Financial Statements
December 31, 2024 and 2023

RiverMead's beginning and ending contract assets and liabilities are separately presented on the balance sheets as of December 31, 2024 and 2023. Contracts assets and liabilities as of December 31, 2022 are as follows:

Accounts receivable, residents	\$ 121,320
Refundable fees and deposits	26,724,860
Deferred revenue from advance fees	38,285,517

Income Taxes

RiverMead is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on its income under Section 501(a) of the IRC.

RiverMead accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined that there were no tax uncertainties that met the recognition threshold in 2024 or 2023.

Revenues and Gains In Excess of Expenses

The statements of operations includes the determination of revenues and gains in excess of expenses. Changes in net deficit without donor restrictions which are excluded from revenues and gains in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Use of Estimates

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

2. Liquidity and Availability of Resources

The following reflects RiverMead's financial assets as of the balance sheets dates available for general use within one year:

	2024	2023
Cash and cash equivalents	\$ 3,088,444	\$ 3,638,090
Accounts receivable	234,197	238,123
Financial assets available for general expenditures within one year	<u>\$ 3,322,641</u>	<u>\$ 3,876,213</u>

RiverMead maintains a Board-designated fund, which serves to fund future projects and capital needs, provide liquidity for operations, hold investments required to meet the New Hampshire Department of Insurance liquid reserve requirements and provide investment earnings. As assets in RiverMead's Board-designated fund are not intended for general expenditures within one year, they are not included in assets available for general expenditures within one year. However, funds in the Board-designated fund could be drawn upon if the governing body approves that action.

**Peterborough Retirement Community at Upland Farm, Inc.
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Notes to Financial Statements
December 31, 2024 and 2023

As part of RiverMead's liquidity management plan a target balance has been determined for the amount of unrestricted cash to be held in RiverMead's operating account. Should the balance in RiverMead's operating account be anticipated to consistently be above this target, surplus funds may be transferred to the Board-designated fund and invested in accordance with RiverMead's investment policy.

The New Hampshire Insurance Department requires licensed Continuing Care Communities to maintain liquid reserves in an amount equal to 12 months' principal and interest payments plus that portion of two months' operating expenses which relates to life care residents. As of the balance sheets date, the New Hampshire Insurance Department liquid reserve requirement for RiverMead was approximately \$8,743,000 at December 31, 2024 and \$8,554,000 at December 31, 2023, which RiverMead satisfied with a combination of cash and cash equivalents and Board-designated assets whose use is limited.

3. Fair Value Measurements and Assets Whose Use is Limited

RiverMead measures its assets whose use is limited at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to RiverMead for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The following tables present financial instruments measured and disclosed at fair value at December 31, 2024 and 2023, by caption on the balance sheets:

	2024			
	Total	Level 1	Level 2	Level 3
Measured at fair value:				
Assets whose use is limited:				
Board-designated assets:				
Mutual funds:				
Equity	\$ 12,153,299	\$ 12,153,299	\$ -	\$ -
CDFI investment	2,756	-	-	2,756
Total	<u>\$ 12,156,055</u>	<u>\$ 12,153,299</u>	<u>\$ -</u>	<u>\$ 2,756</u>
Donor-restricted assets:				
CDFI investment	\$ 254,239	\$ -	\$ -	\$ 254,239
Total	<u>\$ 254,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,239</u>
Derivative financial instruments	<u>\$ 4,004,203</u>	<u>\$ -</u>	<u>\$ 4,004,203</u>	<u>\$ -</u>

Peterborough Retirement Community at Upland Farm, Inc.
d/b/a RiverMead

Notes to Financial Statements
December 31, 2024 and 2023

	2023			
	Total	Level 1	Level 2	Level 3
Measured at fair value:				
Assets whose use is limited:				
Board-designated assets:				
Mutual funds:				
Equity	\$ 9,257,497	\$ 9,257,497	\$ -	\$ -
Fixed income	1,297,293	1,297,293	-	-
CDFI investment	2,756	-	-	2,756
Total	<u>\$ 10,557,546</u>	<u>\$ 10,554,790</u>	<u>\$ -</u>	<u>\$ 2,756</u>
Donor-restricted assets:				
CDFI investment	\$ 254,238	\$ -	\$ -	\$ 254,238
Total	<u>\$ 254,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,238</u>
Derivative financial instruments	<u>\$ 3,743,498</u>	<u>\$ -</u>	<u>\$ 3,743,498</u>	<u>\$ -</u>

The following provides a reconciliation of the amounts included in fair value hierarchy to the amounts reported in the accompanying balance sheets at December 31:

	2024	2023
Assets whose use is limited, Board-designated assets:		
Cash and cash equivalents	\$ 11,160,183	\$ 5,189,181
Assets measured at fair value	<u>12,156,055</u>	<u>10,557,546</u>
	<u>\$ 23,316,238</u>	<u>\$ 15,746,727</u>
Donor-restricted assets:		
Cash and cash equivalents	\$ 33,847	\$ 43,002
Assets measured at fair value	<u>254,239</u>	<u>254,238</u>
	<u>\$ 288,086</u>	<u>\$ 297,240</u>

Assets whose use is limited are valued at fair value based on quoted market prices in active markets for cash and cash equivalents. Exchange traded and mutual funds are valued at quoted market prices in active markets, which are considered Level 1 inputs.

The Community Development Financial Institution (CDFI) investment is a loan to New Hampshire Community Loan Fund, Inc. using donor-restricted assets and is valued at carrying value, which approximates fair value. The loan bears interest at 5% per annum with accrued interest being utilized for resident support in accordance with donor restrictions.

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4. Property and Equipment

Property and equipment consist of the following at December 31:

	2024	2023
Land	\$ 2,265,575	\$ 2,265,575
Land improvements	10,015,843	10,007,819
Buildings and building improvements	101,131,809	100,574,827
Furniture and equipment	15,126,713	13,053,888
Vehicles	1,135,596	1,031,061
Construction in progress	766,666	316,945
Total	130,442,202	127,250,115
Less accumulated depreciation	(56,018,461)	(51,304,016)
Property and equipment, net	<u>\$ 74,423,741</u>	<u>\$ 75,946,099</u>

5. Deferred Revenues From Advance Fees

Deferred revenues from advance fees consist of the following at December 31:

	2024	2023
90% refundable contract advance fees	\$ 2,683,100	\$ 2,899,395
50% refundable contract advance fees	1,397,200	1,122,200
Nonrefundable contract advance fees	59,874,672	54,943,641
Total	63,954,972	58,965,236
Less accumulated amortization	(21,503,886)	(20,430,998)
Deferred revenues from advance fees	<u>\$ 42,451,086</u>	<u>\$ 38,534,238</u>

6. Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer.

RiverMead accounts for this federal funding in accordance with Financial Accounting Standards Board (FASB) ASC 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. RiverMead averaged more than 100 full-time employees (FTEs), but less than 500 FTEs during 2019, therefore, it was considered a small employer during 2021. As a small employer in 2021, all of RiverMead's otherwise qualified wages were eligible. For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee. RiverMead claimed total ERC credits of \$2,763,495.

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RiverMead believes that it qualified for the ERC under the Internal Revenue Service's (IRS) eligibility requirements under the partial suspension provisions, however, RiverMead was unable to overcome the barriers for revenue recognition established under FASB ASC 958-605. As RiverMead was unable to determine whether it overcame the barriers for revenue recognition, it has not recorded the ERC funds received through December 31, 2024, as revenue, and instead has recorded the \$1,628,004 of ERC funds received during 2024 as refundable advances in the balance sheets. RiverMead will record the ERC funds received as revenue when it is able to determine that the ERC eligibility barriers have been substantially met.

7. Long-Term Debt

Series 2013 Bonds

On December 23, 2013, the New Hampshire Health and Education Facilities Authority (the Authority) issued on behalf of RiverMead \$13,550,000 tax-exempt revenue bonds (the Series 2013 Bonds). The proceeds from the Series 2013 Bonds were used to refund the outstanding balance of the Authority's Series 1998 Bonds. The Series 2013 Bonds are due in varying monthly installments through July 1, 2028. On December 23, 2013, a bank entered into a Bond Purchase Agreement (the Series 2013 Agreement) with RiverMead and the Authority to purchase all of the Series 2013 Bonds. The Series 2013 Agreement originally expired on December 1, 2023. On December 28, 2017, the bank owning the Series 2013 Bonds amended the Series 2013 Agreement to hold the bonds through their final maturity. The interest rate on the Series 2013 Bonds was 5.12% at December 31, 2024.

Series 2017 Bonds

On December 28, 2017, the Authority issued on behalf of RiverMead \$34,500,000 tax-exempt revenue bonds (the Series 2017 Bonds) consisting of \$4,500,000 Series 2017A Bonds and \$30,000,000 Series 2017B Bonds. The proceeds from the Series 2017 Bonds were used to finance an expansion and renovation project on RiverMead's current campus. The Series 2017A Bonds were fully drawn down in September of 2018 and the Series 2017B Bonds were fully drawn down in April of 2022. In 2019, the Series 2017A Bonds were fully repaid from proceeds from advance fees on newly constructed independent living units. Principal and interest payments of the Series 2017B Bonds are scheduled through January 1, 2046. On October 27, 2020, the bank owning the Series 2017 Bonds amended the Series 2017 Agreement to hold the bonds through October 1, 2030.

On December 28, 2017, a bank entered into a Bond Purchase Agreement (the Series 2017 Agreement) with RiverMead and the Authority to purchase all of the Series 2017 Bonds. In accordance with the terms of the Series 2017 Agreement, the 2017 Bonds bear interest, which is payable monthly, at a variable rate based on 79% of SOFR plus a credit spread as defined in the Series 2017 Agreement. The interest rate on the Series 2017 Bonds was 5.12% at December 31, 2024.

2020 Taxable Loan and Series 2021 Bonds

On October 27, 2020, a bank issued a taxable loan to RiverMead (the 2020 Taxable Loan), the proceeds of which were used to fully defease all callable maturities of the Series 2011 Bonds as of the Series 2011 Bonds' call date. Also, on October 27, 2020, RiverMead and the bank entered into a Forward Purchase Agreement to provide RiverMead with an option to request the issuance of tax-exempt bonds (the Series 2021 Bonds) and the purchase of the Series 2021 Bonds by the bank. RiverMead exercised this option on April 2, 2021, which was not considered an advance refunding, as described in IRS Section 149(d)(5), of the Series 2011 Bonds.

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In accordance with the terms of the Series 2021 Bonds, interest is payable monthly at a variable rate based on 79% of SOFR plus a credit spread as defined in the loan agreement. The interest rate on the Series 2021 Bonds was 5.39% and 6.11% at December 31, 2024 and 2023, respectively. The bank's commitment to hold the Series 2021 Bonds currently expires October 1, 2030 and may be extended at the sole discretion of the bank. Principal and interest payments of the Series 2021 Bonds are scheduled through July 1, 2041.

Collateral

The Series 2013 Bonds, the Series 2017 Bonds and the Series 2021 Bonds are collateralized by a security interest in the gross receipts of RiverMead and are additionally collateralized by substantially all of RiverMead's assets. In addition to the aforementioned, RiverMead must meet all requirements of certain other various covenants under these long-term debt agreements.

RiverMead is subject to a Debt Service Coverage Ratio and Days Cash on Hand requirement in connection with these long-term debt agreements.

Long-Term Debt Summary

Long-term debt at December 31 is as follows:

	2024	2023
Series 2013 Bonds	\$ 3,851,000	\$ 4,862,000
Series 2017 Bonds	26,741,727	27,556,653
Series 2021 Bonds	19,043,912	19,565,970
Note payable to vendor	79,121	118,681
Total	49,715,760	52,103,304
Less:		
Debt issuance costs	(968,864)	(1,035,852)
Current maturities	(2,463,249)	(2,387,546)
Long-term debt, net	<u>\$ 46,283,647</u>	<u>\$ 48,679,906</u>

Scheduled principal repayments on long-term debt are as follows:

Years ending December 31:	
2025	\$ 2,463,249
2026	2,541,340
2027	2,581,493
2028	2,658,258
2029	2,742,348
Thereafter	36,729,072
Total	<u>\$ 49,715,760</u>

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Derivative Financial Instruments

RiverMead entered into interest rate swap contracts to hedge the interest rate risk on variable interest rate debt. Under these interest rate swap contracts, RiverMead agreed to pay an amount equal to a specific fixed rate of interest times a notional principal amount and to receive in return an amount equal to a specified variable rate of interest times the same notional principal amount.

The first forward swap has a notional amount of \$3,851,000 as of January 1, 2024 and completely hedges the interest rate on the outstanding principal of the Series 2013 Bonds until they are paid in full. The effective date of the first swap was January 1, 2024 and the termination date is July 1, 2028. The first swap converts the variable component of the Series 2013 Bond's rate of interest to a fixed rate of 2.14%. The notional amount was \$3,851,000 as of December 31, 2024.

The second forward swap hedges the variable component of the rate of interest on the Series 2017 Bonds up to a notional amount of \$30,000,000 based on the projected draw and subsequent amortization schedules of the Series 2017 Bonds. On October 20, 2020, RiverMead amended the second forward swap agreement to a) more closely align the notional amount of the swap with the underlying debt (the Series 2017 Bonds), b) convert the variable component of the Series 2017 Bond's rate of interest to a fixed rate of 1.88% and c) extend the termination date to October 1, 2030. The notional amount was \$26,909,718 as of December 31, 2024.

On October 20, 2020, RiverMead entered into a third forward interest rate swap contract to completely hedge interest rate risk on the projected principal amount of the Series 2021 Bonds from the anticipated date of issuance through October 1, 2030. The third swap converts the variable component of the Series 2021 Bond's rate of interest to a fixed rate of 0.72%. The notional amount was \$19,043,912 as of December 31, 2024.

The interest rate swaps are recorded on the balance sheets at fair value and were valued as an asset of \$4,004,203 and \$3,743,498 at December 31, 2024 and 2023, respectively. Net interest received related to the interest rate swaps amounted to \$1,403,605 and \$1,230,852 for the years ended December 31, 2024 and 2023, respectively, which is included in interest expense.

8. Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2024	2023
Nurse and staff education	\$ 33,847	\$ 43,002
Investments to be held in perpetuity, the income from which is expendable to support financial assistance and community projects	254,239	254,239
Total	<u>\$ 288,086</u>	<u>\$ 297,241</u>

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9. Functional Expenses

RiverMead provides residential living services and general healthcare services to its residents. Expenses related to providing these services are as follows for the years ended December 31:

	2024		
	Resident and Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 9,313,768	\$ 2,124,066	\$ 11,437,834
Payroll taxes and employee benefits	2,280,121	271,090	2,551,211
Supplies and other	1,619,929	67,967	1,687,896
Contracted services	1,892,031	1,088,684	2,980,715
Utilities	1,436,975	10,308	1,447,283
Insurance	198,719	25,670	224,389
Real estate taxes	1,525,314	10,942	1,536,256
Interest	1,603,201	11,500	1,614,701
Depreciation	4,836,374	34,693	4,871,067
Total expenses	<u>\$ 24,706,432</u>	<u>\$ 3,644,920</u>	<u>\$ 28,351,352</u>

	2023		
	Resident and Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 9,046,584	\$ 1,788,593	\$ 10,835,177
Payroll taxes and employee benefits	2,288,200	229,175	2,517,375
Supplies and other	1,436,740	59,934	1,496,674
Contracted services	1,878,895	1,047,383	2,926,278
Utilities	1,357,465	9,738	1,367,203
Insurance	183,296	19,968	203,264
Real estate taxes	1,291,593	9,265	1,300,858
Interest	1,656,119	11,880	1,667,999
Depreciation	4,860,129	34,863	4,894,992
Total expenses	<u>\$ 23,999,021</u>	<u>\$ 3,210,799</u>	<u>\$ 27,209,820</u>

The financial statements report certain expense categories that are attributable to more than one resident and healthcare service or general and administration function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and interest are allocated based on a square footage basis.

10. Concentration of Credit Risk

RiverMead maintains cash in bank deposit accounts, which may exceed federally insured limits. RiverMead has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

11. Contingencies

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on RiverMead, if any, are not determinable.

Litigation

RiverMead periodically finds itself a defendant in legal suits that have developed in the normal course of business. RiverMead maintains professional liability insurance on a claims-made basis with limits of coverage which management believes to be adequate. No accrued claims liability has been recorded at December 31, 2024 and 2023. Although it is impossible to determine the ultimate resolution of matters that remain unresolved at this time, RiverMead believes that the matters will be resolved without significant negative financial impact.