

# **Brooksby Village, Inc. and Subsidiary**

**Consolidated Financial Statements and  
Supplemental Information**

**December 31, 2021 and 2020**



## **Report of Independent Auditors**

To the Board of Directors  
Brooksby Village, Inc.

### ***Opinion***

We have audited the accompanying consolidated financial statements of Brooksby Village, Inc. and Subsidiary (the "Community" or "BBV"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020 and the related consolidated statements of operations, changes in net assets (deficit), and cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Community as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US 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 Community and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Supplemental Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP".

Baltimore, Maryland  
April 25, 2022

**Brooksby Village, Inc. and Subsidiary**  
**Consolidated Balance Sheets**  
**December 31, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 12,991,186	\$ 12,639,018
Short-term investments	7,030,918	7,033,837
Restricted cash equivalents (insurance related)	374,479	199,041
Accounts receivable	1,602,457	3,633,507
Inventory	266,874	608,243
Prepaid expenses and other current assets	457,654	392,201
Promissory notes receivable	3,694,500	4,099,200
Total current assets	<u>26,418,068</u>	<u>28,605,047</u>
<b>Non-current assets</b>		
Limited use cash, cash equivalents and investments		
Resident capital cash	5,942,391	3,746,523
Certificates of deposit (insurance related)	40,061	40,061
Restricted funds (bond/operating reserve related)	2,581,564	615,203
Beneficial interest in gift annuities	77,635	87,973
Beneficial interest in National CCRC Statutory Tier IV Trust	3,472,453	1,744,702
Funds with donor restrictions	1,430,025	1,481,973
Funds held for residents	283,975	259,740
Total limited use cash, cash equivalents and investments	<u>13,828,104</u>	<u>7,976,175</u>
Beneficial interest in National CCRC Business Trust I	136,298,507	119,717,722
Property and equipment, net	277,457,526	276,202,326
Right of use asset	7,075	18,868
Interest rate swap agreements	1,299,418	176,508
Total non-current assets	<u>428,890,630</u>	<u>404,091,599</u>
Total assets	<u>\$ 455,308,698</u>	<u>\$ 432,696,646</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 8,403,462	\$ 6,306,271
Claims reserve (insurance related)	912,137	897,708
Resident refunds payable	15,797,500	10,922,628
Bonds payable, current portion	1,968,317	773,387
Other current liabilities	216,930	225,420
Total current liabilities	<u>27,298,346</u>	<u>19,125,414</u>
<b>Non-current liabilities</b>		
Funds held for residents	283,975	259,740
Advance deposits	3,002,700	2,368,200
Parking deposits	15,000	15,000
Resident entrance fees, net of accumulated amortization of \$38,096,774 and \$38,645,574 for 2021 and 2020, respectively	386,980,494	381,300,622
Bonds payable, net of current portion	80,965,189	79,142,992
Accrued liability on swap agreements	—	15,818
Other non-current liabilities	45,418	743,125
Total non-current liabilities	<u>471,292,776</u>	<u>463,845,497</u>
Total liabilities	<u>498,591,122</u>	<u>482,970,911</u>
<b>Net assets (deficit)</b>		
Without donor restrictions	(44,790,084)	(51,844,211)
With donor restrictions	1,507,660	1,569,946
Total net assets (deficit)	<u>(43,282,424)</u>	<u>(50,274,265)</u>
Total liabilities and net assets (deficit)	<u>\$ 455,308,698</u>	<u>\$ 432,696,646</u>

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

**Brooksby Village, Inc. and Subsidiary**  
**Consolidated Statements of Operations**  
**December 31, 2021 and 2020**

	2021	2020
Revenue, gains and other support		
Resident occupancy revenue	\$ 66,610,388	\$ 68,910,256
Ancillary fees	6,511,543	6,580,887
Amortization of non-refundable resident entrance fees	1,237,043	924,003
Other revenue	1,974,901	2,374,874
Net assets released from restriction used for operations	1,140,483	1,124,958
Total revenue, gains and other support	<u>77,474,358</u>	<u>79,914,978</u>
Expenses		
Salaries, wages and benefits	35,277,066	36,843,578
Professional and contracted services	10,961,285	9,358,451
Supplies	3,820,687	3,590,509
Dietary and other supplies	3,544,551	3,111,123
Building grounds and maintenance	1,267,557	1,069,153
Utilities	2,673,714	2,614,001
Administrative and other	1,004,306	993,117
Management fees	2,972,225	3,103,440
Resident relations	426,582	1,093,419
Insurance	902,840	810,839
Interest	2,298,464	1,565,556
Real estate taxes	1,916,354	1,860,252
Depreciation and amortization	14,639,068	14,163,270
Expenses incurred related to net assets with donor restrictions	1,140,483	1,124,958
Total expenses	<u>82,845,182</u>	<u>81,301,666</u>
Operating loss	(5,370,824)	(1,386,688)
Non-operating income and (expenses)		
Reversal of prior amortization	(34,103)	(45,743)
Investment return, net	(10,799)	149,538
Change in beneficial interest in National CCRC Business Trust I	11,580,785	15,896,189
Realized and unrealized gain/(loss) on swap agreements	1,118,522	(5,868,161)
Loss on extinguishment of debt	—	(962,556)
Total non-operating income	<u>12,654,405</u>	<u>9,169,267</u>
Excess of revenue over expenses	<u>\$ 7,283,581</u>	<u>\$ 7,782,579</u>

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

**Brooksby Village, Inc. and Subsidiary**  
**Consolidated Statements of Changes in Net Assets (Deficit)**  
**December 31, 2021 and 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets (deficit) January 1, 2020	\$ (59,468,959)	\$ 1,561,057	\$ (57,907,902)
Restricted contributions and income earned	—	1,133,847	1,133,847
Net assets released from restriction used for operations	—	(1,124,958)	(1,124,958)
Excess of revenue over expenses	7,782,579	—	7,782,579
Capital contribution to related organization	(157,831)	—	(157,831)
Change in net assets (deficit)	<u>7,624,748</u>	<u>8,889</u>	<u>7,633,637</u>
Net assets (deficit) December 31, 2020	<u>\$ (51,844,211)</u>	<u>\$ 1,569,946</u>	<u>\$ (50,274,265)</u>
Restricted contributions and income earned	—	1,078,197	1,078,197
Net assets released from restriction used for operations	—	(1,140,483)	(1,140,483)
Excess of revenue over expenses	7,283,581	—	7,283,581
Capital contribution to related organization	(229,454)	—	(229,454)
Change in net assets (deficit)	<u>7,054,127</u>	<u>(62,286)</u>	<u>6,991,841</u>
Net assets (deficit) December 31, 2021	<u>\$ (44,790,084)</u>	<u>\$ 1,507,660</u>	<u>\$ (43,282,424)</u>

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

**Brooksby Village, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**for the years ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Change in net assets (deficit)	\$ 6,991,841	\$ 7,633,637
Adjustments to reconcile change in net assets (deficit) to net cash and restricted cash and cash equivalents provided by operating activities		
Loss on extinguishment of debt	—	962,556
Settlements related to interest rate swap classified as financing activities	20,207	576,890
Reversal of prior amortization	34,103	45,743
Depreciation and amortization	14,639,068	14,163,270
Amortization of non-refundable resident entrance fees	(1,237,043)	(924,003)
Gain on disposals of fixed assets	(4,348)	(4,793)
Amortization of bond premium	(704,230)	(150,777)
Amortization of cost of issuance	72,814	52,120
Change in fair value of swap agreement	(1,138,728)	5,291,270
Change in unrealized loss/(gain) on investments	47,322	(6,666)
Change in beneficial interest in National CCRC Business Trust I	(11,580,785)	(15,896,189)
Change in beneficial interest in National CCRC Statutory Tier IV Trust	22,249	5,298
Change in beneficial interest in gift annuities	10,338	(17,219)
Proceeds from non-refundable entrance fees	5,570,441	3,958,301
Spend down	(5,163,483)	(4,571,698)
Decrease/(increase) in accounts receivable	2,031,050	(2,014,220)
Decrease/(increase) in inventory	341,369	(446,169)
(Increase)/decrease in prepaid expenses and other current assets	(65,453)	269,335
Increase in accounts payable and accrued expenses	1,775,655	2,536,845
Increase/(decrease) in claims reserve (insurance related)	14,429	(265,878)
(Decrease)/increase in other current liabilities	(8,490)	4,713
(Decrease)/increase in other non-current liabilities	(685,914)	778,680
Net cash provided by operating activities	<u>10,982,412</u>	<u>11,981,046</u>
Cash flows from investing activities		
(Increase)/decrease in short-term investments	(44,403)	2,353,308
Decrease in limited use cash, cash equivalents and investments	368,637	8,330
Purchases of beneficial interest in National CCRC Business Trust I	(5,000,000)	(12,250,000)
Purchases of beneficial interest in National CCRC Statutory Tier IV Trust	(1,750,000)	(1,750,000)
Purchases of property and equipment	(15,572,733)	(6,740,471)
Proceeds from sale of property and equipment	4,348	4,793
Net cash used in investing activities	<u>(21,994,151)</u>	<u>(18,374,040)</u>
Cash flows from financing activities		
Payments for debt issuance costs	—	(914,022)
Refunds of parking deposits	—	(10,000)
Proceeds from refundable entrance fees	52,513,564	37,599,444
Refunds of refundable entrance fees	(40,123,638)	(29,518,776)
Repayment of purchase money note	—	(6,317,918)
Proceeds from bond issuance	—	78,107,622
Repayments of bonds payable	—	(63,619,145)
Proceeds from bond drawdowns	4,421,931	7,420,649
Principal payments of bonds payable	(773,387)	(1,628,824)
Settlements related to interest rate swap agreements	(20,207)	(10,125,590)
Net cash provided by financing activities	<u>16,018,263</u>	<u>10,993,440</u>
Increase in cash and restricted cash and cash equivalents	5,006,524	4,600,446
Cash and restricted cash and cash equivalents, beginning of year	<u>17,199,785</u>	<u>12,599,339</u>
Cash and restricted cash and cash equivalents, end of year	<u>\$ 22,206,309</u>	<u>\$ 17,199,785</u>
Supplemental cash flow disclosure:		
Change in funds held for residents	\$ 24,235	\$ (9,770)
Purchases of property and equipment in accounts payable and accrued expenses	450,813	129,278
Change in assets and liabilities under finance lease	(45,417)	175,536
Cash paid for interest	2,138,991	1,025,049

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

# Brooksby Village, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2021 and 2020

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#### 1. Organization

Brooksby Village, Inc. (the "Community") is a Maryland non-stock corporation established on July 16, 1998 operating a not-for-profit continuing care retirement community ("CCRC") located in Peabody, Massachusetts. As of December 31, 2021, the Community's available units totaled 1,539 and included 1,343 independent living units, 92 assisted care units, 60 skilled nursing beds, and 44 memory care units. As of December 31, 2021, there were 1,452 occupied units, which consisted of 1,294 independent living units, 85 assisted care units, 46 skilled nursing beds, and 27 memory care units. As of December 31, 2020, there were 1,470 occupied units, which consisted of 1,293 independent living units, 89 assisted care units, 58 skilled nursing beds, and 30 memory care units.

National Senior Communities, Inc. (formerly known as National Senior Campuses, Inc.), ("NSC"), a not-for-profit organization, was organized to support the Community and 15 other not-for-profit organizations that operate retirement communities. NSC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable state income tax regulations. NSC is the sole member of the Community and appoints all directors of the Community's Board.

Peabody Campus, LLC ("PBC") is a Maryland limited liability company which is a wholly owned subsidiary of the Community and is the owner of the land and buildings.

The Community contracts with Erickson Senior Living, LLC (formerly known as Erickson Living Management, LLC), ("ESL"), to provide management services as described in footnote 5. There are various agreements associated with the management of the Community whereby ESL is considered a related party.

#### **Coronavirus Disease 2019 Pandemic**

The Coronavirus Disease 2019 ("COVID-19") pandemic has impacted, and may continue to impact, the senior living industry and the Community. Actions taken by the Community over the past two years to mitigate the spread of COVID-19, as well as the Community's efforts to support its operating cash flow by participating in government programs that provide funding to assist in response to the pandemic, have reduced the overall net impact of COVID-19 on the Community's financial performance.

Due to the age of the Community's residents being in the highest risk category for serious illness from COVID-19, a number of safeguards were implemented in 2020 to protect the residents, as well as employees, including, among many other steps, restricting external access to the Community to essential services only. In 2021, these safeguards were adjusted to correlate to the case count levels as the different variants were circulating. Accordingly, fluctuations in labor and operating costs occurred as well as moderate impact on prospective residents touring and moving into the Community. While the combination of resident attrition and fewer new residents resulted in reduced occupancy and revenues in 2020, occupancy and revenues began returning to pre-pandemic levels in 2021.

The extent to which COVID-19 impacts the operations and financial performance of the Community in the future will depend on the duration and severity of the pandemic and the broader effects on the national economy and the local economy in which the Community operates, the Community's ongoing ability to contain its impact and mitigate the effects on its residents, and continued government programs that provide funding in response to the pandemic. While these outcomes could affect the operating results and financial position of the Community, the Community's experience in addressing the challenges of COVID-19 to date, combined with the Community's liquidity (see footnote 10 for information regarding short and long-term investments) and ability to adjust capital expenditures and curtail discretionary operating expenses, have enabled the Community to mitigate the impact of COVID-19 on its operating results and cash flow to date.



# **Brooksby Village, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **December 31, 2021 and 2020**

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Under the Coronavirus Aid, Relief, and Economic Security Act of 2020 ("CARES Act"), cash has been granted to the Community in the Public Health and Social Services Emergency Fund ("Provider Relief Fund") program. During the years ended December 31, 2021 and 2020, the Community recognized in other revenue grants received from the Provider Relief Fund totaling \$501,109 and \$1,554,084, respectively, based on laws and regulations, as well as interpretations issued by the Department of Health and Human Services ("HHS"), governing the funding that was publicly available through December 31, 2021. These grants were made available to healthcare providers to reimburse for healthcare expenses or lost revenues attributable to COVID-19 which were not reimbursed from other sources, nor which other sources were obligated to reimburse. The funds received by the Community are subject to future audits and potential adjustment in future periods and may need to be repaid in whole or in part to the government.

Through its Public Assistance program, the Federal Emergency Management Agency ("FEMA") provides assistance to not-for-profit organizations responding to major disasters or emergencies. Under the program's "Emergency Protective Measures" category, healthcare providers may be eligible for reimbursement of costs associated with providing facilities for medical care or expanding existing medical care capacity during the COVID-19 public health emergency. Generally, FEMA provides such awards on the basis of actual costs incurred. For the years ended December 31, 2021 and 2020, the Community recognized \$229,384 and \$0, respectively, in other revenue from this FEMA program.

Beyond the grants described above, the Community has recognized \$498,715 and \$183,858 of other revenue for grants received from other state and local government sources in response to pandemic relief efforts for the years ended December 31, 2021 and 2020, respectively.

In addition to government programs that provide direct funding relief, the CARES Act also allowed employers the ability to temporarily defer the employer portion of social security payroll taxes in 2020. As of December 31, 2020, the Community had deferred \$1,284,852 of the employer portion of Social Security payroll taxes, half of which was repaid in the year ended December 31, 2021 and the remainder of which will become due on December 31, 2022.

## **2. Summary of Significant Accounting Policies**

### **Basis of Presentation**

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the Community and its wholly owned subsidiary, PBC (collectively, "BBV").

### **Cash**

BBV utilizes a controlled disbursement account that funds checks as they are presented for payment which may result in a book overdraft due to timing. There was no book overdraft as of December 31, 2021 and 2020.

### **Insurance**

BBV participates in insurance plans which cover claims for employee health, professional and general liability, workers' compensation and property insurance.

### **Claims Reserve (insurance related)**

Claims reserves are estimated accrued insurance liabilities for the employee health plan, professional and general liability and workers' compensation insurance plans. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided. Claims incurred but not reported represent amounts accrued for the current year which were actuarially determined to be

# **Brooksby Village, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **December 31, 2021 and 2020**

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the amount of potential claim payments for events occurring prior to year-end, including excess amounts covered by reinsurance. The Community does not discount this liability.

#### **Employee Health Plan**

BBV participates in a self-funded employee health plan with other NSC communities that are managed by ESL. A specific stop loss policy has been purchased to reduce a portion of the plan risk. The specific stop loss reimbursement policy covers medical and prescription drug claims totaling more than \$450,000 for the years ended December 31, 2021 and 2020, per member per calendar year. Symetra Life Insurance Company provides the excess coverage and reimburses the plan for amounts over the specific stop loss deductible. NSC participants in the plan share in the payment of claims within the deductible based on their percentage of participation in the plan.

For the years ended December 31, 2021 and 2020, expenses related to the employee health plan were \$2,873,861 and \$2,541,968 respectively, and are included in salaries, wages and benefits on the Consolidated Statements of Operations. The liability for future health claims was \$292,037 and \$270,256 as of December 31, 2021 and 2020, respectively, and is included in claims reserve (insurance related) on the Consolidated Balance Sheets.

#### **Professional and General Liability Insurance**

BBV participates in a high retention professional and general liability insurance plan with ESL and other communities managed by ESL. The program has a \$2,000,000 per claim retention with a \$4,000,000 professional and general liability retention aggregate. Continental Casualty Company ("CNA") provides the lead excess coverage. To the extent a participant incurs a loss, all participants will share in paying for that loss, subject to the retention and the aggregate limits.

For the years ended December 31, 2021 and 2020, expenses related to the professional and general liability plans were \$380,913 and \$304,237, respectively, and are included in insurance expense on the Consolidated Statements of Operations. BBV follows the accounting policy of establishing reserves for all losses unpaid at the end of the year, including the excess amounts covered by CNA. These reserves have been established by management through consultation with actuaries and are recorded at the expected value to be paid. The liability for the anticipated payment for future professional and general liability claims was \$583,330 and \$590,987 as of December 31, 2021 and 2020, respectively, and is included in claims reserve (insurance related) on the Consolidated Balance Sheets.

#### **Workers' Compensation**

BBV is covered by a commercial workers' compensation policy from the Arch Insurance Company. Deductible amounts per the policy are covered by a separate policy that limits the Community's exposure to their monthly premiums. For the years ended December 31, 2021 and 2020, expenses related to the workers' compensation plan were \$789,849 and \$886,075, respectively, and are included in salaries, wages and benefits on the Consolidated Statements of Operations.

#### **Property Insurance**

BBV participates in a high deductible property insurance plan with ESL and other communities managed by ESL. The plan has a \$500,000 deductible per occurrence. CNA provides the excess coverage. To the extent a participant incurs a loss, all participants will share in paying for that loss, subject to the deductible.

For the years ended December 31, 2021 and 2020, expenses related to the property insurance plan were \$436,432 and \$348,599, respectively, and are included in insurance expense on the Consolidated Statements of Operations.

# **Brooksby Village, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **December 31, 2021 and 2020**

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#### **Concentration of Credit Risk**

Financial instruments, which subject BBV to concentrations of credit risk, consist primarily of cash, cash equivalents and certificates of deposit. Cash and cash equivalents include overnight investment arrangements with banks and investments. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. BBV has not experienced any losses on these funds.

#### **Inventory**

Inventory consists of food, personal protective equipment and other supplies which are recorded at the lower of cost or net realizable value using the first in, first out method.

#### **Promissory Notes Receivable**

Promissory notes receivable consist of short-term receivables from residents related to payment of the final installment of their entrance fee. Often, there is a timing difference between when the sale of a prospective resident's home will be finalized and the due date of the final installment on their resident entrance fee. In these cases, a short-term promissory note is issued by the resident. If the resident pays the note on or before the agreed upon due date, no interest is charged. If the resident does not pay the note by the agreed upon due date, interest may be charged from the day the note was issued through the date of payment. The promissory notes receivable balance was \$3,694,500 and \$4,099,200 as of December 31, 2021 and 2020, respectively.

#### **Resident Capital Cash, Advance Deposits, Parking Deposits and Resident Entrance Fees**

Residents are required to remit entrance fees, which vary in amount depending upon the unit to be occupied. Prospective residents are required to make certain installment payments prior to the final settlement of the given unit. These amounts are included in resident capital cash and advance deposits on the Consolidated Balance Sheets. Timing differences may cause resident capital cash to not be equal to advance deposits. Residents may reserve a designated underground parking space, based on availability, and are required to pay a refundable deposit for the space.

Entrance fees on settled units are shown as resident entrance fees on the Consolidated Balance Sheets and are reported net of amortization and spend down. In general, for each Residence and Care Agreement ("RCA") issued prior to the introduction of the 90% contracts discussed below, entrance fees are fully refundable when the unit has been vacated and released, all outstanding obligations of the resident have been paid, and the unit has been resettled and paid for by a new resident with a fee amount greater than or equal to the previous entrance fee amount.

The currently offered RCA's provide for a refundable amount of 90% of the total entrance fee and a 10% non-refundable portion ("90% contracts"). Eligibility for a refund under the 90% contracts is established when the RCA has terminated, the unit has been vacated and released, all outstanding obligations have been paid and funds are available in the Refund Account, which is the balance established to fund eligible resident refunds. The Refund Account is funded from new residents who have settled an independent living unit with a new 90% contract. The refunds are made in sequential order, based on when a former resident has met eligibility for a refund and funds are available in the Refund Account. The refund on these units is not tied to the resettlement of the former resident's specific unit. For the 90% contracts, when the unit is released the amount of the fully refundable portion of the resident entrance fee is reclassified from resident entrance fees, a non-current liability, to resident refunds payable, a current liability on the Consolidated Balance Sheets. For all entrance fee refunds due under the previous RCA, the fee is reclassified when the former resident's unit is resettled.

The 10% non-refundable portion is treated as deferred revenue and amortized into revenue on a straight line basis over an 8.5 year period, which approximates the estimated average length of time a resident resides at the Community based on Community and industry data, or over a shorter period if the RCA is terminated sooner. Amortization of non-refundable resident entrance fees is included in revenue, gains and other support on the Consolidated Statements of Operations. The amount of

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

amortization related to the 10% non-refundable portion of the deposit was \$1,237,043 and \$924,003 for the years ended December 31, 2021 and 2020, respectively, and is included in amortization of non-refundable resident entrance fees on the Consolidated Statements of Operations.

Entrance fees may be used to satisfy monthly fees if insufficient resident funds are available, resulting in a spend down of the resident's entrance fees. The amounts charged to spend down are subsequently recovered by the Community through a reduction of the amounts refunded to the resident when they leave the Community and any required refund is made. Residents' final bills are also charged to spend down which reduces the amount of their refundable entrance fee under the terms of the RCA. For the years ended December 31, 2021 and 2020, spend down activity to offset monthly charges was \$5,163,483 and \$4,571,698, respectively. The net decrease/(increase) in total spend down (spend down charges offset by recoveries) for the years ended December 31, 2021 and 2020 was \$1,675,367 and \$(324,368), respectively.

The composition of resident entrance fees, net, was as follows as of December 31:

	2021	2020
Fully refundable contracts		
Resident entrance fees	\$ 129,158,500	\$ 159,055,001
Less: Accumulated amortization	(13,639,824)	(16,301,924)
90% Contracts		
Resident entrance fees		
90% refundable portion	273,980,705	244,447,200
10% non-refundable portion	31,522,401	27,703,700
Less: Accumulated amortization	(24,456,950)	(22,343,650)
Less: Spend down	(9,584,338)	(11,259,705)
Resident entrance fees, net	<u>\$ 386,980,494</u>	<u>\$ 381,300,622</u>

**Limited Use Cash, Cash Equivalents and Investments**

BBV has restricted cash equivalents (insurance related), resident capital cash, certificates of deposit (insurance related), restricted funds (bond/operating reserve related), beneficial interest in gift annuities, beneficial interest in National CCRC Statutory Tier IV Trust, funds with donor restrictions, and funds held for residents that are comprised of cash, cash equivalents and investments, stated at fair market value. Income related to limited use cash, cash equivalents and investments is included in investment return, net, on the Consolidated Statements of Operations.

The following table provides a reconciliation of cash and restricted cash and cash equivalents reported within the Consolidated Balance Sheets that sum to the total of the same amounts shown in the Consolidated Statements of Cash Flows as of December 31:

	2021	2020
Cash	\$ 12,991,186	\$ 12,639,018
Restricted cash equivalents (insurance related)	374,479	199,041
Resident capital cash	5,942,391	3,746,523
Restricted funds (bond/operating reserve related)	2,581,564	615,203
Funds with donor restrictions	32,714	—
Funds held for residents	283,975	—
Cash and restricted cash and cash equivalents	<u>\$ 22,206,309</u>	<u>\$ 17,199,785</u>

Amounts included in restricted cash equivalents (insurance related) represent amounts required to be set aside by a contractual agreement with an insurer for the payment of general and professional liability claims. Restricted cash included in resident capital cash represents amounts required to be

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

---

set aside until the unit settles. Restricted cash included in restricted funds (bond/operating reserve related) is required per the bond agreements. Amounts included in funds with donor restrictions and funds held for residents include cash that has been contributed to funds but not yet invested.

**Charitable Gift Annuities**

BBV has been named the beneficiary in charitable gift annuities entered into by the residents with certain gift annuity foundations. As such, BBV has recorded an asset and contribution revenue for their beneficial interest in the annuities. Changes in the fair market value of the annuity are recognized as changes in the value of the charitable gift annuities within net assets with donor restrictions in the year in which they occur. For the years ended December 31, 2021 and 2020, the change in the estimated fair value was insignificant. The discount rate used to compute the present value of the beneficial interest is the rate of return a market participant would expect to receive. The balance in beneficial interest in gift annuities was \$77,635 and \$87,973 as of December 31, 2021 and 2020, respectively.

**National CCRC Business Trust I**

BBV began investing in the National CCRC Business Trust I ("Business Trust") in April 2012. The Business Trust was established by NSC to invest excess cash of its supported organizations in order to achieve long-term investment goals. NSC serves as the Trustee and has the executive management and control of the funds within the Business Trust. The Trustee invests with The Vanguard Group, Inc. and its group of registered mutual funds to limit the costs and fees incurred by the Business Trust. The Trustee has the power to conduct, operate and carry on the business of the pooled investments fund, which includes buying, holding and selling securities on behalf of the Business Trust. Redemptions from the Business Trust are permitted quarterly upon 90 calendar days' advance notice and take place as of the last business day each calendar quarter after the month end net asset value is established. There are no current designations on the assets held within the Business Trust, therefore the funds are not considered limited use. The investments held within the Business Trust are accounted for by the Community under the equity method of accounting. The Business Trust uses the net asset value per share multiplied by the number of shares held by BBV to determine BBV's share of the net assets held within the Business Trust.

BBV's investment activity related to the Business Trust was as follows as of and for the years ended December 31:

	Business Trust	
	2021	2020
Shares owned	5,641,452	5,431,127
Value of investment	\$ 136,298,507	\$ 119,717,722
Contributions made	5,000,000	12,250,000
Change in beneficial interest	11,580,785	15,896,189

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

---

Condensed financial statements and related information of the Business Trust as of December 31 are as follows:

	Business Trust	
	2021	2020
Assets	\$ 1,133,309,018	\$ 985,063,548
Liabilities	92,217	70,541
Net assets	1,133,216,801	984,993,007
Net asset value per share	24.16	22.04
Net investment income	47,184,491	32,103,187
Realized and unrealized gain from investments	48,039,303	96,520,557
Net increase in net assets	95,223,794	128,623,744

**National CCRC Statutory Tier IV Trust**

To help achieve the vision and fulfill the mission of NSC, NSC formed and maintains a long-term mission related investment portfolio ("Mission Related Investment"), the National CCRC Statutory Tier IV Trust ("Tier IV Trust"). This investment portfolio serves as a pooled investment vehicle for the investment of certain investable cash by the communities for which NSC serves as the member. The primary objective of NSC, serving as Trustee, is to ultimately grow or otherwise support the mission of NSC by managing and directing the investments made by the communities in the Tier IV Trust. Prior to an investment in a Mission Related Investment, the cash will be held with the primary objective of preserving capital as an "Interim Investment." If during a fiscal year the Tier IV Trust receives distributions of cash attributable to Interim Investments, the Tier IV Trust shall distribute that cash to the shareholders by May 15 following the end of the fiscal year. No cash distributions attributable to Interim Investments were received for the years ended December 31, 2021 and 2020. Cash held within the Tier IV Trust will, under normal circumstances, typically be considered as temporary portfolio holdings, to be used for Tier IV Trust liquidity needs or to facilitate an investment in a Mission Related Investment.

Funds in the Tier IV Trust are limited to use as determined by the Trustee. NSC, as the Trustee, has the executive management and control of the funds within the Tier IV Trust, which include fixed income funds (i.e. the Interim Investments) as of December 31, 2021. The Trustee currently invests with The Vanguard Group, Inc. and its group of registered mutual funds to limit the costs and fees incurred by the Tier IV Trust. The Trustee has the power to conduct, operate and carry on the business of the pooled investments fund, which includes buying, holding and selling securities on behalf of the Tier IV Trust. Redemptions from the Tier IV Trust are approved at the discretion of the Trustee. Although no such investments have been identified, future investments could be made in non-traditional illiquid assets or non-marketable securities and therefore, reduce the ability of the Trustee to quickly redeem these investments.

BBV began investing in the Tier IV Trust in December 2020. The investments held within the Tier IV Trust are accounted for by the Community under the equity method of accounting. The Tier IV Trust uses the net asset value per share multiplied by the number of shares held by BBV to determine BBV's share of the net assets held within the Tier IV Trust.

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

BBV's investment activity related to the Tier IV Trust was as follows as of and for the year ended December 31:

	Tier IV Trust	
	2021	2020
Shares owned	351,728	175,000
Value of investment	\$ 3,472,453	\$ 1,744,702
Contributions made	1,750,000	1,750,000
Change in beneficial interest	(22,249)	(5,298)

Condensed financial statements and related information of the Tier IV Trust as of December 31 are as follows:

	Tier IV Trust	
	2021	2020
Assets	\$ 19,902,233	\$ 10,003,423
Liabilities	59,647	33,700
Net assets	19,842,586	9,969,723
Net asset value per share	9.87	9.97
Net investment income/(loss)	113,780	(33,292)
Realized and unrealized (loss)/gain from investments	(240,917)	3,015
Net decrease in net assets	(127,137)	(30,277)

**Property and Equipment, Net**

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of 3 to 40 years. Improvements to property and equipment that substantially extend the useful life of the asset are capitalized. Repair and maintenance costs are expensed as incurred. Gains or losses on the disposition of property and equipment are recorded at the time of the disposition.

The useful lives of property and equipment are as follows:

	Useful Life
Land improvements	15
Building and building improvements	7 - 40
Furniture and fixtures	7
Equipment and vehicles	3 - 5

**Deferred Financing Costs**

Financing costs incurred in connection with the issuance of Finance Agency Bonds by the Virginia Small Business Financing Authority are included in bonds payable, net of current portion on the Consolidated Balance Sheets. These costs are being amortized over the term of the related bond issues using the straight-line method which approximates the effective interest rate method.

**Valuation of Long-Lived Assets**

The Community accounts for the valuation of long-lived assets under the guidance for *Accounting for the Impairment or Disposal of Long-Lived Assets*. This guidance requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. Management has reviewed the valuation of long-lived assets and has determined that no events of impairment occurred for the years ended December 31, 2021 and 2020.

**Lease Accounting**

The Community evaluates whether a contract is or contains a lease at the inception of the contract. Upon lease commencement, the date on which a lessor makes the underlying asset available to the Community for use, the Community classifies the lease as either an operating or finance lease. Most of the Community's equipment leases are classified as operating leases.

The Community, as lessee, recognizes a right of use asset and lease liability on the Community's Consolidated Balance Sheets for its operating and finance leases as of the lease commencement date. A right of use asset represents the Community's right to use an underlying asset for the lease term while the lease liability represents an obligation to make lease payments measured on a discounted basis. Options to extend a lease are factored into the measurement of the lease liability when it is reasonably certain that the Community will exercise the option. For the Community's leases where the rate implicit in the lease is not readily available, the Community utilizes its estimated incremental borrowing rate in determining the present value of lease payments based on information available at commencement of the lease, which reflects the fixed rate at which the Community could borrow a similar amount for the same term on a collateralized basis. Right of use assets are measured at an amount equal to the initial lease liability, plus any prepaid lease payments (less any incentives received, such as reimbursement for leasehold improvements) and initial direct costs, at the lease commencement date. Leases with an initial term of 12 months or less are not recorded on the Community's balance sheets and instead are recognized as lease expense as incurred. The Community has lease agreements with lease and non-lease components, and as a practical expedient has elected to account for lease and non-lease components together as a single combined lease component for real estate and equipment leases, from both a lessee and lessor perspective.

For operating leases, lease expense is recognized on a straight-line basis over the lease term and is included in total expenses on the Consolidated Statements of Operations. The right of use asset is generally reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the lease liability utilizing the effective interest method. For finance leases, the Community recognizes interest expense on the lease liability utilizing the effective interest method. Additionally, the right of use asset is generally amortized to depreciation and amortization expense on a straight-line basis over the lease term, unless the lease contains an option to purchase the underlying asset that the Community is reasonably certain to exercise, in which case the asset is depreciated over the useful life of the underlying asset.

For leases qualifying for the short-term lease exemption, the Community recognizes lease payments on a straight-line basis over the lease term and variable lease payments are expensed as incurred. These expenses are included as components of total expenses on the Consolidated Statements of Operations.

Refer to the Community's revenue recognition policy for discussion of the accounting policy for residency agreements, which include the lease of an asset.

The Community is also a lessor of space leased to third parties, and recognizes sublease income on a straight-line basis over the lease term in other revenue on the Consolidated Statements of Operations.

**Compensated Absences**

BBV records a liability for amounts due to employees for future absences that are attributable to services performed in the current and prior periods, which is included in accounts payable and



# **Brooksby Village, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **December 31, 2021 and 2020**

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accrued expenses on the Consolidated Balance Sheets. The expenses related to these absences are included in salaries, wages and benefits on the Consolidated Statements of Operations.

#### **Net Assets (Deficit)**

To account for donor-imposed restrictions placed on the use of resources, net assets (deficit) are classified as follows:

##### **Without Donor Restrictions**

Net assets (deficit) without donor restrictions represent resources that are not restricted by donor-imposed stipulations, including funds of \$136,298,507 and \$119,717,722 invested in the Business Trust as of December 31, 2021 and 2020, respectively. They are available for the support of all Community operations and services. Net assets (deficit) without donor restrictions are free of donor imposed restrictions and include all revenue, expenses, gains and losses that are not changes in net assets (deficit) with donor restrictions.

##### **With Donor Restrictions**

Net assets with donor restrictions represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations. These restrictions may or may not expire by the passage of time or by the fulfillment of certain actions pursuant to those stipulations.

#### **Capital Contribution to Related Organization**

The Community renewed its agreement with NSC ("Affiliation Agreement") in 2020. Pursuant to the Affiliation Agreement, the Community may make a contribution to the Mission Fund to be used as approved by the NSC Board for the benefit of one or more of its communities or to support NSC's corporate purposes or charitable mission.

#### **Excess of Revenue Over Expenses**

The Consolidated Statements of Operations include excess of revenue over expenses, which includes all revenue and expenses that are an integral part of the Community's activities.

#### **Revenue Recognition**

##### *Resident occupancy revenue*

Resident occupancy 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 payers 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 occupancy revenue is recognized as performance obligations are satisfied.

Under the Community's RCA's, which are generally for the resident's lifetime, but can be terminated at any time by the resident with 60 days' notice, the Community provides continuing care services to residents for a stated daily or monthly fee. The Community recognizes revenue for continuing care services under the RCA for independent living in accordance with the provisions of ASC 842, *Leases* ("ASC 842"). The Community recognizes revenue for assisted living services, skilled nursing residency and care, memory care residency and therapy services in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). The Community has determined that the continuing care services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time.

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

---

The independent living portion of resident occupancy revenue that qualified under the provisions of the lease guidance was \$46,037,239 and \$45,398,260 for the years ended December 31, 2021 and 2020, respectively.

The Community determines the transaction price based on standard charges for continuing care services provided, reduced by contractual adjustments (explicit price concessions) provided to third-party payers where applicable. The Community estimates contractual adjustments and discounts based on contractual agreements and historical experiences. The Community evaluates a resident's ability to pay for provided services through an assessment of their available assets, future sources of revenue and the security of their entrance fee at the time of entrance to the Community. Through this evaluation, the Community has determined that it does not offer implicit price concessions. The lack of implicit price concessions is considered in estimating the transaction price billed to residents and the amounts the Community expects to collect based on its collection history with those residents. Residents who meet the Community's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare: Certain nursing care services are paid at prospectively determined rates based on clinical, diagnostic and other factors. Other services are paid based on cost-reimbursement methodologies subject to certain limits.

Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates per occasion of service, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates.

Generally, residents who are covered by third-party payers are responsible for related deductibles and coinsurance which vary in amount. Management estimates the transaction price for residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments. Subsequent changes to the estimate of the transaction prices are generally recorded as adjustments to resident occupancy revenue or ancillary fees in the period of the change. These changes to estimates that were recorded in the subsequent period were insignificant for the years ended December 31, 2021 and 2020. Subsequent changes that are determined to be the results of an adverse change in a payer's ability to pay are recorded as a reduction to revenue and were not significant for the years ended December 31, 2021 and 2020.

*Ancillary fees*

Ancillary fees, which include nursing and aide services, pharmacy charges, housekeeping, dining room sales and other services provided to the residents of the Community, are reported at the amount that reflects the consideration to which the Community expects to be entitled in exchange for providing these services. The Community recognizes revenue for these ancillary services in accordance with the provisions of ASC 606. Each service provided under the contract is capable of being distinct, therefore, the services are considered individual and separate performance obligations, which are satisfied as services are provided, and revenue is recognized as services are provided.

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

**Disaggregation of Revenue**

The Community disaggregates its revenue from contracts with customers by payer source as well as the main lines of business, as the Community believes it best depicts how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. See details in the tables below.

The composition of resident occupancy revenue by payer and level of care was as follows for the years ended December 31:

	2021				
	Independent living	Assisted living	Skilled nursing and other	Memory care	Total
Private pay	\$ 46,037,239	\$ 9,051,067	\$ 4,531,164	\$ 3,154,390	\$ 62,773,860
Medicare and Medicaid	—	—	3,241,210	—	3,241,210
Third party	—	—	595,318	—	595,318
Total resident occupancy revenue	<u>\$ 46,037,239</u>	<u>\$ 9,051,067</u>	<u>\$ 8,367,692</u>	<u>\$ 3,154,390</u>	<u>\$ 66,610,388</u>
	2020				
	Independent living	Assisted living	Skilled nursing and other	Memory care	Total
Private pay	\$ 45,398,260	\$ 8,519,239	\$ 8,243,056	\$ 3,187,146	\$ 65,347,701
Medicare and Medicaid	—	—	2,986,540	—	2,986,540
Third party	—	—	576,015	—	576,015
Total resident occupancy revenue	<u>\$ 45,398,260</u>	<u>\$ 8,519,239</u>	<u>\$ 11,805,611</u>	<u>\$ 3,187,146</u>	<u>\$ 68,910,256</u>

The composition of ancillary fees by payer and level of care was as follows for the years ended December 31:

	2021				
	Independent living	Assisted living	Skilled nursing and other	Memory care	Total
Private pay	\$ 2,375,295	\$ 83,929	\$ 1,935,791	\$ 25,272	\$ 4,420,287
Medicare and Medicaid	—	—	1,326,888	—	1,326,888
Third party	30,621	—	733,747	—	764,368
Total ancillary fees	<u>\$ 2,405,916</u>	<u>\$ 83,929</u>	<u>\$ 3,996,426</u>	<u>\$ 25,272</u>	<u>\$ 6,511,543</u>
	2020				
	Independent living	Assisted living	Skilled nursing and other	Memory care	Total
Private pay	\$ 1,873,966	\$ 77,185	\$ 2,465,560	\$ 14,389	\$ 4,431,100
Medicare and Medicaid	—	—	1,369,063	—	1,369,063
Third party	15,858	—	764,866	—	780,724
Total ancillary fees	<u>\$ 1,889,824</u>	<u>\$ 77,185</u>	<u>\$ 4,599,489</u>	<u>\$ 14,389</u>	<u>\$ 6,580,887</u>

**Income Taxes**

BBV is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable state income tax regulations. PBC is a single member limited liability company and has elected to be disregarded for federal and state income tax purposes. The financial statement activity of PBC is reflected on BBV's books and records. Management has evaluated BBV's tax positions and has concluded that BBV has taken no uncertain tax positions that would require recognition or disclosure in the consolidated financial statements.

# Brooksby Village, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2021 and 2020

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#### **Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

#### **Interest Rate Swaps**

BBV follows accounting guidance on derivative financial instruments that is based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. The criteria for designating a derivative as a hedge includes the assessments of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transactions, and the assessment of the probability that the underlying transaction will occur. All of BBV's derivative financial instruments are interest rate swap agreements without hedge accounting designation.

The value of the interest rate swap agreements entered into by BBV is adjusted to market value quarterly at the close of the accounting period based upon quotations from market makers. The change in market value, if any, is recorded in the Consolidated Statements of Operations. Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayment, market and documentation risk in excess of the amounts recognized on the Consolidated Balance Sheets. Such risks involve the possibility that there will be no liquid market for these agreements, the counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates. BBV does not hold derivative instruments for the purpose of managing credit risk and enters into derivative transactions with high quality counterparties. BBV recognizes gains and losses from the changes in fair values of the interest rate swap agreements within the performance indicator excess of revenue over expenses on the Consolidated Statements of Operations.

#### **Recently Adopted Accounting Pronouncements**

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 is intended to improve the effectiveness of disclosure requirements on fair value measurement. Amongst other changes, ASU 2018-13 removes: i) the requirement to disclose the amounts and reasons for transfers between Level 1 and Level 2, ii) the requirement to disclose the policy for timing of transfers between levels of the fair value hierarchy, iii) disclosure of the valuation processes for Level 3 fair value measurements, and iv) the requirement for nonpublic entities to disclose the changes in unrealized gains and losses included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. In addition, ASU 2018-13 modifies the disclosure requirements to: i) allow nonpublic companies to disclose transfers into and out of Level 3 and purchases and issues of Level 3 assets and liabilities as an alternative to reconciling the opening balances to the closing balances of recurring Level 3 fair value measurements, and ii) require disclosure for investments in certain entities that calculated net asset value of the timing of liquidation of an investee's assets and the date redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly. ASU 2018-13 is effective for fiscal years, and interim periods with those fiscal years, beginning after December 15, 2019 with early adoption permitted. The Community adopted this guidance beginning with fiscal year ended December 31, 2020. The impact of this guidance did not have a material effect on the Community's consolidated financial statements. Refer to footnote 7.

#### **Recently Issued Accounting Pronouncements**

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* ("Topic 848"). This guidance provides relief from the application of certain contract modification guidance during the transition to alternative reference rates, including LIBOR. Optional expedients are provided for contract

# Brooksby Village, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2021 and 2020

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modification that replace a reference rate affected by reference rate reform and related contemporaneous modifications, including prospective contract modifications for debt contracts. Exceptions are provided for changes to the critical terms of a hedging relationship due to reference rate reform. Expedients are provided for cash flow hedging relationships and fair value hedging relationships. These provisions are available from March 12, 2020 until December 31, 2023. The Community is currently evaluating the effect of reference rate reform on its contracts.

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. The current standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. ASU 2016-13 is effective for the Community for fiscal years beginning after December 15, 2022. The Community is currently evaluating the impact of this update on the consolidated financial statements.

### 3. Leases

The Community has operating and finance leases for certain equipment used in the operation of the Community. Equipment leases contain fixed monthly lease payments, and in some circumstances annual rent escalators. The future minimum lease payments recognized on the balance sheets include fixed payments and any variable payments utilizing an index or rate known on the lease commencement date. These lease arrangements are generally for terms of one to three years and may contain an option to renew for one to two additional years. Generally, the Community does not consider any additional renewal periods to be reasonably certain of being exercised, as comparable equipment could be identified within the same area for comparable lease rates.

The Community’s total lease cost associated with its leases was as follows for the years ended December 31:

	2021	2020
Finance lease cost		
Amortization of right of use assets	\$ 45,103	\$ 40,227
Interest on lease liabilities	1,365	2,441
Operating lease cost	\$ 12,088	\$ 185,766
Short-term lease cost	—	84,511
Total lease cost	<u>\$ 12,088</u>	<u>\$ 270,277</u>

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

The supplemental balance sheet information related to leases was as follows as of December 31:

	2021	2020
<b>Operating</b>		
Lease right of use assets	\$ 7,075	\$ 18,868
Lease liabilities		
Other current liabilities	\$ 7,076	\$ 11,093
Other non-current liabilities	—	7,775
Total operating lease liabilities	<u>\$ 7,076</u>	<u>\$ 18,868</u>
<b>Finance</b>		
Property and equipment, net	\$ 90,206	\$ 135,309
Lease liabilities		
Other current liabilities	\$ 45,418	\$ 43,329
Other non-current liabilities	45,418	92,924
Total finance lease liabilities	<u>\$ 90,836</u>	<u>\$ 136,253</u>

The weighted-average discount rate and weighted-average remaining lease term of the Community's operating and finance leases was as follows as of December 31:

	2021	2020
Weighted average discount rate		
Operating	2.81%	2.81%
Finance	1.88%	1.88%
Weighted average remaining lease term (in years)		
Operating	0.49	1.49
Finance	2.08	3.08

As of December 31, 2021, the future payments due under operating and finance leases were:

	Operating	Finance
2022	\$ 7,253	\$ 45,518
2023	—	45,518
2024	—	2,529
2025	—	—
2026	—	—
Years thereafter	—	—
Total future minimum lease payments	<u>7,253</u>	<u>93,565</u>
Less: Amount representing interest	<u>(177)</u>	<u>(2,729)</u>
Lease liabilities recognized	<u>\$ 7,076</u>	<u>\$ 90,836</u>

In addition, the Community has leased space to various vendors who provide services to the residents as an accommodation. These agreements have terms from 1 to 5 years and most are for a fixed monthly rate; however, some do include a variable component in the final monthly price.

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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The future payments to be received under current operating lease agreements where the Community is the lessor (including resident contracts for Independent Living units) as of December 31, 2021 were approximately \$46.4 million in each of the next five years.

**4. Property and Equipment, Net**

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

	2021	2020
Land and land improvements	\$ 22,832,924	\$ 21,985,517
Building and building improvements	393,588,614	389,480,610
Furniture and fixtures	2,763,949	2,787,284
Equipment and vehicles	10,317,511	10,117,607
	<u>429,502,998</u>	<u>424,371,018</u>
Less: Accumulated depreciation	(167,652,607)	(155,341,239)
	<u>261,850,391</u>	<u>269,029,779</u>
Open projects	15,607,135	7,172,547
Total property and equipment, net	<u>\$ 277,457,526</u>	<u>\$ 276,202,326</u>

Depreciation expense was \$14,639,068 and \$14,163,270 for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, BBV disposed of fully depreciated assets totaling \$2,327,700 and \$2,438,223, respectively. There were gains of \$4,348 and \$4,793 related to these disposals for the years ended December 31, 2021 and 2020, respectively.

**5. Management and Marketing Agreement**

On April 30, 2010, BBV and ESL entered into a Management and Marketing Agreement. ESL will provide management and marketing services to BBV during the term of this agreement in exchange for a management fee and allocation of certain costs to the Community as discussed below. The agreement has been amended various times since inception, including on June 30, 2020; this current agreement expires on November 1, 2042. The management fee includes a Base Fee, which increases annually by the increase in the Consumer Price Index for the Baltimore-Towson Metropolitan Statistical Area and a monthly Incentive Fee, which may not exceed 25% of the applicable Base Fee, based on the applicable percentage of the total actual occupancy fees over the applicable Base Fee. Management fees for the years ended December 31, 2021 and 2020 were \$2,972,225 and \$3,103,440, respectively.

The direct and shared costs allocated to BBV by ESL for the years ended December 31, 2021 and 2020 were \$6,738,115 and \$6,438,298, respectively, and are included in professional and contracted services and salaries, wages and benefits on the Consolidated Statements of Operations. Direct and shared costs include salaries and benefits for management personnel and the use of services such as finance, legal, human resources, information systems, and operations.

**6. Defined Contribution Plan**

BBV maintains a defined contribution plan for BBV employees meeting certain eligibility requirements. Eligible employees may contribute up to 50% of their salary subject to the maximum allowed by the Internal Revenue Code on a pretax basis. BBV may make discretionary contributions to the plan equal to a percentage of the participant's elective deferrals. Total expense recognized by BBV was \$698,071 and \$433,933 for the years ended December 31, 2021 and 2020, respectively, and is included in salaries, wages and benefits on the Consolidated Statements of Operations.

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

**7. Fair Value of Financial Instruments**

The fair value measurement standard establishes measurement criteria and a hierarchy for ranking the quality and reliability of the information used to determine fair values. Fair value is a market-based measurement that defines the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standard requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The financial instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Each of the financial instruments below was valued utilizing the market approach.

The following table summarizes the valuation of BBV's financial instruments by the above pricing levels as of:

	December 31, 2021			
	Unadjusted Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
<b>Current assets</b>				
Short-term investments				
Money market funds	\$ 233,461	\$ —	\$ —	\$ 233,461
Fixed income securities	—	3,595,845	—	3,595,845
U.S. agency securities	—	354,369	—	354,369
Equity securities	2,847,243	—	—	2,847,243
Restricted cash equivalents (insurance related)				
Money market funds	374,479	—	—	374,479
	<u>\$ 3,455,183</u>	<u>\$ 3,950,214</u>	<u>\$ —</u>	<u>\$ 7,405,397</u>
<b>Non-current assets</b>				
Limited use cash, cash equivalents and investments				
Resident capital cash				
Cash	\$ 5,942,391	\$ —	\$ —	\$ 5,942,391
Certificates of deposit (insurance related)	—	40,061	—	40,061
Restricted funds (bond/operating reserve related)				
Money market funds	2,581,564	—	—	2,581,564
Beneficial interest in gift annuities	—	—	77,635	77,635
Funds with donor restrictions				
Cash	32,714	—	—	32,714
Fixed income securities	788,083	—	—	788,083
Equity securities	609,228	—	—	609,228
Funds held for residents				
Cash	283,975	—	—	283,975
Interest rate swap agreements	—	1,299,418	—	1,299,418
	<u>\$ 10,237,955</u>	<u>\$ 1,339,479</u>	<u>\$ 77,635</u>	<u>\$ 11,655,069</u>



**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

	December 31, 2020			
	Unadjusted Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
<b>Current assets</b>				
Short-term investments				
Cash	\$ 904	\$ —	\$ —	\$ 904
Money market funds	30,722	—	—	30,722
Fixed income securities	—	3,907,279	—	3,907,279
U.S. agency securities	—	330,515	—	330,515
Equity securities	2,764,417	—	—	2,764,417
Restricted cash equivalents (insurance related)				
Money market funds	199,041	—	—	199,041
	<u>\$ 2,995,084</u>	<u>\$ 4,237,794</u>	<u>\$ —</u>	<u>\$ 7,232,878</u>
<b>Non-current assets</b>				
Limited use cash, cash equivalents and investments				
Resident capital cash				
Cash	\$ 3,746,523	\$ —	\$ —	\$ 3,746,523
Certificates of deposit (insurance related)	—	40,061	—	40,061
Restricted funds (bond/operating reserve related)				
Money market funds	615,203	—	—	615,203
Beneficial interest in gift annuities	—	—	87,973	87,973
Funds with donor restrictions				
Fixed income securities	886,229	—	—	886,229
Equity securities	595,744	—	—	595,744
Funds held for residents				
Cash	259,740	—	—	259,740
Interest rate swap agreements	—	176,508	—	176,508
	<u>\$ 6,103,439</u>	<u>\$ 216,569</u>	<u>\$ 87,973</u>	<u>\$ 6,407,981</u>
<b>Non-current liabilities</b>				
Accrued liability on swap agreements	\$ —	\$ 15,818	\$ —	\$ 15,818

**Cash and Money Market Funds**

These investments are carried at amortized cost which approximates fair value. These investments are considered Level 1 investments because they use unadjusted quoted market prices in active markets for identical assets or liabilities.

**Certificates of Deposit**

Certificates of deposit have original maturities of more than three months and are considered short-term investments. These investments are carried at amortized cost which approximates fair value. Computed prices and frequent evaluation versus market value render the certificates of deposit a Level 2 investment.

**Fixed Income Securities and Equity Securities (Level 1)**

These investments are actively traded on a primary exchange and are valued at the last sale price on the security's primary exchange, which renders them a Level 1 investment. The fair market value of these securities fluctuates with the underlying stock price. Significant changes in the stock price of the underlying equity are analyzed and any other-than-temporary impairments are recorded upon determination.

**Fixed Income Securities (Level 2)**

These investments are not actively traded on a primary exchange which renders them a Level 2 investment. These investments fluctuate in value based upon changes in the interest rates.

# Brooksby Village, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2021 and 2020

Significant changes in the credit quality of the underlying entity are analyzed and any other-than-temporary impairments are recorded upon determination.

#### U.S. Agency Securities

For investments in U.S. agency securities, fair value is based on the average of the last reported bid or ask prices which renders them a Level 2 investment. These investments fluctuate in value based upon changes in interest rates.

#### Interest Rate Swaps

BBV measures the interest rate swaps at fair value on a recurring basis. The interest rate swap agreements are valued using a pricing service at net present value. These evaluated prices render these instruments Level 2 investments. The fair value of the swap agreements will change as long-term interest rates fluctuate over time. See footnote 8.

#### Beneficial Interest in Gift Annuities

The fair value of the beneficial interest in gift annuities is based on the present value of the estimated future cash flows to the Community. This investment is considered a Level 3 investment due to the requirement of an actuarial analysis to properly value the assets. These investments are not actively traded nor do they contain observable inputs that would assist in a regularly occurring valuation.

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

## 8. Bonds Payable and Interest Rate Swaps

The Community's debt was comprised of the following as of December 31:

	2021	2020
Virginia Small Business Financing Authority, The Obligated Group of National Senior Communities, Inc., Series 2020A, Truist Bank, tax-exempt, fixed rate, final maturity January 1, 2051	\$ 64,950,833	\$ 64,950,834
Virginia Small Business Financing Authority, The Obligated Group of National Senior Communities, Inc., Series 2020B drawdown bonds, STI Institutional & Government, Inc., tax-exempt, variable rate, due October 15, 2035	7,394,773	2,972,842
Virginia Small Business Financing Authority, The Obligated Group of National Senior Communities, Inc., Series 2020 Term Loan, Truist Bank, taxable, variable rate, due October 15, 2028	5,608,783	6,382,170
Subtotal	\$ 77,954,389	\$ 74,305,846
Less: Current portion	(1,968,317)	(773,387)
Less: Deferred financing costs, net	(826,670)	(899,484)
Add: Bond premium	5,805,787	6,510,017
Bonds payable, net of current portion	\$ 80,965,189	\$ 79,142,992

#### Series 2013

In June 2013, BBV entered into agreements with the Massachusetts Development Finance Agency (the "Agency") and Branch Banking and Trust Company ("BB&T") whereby the Agency agreed to issue \$61,750,000 in a tax-exempt revenue bond (the "Series 2013 Bond") and BBV issued a \$3,000,000 taxable note, which matured in 2015, to refund BBV's previously issued bonds and to provide additional liquidity to finance new capital projects. The Series 2013 Bond was extinguished through the refinancing of debt and the issuance of the Series 2020 Obligated Group bonds discussed below.

# **Brooksby Village, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **December 31, 2021 and 2020**

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#### **Series 2017**

On November 7, 2017 BBV entered into agreements with the Agency and BB&T whereby the Agency agreed to issue \$30,000,000 in a tax-exempt revenue bond (the "Series 2017 Bond") to fund repositioning projects and capital expenditures at the Community. The bond issued by the Agency was purchased by BB&T as a tax-exempt non-bank qualified loan. As of December 31, 2019 BB&T had made advances to BBV of \$5,740,338 for reimbursement of capital expenditures with additional advances of \$4,447,807 made during the year ended December 31, 2020. The Series 2017 Bond was extinguished through the refinancing of debt and the issuance of the Series 2020 Obligated Group bonds.

#### **Obligated Group of National Senior Communities, Inc.**

The Obligated Group of National Senior Communities, Inc. (the "Obligated Group", formerly known as the Obligated Group of National Senior Campuses, Inc.) consists of Ann's Choice, Inc., Brooksby Village, Inc., Cedar Crest Village, Inc., Greenspring Village, Inc. and Seabrook Village, Inc. (each a "Member" and collectively, the "Obligated Group Members"). The Obligated Group Members are jointly and severally liable for all Obligated Group indebtedness through a claim on and a security interest in all of the receipts and in certain Pledged Assets as established by the Master Trust Indenture ("MTI"). Pursuant to the MTI, the Obligated Group is required to achieve a minimum Historical Debt Service Coverage Ratio of 1.2 and 120 Days' Cash On Hand for each fiscal year.

In October 2020, at the request of the Obligated Group, the Virginia Small Business Financing Authority issued its Revenue Bonds (The Obligated Group of National Senior Communities, Inc.) Series 2020A and Series 2020B Bonds (the "Series 2020A Bonds" and the "Series 2020B Bonds"). Concurrently, the Obligated Group also obtained a taxable loan from Truist Bank (the "2020 Taxable Loan"). The Series 2020A and Series 2020B Bonds, together with the 2020 Taxable Loan are referred to as the 2020 OG Financing. The 2020 OG Financing proceeds are allocated amongst Obligated Group Members based on the amount of loan proceeds each member received as set forth in the Allocation and Contribution Agreement. In conjunction with the issuance of the 2020B Bonds and the obtaining of the 2020 Taxable Loan, the Obligated Group also entered into two interest rate swap agreements in order to mitigate the floating interest rate risk associated with these financial instruments.

The Obligated Group's total balance of bonds payable was \$469,690,716 and \$443,107,245 as of December 31, 2021 and 2020, respectively.

#### **Series 2020A Bonds**

The aggregate principal amount of the Series 2020A Bonds is \$381,030,000. The bonds were issued to refund all of the previously issued and outstanding debt held by the Obligated Group Members, to reimburse certain Members for previous capital expenditures and to finance swap termination fees and other costs of issuance. The Series 2020A Bonds consist of \$184,065,000 tax-exempt, fixed rate serial bonds and \$196,965,000 tax-exempt, fixed rate term bonds with coupons ranging from 3.375% to 5.00% and with final maturity date of January 1, 2051. The Series 2020A Bonds were issued at a premium of \$39,075,134 which is being amortized over the life of the bonds. BBV's portion of the proceeds from the Series 2020A Bond issuance was \$71,611,628 which included a net premium of \$6,660,794.

#### **Series 2020B Bonds**

The aggregate principal amount of the Series 2020B Bonds is \$118,800,000. The bonds were issued to fund certain repositioning projects at the Obligated Group Member communities as well as to pay certain costs of issuance and swap termination fees. The bonds issued by the Issuer were purchased by STI Institutional & Government, Inc. ("STING"). STING has agreed to advance the proceeds to the Obligated Group over the course of the implementation of the projects. At the time of closing, STING made an initial advance to the Obligated Group of \$3,800,000. The 2020B Bonds will have advance proceeds provided to the Obligated Group through October 1, 2023, with first principal payment due in November, 2023 in accordance with the repayment schedule. The advance proceeds provided to the Obligated Group in 2020 were \$8,106,243. The Series 2020B Bonds have a mandatory tender

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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date of October 15, 2035. The initial interest rate for the 2020B Bonds is set at 79% of the sum of one-month LIBOR plus a spread of 110 basis points and subject to a 25 basis point LIBOR floor. Interest is payable only on advanced proceeds. The interest rate related to the Series 2020B Bonds was 1.07% and 1.07% as of December 31, 2021 and 2020, respectively. There is an interest rate swap in place for the portion of the interest rate on the Series 2020B Bonds that resets monthly based on 79% of one-month LIBOR (refer to the Derivative Financial Instruments discussion below). BBV's portion of the advance proceeds from the Series 2020B Bonds available to be drawn through October 1, 2023 was \$34,688,287 in total as of December 31, 2021 and 2020. BBV's portion of the advance proceeds outstanding was \$7,394,773 and \$2,972,842 as of December 31, 2021 and 2020, respectively.

**2020 Taxable Term Loan**

The principal amount of the 2020 Taxable Term Loan was \$16,950,000 and the loan was issued in order to refund all of the previously issued taxable debt and outstanding purchase money note held by certain Obligated Group Members and to pay certain costs of issuance and swap termination fees. The interest rate on the 2020 Taxable Term Loan is set at an initial rate of one-month LIBOR plus a spread of 100 basis point and subject to a 25 basis point LIBOR floor. Interest is payable only on advanced proceeds. The interest rate related to the 2020 Taxable Term Loan was 1.25% and 1.25% as of December 31, 2021 and 2020, respectively. There is an interest rate swap in place for the portion of the interest rate on the 2020 Taxable Term Loan that resets monthly based on one-month LIBOR (refer to the Derivative Financial Instruments discussion below). BBV's portion of the proceeds from the 2020 Taxable Term Loan was \$6,495,994.

The Obligated Group incurred deferred financing costs of \$4,751,208 in connection with the 2020 OG Financing, and are included in bonds payable, net of current portion on the Consolidated Balance Sheets. BBV's portion of the deferred financing costs was \$914,022. The remaining unamortized deferred financing costs of \$962,556 related to the Series 2013 Bond and Series 2017 Bonds are included in loss on extinguishment of debt on the Consolidated Statements of Operations. Amortization of cost of issuance was \$72,814 and \$52,120 for the years ended December 31, 2021 and 2020, respectively.

Future principal payments required by BBV under the bond agreements, are as follows as of December 31, 2021:

2022	\$ 1,968,317
2023	2,047,653
2024	2,098,781
2025	2,235,688
2026	2,325,695
Years thereafter	<u>67,278,255</u>
Total future principal payments	77,954,389
Less: Current portion	(1,968,317)
Less: Deferred financing costs, net	(826,670)
Add: Bond premium	<u>5,805,787</u>
Bonds payable, net of current portion	<u>\$ 80,965,189</u>

**Derivative Financial Instruments**

In conjunction with the issuance of the Series 2013 Bond, BBV entered into an interest rate swap agreement with BB&T that required BBV to make interest rate payments based on a fixed rate of 3.34% and receive payments based on the variable rate of the bond. On October 13, 2017, in conjunction with the issuance of the Series 2017 Bond, the Series 2013 interest rate swap agreement with BB&T was amended in order to reduce the interest rate and is structured to match the interest rate convention, notional amortization and initial term of the bond. The new Series 2013 swap agreement effective November 1, 2017 required BBV to make interest rate payments based on a fixed rate equal to 2.80% and receive payments based on the variable rate of the bond. On February

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

1, 2019 the Series 2013 swap agreement was replaced to adjust the interest rate based on a fixed rate equal to 3.24%. The interest rate swap agreement in the amount of \$6,520,142 was terminated on October 15, 2020 in conjunction with the issuance of the Obligated Group Bonds.

On September 20, 2017, BBV entered into an interest rate agreement with an effective date of October 1, 2020 with BB&T to manage their exposure to interest rate risk associated with the issuance of the Series 2017 Bond. Interest on the forward starting swap was determined as 68% of one-month LIBOR plus 1.08% floating rate spread. The swap agreement with BB&T required BBV to make interest rate payments based on a fixed rate equal to 2.88% and receive payments based on the variable rate of the bond. On March 8, 2019 the Series 2017 swap agreement was replaced to adjust the interest rate based on a fixed rate equal to 3.38%. The interest rate swap agreement in the amount of \$ 3,457,831 was terminated on October 15, 2020 in conjunction with the issuance of the Obligated Group Bonds.

In conjunction with the issuance of the Series 2020B Bonds, BBV together with other Obligated Group Members entered into a forward interest rate swap agreement with Truist Bank (the "Swap Counterparty") dated October 7, 2020, with an effective date of October 1, 2023. The swap agreement has a notional amount of \$118,800,000 which will amortize in accordance with the scheduled principal amortization of the Series 2020B Bonds. Pursuant to the swap agreement, BBV jointly with other Obligated Group Members has agreed to pay the Swap Counterparty scheduled payments using a fixed rate equal to 0.92%, and receive payments based on 79% of one month USD-LIBOR-BBA commencing on October 15, 2023 through and including the termination date of October 1, 2035.

In conjunction with the issuance of the Series 2020 Term Loan, BBV together with other Obligated Group Members entered into a new interest rate swap agreement with the Swap Counterparty dated October 7, 2020, with an effective date of October 15, 2020. The swap agreement has a notional amount of \$16,950,000 which will amortize in accordance with the scheduled principal amortization of the Series 2020 Term Loan. Pursuant to the swap agreement, BBV jointly with other Obligated Group Members has agreed to pay the Swap Counterparty scheduled payments determined using a fixed rate equal to 0.44% and receive payments based on one month USD-LIBOR-BBA commencing on October 15, 2020 through and including the termination date of October 1, 2028. The floating rate was 0.10% and 0.15% as of December 31, 2021 and 2020, respectively.

The change in market value of the swaps is recorded in excess of revenue over expenses in the Statements of Operations.

The fair market value of the interest rate swap and the related realized and unrealized (gain)/loss were as follows as of and for the year ended December 31:

Classification of derivatives in Consolidated Balance Sheets	Fair Market Value	
	2021	2020
Derivatives not designated as hedging instruments		
Interest rate swap agreements	\$ 1,299,418	\$ 176,508
Accrued liability on swap agreements	—	(15,818)
Classification of derivatives gain/(loss) in Consolidated Statements of Operations	Amount of Gain/(Loss) Recognized in Excess of Revenue Over Expenses	
	2021	2020
Derivatives not designated as hedging instrument		
Unrealized gain on interest rate swaps	\$ 1,138,728	\$ 160,690
Realized loss on interest rate swaps	(20,206)	(6,028,851)
Realized and unrealized gain/(loss) on swap agreements	\$ 1,118,522	\$ (5,868,161)

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**9. Net Assets With Donor Restrictions**

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

	2021	2020
Resident care	\$ 87,636	\$ 97,635
Scholarship	1,399,775	1,452,513
Staff appreciation	20,249	19,798
Total funds with donor restrictions	<u>\$ 1,507,660</u>	<u>\$ 1,569,946</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes for the years ended December 31:

	2021	2020
Resident care	\$ 719,999	\$ 771,797
Scholarship	420,484	353,161
Total net assets released from restriction	<u>\$ 1,140,483</u>	<u>\$ 1,124,958</u>

Staff appreciation funds totaling \$213,234 and \$236,504 were expended during the years ended December 31, 2021 and 2020, respectively. These amounts are included in both other revenue and salaries, wages and benefits on the Consolidated Statements of Operations.

**10. Liquidity and Availability**

Financial assets available for general expenditure within one year of the balance sheet date consisted of the following as of December 31:

	2021	2020
Cash	\$ 12,991,186	\$ 12,639,018
Short-term investments	7,030,918	7,033,837
Accounts receivable	1,602,457	3,633,507
Promissory notes receivable	3,694,500	4,099,200
Beneficial interest in National CCRC Business Trust I	136,298,507	119,717,722
	<u>\$ 161,617,568</u>	<u>\$ 147,123,284</u>

The Community has certain assets invested in the Business Trust which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above.

As part of the Community's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and the Business Trust. These funds invested with the Business Trust may be drawn upon, if necessary, to meet unexpected liquidity needs.

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

**11. Functional Expenses**

BBV provides program services to residents within the Community. Operating expenses by nature and function related to providing these services were as follows for the years ended December 31:

	2021				
	Program Services			Support Services	Total
	Independent Living	Continuing Care	Ancillary Health	General and Administration	
Expenses					
Salaries, wages and benefits	\$ 13,738,063	\$ 13,423,752	\$ 2,450,066	\$ 5,665,185	\$ 35,277,066
Professional and contracted services	4,023,239	1,248,429	146,142	5,543,475	10,961,285
Supplies	1,704,147	1,543,736	156,558	416,246	3,820,687
Dietary and other supplies	2,833,601	697,486	—	13,464	3,544,551
Building grounds and maintenance	968,978	213,649	—	84,930	1,267,557
Utilities	2,367,002	306,712	—	—	2,673,714
Administrative and other	264,591	105,039	1,569	633,107	1,004,306
Management fees	2,116,056	856,169	—	—	2,972,225
Resident relations	13,257	38,830	—	374,495	426,582
Insurance	778,848	123,992	—	—	902,840
Interest	2,298,464	—	—	—	2,298,464
Real estate taxes	1,609,737	306,617	—	—	1,916,354
Depreciation and amortization	14,333,075	305,635	358	—	14,639,068
Expenses incurred related to net assets with donor restrictions	1,140,483	—	—	—	1,140,483
Total expenses	<u>\$ 48,189,541</u>	<u>\$ 19,170,046</u>	<u>\$ 2,754,693</u>	<u>\$ 12,730,902</u>	<u>\$ 82,845,182</u>

  

	2020				
	Program Services			Support Services	Total
	Independent Living	Continuing Care	Ancillary Health	General and Administration	
Expenses					
Salaries, wages and benefits	\$ 13,668,015	\$ 14,292,666	\$ 3,107,383	\$ 5,775,514	\$ 36,843,578
Professional and contracted services	2,801,146	1,079,144	176,334	5,301,827	9,358,451
Supplies	1,753,759	1,194,697	130,573	511,480	3,590,509
Dietary and other supplies	2,425,321	679,267	—	6,535	3,111,123
Building grounds and maintenance	869,437	144,742	—	54,974	1,069,153
Utilities	2,310,123	303,878	—	—	2,614,001
Administrative and other	284,054	72,902	2,501	633,660	993,117
Management fees	2,151,371	952,069	—	—	3,103,440
Resident relations	32,460	25,929	—	1,035,030	1,093,419
Insurance	706,499	104,340	—	—	810,839
Interest	1,565,556	—	—	—	1,565,556
Real estate taxes	1,562,612	297,640	—	—	1,860,252
Depreciation and amortization	13,848,135	315,135	—	—	14,163,270
Expenses incurred related to net assets with donor restrictions	1,124,958	—	—	—	1,124,958
Total expenses	<u>\$ 45,103,446</u>	<u>\$ 19,462,409</u>	<u>\$ 3,416,791</u>	<u>\$ 13,319,020</u>	<u>\$ 81,301,666</u>

Natural expenses attributable to more than one functional expense category are allocated using various cost allocation techniques such as building use and time and effort.

**Brooksby Village, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**12. Purchase Money Note**

On June 30, 2008, when the Community exercised its option to purchase the BBV campus, part of the purchase price was financed by signing a note for deferred initial entrance deposits and a liquidity reserve.

In conjunction with the issuance of the Series 2017 bonds (footnote 8), the purchase money note to Erickson Living Holdings ("ELH") was amended and restated to provide for a fixed repayment schedule commencing on November 1, 2017 with the ultimate maturity of November 1, 2027. At the time the note was amended, the outstanding balance was \$6,732,077. Interest accrued on the outstanding principal at the rate of 2.82%. In 2020, the remaining balance of \$6,118,514 was paid to ELH.

**13. Commitments and Contingencies**

BBV is subject to legal proceedings and claims which arise from the normal course of business. In the opinion of management, the amount of ultimate liability with respect to these proceedings and claims will not materially affect the financial position, cash flow or results of operations of BBV.

BBV is committed under a construction related contract for the repositioning of a building on the campus. Commitments for the portion of the contract not completed as of December 31, 2021 and 2020 were \$5,133,282 and \$0, respectively.

**14. Subsequent Event**

On March 1, 2022, Linden Ponds, Inc. and Subsidiary became a member of the Obligated Group. Concurrent with joining the Obligated Group, at the request of Linden Ponds, Inc. and Subsidiary, the Public Finance Authority issued its Revenue Bonds (The Obligated Group of National Senior Communities, Inc.), Series 2022 (the "Series 2022 Bonds") in the aggregate par amount of \$41,710,000, plus an original issue premium of \$3,565,421. Proceeds from the Series 2022 Bonds were used to (a) refund the previously issued Massachusetts Development Finance Agency Revenue Bonds (Linden Ponds, Inc. Facility), Series 2011B in the outstanding principal amount of \$17,355,981, (b) fund the construction of a new continuing care facility, a pedestrian skyway bridge and other capital improvements to existing facilities, (c) fund capitalized interest on a portion of the Series 2022 Bonds, and (d) pay costs of issuance related to the transaction.

Pursuant to the Master Trust Indenture dated October 1, 2020, and supplemented on March 1, 2022 in connection with the Series 2022 Bonds issuance, the Obligated Group Members are jointly and severally liable for all existing indebtedness related to the Obligated Group.

Subsequent events have been evaluated by management through April 25, 2022, which is the date the consolidated financial statements were issued.



## **Supplemental Information**

**Brooksby Village, Inc. and Subsidiary**  
**Consolidated Supplemental Schedule**  
**for the years ended December 31, 2021 and 2020**

(Unaudited)	2021	2020
Cash and investments		
Cash	\$ 12,991,186	\$ 12,639,018
Short-term investments	7,030,918	7,033,837
Beneficial interest in National CCRC Business Trust I	136,298,507	119,717,722
Beneficial interest in National CCRC Statutory Tier IV Trust	3,472,453	1,744,702
Total cash and investments	<u>\$ 159,793,064</u>	<u>\$ 141,135,279</u>
Change in cash and investments		
Cash	\$ 352,168	\$ 825,107
Short-term investments	(2,919)	(2,346,642)
Beneficial interest in National CCRC Business Trust I	16,580,785	28,146,189
Beneficial interest in National CCRC Statutory Tier IV Trust	1,727,751	1,744,702
Change in cash and investments	<u>\$ 18,657,785</u>	<u>\$ 28,369,356</u>
Cash provided by business operations:		
Total revenue, gains and other support	\$ 77,474,358	\$ 79,914,978
Less: Interest income		
Less: Amortization of non-refundable resident entrance fees	(1,237,043)	(924,003)
Add: Net cash flows related to entrance fees	10,601,016	4,368,321
Cash provided by business operations	<u>86,838,331</u>	<u>83,359,296</u>
Total expenses	(82,845,182)	(81,301,666)
Less: Depreciation and amortization	14,639,068	14,163,270
Less: Interest expense	2,298,464	1,565,556
Cash used for operating expenses	<u>(65,907,650)</u>	<u>(65,572,840)</u>
Purchases of property and equipment (on-going)	(8,909,830)	(5,336,847)
Cash used in business operations	<u>(74,817,480)</u>	<u>(70,909,687)</u>
Net cash provided by business operations	<u>12,020,851</u>	<u>12,449,609</u>
Other sources and uses of cash:		
Net investment income	11,592,235	10,182,864
Capital contribution to related organization	(229,454)	(157,831)
Net proceeds from bond issuances and drawdowns	4,421,931	21,909,126
Purchases of property and equipment (repositioning)	(6,662,903)	(1,403,624)
Increase in working capital	1,300,885	162,730
Debt service	(3,723,474)	(14,782,407)
(Net assets released from restriction)/restricted contributions, net	(62,286)	8,889
Net cash provided by non-operating activities	<u>6,636,934</u>	<u>15,919,747</u>
Total change in cash and investments	<u>\$ 18,657,785</u>	<u>\$ 28,369,356</u>

**Brooksby Village, Inc. and Subsidiary**  
**Note to Consolidated Supplemental Schedule**  
**for the years ended December 31, 2021 and 2020**

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**1. Basis of Presentation and Accounting**

The Consolidated Supplemental Schedule presented on page 32 is derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information is presented for the purpose of providing additional analysis of the consolidated financial statements, rather than to present the financial positions and changes in net assets (deficit) of BBV, and are not a required part of the consolidated financial statements. The information is intended to expand on the sources and uses of cash generated by the operations of the Community which are monitored by management to determine the overall health and performance of the Community as a whole.