

# **The Estaugh T/A Medford Leas and Controlled Entity**

Consolidated Financial Statements  
and Supplementary Information

March 31, 2022 and 2021

# The Estaugh T/A Medford Leas and Controlled Entity

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## Independent Auditors' Report

To the Board of Trustees of  
The Estaugh T/A Medford Leas and Controlled Entity

### Opinion

We have audited the consolidated financial statements of The Estaugh T/A Medford Leas and Controlled Entity (the Company), which comprise the consolidated balance sheets as of March 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (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 Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21 to 24 is presented for purposes of additional analysis of the consolidated financial statements and it is 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 consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
July 21, 2022

# The Estaugh T/A Medford Leas and Controlled Entity

Consolidated Balance Sheets

March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,681,608	\$ 5,002,722
Accounts receivable, residents, net of allowance for doubtful accounts of \$52,104 in 2022 and \$55,672 in 2021	738,999	787,269
Prepaid expenses and other current assets	554,287	514,035
Total current assets	5,974,894	6,304,026
<b>Assets Whose Use is Limited</b>	61,717,608	61,369,623
<b>Beneficial Interest in Split-Interest Agreements Held by Others and Perpetual Trusts</b>	2,836,732	2,943,590
<b>Property and Equipment, Net</b>	71,709,794	71,228,212
<b>Other Assets</b>	237,171	139,501
Total assets	<u>\$ 142,476,199</u>	<u>\$ 141,984,952</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable, trade	\$ 786,914	\$ 785,768
Accounts payable, construction	469,736	350,805
Accrued expenses	1,443,906	2,061,498
Total current liabilities	2,700,556	3,198,071
<b>Paycheck Protection Program Loan</b>	-	2,957,800
<b>Refundable Entrance Fees and Deposits</b>	34,364,921	33,502,143
<b>Deferred Revenue From Advance Fees</b>	38,226,202	38,034,653
<b>Other Liabilities</b>	437,670	345,667
Total liabilities	<u>75,729,349</u>	<u>78,038,334</u>
<b>Net Assets</b>		
Without donor restrictions	50,620,306	47,804,096
With donor restrictions	16,126,544	16,142,522
Total net assets	<u>66,746,850</u>	<u>63,946,618</u>
Total liabilities and net assets	<u>\$ 142,476,199</u>	<u>\$ 141,984,952</u>

See notes to consolidated financial statements

## The Estaugh T/A Medford Leas and Controlled Entity

Consolidated Statements of Operations

Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Net Assets Without Donor Restrictions</b>		
Revenues, gains and other support:		
Resident service revenue, net, including amortization of entrance fees of \$4,974,452 in 2022 and \$5,026,271 in 2021	\$ 31,103,917	\$ 30,411,472
Other resident service revenues	667,290	656,468
COVID-19 grant revenue	-	836,195
Contributions and bequests	15,493	16,851
Investment income	10,399,863	1,396,117
Net assets released from restrictions	471,514	491,288
	<u>42,658,077</u>	<u>33,808,391</u>
Expenses:		
Operations	2,837,635	2,732,552
Outpatient health center and physician	2,188,118	2,150,129
Skilled nursing	1,193,165	1,219,604
Health services, administration	534,002	521,135
Dining	3,733,507	3,806,482
Support services departments	3,326,659	3,284,665
Assisted living	3,804,544	4,211,797
Administration	3,128,671	3,045,564
Community wide	5,514,504	5,505,397
Depreciation	6,511,470	6,250,102
	<u>32,772,275</u>	<u>32,727,427</u>
Operating income	9,885,802	1,080,964
<b>Paycheck Protection Program Loan Forgiveness</b>	2,957,800	-
<b>Change in Unrealized Gains and Losses on Investments</b>	<u>(10,027,392)</u>	<u>11,991,830</u>
Revenues, gains and other support in excess of expenses	2,816,210	13,072,794
<b>Net Assets Released From Restrictions Used for Property and Equipment</b>	<u>-</u>	<u>758,240</u>
Increase in net assets without donor restrictions	<u>\$ 2,816,210</u>	<u>\$ 13,831,034</u>

See notes to consolidated financial statements

## The Estaugh T/A Medford Leas and Controlled Entity

Consolidated Statements of Changes in Net Assets  
Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Net Assets Without Donor Restrictions</b>		
Increase in net assets without donor restrictions	\$ 2,816,210	\$ 13,831,034
<b>Net Assets With Donor Restrictions</b>		
Contributions	450,669	239,289
Investment income	331,932	230,536
Realized gains on investments	3,154,908	18,814
Change in unrealized gains and losses on investments	(3,375,115)	3,837,885
Valuation (loss) gain, split-interest agreements	(39,665)	120,727
Valuation (loss) gain, beneficial interest in perpetual trusts	(67,193)	490,717
Net assets released from restrictions	(471,514)	(1,249,528)
	<u>(15,978)</u>	<u>3,688,440</u>
(Decrease) increase in net assets with donor restrictions		
Increase in net assets	2,800,232	17,519,474
<b>Net Assets, Beginning</b>	<u>63,946,618</u>	<u>46,427,144</u>
<b>Net Assets, Ending</b>	<u>\$ 66,746,850</u>	<u>\$ 63,946,618</u>

See notes to consolidated financial statements

## The Estaugh T/A Medford Leas and Controlled Entity

Consolidated Statements of Cash Flows  
Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flow From Operating Activities</b>		
Increase in net assets	\$ 2,800,232	\$ 17,519,474
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,511,470	6,250,102
Amortization of entrance fees	(4,974,452)	(5,026,271)
Amortization of deferred lease	(5,667)	(5,667)
Proceeds from nonrefundable portion of resident entrance fees and deposits	4,687,223	3,146,420
Net realized and unrealized loss (gain) on investments	952,634	(16,347,928)
Paycheck Protection Program loan forgiveness	(2,957,800)	-
Valuation loss (gain), split-interest agreements	39,665	(120,727)
Valuation loss (gain), beneficial interest in perpetual trusts	67,193	(490,717)
Changes in assets and liabilities:		
Accounts receivable, residents	48,270	80,895
Prepaid expenses and other current assets	(40,252)	142,886
Accounts payable	1,146	240,631
Accrued expenses	(617,592)	122,250
Net cash provided by operating activities	<u>6,512,070</u>	<u>5,511,348</u>
<b>Cash Flows From Investing Activities</b>		
Net sales (purchases) of assets whose use is limited	454,774	(317,405)
Purchases of property and equipment	(6,874,121)	(7,422,082)
Net cash used in investing activities	<u>(6,419,347)</u>	<u>(7,739,487)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from refundable portion of resident entrance fees and deposits	2,881,400	2,021,200
Refunds of entrance fees	(1,539,844)	(931,553)
Proceeds from Paycheck Protection Program loan	-	2,957,800
Collections, pledges receivable, capital	-	758,240
Net cash provided by financing activities	<u>1,341,556</u>	<u>4,805,687</u>
Change in cash, cash equivalents and restricted cash and cash equivalents	1,434,279	2,577,548
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	<u>6,460,334</u>	<u>3,882,786</u>
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	<u>\$ 7,894,613</u>	<u>\$ 6,460,334</u>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Accounts payable incurred for the purchase of property and equipment	<u>\$ 469,736</u>	<u>\$ 350,805</u>
Paycheck Protection Program loan forgiveness	<u>\$ 2,957,800</u>	<u>\$ -</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Consolidated Balance Sheets</b>		
Cash and cash equivalents	\$ 4,681,608	\$ 5,002,722
Restricted cash and cash equivalents included in assets whose use is limited	<u>3,213,005</u>	<u>1,457,612</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 7,894,613</u>	<u>\$ 6,460,334</u>

See notes to consolidated financial statements

# The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

## 1. Organization

The Estaugh T/A Medford Leas (the Community), a not-for-profit corporation, whose governing body includes Members of the Religious Society of Friends (Quakers), is a continuing care retirement community providing housing, health care and other related services to older adults through the operation of 394 independent living apartments, 119 comprehensive personal care apartments and a 24-bed skilled nursing facility. The Community is located in Medford, New Jersey and Lumberton, New Jersey.

In 2006, the Community formed ML Housing, LLC, a New Jersey limited liability company. The Community is the sole member of ML Housing, LLC.

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of the Community and ML Housing, LLC (collectively, the Company). All intercompany balances and transactions have been eliminated in consolidation.

### Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited. For purposes of the consolidated statements of cash flows, cash and cash equivalents and restricted cash and cash equivalents include assets whose use is limited purchased with an initial maturity of three months or less.

### Accounts Receivable, Residents

The Community assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenue for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Community has exhausted all collection efforts and accounts are deemed impaired.

### 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 accompanying consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues, gains and other support 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.

The Community's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair value reported in the accompanying consolidated balance sheets is 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 accompanying consolidated balance sheets could change materially in the near term.

## **The Estaugh T/A Medford Leas and Controlled Entity**

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Notes to Consolidated Financial Statements

March 31, 2022 and 2021

### **Assets Whose Use Is Limited**

Assets whose use is limited includes assets held under statutory reserve requirements, assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes and donor restricted funds.

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of each asset class.

Gifts of long-lived assets such as land, buildings or equipment are reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### **Split-Interest Agreements**

The Community has received as contributions charitable gifts annuities under arrangements with trustees. The arrangements represent contracts between the trustees and the donors in which the Community has a beneficial interest. Donors transfer cash or investments to the trustees and, in return, receive periodic distributions from the trustees. The contributions received by the Community are the unconditional rights to receive the remainder interest of the gift annuities. The amount of the asset recorded is the difference between the current value of the Community's benefit in the trust reduced by the present value of the estimated future payments to be distributed by the trustees to the annuitants.

Contributions recognized under split-interest agreements are recorded as increases in net assets with donor restrictions. If assets become available for unrestricted use upon termination of the agreements, appropriate amounts are reclassified from net assets with donor restrictions to net assets without donor restrictions.

### **Beneficial Interest in Perpetual Trusts**

The Community has been designated the beneficiary under several perpetual trusts. A perpetual trust is held by a third party and is an arrangement in which the donor establishes and funds a trust to exist in perpetuity that is administered by an individual or organization other than the beneficiary. The Community has the irrevocable right to receive the income earned on the trust's assets but will never receive the assets themselves. The Community recognizes contribution revenue at the time an irrevocable trust is created, at the fair value of the trust's assets, which approximates the discounted present value of cash flows from the beneficial interest. The Community revalues its interest in the perpetual trusts annually and reports any gains or losses as changes in the value of the trusts with donor restrictions in the consolidated statements of changes in net assets.

### **Resident Deposits**

Resident deposits, included in assets whose use is limited, represent waiting list deposits paid to reserve a residence at the Community. These deposits become part of the entrance fees when the resident moves in, or are fully refundable at the residents' discretion, net of a processing fee.

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

### Deferred Revenue From Advance Fees

Under certain entrance fee plans for independent living units, the Community receives payments in advance. Residents have four entrance fee plan options, three refundable options and one nonrefundable option.

The Traditional Residence and Care Agreement specifies that entrance fees, net of a 10% processing and refurbishing fee, are refundable to the resident on a declining balance basis amortized at 2% per month after residency is established. The Traditional Residence and Care Agreement has no guaranteed refund component and is refundable on a decreasing basis for 45 months, after which no refund is due or payable. The unamortized balance is payable to the resident from the proceeds upon reoccupancy of the resident's unit. The full amount of the Traditional Residence and Care Agreement is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, which approximates the period of time that services under the resident agreements are expected to be transferred to residents and the Community's performance obligation to the residents is satisfied. Effective November 15, 2018, after the rescission period, the Community will pay the refund (if any) of any remaining portion of the entrance fee within 90 days of the vacancy date or termination date.

Under the Refundable Residence and Care Agreement, 20% of the entrance fees are nonrefundable. Nonrefundable fees are recorded as deferred revenue upon receipt and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, which approximates the period of time that services under the resident agreements are expected to be transferred to residents and the Community's performance obligation to the residents is satisfied. The remaining 80% of the entrance fees are fully refundable upon reoccupancy of the resident's unit. Refundable fees are recorded as refundable entrance fees and deposits upon receipt and are not amortized into income. Effective November 15, 2018, once the independent living unit has been vacated and the resident(s) has permanently left campus, the Community will assign a sequential refund number to the unit and will, within 60 days, provide a detailed accounting of any outstanding fees due to the Community and an estimate of the anticipated refund amount due to the resident(s). Any refund will be paid in order according to the resident(s) assigned refund number.

Effective April 1, 2013, the Residence Agreement has a guaranteed refund component of 90% of the initial entrance fee. Prior to April 1, 2013, the guaranteed refund component of 90% of the initial entrance fee was increased by 1% for each year the agreement remained in force, with a maximum refund of 105%. The majority of services provided to residents under a Residence Agreement are paid for on a fee-for-service basis, and are not included under this entrance fee plan.

Membership Agreements were offered through July 2001, with refunds to residents calculated at 80% of the current base entrance fee under a Traditional Fee Plan for the same unit.

The gross amount of contractual refund obligations under existing resident agreements approximates \$38,318,487 at March 31, 2022.

### Obligation to Provide Future Services

The Community engages an actuary to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. Based on the last calculation performed (as of March 31, 2021), the balance of deferred revenue from advance fees exceeded the present value of the net cost of future services and the use of facilities based on a discount rate of 5 percent. Based on this calculation and the analysis of management, no liability for the obligation to provide future services has been recorded at March 31, 2022 and 2021.

# The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

## Net Assets

Net assets, revenue, 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** - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets 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 that resources be maintained in perpetuity. All revenue 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 assets without donor restrictions.

## Net Resident Service Revenue

Net resident service revenue is reported at the amount that reflects the consideration the Community expects to receive in exchange for the services provided. These amounts are due from residents or third party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident service revenue is recognized as performance obligations are satisfied.

Payment terms and conditions for the Community's resident agreements vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident service revenue for recurring and routine monthly services due from self-pay residents is generally billed monthly in advance. Resident service revenue for ancillary services due from self-pay residents is generally billed monthly in arrears. Resident service revenue due from Medicare and other third-party payor programs is billed monthly in arrears.

Resident service revenue is primarily comprised of skilled nursing, personal care and independent living revenue streams, which are primarily derived from providing nursing, personal care and housing services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Community 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, the Community 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, skilled nursing, personal care and independent living revenue is recognized on a daily or month-to-month basis as services are rendered.

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

The Company receives revenue for services under third-party payor programs, including Medicare and other third party payors. Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day at amounts different from its established rates. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. Settlements with third party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Community estimates the transaction price based on the terms of the contract and correspondence with the third party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Approximately 5% and 4% of the Community's net resident service revenue in 2022 and 2021, respectively, were derived from the Medicare Part A program. The remaining is primarily derived from private pay sources.

### COVID-19 Grant Revenue

The Company received financial support from federal and state funding sources related to the COVID-19 pandemic. The Company accounts for this funding in accordance with the Financial Accounting Standards Board Accounting Standards Codification 958-605 guidance for conditional contributions and, accordingly, support is measured and recognized when barriers are substantially met, which occurs when the Company complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. In accordance with the terms and conditions of PRF, the Company could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Company received PRF payments of \$786,904 through March 31, 2021. No additional amounts were received or recognized during 2022.

The Company has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the PRF in excess of the funding received and the \$786,904 was recognized during 2021 and included in COVID-19 grant revenue in the accompanying consolidated statement of operations. The Company's methodology for calculating lost revenues was the difference between 2019 and 2020 actual revenues. No amounts were recognized during 2022.

Additionally, the Company also received an additional \$49,291 in funding from state sources during 2021. In accordance with the terms and conditions in place at March 31, 2021, the Company could apply this funding against eligible expenses. The Company incurred eligible expenses as of March 31, 2021 of \$49,291 and therefore, recognized the funding which is included in COVID-19 grant revenue in the accompanying consolidated statement of operations. No additional amounts were received or recognized during 2022.

Management believes that the Company complied with all terms and conditions of the PRF and state funding. However, the Department of Health and Human Services has indicated that PRF payments are subject to future reporting and audit requirements. Further, noncompliance with the terms and conditions of the PRF and state payments, which can be subject to future government review and interpretation, could result in repayment of some or all of the support received. An estimate of the possible effects cannot be made as of the date these consolidated financial statements were available to be issued and, it's unknown whether there will be further developments in regulatory guidance.

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

### Paycheck Protection Program Loan

In April 2020, the Company received loan proceeds in the amount of \$2,957,800 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over two years if issued before, or five years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Company may request to repay the loan over two years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Company met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during July of 2021. Legal release was received during September of 2021, therefore the Company recorded the forgiveness income of \$2,957,800 within its consolidated statement of operations for the year ended March 31, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the Economic Aid Act), all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

### Performance Indicator

The consolidated statements of operations include the determination of revenues, gains and other support in excess of expenses. Changes in net assets without donor restriction which are excluded from revenues, gains and other support 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).

### Income Taxes

The Community is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRS) and is exempt from federal income taxes on its exempt income under Section 501(a) of the IRS and is also exempt from state and local income taxes under similar statutes. ML Housing, LLC is a New Jersey for-profit corporation and is subject to federal and state income taxes.

### 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Subsequent Events

The Company evaluated subsequent events for recognition or disclosure through July 21, 2022, the date the consolidated financial statements were available to be issued.

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

### 3. Liquidity and Availability of Resources

As of March 31, the Company has the following financial assets available for general expenditure within one year of the consolidated balance sheets date:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,681,608	\$ 5,002,722
Accounts receivable, net	738,999	787,269
Board-designated assets whose use is limited, for operations	<u>39,474,320</u>	<u>39,078,143</u>
Total	<u>\$ 44,894,927</u>	<u>\$ 44,868,134</u>

The Company has assets whose use is limited 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. Additionally, certain other Board-designated assets are designed for capital improvements. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. However, the Board-designated amounts could be made available, if necessary.

As stated in Note 4, the Company designated a portion of its investments reserved to comply with the requirements of the New Jersey Continuing Care Retirement Community Regulation and Financial Disclosure Act (the Act), which are excluded from the qualitative information above. Although the Company does not intend to utilize the Act reserve for general expenditures as part of its annual budget and approval process, amounts designated as Act reserves could be made available as necessary. The Act reserves are included with the assets whose use is limited in Note 4, and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

### 4. Assets Whose Use is Limited

The composition of assets whose use is limited is set forth in the following table:

	<u>2022</u>	<u>2021</u>
Board-designated funds	\$ 43,919,186	\$ 43,639,356
Donor-designated funds	13,551,422	13,488,267
Statutory reserve requirements	<u>4,247,000</u>	<u>4,242,000</u>
Total	<u>\$ 61,717,608</u>	<u>\$ 61,369,623</u>

The composition of Board-designated funds and donor-designated funds is set forth in the following table:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,213,005	\$ 1,457,612
Exchange traded funds (ETF):		
Equity	13,134,662	-
Fixed income	8,686,830	-
Mutual funds:		
Equity	12,429,830	33,920,896
Fixed income	65,676	6,623,024
Common stock	7,171,010	-
Government securities	12,790,287	13,865,923
Corporate bonds	<u>4,226,308</u>	<u>5,502,168</u>
Total	<u>\$ 61,717,608</u>	<u>\$ 61,369,623</u>

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

Investment return is comprised of the following:

	<u>2022</u>	<u>2021</u>
Investment return, net assets without donor restrictions:		
Interest and dividend income	\$ 1,104,898	\$ 899,945
Realized gains on investments	9,294,965	496,172
Net change in unrealized gains and losses on investments	<u>(10,027,392)</u>	<u>11,991,830</u>
Total	<u>\$ 372,471</u>	<u>\$ 13,387,947</u>
Investment return, net assets with donor restrictions:		
Interest and dividend income	\$ 331,932	\$ 230,536
Realized gains on investments	3,154,908	18,814
Net change in unrealized gains and losses on investments	<u>(3,375,115)</u>	<u>3,837,885</u>
Total	<u>\$ 111,725</u>	<u>\$ 4,087,235</u>

Under the provisions of the Act, the Community must maintain a statutory minimum liquid reserve as of year-end that is equal to or exceeds the greater of the total of all principal and interest payments due during the next 12 months or 15% of total projected operating expenses, exclusive of depreciation for the following year. The statutory minimum liquid reserve requirement as of March 31, 2022 was \$4,247,000 which is equal to 15% of the Community's budgeted operating expenses for 2023, excluding depreciation. Management believes that the Community is in compliance with all other requirements of the Act as of March 31, 2022.

### 5. Fair Value Measurements

The Company measures its assets whose use is limited and beneficial interest in split-interest agreements held by others and perpetual trusts at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined 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 the Company for identical assets.

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

Level 3 - Significant unobservable inputs.

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

The fair value of the Company's assets whose use is limited and beneficial interest in split-interest agreements held by others and perpetual trusts were measured with the following inputs at March 31, 2022 and 2021:

	2022			
	Fair Value	Level 1	Level 2	Level 3
<b>Reported at Fair Value</b>				
Assets:				
Assets whose use is limited:				
ETF, equity:				
Large growth	\$ 2,485,937	\$ 2,485,937	\$ -	\$ -
Category large blend	3,889,772	3,889,772	-	-
Foreign large blend	3,611,959	3,611,959	-	-
Real estate	1,986,290	1,986,290	-	-
Large blend	1,160,704	1,160,704	-	-
ETF, fixed income:				
Intermediate-term bond	859,156	859,156	-	-
Short-term bond	3,337,026	3,337,026	-	-
Short government	4,490,648	4,490,648	-	-
Mutual funds, equity:				
Foreign large growth	103,121	103,121	-	-
Large growth	124,558	124,558	-	-
Large value	3,647,061	3,647,061	-	-
Mid-cap blend	2,934,930	2,934,930	-	-
Small cap	183,162	183,162	-	-
RBC Global Asset Management	3,367,991	3,367,991	-	-
Foreign large blend	2,069,007	2,069,007	-	-
Mutual funds, fixed income:				
Intermediate government	65,676	65,676	-	-
Common stock:				
Consumer discretionary	831,807	831,807	-	-
Consumer staples	661,775	661,775	-	-
Financial	446,299	446,299	-	-
Healthcare	1,257,875	1,257,875	-	-
Industrials	410,633	410,633	-	-
Information technology	1,815,669	1,815,669	-	-
Materials	304,742	304,742	-	-
Real estate	86,604	86,604	-	-
Telecommunications	1,179,254	1,179,254	-	-
Utilities	176,352	176,352	-	-
Municipal bonds	7,920,127	-	7,920,127	-
U.S. treasury bonds	4,870,160	-	4,870,160	-
Corporate bonds	4,226,308	-	4,226,308	-
<b>Total assets whose use is limited</b>	<b>58,504,603</b>	<b>41,488,008</b>	<b>17,016,595</b>	<b>-</b>
Beneficial interest in split-interest agreements held by others	775,685	-	-	775,685
Beneficial interest in perpetual trusts	2,061,047	-	-	2,061,047
<b>Total assets</b>	<b>\$ 61,341,335</b>	<b>\$ 41,488,008</b>	<b>\$ 17,016,595</b>	<b>\$ 2,836,732</b>

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

	<b>2022</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Reconciliation of assets whose use is limited to the balance sheet:				
Assets whose use is limited:				
Cash and cash equivalents	\$ 3,213,005			
Assets measured in the fair value hierarchy	<u>58,504,603</u>			
Total assets whose use is limited	<u>\$ 61,717,608</u>			
	<b>2021</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Reported at Fair Value</b>				
Assets:				
Assets whose use is limited:				
Mutual funds, equity:				
Large blend	\$ 2,793,963	\$ 2,793,963	\$ -	\$ -
Mid-cap blend	8,999,672	8,999,672	-	-
Small value	7,786,792	7,786,792	-	-
Foreign small/mid value	3,907,630	3,907,630	-	-
Foreign large value	5,816,982	5,816,982	-	-
Diversified emerging markets	3,148,550	3,148,550	-	-
Real estate	1,467,307	1,467,307	-	-
Mutual funds, fixed income:				
Bond fund	462,210	462,210	-	-
Global bond	411,980	411,980	-	-
Intermediate government	5,748,834	5,748,834	-	-
Municipal bonds	8,763,430	-	8,763,430	-
U.S. treasury bonds	5,102,493	-	5,102,493	-
Corporate bonds	<u>5,502,168</u>	<u>-</u>	<u>5,502,168</u>	<u>-</u>
Total assets whose use is limited	59,912,011	40,543,920	19,368,091	-
Beneficial interest in split-interest agreements held by others	815,350	-	-	815,350
Beneficial interest in perpetual trusts	<u>2,128,240</u>	<u>-</u>	<u>-</u>	<u>2,128,240</u>
Total assets	<u>\$ 62,855,601</u>	<u>\$ 40,543,920</u>	<u>\$ 19,368,091</u>	<u>\$ 2,943,590</u>

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

	2021			
	Fair Value	Level 1	Level 2	Level 3
Reconciliation of assets whose use is limited to the balance sheet:				
Assets whose use is limited:				
Cash and cash equivalents	\$ 1,457,612			
Assets measured in the fair value hierarchy	<u>59,912,011</u>			
 Total assets whose use is limited	 <u>\$ 61,369,623</u>			

ETFs, mutual funds and common stocks are valued at fair value based on quoted market prices which are considered Level 1 inputs.

U.S. Treasury bonds, municipal bonds and corporate bonds are valued based on estimated quoted market prices of similar securities and are considered Level 2 inputs.

The fair values of beneficial interest in split-interest agreements held by others and perpetual trusts were determined using the fair values of the underlying investments, which approximates the present value of the future distributions expected to be received.

### 6. Property and Equipment

A summary of property and equipment is as follows:

	2022	2021
Land	\$ 2,897,712	\$ 2,897,712
Land improvements	4,397,651	4,190,459
Buildings and improvements	117,229,906	113,778,587
Equipment and furnishings	<u>7,676,192</u>	<u>8,050,406</u>
 Total	 132,201,461	 128,917,164
 Less accumulated depreciation	 <u>(64,787,480)</u>	 <u>(61,391,428)</u>
	67,413,981	67,525,736
 Construction in progress	 <u>4,295,813</u>	 <u>3,702,476</u>
 Property and equipment, net	 <u>\$ 71,709,794</u>	 <u>\$ 71,228,212</u>

Construction in progress represents capitalized costs associated with renovations to existing buildings and project costs related to the long-term development of the Community.

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

### 7. Line of Credit

The Company has a \$2,500,000 unsecured line of credit with a local bank. The line of credit bears interest at the bank's prime rate (3.50% at March 31, 2022). There were no borrowings at March 31, 2022 and 2021.

### 8. Net Assets

Net assets with donor restrictions, that are subject to either a time or purpose restriction, are available for the following purposes as of March 31:

	<u>2022</u>	<u>2021</u>
Estaugh	\$ 1,456,866	\$ 1,456,866
Reserve for resident assistance	5,505,448	5,673,614
Medford Leas fund for capital purposes	2,856,504	2,719,860
Beneficial interest in split-interest agreements held by others	775,685	815,350
Employee advancement	1,173,885	1,177,615
Medford Leas assistance	626,115	619,192
Consciousness	332,042	329,764
Nursing scholarship	273,685	280,152
Other	207,754	154,778
Total	<u>\$ 13,207,984</u>	<u>\$ 13,227,191</u>

Net assets were released from donor restrictions by incurring charges satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2022</u>	<u>2021</u>
Resident financial assistance	\$ 372,571	\$ 414,318
Purchase of property and equipment	-	758,240
Other	98,943	76,970
Total	<u>\$ 471,514</u>	<u>\$ 1,249,528</u>

Net assets with donor restrictions that are held in perpetuity are available for the following purposes as of March 31:

	<u>2022</u>	<u>2021</u>
Beneficial interest in perpetual trusts	\$ 2,061,047	\$ 2,128,240
Nursing scholarship	415,480	415,480
Consciousness	154,717	154,717
Barton Arboretum	233,102	163,355
Endowment	54,214	53,539
Total	<u>\$ 2,918,560</u>	<u>\$ 2,915,331</u>

### 9. Retirement Plan

The Company sponsors a defined contribution pension plan covering all eligible employees. Plan expense was approximately \$568,000 in 2022 and \$563,000 in 2021. Plan expenses include a discretionary contribution to the plan of \$175,000 during 2021 and \$160,278 during 2022.

## The Estaugh T/A Medford Leas and Controlled Entity

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Notes to Consolidated Financial Statements

March 31, 2022 and 2021

### 10. Medical Malpractice Claims Coverage

The Company maintains professional liability coverage on a claims-made basis through Peace Church Risk Retention Group, a reciprocal risk retention group. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Company's insurance coverage or will have a material adverse effect on the consolidated financial statements.

### 11. Commitments and 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 the Company, if any, are not presently determinable.

#### COVID-19

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The Company's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were available to be issued. COVID-19 may impact various parts of the Company's future operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

### 12. Concentrations of Credit Risk

The Community grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicare and various commercial insurance companies.

The Company maintains certain cash accounts, which, at times, may exceed federally insured limits. The Company 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.

### 13. Deferred Lease

ML Housing, LLC developed owned property into a low-income housing project with Elizabeth Haddon Multi-Family Limited Partnership. The partnership paid ML Housing, LLC \$605,450 on April 11, 2007 of which \$180,450 was to repay for costs to develop the project. The other \$425,000 was to prepay 75 years of rent for use of land by the project which is managed by the partnership. The Company is amortizing the \$425,000 into operating revenue over the 75-year lease term. At March 31, 2022 and 2021, the unamortized portion of the deferred lease is \$340,000 and \$345,667, respectively, and is included in other liabilities in the accompanying consolidated balance sheets.

## The Estaugh T/A Medford Leas and Controlled Entity

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

### 14. Functional Expenses

The Company provides housing, healthcare and other related services to older adults within its geographic location. Expenses relating to providing these services are as follows for the years ended March 31, 2022 and 2021:

	<b>2022</b>		
	<b>Resident Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 10,945,593	\$ 2,131,385	\$ 13,076,978
Payroll taxes and employee benefits	2,969,494	565,618	3,535,112
Contracted services	2,100,493	256,374	2,356,867
Food costs	1,527,780	6,470	1,534,250
Pharmaceutical drugs	1,141,946	-	1,141,946
Utilities	1,046,325	-	1,046,325
Supplies and other operating expenses	2,320,791	734,443	3,055,234
Insurance	514,093	-	514,093
Depreciation	6,354,433	157,037	6,511,470
Total	<u>\$ 28,920,948</u>	<u>\$ 3,851,327</u>	<u>\$ 32,772,275</u>
	<b>2021</b>		
	<b>Resident Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 11,623,714	\$ 2,126,880	\$ 13,750,594
Payroll taxes and employee benefits	3,060,415	540,073	3,600,488
Contracted services	2,018,223	246,758	2,264,981
Food costs	1,403,429	8,838	1,412,267
Pharmaceutical drugs	1,147,082	-	1,147,082
Utilities	944,032	-	944,032
Supplies and other operating expenses	2,206,925	663,088	2,870,013
Insurance	487,868	-	487,868
Depreciation	6,102,026	148,076	6,250,102
Total	<u>\$ 28,993,714</u>	<u>\$ 3,733,713</u>	<u>\$ 32,727,427</u>

## The Estaugh T/A Medford Leas and Controlled Entity

Consolidating Schedule, Balance Sheet

March 31, 2022

	The Estaugh, T/A Medford Leas	ML Housing, LLC	Eliminations	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 4,677,051	\$ 4,557	\$ -	\$ 4,681,608
Accounts receivable, residents, net of allowance for doubtful accounts of \$52,104	738,999	-	-	738,999
Prepaid expenses and other current assets	554,287	-	-	554,287
Total current assets	5,970,337	4,557	-	5,974,894
Due From Affiliate	1,500	-	(1,500)	-
Assets Whose Use is Limited	61,717,608	-	-	61,717,608
Beneficial Interest in Split-Interest Agreements Held by Others and Perpetual Trusts	2,836,732	-	-	2,836,732
Pledge Receivable	-	-	-	-
Property and Equipment, Net	71,709,794	-	-	71,709,794
Other Assets	237,171	-	-	237,171
Total assets	<u>\$ 142,473,142</u>	<u>\$ 4,557</u>	<u>\$ (1,500)</u>	<u>\$ 142,476,199</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable, trade	\$ 786,914	\$ -	\$ -	\$ 786,914
Accounts payable, construction	469,736	-	-	469,736
Accrued expenses	1,443,906	-	-	1,443,906
Total current liabilities	2,700,556	-	-	2,700,556
Due to Affiliate	-	1,500	(1,500)	-
Paycheck Protection Program Loan	-	-	-	-
Refundable Entrance Fees and Deposits	34,364,921	-	-	34,364,921
Deferred Revenue From Advance Fees	38,226,202	-	-	38,226,202
Other Liabilities	97,670	340,000	-	437,670
Total liabilities	<u>75,389,349</u>	<u>341,500</u>	<u>(1,500)</u>	<u>75,729,349</u>
<b>Net Assets</b>				
Without donor restrictions	50,957,249	(336,943)	-	50,620,306
With donor restrictions	16,126,544	-	-	16,126,544
Total net assets	<u>67,083,793</u>	<u>(336,943)</u>	<u>-</u>	<u>66,746,850</u>
Total liabilities and net assets	<u>\$ 142,473,142</u>	<u>\$ 4,557</u>	<u>\$ (1,500)</u>	<u>\$ 142,476,199</u>

## The Estaugh T/A Medford Leas and Controlled Entity

Consolidating Schedule, Statement of Operations  
Year Ended March 31, 2022

	The Estaugh, T/A Medford Leas	ML Housing, LLC	Eliminations	Total
<b>Net Assets Without Donor Restrictions</b>				
Revenues, gains, and other support:				
Resident service revenue, net, including amortization of entrance fees of \$4,974,452	\$ 31,103,917	\$ -	\$ -	\$ 31,103,917
Other resident service revenues	640,947	26,343	-	667,290
Contributions and bequests	15,493	-	-	15,493
Investment income	10,399,863	-	-	10,399,863
Net assets released from restrictions	471,514	-	-	471,514
	<u>42,631,734</u>	<u>26,343</u>	<u>-</u>	<u>42,658,077</u>
Total revenues, gains and other support				
Expenses:				
Operations	2,837,635	-	-	2,837,635
Outpatient health center and physician	2,188,118	-	-	2,188,118
Skilled nursing	1,193,165	-	-	1,193,165
Health services, administration	534,002	-	-	534,002
Dining	3,733,507	-	-	3,733,507
Support services departments	3,326,659	-	-	3,326,659
Assisted living	3,804,544	-	-	3,804,544
Administration	3,118,272	10,399	-	3,128,671
Community wide	5,514,504	-	-	5,514,504
Depreciation	6,511,470	-	-	6,511,470
	<u>32,761,876</u>	<u>10,399</u>	<u>-</u>	<u>32,772,275</u>
Total expenses				
Operating income	9,869,858	15,944	-	9,885,802
<b>Paycheck Protection Program Loan Forgiveness</b>	2,957,800	-	-	2,957,800
<b>Change in Unrealized Gains and Losses on Investments</b>	<u>(10,027,392)</u>	<u>-</u>	<u>-</u>	<u>(10,027,392)</u>
Revenues, gains and other support in excess of expenses and increase in net assets without donor restrictions	<u>\$ 2,800,266</u>	<u>\$ 15,944</u>	<u>\$ -</u>	<u>\$ 2,816,210</u>

## The Estaugh T/A Medford Leas and Controlled Entity

Consolidating Schedule, Balance Sheet  
March 31, 2021

	The Estaugh, T/A Medford Leas	ML Housing, LLC	Eliminations	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 4,995,960	\$ 6,762	\$ -	\$ 5,002,722
Accounts receivable, residents, net of allowance for doubtful accounts of \$55,672	787,269	-	-	787,269
Prepaid expenses and other current assets	514,035	-	-	514,035
Total current assets	6,297,264	6,762	-	6,304,026
<b>Due From Affiliate</b>	13,982	-	(13,982)	-
<b>Assets Whose Use is Limited</b>	61,369,623	-	-	61,369,623
<b>Beneficial Interest in Split-Interest Agreements Held by Others and Perpetual Trusts</b>	2,943,590	-	-	2,943,590
<b>Property and Equipment, Net</b>	71,228,212	-	-	71,228,212
<b>Other Assets</b>	139,501	-	-	139,501
Total assets	<u>\$ 141,992,172</u>	<u>\$ 6,762</u>	<u>\$ (13,982)</u>	<u>\$ 141,984,952</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable, trade	\$ 785,768	\$ -	\$ -	\$ 785,768
Accounts payable, construction	350,805	-	-	350,805
Accrued expenses	2,061,498	-	-	2,061,498
Total current liabilities	3,198,071	-	-	3,198,071
<b>Due to Affiliate</b>	-	13,982	(13,982)	-
<b>Paycheck Protection Program Loan</b>	2,957,800	-	-	2,957,800
<b>Refundable Entrance Fees and Deposits</b>	33,502,143	-	-	33,502,143
<b>Deferred Revenue From Advance Fees</b>	38,034,653	-	-	38,034,653
<b>Other Liabilities</b>	-	345,667	-	345,667
Total liabilities	<u>77,692,667</u>	<u>359,649</u>	<u>(13,982)</u>	<u>78,038,334</u>
<b>Net Assets</b>				
Without donor restrictions	48,156,983	(352,887)	-	47,804,096
With donor restrictions	16,142,522	-	-	16,142,522
Total net assets	<u>64,299,505</u>	<u>(352,887)</u>	<u>-</u>	<u>63,946,618</u>
Total liabilities and net assets	<u>\$ 141,992,172</u>	<u>\$ 6,762</u>	<u>\$ (13,982)</u>	<u>\$ 141,984,952</u>

## The Estaugh T/A Medford Leas and Controlled Entity

Consolidating Schedule, Statement of Operations  
Year Ended March 31, 2021

	The Estaugh, T/A Medford Leas	ML Housing, LLC	Eliminations	Total
<b>Net Assets Without Donor Restrictions</b>				
Revenues, gains and other support:				
Resident service revenue, net, including amortization of entrance fees of \$5,026,271	\$ 30,411,472	\$ -	\$ -	\$ 30,411,472
Other resident service revenues	622,030	34,438	-	656,468
COVID grant revenue	836,195	-	-	836,195
Contributions and bequests	16,851	-	-	16,851
Investment income	1,396,117	-	-	1,396,117
Net assets released from restrictions	491,288	-	-	491,288
	<u>33,773,953</u>	<u>34,438</u>	<u>-</u>	<u>33,808,391</u>
Total revenues, gains and other support				
Expenses:				
Operations	2,732,552	-	-	2,732,552
Outpatient health center and physician	2,150,129	-	-	2,150,129
Skilled nursing	1,219,604	-	-	1,219,604
Health services, administration	521,135	-	-	521,135
Dining	3,806,482	-	-	3,806,482
Support services departments	3,284,665	-	-	3,284,665
Assisted living	4,211,797	-	-	4,211,797
Administration	3,030,686	14,878	-	3,045,564
Community wide	5,505,397	-	-	5,505,397
Depreciation	6,250,102	-	-	6,250,102
	<u>32,712,549</u>	<u>14,878</u>	<u>-</u>	<u>32,727,427</u>
Total expenses				
Operating income	1,061,404	19,560	-	1,080,964
<b>Change in Unrealized Gains and Losses on Investments</b>				
	<u>11,991,830</u>	<u>-</u>	<u>-</u>	<u>11,991,830</u>
Revenues, gains, and other support in excess of expenses	13,053,234	19,560	-	13,072,794
<b>Net Assets Released From Restrictions Used for Property and Equipment</b>				
	<u>758,240</u>	<u>-</u>	<u>-</u>	<u>758,240</u>
Increase in net assets without donor restrictions	<u>\$ 13,811,474</u>	<u>\$ 19,560</u>	<u>\$ -</u>	<u>\$ 13,831,034</u>