# WAKE ROBIN CORPORATION AND SUBSIDIARY

## CONSOLIDATED FINANCIAL STATEMENTS
## AND SUPPLEMENTARY INFORMATION

## YEARS ENDED DECEMBER 31, 2021 AND 2020

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**YEARS ENDED DECEMBER 31, 2021 AND 2020**

# INDEPENDENT AUDITORS' REPORT

Board of Directors
Wake Robin Corporation and Subsidiary
Shelburne, Vermont

### *Opinion*

We have audited the accompanying consolidated financial statements of Wake Robin Corporation (a Vermont corporation) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wake Robin Corporation and Subsidiary as of December 31, 2021 and 2020, and the results of their operations, changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the 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 Wake Robin Corporation and Subsidiary'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 Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wake Robin Corporation and Subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wake Robin Corporation and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
Wake Robin Corporation and Subsidiary

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule 1 - Residents' Assistance Fund is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania
April 26, 2022

**WAKE ROBIN CORPORATION AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 10,470,318 | $ 9,171,517 |
| Investments | 21,201,354 | 14,811,630 |
| Assets Limited as to Use: | | |
| Under Bond Indenture Agreement - Held by Trustee | 3,440,696 | 2,052,895 |
| Resident Accounts Receivable and Other Receivables | 373,577 | 221,866 |
| Food and Supplies Inventory | 29,850 | 22,895 |
| Prepaid Expenses | 247,105 | 334,881 |
| Total Current Assets | 35,762,900 | 26,615,684 |
| **ASSETS LIMITED AS TO USE** | | |
| Under Priority Deposits and Donor Restrictions | 6,094,959 | 5,557,477 |
| Under Bond Indenture Agreement - Held by Trustee | 6,583,203 | 4,900,548 |
| Total Assets Limited as to Use | 12,678,162 | 10,458,025 |
| **PROPERTY AND EQUIPMENT**, Net | 89,185,084 | 91,440,068 |
| Total Assets | $ 137,626,146 | $ 128,513,777 |

*See accompanying Notes to Consolidated Financial Statements.*

## WAKE ROBIN CORPORATION AND SUBSIDIARY
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
## DECEMBER 31, 2021 AND 2020

| LIABILITIES AND NET ASSETS (DEFICIT) | 2021 | 2020 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Current Portion of Long-Term Debt | $ 13,285,000 | $ 2,898,316 |
| Estimated Refundable Entrance Fee Liability | 806,000 | 803,000 |
| Accounts Payable | 801,433 | 659,683 |
| Accrued Expenses | 873,050 | 790,067 |
| Accrued Interest | 621,097 | 472,679 |
| Construction Payable - Phase III | - | 116,248 |
| Priority and Interim Deposits | 584,100 | 491,100 |
| Deferred Advance - Provider Relief Funds | - | 178,162 |
| Entrance Fee Deposits | 865,550 | 271,720 |
| Total Current Liabilities | 17,836,230 | 6,680,975 |
| **LONG-TERM LIABILITIES** | | |
| Long-Term Debt - Bonds, Net of Current Portion | 72,376,967 | 78,879,765 |
| Liability Under Interest Rate Swap Agreements | - | 2,430,686 |
| Deferred Revenue - Amortizable Entrance Fees | 65,655,781 | 61,586,562 |
| Refundable Entrance Fee Liability | 2,801,514 | 2,232,167 |
| Annuity Obligations | 88,381 | 93,879 |
| Total Long-Term Liabilities | 140,922,643 | 145,223,059 |
| Total Liabilities | 158,758,873 | 151,904,034 |
| **NET ASSETS (DEFICIT)** | | |
| Without Donor Restrictions | (26,602,876) | (28,335,291) |
| With Donor Restrictions | 5,470,149 | 4,945,034 |
| Total Net Assets (Deficit) | (21,132,727) | (23,390,257) |
| Total Liabilities and Net Assets (Deficit) | $ 137,626,146 | $ 128,513,777 |

*See accompanying Notes to Consolidated Financial Statements.*

**WAKE ROBIN CORPORATION** **WAKE ROBIN CORPORATION**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **REVENUE, GAINS, AND OTHER SUPPORT** | | |
| Resident Service Revenue | $ 16,703,979 | $ 15,749,714 |
| Health Care Revenue | 4,769,566 | 4,142,973 |
| Ancillary and Other Resident Revenue | 621,588 | 509,478 |
| Amortization of Entrance Fees | 6,570,879 | 6,115,089 |
| Termination Fees | 757,956 | 416,349 |
| Government Stimulus - Provider Relief Funds | 204,602 | 481,573 |
| Government Stimulus - State of Vermont | | |
| CRF Front-Line Employees Hazard Pay Grant Program | - | 300,400 |
| Grant Income - PPP | - | 1,951,000 |
| Investment Income and Realized Gains | 405,287 | 377,779 |
| Contributions | 10,250 | 5,435 |
| Net Assets Released from Restrictions Used for Operations | 32,172 | 20,865 |
| Net Assets Released for Donor Related Restrictions | 60,680 | 46,370 |
| Total Revenue, Gains, and Other Support | 30,136,959 | 30,117,025 |
| **EXPENSES** | | |
| General and Administrative | 5,126,234 | 5,385,073 |
| Dining Services | 3,283,112 | 3,044,968 |
| Resident Services | 579,462 | 559,428 |
| Linden Health Center | 4,909,751 | 4,468,617 |
| Environmental Services | 3,435,980 | 2,855,102 |
| Property Tax, Insurance, and Utilities | 2,981,324 | 2,858,537 |
| Depreciation | 5,684,663 | 5,783,583 |
| Interest | 3,332,723 | 3,625,563 |
| Total Expenses | 29,333,249 | 28,580,871 |
| **INCOME FROM OPERATIONS** | 803,710 | 1,536,154 |
| **NONOPERATING GAINS (LOSSES)** | | |
| Change in Fair Value of Gift Annuities | (11,130) | (12,236) |
| Net Unrealized Gain on Equity Security Investments | 188,905 | 207,980 |
| Gain on Disposal of Property and Equipment | 4,750 | 200 |
| Loss on Extinguishment of Bonds | (549,194) | - |
| Total Nonoperating Gains (Losses) | (366,669) | 195,944 |
| **EXCESS OF REVENUE OVER EXPENSES** | 437,041 | 1,732,098 |
| **OTHER CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS** | | |
| Change in Fair Value of Derivative Instruments | 771,569 | (1,328,389) |
| Net Unrealized Gain on Fixed Income Securities and Other Investments | 436,830 | 495,781 |
| Net Assets Released from Restrictions Used for Property and Equipmen | 116,248 | - |
| Net Asset Transfer | (29,273) | (150,300) |
| Total Other Changes in Net Deficit Without Donor Restrictions | 1,295,374 | (982,908) |
| **DECREASE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS** | $ 1,732,415 | $ 749,190 |

*See accompanying Notes to Consolidated Financial Statements.*

**WAKE ROBIN CORPORATION AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF CHANGES IN NET DEFICIT**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **DECREASE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS** | $ 1,732,415 | $ 749,190 |
| **CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS** | | |
| Contributions | 49,095 | 21,234 |
| Net Asset Transfer | 29,273 | 150,300 |
| Net Assets Released from Restrictions Used for Operations | (32,172) | (20,865) |
| Net Assets Released from Restrictions Used for Property and Equipment | (116,248) | - |
| Net Assets Released for Donor-Related Restrictions | (60,680) | (46,370) |
| Investment Income | 149,070 | 54,785 |
| Realized Gain on Investments | 17,042 | 2,776 |
| Unrealized Gain on Investments | 489,735 | 464,021 |
| Increase in Net Assets With Donor Restrictions | 525,115 | 625,881 |
| **DECREASE IN NET DEFICIT** | 2,257,530 | 1,375,071 |
| Net Deficit - Beginning of Year | (23,390,257) | (24,765,328) |
| **NET DEFICIT - END OF YEAR** | $ (21,132,727) | $ (23,390,257) |

*See accompanying Notes to Consolidated Financial Statements.*

**WAKE ROBIN CORPORATION AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Decrease in Net Deficit | $ 2,257,530 | $ 1,375,071 |
| Adjustments to Reconcile Decrease in Net Deficit to Net Cash Provided by Operating Activities: | | |
| Amortization of Entrance Fees and Termination Income | (7,328,835) | (6,531,438) |
| Proceeds from Entrance Fees and Deposits | 11,382,174 | 11,142,363 |
| Amortization of Bond Premiums | (198,182) | (156,144) |
| Depreciation and Amortization | 5,684,663 | 5,783,583 |
| Loss on Extinguishment of Bonds | 549,194 | - |
| Amortization of Deferred Financing Costs | 153,260 | 167,052 |
| Gain on Disposal of Property and Equipment | (4,750) | (200) |
| Change in Fair Value of Swap Agreements, Net | (771,569) | 1,328,389 |
| Net Realized and Unrealized Gain on Investments | (1,227,518) | (1,255,590) |
| (Increase) Decrease in Operating Assets: | | |
| Resident Accounts Receivable and Other Receivables | (151,711) | 328,811 |
| Supplies Inventory | (6,955) | (4,741) |
| Prepaid Expenses and Other Assets | 87,776 | (25,241) |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable and Accrued Expenses | 108,485 | (2,120,366) |
| Accrued Interest | 148,418 | 21,200 |
| Priority, Interim, and Entrance Fee Deposits | 819,911 | (608,518) |
| Provider Relief Fund Liability | (178,162) | 178,162 |
| Annuity Obligation | (5,498) | (4,629) |
| Net Cash Provided by Operating Activities | 11,318,231 | 9,617,764 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Property and Equipment | (3,424,929) | (4,022,309) |
| Purchases of Investments, Net | (5,162,206) | (1,432,069) |
| Increase in Assets Whose Use is Limited | (3,607,938) | (472,136) |
| Net Cash Used by Investing Activities | (12,195,073) | (5,926,514) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from Issuance of Long-Term Debt | 51,330,000 | 4,422,100 |
| Premium from Issuance of Long-Term Debt | 4,069,769 | - |
| Repayment of Long-Term Debt | (2,516,105) | (5,442,806) |
| Redemption of Debt | (48,464,924) | - |
| Redemption of Interest Rate Swap Agreements | (1,523,451) | - |
| Payments for Deferred Financing Costs | (1,174,792) | - |
| Proceeds from Refundable Entrance Fees | 572,346 | 760,165 |
| Refunds of Entrance Fees and Deposits | (117,200) | (487,299) |
| Net Cash Provided (Used) by Financing Activities | 2,175,643 | (747,840) |
| **NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH** | 1,298,801 | 2,943,410 |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | 9,171,517 | 6,228,107 |
| **CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR** | $ 10,470,318 | $ 9,171,517 |

*See accompanying Notes to Consolidated Financial Statements.*

**WAKE ROBIN CORPORATION AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash Paid During the Year for Interest | $ 3,229,227 | $ 3,590,237 |
| Construction and Equipment Expenditures within Accounts Payable and Accrued Expenses | $ 125,029 | $ 239,743 |

*See accompanying Notes to Consolidated Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Wake Robin Corporation and Subsidiary (the Corporation) was organized in 1984, as a Vermont nonprofit corporation, to operate a retirement community and provide continuing and long-term care for the elderly. The Corporation operates a Life Plan Community (LPC) known as Wake Robin. The LPC consists of 250 independent living homes, a community center, and a health center consisting of 41 residential care units and 57 nursing care units, all arranged in a campus setting on 136 acres in Shelburne, Vermont. The LPC provides residents with a home, use of the health center and other common facilities, and services for the resident's lifetime. Residents began occupying the LPC in June 1993.

In 2011, the Corporation formed Wake Robin Management, LLC (WRM), as a wholly owned subsidiary that manages a retirement community. WRM offers management services, financial and accounting procedures, and personnel administration to provide quality independent living and assisted living services to the community's residents. WRM is incorporated under the laws of the state of Vermont as a limited liability company. WRM had no activity in 2021 and 2020.

In 2020, the Wake Robin Corporation board approved the creation of an organization called The Wake Robin Group, Inc. (WRG). WRG will be responsible for identifying and evaluating strategic opportunities and establishing a delivery network (the System) comprised of separate nonprofit entities (System Participants). In October 2021, the WRG received approval from the Internal Revenue Service (IRS) affirming it's tax-exempt status under Section 501(c)(3). The WRG had no activity in 2021 and 2020. These System Participants will provide future services beyond Wake Robin Corporation's campus or menu of life care services and manage the System in furtherance of the charitable missions of Wake Robin Corporation. WRG currently has the same board of directors as Wake Robin Corporation and the intent is for WRG to become the sole member of Wake Robin Corporation when other System Participants join the network.

### Principles of Consolidation

The consolidated financial statements include the accounts of Wake Robin Corporation, the Wake Robin Group, and Wake Robin Management, LLC. There was no activity in the Wake Robin Group or Wake Robin Management, LLC in 2021 or 2020. Any intercompany transactions would be eliminated upon consolidation.

### Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include valuation of derivative financial instruments, deferred revenue from entrance fees, and the obligation to provide future services and use of facilities to current residents. Actual results could differ from those estimates.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Presentation

Net assets of the LPC and changes therein are classified in two categories and reported as follows:

*Net Assets Without Donor Restrictions* – Those resources over which the board of directors has discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

*Net Assets With Donor Restrictions* – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Corporation or passage of time. The principal amount of restricted contributions and the related earnings can be spent for donor-restricted purposes.

Those resources subject to a donor-imposed restriction that must be maintained permanently by the Corporation. The principal amount of these restricted contributions cannot be spent by the LPC.

### Excess (Deficit) of Revenue Over Expenses

The consolidated statements of operations include the excess (deficit) of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from such amounts, consistent with industry practice, include unrealized gains and losses on fixed income securities and other investments, the effective portion of the interest rate swap agreements that are designated as hedging agreements, net asset transfers, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets, if any).

### Income Taxes

The Corporation is recognized by the IRS as a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC.

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

The Corporation’s tax returns are subject to review and examination by federal, state, and local authorities.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Cash, Cash Equivalents, and Restricted Cash

The Corporation considers cash and cash equivalents to include all highly liquid investments with original maturity dates of three months or less, excluding amounts that are limited as to use under trust agreements, priority deposits, or donor restrictions. Restricted cash includes cash held in operating accounts before use or transfer under trust agreements, priority deposits, or donor restrictions. The Corporation had no restricted cash as of December 31, 2021 and 2020. From time to time, the Corporation's restricted investments held by third-party custodians and bond trustee may contain cash balances for or from investing activities. As these activities are not accounted for internally by the Corporation, such cash amounts are not considered restricted cash. The Corporation deposits its temporary cash investments in financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

### Accounts Receivable

The Corporation provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice or as the claim is submitted for third-party payors. Accounts past due more than 30 days are individually analyzed for collectability.

In addition, an allowance is estimated for other accounts based on historical experience. The allowance for doubtful accounts at December 31, 2021 and 2020 was $-0-.

The opening and closing balances in resident and Medicare related accounts receivable were as follows:

| | | |
|---|---|---|
| Balance as of January 1, 2020 | $ | 469,948 |
| Balance as of December 31, 2020 | | 83,048 |
| Balance as of December 31, 2021 | | 139,844 |

### Food and Supplies Inventory

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

### Investments and Investment Income

Investments are comprised of U.S. government and government agency and corporate obligations, certificates of deposit, fixed income mutual funds, and common stock, and are stated at fair value in the consolidated statements of financial position. Investment income or loss, including realized gains and losses on investment, interest and dividends, and write down of impaired investments, if any, are included in income from operations. The unrealized gains or losses from equity securities are recorded in excess of revenue over expenses. The unrealized gains and losses from fixed income securities and other types of investments are recorded below excess of revenue over expenses.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments and Investment Income (Continued)

A decline in the market value of any security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to the operating loss and a new cost basis for the security is established. To determine whether impairment is other than temporary, the Corporation considers whether it has the ability and intent to hold the investment security until a market price recovery occurs and considers whether evidence indicating the cost of the investment security is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity, and duration of the impairment, changes in market value subsequent to year-end, and forecasted performance of the investment security.

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

### Assets Limited as to Use

Assets limited as to use are comprised of cash and cash equivalents, U.S. government and government agency and corporate obligations, certificates of deposit, fixed income mutual funds, and common stock and are stated at fair value, based on quoted market prices. Assets limited as to use consist of assets set aside by the board of directors in accordance with donor restrictions, deposit agreements, and terms of loan and trust agreements in connection with the issuance of the bonds. These deposits become available to the Corporation upon satisfaction of certain criteria outlined by each donor stipulation and in each agreement.

### Fair Value

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

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

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair Value (Continued)

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

The fair values of financial instruments are summarized further in Note 11.

### Property and Equipment

Property and equipment are recorded at cost. The Corporation's policy is to capitalize expenditures for major improvements and to charge maintenance and repairs that do not extend the useful lives of the related assets. Donated property and equipment are recorded at their estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset. Estimated lives generally fall into the following ranges: four years for transportation equipment, 3 to 12 years for furniture and equipment, 20 years for land improvements, and 40 years for buildings. The Corporation capitalizes property and equipment with a cost basis of $5,000 or greater and a useful life of greater than one year.

The Corporation records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimation process, no impairment losses have been recorded as of December 31, 2021 and 2020.

### Projects in Progress

Construction in progress consists of costs related primarily to ongoing projects in process. Depreciation of these costs is being deferred until the projects have been completed. When the planned projects are completed, the construction in progress costs are capitalized and depreciated over the life of the projects. Projects in progress include approximately $-0- and $40,200 of expenditures related to the 2017 Project (Phase III) as of December 31, 2021 and 2020, respectively (see Note 14) and other ongoing Projects in Process. The 2017 Project was completed in July 2020.

### Deferred Financing Costs (Net)

Financing costs relating to the issuance of the 2012, 2014, 2017, and 2021 Vermont Economic Development Authority Revenue Bonds are being amortized by the straight-line method which approximates the effective interest method over the lives of the related bond issues. Interest expense attributable to the expensing of deferred financing costs was $153,260 and $167,052 for the years ended December 31, 2021 and 2020, respectively.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Deposits

Priority and interim deposits are received from prospective residents and deposited into an escrow account. Both deposits are fully refundable upon demand with the interest income accruing to the Corporation. Priority deposits are made in order for the prospective resident to receive a priority number. The number enables the prospective resident to receive priority status prior to move in and home selection. Interim deposits are made by priority depositors when they are within approximately one year of their expected move in date. Effective August 2021, the deposit process was streamlined into one deposit list (Priority Deposit). This fee is fully refundable. Priority deposits plus interim deposits totaled $584,100 and $491,100 at December 31, 2021 and 2020, respectively.

Upon execution of a Residence and Care Agreement and prior to move in, residents must pay a deposit equal to 25% of the entrance fee amount. The resident pays the balance of the entrance fee upon move in. The entrance fee deposits are part of the Corporation’s unrestricted cash and the liability is recorded as a refundable entrance fee deposit. 25% Deposits totaled $865,550 and $271,720 and at December 31, 2021 and 2020, respectively.

### Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated net assets. When a donor restriction expires (this is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net deficit as net assets released from restrictions.

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

### Derivative Financial Instrument

The Corporation utilizes derivative financial instruments to reduce its exposure to the market risk from changes in interest rates. The instruments used to mitigate this risk are interest rate swaps. The instruments held by the Corporation are designated as a highly effective cash flow hedge of interest rate risk on variable rate debt and, accordingly, the changes in the fair value of these instruments is excluded from the performance indicator in other changes in net assets without donor restrictions for the year. The Corporation no longer holds derivative financial instruments as of December 31, 2021 (see Note 6).

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Entrance Fees

The Corporation offers three options for Residence and Care Agreements: the Fully Amortizing Entrance Fee, the 50% Partially Amortizing Entrance Fee and the 90% Partially Amortizing Entrance Fee. Under these agreements, the prospective resident is required to pay a deposit in the amount of 25% of the entrance fee at the time the Agreement is executed, with the balance of the entrance fee paid at the time of move in. Upon the occupancy of the home, entrance fees are recorded as deferred revenue and amortized into revenue. Under the Partially Amortizing Entrance Fee Agreement, it is the policy of the Corporation to amortize up to the contractually refundable amount. In 2015, Wake Robin began offering a Long-Term Care Insurance Benefit, which provides for a discount on entrance fees and a feature converting to a per diem rate for a specified number of days while in skilled nursing.

In the event of termination of the Residence and Care Agreement due to withdrawal, death, or dismissal, a refund may be paid. The refund is based upon the type of entrance fee agreement executed. If a resident enters into a Fully Amortizing Entrance Fee Agreement, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move in to and including the month of termination. No refund will be paid after 50 months of occupancy.

If a resident enters into a 50% Partially Amortizing Entrance Fee Agreement and the termination is during the first 25 months after move-in, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move in to and including the month of termination. If the termination is after 25 months, the resident will be refunded 50% of their entrance fee at any time the termination occurs.

If a resident enters into a 90% Partially Amortizing Entrance Fee Agreement and the termination is during the first five months after move-in, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move in to and including the month of termination. If the termination is after five months, the resident will be refunded 90% of their entrance fee at any time the termination occurs. Partially Amortizing Entrance Fee Agreements require a premium payment for the entrance fee.

Under all of these refund policies, entrance fees totaling approximately $28,937,500 and $27,610,100 remained unexpired and contractually refundable at December 31, 2021 and 2020, respectively.

In 2015, the Corporation added a Long-Term Care Insurance Benefit addendum to their Residence and Care Agreements. The addendum provides the option for a $40,000 reduction of the standard entrance fee per person. The monthly fee changes after the first 120 days in skilled nursing from the standard fee to the per diem rate. The per diem rate is charged for up to 850 days while in skilled nursing and after that the fee reverts back to the standard monthly fee.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Entrance Fees (Continued)

The opening and closing balances in deferred revenue - amortizable entrance fees were as follows:

| | Amortizable Entrance Fees |
|---|---|
| Balance as of January 1, 2020 | $ 57,458,887 |
| Balance as of December 31, 2020 | 61,586,562 |
| Balance as of December 31, 2021 | 65,655,781 |

### Obligation to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities to current residents). The obligation is discounted at 6%. As of December 31, 2021 and 2020, the calculation did not result in a liability.

### Charity Care

The mission of the Corporation is to create an active community of adults that honors both mutual support and independence and addresses the health and wellness needs of each resident. The Corporation provides financial assistance on an as needed basis through the Wake Robin Residents' Assistance Fund. The fund was initially funded by the Corporation with the majority of subsequent funding from residents or their estates. The Wake Robin Residents' Assistance Fund is administered by a committee comprised of three staff of the Corporation and two residents.

The Corporation received contributions to the Wake Robin Residents' Assistance Fund of $6,000 and $1,000 for the years ended December 31, 2021 and 2020, respectively.

The financial assistance provided to several residents of the community from the Wake Robin Residents' Assistance Fund was $-0- for years ended December 31, 2021 and 2020. The amounts of charity provided are transferred out of the Wake Robin Residents Assistance Fund in the year following the charity provided.

### Resident Service and Health Care Revenue

Resident service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing resident services and care. These amounts are due from residents. Generally, resident services revenue is monthly rental fees reported at the amount charged in exchange for providing resident services and care. These amounts are due from existing residents. The Corporation bills the residents for services performed and revenue is recognized as performance obligations are satisfied.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Resident Service and Health Care Revenue (Continued)

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or residents receiving services in the facility. The Corporation measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or termination of the resident contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, guest meals) and the Corporation does not believe it is required to provide additional goods or services related to that sale.

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy and/or implicit price concessions provided to residents. The Corporation determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience.

Health care revenue is reported as net realizable amounts from residents, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price were not significant in 2021 or 2020. Health care revenue is primarily monthly fees billed in exchange for providing resident services and care when they transition to residential or skilled nursing care. The Corporation bills the residents and third-party payors for services performed and revenue is recognized as performance obligations are satisfied.

Revenues from the Medicare program accounted for approximately 11% and 9%, respectively, of the Corporation's health service revenues for the years ended December 31, 2021 and 2020. Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Resident Service and Health Care Revenue (Continued)**

A summary of the payment arrangements with major third-party payors follows:

Medicare

The licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). Effective October 2019, the nursing facility is paid under the Medicare Patient Driven Payment Model (PDPM) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PDPM is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare program are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for residents with deductibles and coinsurance 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, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change.

The Corporation has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service line, method of reimbursement, and timing of when revenue is recognized. All resident services revenue for the Corporation is provided at the single campus located in Shelburne, Vermont. The method of reimbursement is prospective payments and the timing of revenue recognition is health care services transferred over time.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Resident Service and Health Care Revenue (Continued)**

The composition of resident services revenue by primary payor for the years ended December 31 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Medicare | $ 505,688 | $ 371,359 |
| Private Pay and Other | 21,589,445 | 20,030,806 |
| Total | $ 22,095,133 | $ 20,402,165 |

The composition of resident care service revenue based on its lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Service Lines: | | |
| Skilled Care | $ 1,862,044 | $ 1,325,291 |
| Memory Care | 900,780 | 897,825 |
| Residential Care | 2,029,147 | 1,924,570 |
| Independent Living | 17,303,162 | 16,254,479 |
| Total | $ 22,095,133 | $ 20,402,165 |
| | | |
| Method of Reimbursement: | | |
| Fee for Service | $ 22,095,133 | $ 20,402,165 |
| Total | $ 22,095,133 | $ 20,402,165 |
| | | |
| Timing of Revenue and Recognition: | | |
| Services Transferred Over Time | $ 22,095,133 | $ 20,402,165 |
| Total | $ 22,095,133 | $ 20,402,165 |

**Contributions**

Contributions received and unconditional promises to give are recorded as revenue with and without donor restrictions depending on the existence of donor restrictions and the nature of such restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Reclassifications**

Certain items in the 2020 consolidated financial statements have been reclassified to conform to the 2021 consolidated financial statement presentation. The reclassifications have no effect on the results of operations or the changes in net deficit.

**Subsequent Events**

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 26, 2022, the date the consolidated financial statements were issued. The results of this evaluation indicated that there are subsequent events or transactions that are required to be disclosed in these consolidated financial statements (See Note 15).

## NOTE 2 LIQUIDITY

As of December 31, 2021 and 2020, the Corporation had working capital of $17,926,670 and $19,934,709, respectively. The Corporation had 509 days cash on hand as of December 31, 2021.

Financial assets available for general expenditure within one year of the balance sheet dates consisted of the following:

| | 2021 | 2020 |
|---|---|---|
| Cash and Cash Equivalents | $ 7,686,162 | $ 7,627,489 |
| Accounts Receivable, Net | 373,577 | 221,866 |
| Investments | 23,985,509 | 16,355,658 |
| Board-Designated Funds | 1,098,334 | 2,523,313 |
| Total Financial Assets | $ 33,143,582 | $ 26,728,326 |

Wake Robin Corporation has certain board-designated and donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. Wake Robin has other assets limited to use for donor-restricted purposes and debt service. These assets limited to use, which are more fully described in Note 3, are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary.

As part of Wake Robin Corporation's investment guidelines, cash in excess of normal operating requirements are invested in in money market funds, certificates of deposits, municipal or government agencies, corporate bonds or readily marketable equities. Under the bond indenture, Wake Robin Corporation must maintain at least 180 days cash on hand. As of December 31, 2021 and 2020, the Corporation was in compliance with this bond covenant.

## NOTE 3 INVESTMENTS

**Assets Limited as to Use**

The composition of assets limited as to use, stated at fair value at December 31, is set forth in the following table:

| | 2021 | 2020 |
|---|---|---|
| Under Deposits and Donor Restrictions: | | |
| Cash and Cash Equivalents | $ 827,604 | $ 494,199 |
| Certificates of Deposit | 90,133 | 203,178 |
| Equities | 3,793,874 | 3,442,449 |
| Corporate Bonds | 1,383,348 | 1,417,651 |
| Subtotal | 6,094,959 | 5,557,477 |
| Under Bond Indenture Agreement and Held by Trustee: | | |
| Cash and Cash Equivalents | 3,855,406 | 1,362,222 |
| U.S. Government Agencies | 6,168,493 | 5,591,221 |
| Subtotal | 10,023,899 | 6,953,443 |
| Total | $ 16,118,858 | $ 12,510,920 |

**Other Investments**

The composition of other investments stated at fair value at December 31 is set forth in the following table:

| | 2021 | 2020 |
|---|---|---|
| Certificates of Deposit | $ 407,154 | $ 1,026,365 |
| U.S. Government Agencies | 7,769,974 | 4,836,677 |
| Corporate Bonds | 6,623,691 | 4,571,353 |
| Equity Mutual Funds | 6,400,535 | 4,377,235 |
| Total | $ 21,201,354 | $ 14,811,630 |

Management conducts due diligence on its investments. Any unrealized losses were analyzed by management as of December 31, 2021 and the unrealized losses were deemed to be immaterial in relation to the consolidated financial statements.

## NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Land | $ 2,133,946 | $ 2,133,946 |
| Land Improvements | 12,941,240 | 12,674,133 |
| Buildings and Improvements | 133,329,455 | 129,630,501 |
| Furniture and Equipment | 6,506,798 | 5,582,468 |
| Transportation Equipment | 554,065 | 515,184 |
| Projects in Process | 388,156 | 1,887,749 |
| Total | 155,853,660 | 152,423,981 |
| Less: Accumulated Depreciation | (66,668,576) | (60,983,913) |
| Property and Equipment, Net | $ 89,185,084 | $ 91,440,068 |

Depreciation expense for the years ended December 31, 2021 and 2020 was $5,684,663 and $5,783,583, respectively.

Substantially all of the Corporation's property and equipment is pledged as security for the bonds described in Note 6.

## NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

| | 2021 | 2020 |
|---|---|---|
| Subject to Expenditure for Specific Purpose: | | |
| Residents Assistance Fund | $ 3,297,786 | $ 2,932,175 |
| Contribution Fund | 304,533 | 171,424 |
| Gift Annuity Fund | 220,491 | 248,224 |
| Stickney Scholarship Fund | 157,583 | 144,657 |
| Healthy Car Fund | 134,096 | 139,956 |
| Interior Fund | 46,015 | 40,734 |
| Purchase of Property and Equipment | - | 116,248 |
| Expenditure Subject to Board Authorization: | | |
| The Fund for Wake Robin | 68,415 | 61,181 |
| Endowment Fund | 1,029,919 | 891,578 |
| Assets Maintained in Perpetuity: | | |
| Memorial Garden Fund | 211,311 | 198,857 |
| Total | $ 5,470,149 | $ 4,945,034 |

During 2021 and 2020, respectively, $209,100 and $67,235 of net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

## NOTE 6 LONG-TERM DEBT

**Bonds Payable and Derivative Financial Instrument**

On October 1, 2021, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont, acting by and through the Vermont Economic Development Authority (the Authority) pursuant to which the Authority issued the Series 2021A and 2021C Bonds (referred to as the Series 2021 Bonds). The proceeds of the Series 2021A Bonds, along with other available funds, were used: 1) to refund the outstanding balance of the Series 2012 Bonds ($4,460,000) (exclusive of the 2033 maturity thereof), 2) to refund the outstanding balance of the Series 2014 Bonds ($15,715,000), 3) refund the outstanding balance of the Series 2017B Bonds ($28,289,924), 4) fund the termination payments of the interest rate swaps associated with the 2014 and 2017B Bonds 5) to fund the debt service reserve requirement of the 2021A Bonds and 6) to pay the costs of issuing the Series 2021A Bonds. The Series 2021A Bonds bear interest at a fixed rate of 4.0%.

The proceeds of the Series 2021C Bonds are to be used to 1) fund the termination payments of the interest rate swaps associated with the 2014 and 2017B Bonds 2) to fund the debt service reserve requirements of the 2021C Bonds and 3) to pay the cost of issuing the Series 2021C Bonds. The Series 2021C Bonds bear interest at a fixed rate of 2.0%. The total amounts available for each of the 2021 Series of bonds is as follows:

| | |
|---|---|
| Vermont Economic Development Authority Bonds: | |
| Series 2021A Mortgage Revenue Bonds | $ 49,190,000 |
| Series 2021C Federally Taxable Mortgage Revenue Bonds | 2,140,000 |
| Total | $ 51,330,000 |

On July 11, 2017, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont, acting by and through the Vermont Economic Development Authority (the Authority) pursuant to which the Authority issued the Series 2017A, 2017B, and 2017C Bonds (referred to as the Series 2017 Bonds). The proceeds of the Series 2017A Bonds, along with other available funds, were used: 1) to refund the outstanding balance of the Series 2006B Bonds ($14,225,000), 2) to finance a portion of the costs for the renovation and reconfiguration of the Linden Health Care Center, renovate and build out of the existing unfinished lower level of the long-term care memory wing, renovate of the Community Center, and construct the new independent living apartment building, 3) to fund the debt service reserve funds for the Series 2017A Bonds and 4) to pay the costs of issuing the Series 2017A Bonds. The Series 2017A Bonds bear interest at fixed rates between 2.5% and 5.0%.

## NOTE 6 LONG-TERM DEBT (CONTINUED)

**Bonds Payable and Derivative Financial Instrument (Continued)**

The proceeds of the Series 2017B Bonds and the Series 2017C Bonds were used to 1) finance a portion of the costs of the Project, and 2) to pay the cost of issuing the Series 2017B and 2017C Bonds. The Series 2017B Bonds bear interest at .72% of one-month London Interbank Offered Rate (LIBOR) plus 2.05% (1.85% after the Certificate of Occupancy was received in July 2020), a rate which was converted to a fixed rate of 1.72% using a derivative instrument through July 1, 2024. The Series 2017C Bonds bear interest at .72% of LIBOR plus 2.05%. The total amounts available for each of the 2017 Series of bonds is as follows:

| | |
|---|---|
| Vermont Economic Development Authority Bonds: | |
| Series 2017A Mortgage Revenue Bonds | $ 21,590,000 |
| Series 2017B Mortgage Revenue Bonds | 29,500,000 |
| Series 2017C Mortgage Revenue Bonds | 16,000,000 |
| Total | $ 67,090,000 |

Capitalized interest costs related to the Series 2017 bonds amounted to $-0- and $257,751 for December 31, 2021 and 2020, respectively.

On July 11, 2017, the Corporation entered into an Interest Rate Swap Agreement with Manufacturers & Traders Trust to enact a variable to fixed rate swap for the Series 2017B Bonds, effective March 1, 2018. The swap agreement hedged the Series 2017B Bonds by effectively converting interest payments from variable rate to a fixed rate. The swap agreement, designated as a derivative, is recorded at fair value as a liability in the consolidated statements of financial position with the unrealized gain (loss) reported in the consolidated statements of operations below the performance indicator. The expiration of the swap was July 1, 2024 and the effective fixed rate of the swap was 1.72%. Pursuant to the issuance of the 2021 bonds, the 2017B swap was terminated effective October 1, 2021. The fair value of the interest rate swap is recorded as a liability of $-0- and $1,527,419 as of December 31, 2021 and 2020, respectively.

The fair value of the Corporation's interest rate swap is obtained from the market values provided by the brokers. The values represent the estimated amount the Corporation would pay to terminate the agreement, taking into consideration the difference between the contract rate of interest and the rate currently quoted for the agreement. The change in the fair value of the interest rate swap resulted in an unrealized gain (loss) of $504,347 and $(805,757) for the years ended December 31, 2021 and 2020, respectively.

On December 1, 2014, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont, acting by and through the Vermont Economic Development Authority (the Authority) pursuant to which the Authority sold the Series 2014 Bond in the amount of $19,955,000 on December 11, 2014 to Manufacturers & Traders Trust. The proceeds of the 2014 Bonds were used to 1) refund the outstanding balance of the 2006A bonds and 2) to pay the cost of issuing the 2014 Bonds. The Series 2014 Bond bears a variable interest rate equal to 75% of the 30-Day LIBOR Rate plus 1.85%.

## NOTE 6 LONG-TERM DEBT (CONTINUED)

**Bonds Payable and Derivative Financial Instrument (Continued)**

On December 10, 2014, the Corporation entered into an Interest Rate Swap Agreement with Manufacturers & Traders Trust to enact a variable to fixed rate swap for the Series 2014 Bond, effective December 11, 2014. The swap agreement hedged the Series 2014 Bond by effectively converting interest payments from variable rate to a fixed rate. The swap agreement, designated as a derivative at December 31, 2020 is recorded at fair value as a liability in the consolidated statements of financial position with the unrealized gain (loss) reported in the consolidated statements of operations below the performance indicator. The expiration of the swap was December 1, 2021 and the effective fixed rate of the swap was 1.492%. Pursuant to the issuance of the 2021 bonds, the 2014 swap was terminated effective October 1, 2021. As of December 31, 2021 and 2020, the fair value of the interest rate swap is recorded as a liability of $-0- and $206,447, respectively.

The fair value of the Corporation's interest rate swap is obtained from the market values provided by the brokers. The values represent the estimated amount the Corporation would pay to terminate the agreement, taking into consideration the difference between the contract rate of interest and the rate currently quoted for the agreement. For the years ended December 31, 2021 and 2020, the change in the fair value of the interest rate swap resulted an unrealized gain (loss) of $115,883 and ($102,589), respectively.

On July 11, 2017, the Corporation entered into an extension of the Interest Rate Swap Agreement with Manufacturers & Traders Trust to enact a variable to fixed rate swap for the Series 2014 Bond, effective December 1, 2021. The swap agreement will hedge the Series 2014 Bonds by effectively converting interest payments from variable rate to a fixed rate. The swap agreement, designated as a derivative at December 31, 2020, is recorded at fair value as a liability in the consolidated statements of financial position with the unrealized gain (loss) reported in the consolidated statements of operations below the performance indicator. The expiration of the swap extension was July 1, 2024 and the effective fixed rate of the swap was 1.92%. Pursuant to the issuance of the 2021 bonds, the 2014 extended swap was terminated effective October 1, 2021. The fair value of the interest rate swap is recorded as a liability of $-0- and $696,820 as of December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the change in the fair value of the interest rate swap resulted in an unrealized gain (loss) of $151,339 and $(420,013), respectively.

On May 31, 2012, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont, acting by the Vermont Economic Development Authority (the Authority) pursuant to which the authority sold the following issues of bonds:

| | |
|---|---|
| Vermont Economic Development Authority Bonds: | |
| Series 2012 Serial Bonds | $ 10,480,000 |
| Series 2012 Term Bonds | 2,655,000 |
| Series 2012 Term Bonds | 10,700,000 |
| Total | $ 23,835,000 |

## NOTE 6 LONG-TERM DEBT (CONTINUED)

**Bonds Payable and Derivative Financial Instrument (Continued)**

From the proceeds, the Corporation borrowed $23,835,000 of Mortgage Revenue Bonds (Wake Robin Corporation Project), Series 2012 (referred to as the Series 2012 Bonds). The Series 2012 Bonds are comprised of 1) $10,480,000 of Serial Bonds bearing interest at fixed rates between 2.75% and 5.125% with a yield ranging between 2.75% and 5.125% over the life of the issuance; 2) $2,655,000 of term bonds at a fixed rate of 5.3% and with a yield of 5.3%; and 3) $10,700,000 of term bonds at a fixed rate of 5.4% and with a yield of 5.3%.

A portion of the proceeds from the sale of the Series 2012 Bonds were used to 1) refund the 1999A Bonds, 2) fund a debt service reserve fund and 3) pay costs of issuance relating to the Series 2012 Bonds.

Pursuant to the issuance of the 2021 bonds, the Series 2012 Term Bonds were partially refunded in the amount of $4,460,000. The remaining 2012 Series Bonds will be refunded subsequent to year-end (see Note 15).

The Corporation is subject to various covenants under the bond agreements. These covenants require various reporting, financial, and operational requirements. As of December 31, 2021, the Corporation is not aware of any instances of noncompliance with these covenants.

A summary of long-term debt financed through the Vermont Economic Development Authority at December 31 is as follows:

| Description | 2021 | 2020 |
|---|---|---|
| Series 2021A Fixed Rate Mortgage Revenue Bonds, principal due in semiannual installments through May 1, 2045. Interest is payable semi-annually at a fixed rate of 4.0%. | $ 49,190,000 | $ - |
| Series 2021C Fixed Rate Federally Taxable, Mortgage Revenue Bonds, principal due in one installment on May 1, 2022. Interest is payable at a fixed rate of 2.0%. | 2,140,000 | - |
| Series 2017A Fixed Rate Mortgage Revenue Bonds, principal due in graduated annual installments through May 1, 2047. Interest is payable semi-annually at fixed rates ranging from 2.5% to 5.0%. | 20,955,000 | 21,170,000 |

## NOTE 6 LONG-TERM DEBT (CONTINUED)

### Bonds Payable and Derivative Financial Instrument (Continued)

| Description | 2021 | 2020 |
|---|---|---|
| Series 2017B Variable Rate Mortgage Revenue Bonds, due in monthly interest-only installments through June 1, 2020 followed by monthly installments of principal and interest through maturity date of May 1, 2045. Interest is payable at 72% of one-month LIBOR plus 2.05% (1.85% upon obtaining Certificate of Occupancy) during Project construction. Until July 1, 2024, the variable rate was effectively converted to a fixed rate using a derivative with a rate of 1.72%. | $ - | $ 28,931,029 |
| Series 2014 Variable Rate Mortgage Revenue Bonds, due in varying monthly installments through May 1, 2036. Interest is payable monthly at 75% of one-month LIBOR plus 1.85%. Until July 1, 2024, the variable rate was effectively converted to a fixed rate using a derivative with a rate of 1.92%. | - | 16,220,000 |
| Series 2012 Fixed Rate Mortgage Revenue Bonds, due in graduated annual installments through May 1, 2033. Interest is payable semi-annually at rates ranging from 3.25% to 5.3%. | 10,450,000 | 16,065,000 |
| Total Debt | 82,735,000 | 82,386,029 |
| Add: Unamortized Bond Premium, Series 2012 | 65,474 | 101,984 |
| Add: Unamortized Bond Premium, Series 2017 | 584,220 | 731,766 |
| Add: Unamortized Bond Premium, Series 2021A | 4,026,473 | - |
| Less: Unamortized Debt Issuance Costs | (1,749,200) | (1,441,698) |
| Total Debt, Net Unamortized Debt Issuance Costs and Unamortized Original Issue Premium | 85,661,967 | 81,778,081 |
| Current Portion of Long-Term Debt | (13,285,000) | (2,898,316) |
| Total Long-Term Debt, Net of Current Portion | $ 72,376,967 | $ 78,879,765 |

## NOTE 6 LONG-TERM DEBT (CONTINUED)

**Bonds Payable and Derivative Financial Instrument (Continued)**

Future maturities of long-term debt as of December 31 are as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2022 | $ 13,285,000 |
| 2023 | 2,200,000 |
| 2024 | 2,310,000 |
| 2025 | 2,425,000 |
| 2026 | 2,455,000 |
| Thereafter | 60,060,000 |
| Total | $ 82,735,000 |

The Series 2021, 2017, 2014, and 2012 bonds are secured by a first mortgage and security interest on property and equipment, certain tangible and intangible property interests, the gross revenues and entrance fees (subject to certain provisions) of the Corporation, and by certain funds held by the Trustee as defined in the Loan and Trust Agreement.

## NOTE 7 LIABILITY INSURANCE

The Corporation's general liability insurance are covered under an "occurrence" policy. The resident health care facility professional liability and umbrella liability insurance are covered under a claims made basis. There are no claims outstanding as of December 31, 2021 and 2020.

## NOTE 8 AMENDED CERTIFICATE OF AUTHORITY (THE COA)

In April 2006, The Department of Financial Regulation (the Department), formerly the Vermont Department of Banking, Insurance and Health Care Administration, issued the Corporation a Certificate of Authority approving the execution of Residence and Care Agreements, as well as the collection of deposits from prospective residents of Phase II.

In July 2006, the Department issued another Certificate of Authority (COA) approved the Phase II expansion project and the issuance of the 2006 Bond to fund it. Among other conditions the COA required the Corporation to maintain the reserve fund required by 8 V.S.A. Section 8009, the Statutory Reserve in a separate account. The Statutory Reserve required is to be funded to no less than the greater of the following: the total annual principal and interest payments on all debt, or 15% of all operating expenses, determined at the end of the fiscal year based on projected amounts for the following fiscal year (Required Balance).

## NOTE 8 AMENDED CERTIFICATE OF AUTHORITY (THE COA) (CONTINUED)

In November 2016, the Department issued an amendment to the COA which authorized Wake Robin to begin entering into Residence and Care agreements and accepting 25% entrance fee deposits for the proposed Maple apartment building.

In June 2017, the Department issued an amendment to the COA approving the Phase III Project and related financing.

As required by the COA, Wake Robin maintains a separate investment account, the Cash Reserve Account, with a Vermont investment company. The Corporation is required to transfer cash to the Cash Reserve Account, until such times as the balance in the accounts equals the required balance. The COA permits the Corporation to expend funds from the Statutory Reserve Account without approval from the Department after first exhausting all other unrestricted funds of the Corporation, or to the extent that the balance in the Cash Reserve Account exceeds the Required Balance.

As soon as practicable after December 31, 2022 or earlier date as determined by the Department at its discretion, the Corporation will transfer the required balance in the Cash Reserve Account to a Statutory Reserve Account with the Vermont State Treasurer’s Office. Thereafter, the Corporation will make deposits to the Statutory Reserve Account sufficient to maintain the required balance. All income or gain on investment of the funds held in the Statutory Reserve Account will be retained in and become part of such account.

When the funds are transferred to the Statutory Reserve Account with the Vermont Treasurer’s Office, the Corporation will not permit any person or entity other than the Department to acquire a perfected lien or security interest in the Statutory Reserve Account.

As of December 31, 2021 and 2020, the amount in the Cash Reserve Account of the Corporation exceeded the required balance.

## NOTE 9 RESIDENT FUNDS HELD BY THIRD PARTY (UNAUDITED)

Under an agreement with the Vermont Community Foundation, The Norman Winde Residents’ Fund (the Fund) was established on May 26, 1999 by residents of the LPC. The contributions and earnings thereon are held by the Vermont Community Foundation. The purposes of the Fund are to provide support to the Corporation to benefit its residents, primarily for, but not limited to, the provision of financial assistance in connection with the monthly fees due from residents of the LPC, such residents having demonstrated financial need. The Vermont Community Foundation shall accumulate, grant, or expend for the purposes of the Fund as much of the net income and/or principal of the Fund as the Vermont Community Foundation from time to time deems advisable.

## NOTE 9 RESIDENT FUNDS HELD BY THIRD PARTY (UNAUDITED) (CONTINUED)

A summary of the Fund, which is not reflected in the accompanying consolidated financial statements, at December 31, is as follows:

| | 2021 | 2020 |
|---|---|---|
| Contribution | $ - | $ 3,411 |
| Investment Return | 149,559 | 89,488 |
| Administrative Fee | (9,488) | (7,812) |
| Excess of Revenue over Expenses | 140,071 | 85,087 |
| Balance - Beginning of Year | 1,147,011 | 1,061,924 |
| Balance - End of Year | $ 1,287,082 | $ 1,147,011 |

## NOTE 10 EMPLOYEE BENEFIT PLAN

The Corporation has a 403(b) thrift plan, which is a defined contribution voluntary retirement savings plan for all employees with no minimum age or service requirement. Employees can contribute any percentage of their salary, limited only by the maximum contribution amounts defined by the IRS. The Corporation matches employee contributions at the lesser of 50% of employee contributions or $2,000 for each of the years ended December 31, 2021 and 2020. The Corporation contributed $165,132 and $152,061 to the plan in 2021 and 2020, respectively.

## NOTE 11 FAIR VALUE MEASUREMENTS

The following tables present the Corporation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31:

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Assets Limited as to Use - Investments | $ 16,118,858 | $ - | $ - | $ 16,118,858 |
| Investments | 21,201,354 | - | - | 21,201,354 |
| Total | $ 37,320,212 | $ - | $ - | $ 37,320,212 |

| | 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Assets Limited as to Use - Investments | $ 12,510,920 | $ - | $ - | $ 12,510,920 |
| Investments | 14,811,630 | - | - | 14,811,630 |
| Liabilities: | | | | |
| Obligation Under Interest Rate Swap Agreement | - | (2,430,686) | - | (2,430,686) |
| Total | $ 27,322,550 | $ (2,430,686) | $ - | $ 24,891,864 |

## NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include money market funds and bank deposits, certificates of deposit, U.S. government agency securities, corporate bonds, equities, and mutual funds.

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

## NOTE 12 FUNCTIONAL EXPENSES

The Corporation provides residential living services and general health care services to its residents. All natural classes of expenses that are not directly related to the Corporation's programs are allocated to one or more management and supporting functions based on the estimates of time and effort involved or on a basis of square feet. Expenses related to providing these services are as follows for the years ending December 31:

| | 2021 | | | |
|---|---|---|---|---|
| | Independent Living | Health Center | Management, General, and Administrative | Total |
| Wages and Benefits | $ 4,568,326 | $ 7,314,176 | $ 1,093,890 | $ 12,976,392 |
| Food and Supplies | 647,144 | 712,988 | 47,411 | 1,407,543 |
| Depreciation and Amortization | 4,784,729 | 873,096 | 26,838 | 5,684,663 |
| Interest | 2,842,600 | 475,507 | 14,616 | 3,332,723 |
| Insurance | 310,628 | 54,922 | 1,688 | 367,238 |
| Purchased Services | 434,326 | 141,407 | 375,031 | 950,764 |
| Occupancy Expenses | 1,907,886 | 513,576 | 5,236 | 2,426,698 |
| Repairs and Maintenance | 751,389 | 159,442 | 9,200 | 920,031 |
| Other | 634,300 | 584,054 | 48,843 | 1,267,197 |
| Totals | $ 16,881,328 | $ 10,829,168 | $ 1,622,753 | $ 29,333,249 |

| | 2020 | | | |
|---|---|---|---|---|
| | Independent Living | Health Center | Management, General, and Administrative | Total |
| Wages and Benefits | $ 4,642,013 | $ 6,951,325 | $ 984,907 | $ 12,578,245 |
| Food and Supplies | 852,353 | 293,879 | 45,608 | 1,191,840 |
| Depreciation and Amortization | 4,866,275 | 889,952 | 27,356 | 5,783,583 |
| Interest | 3,092,423 | 517,241 | 15,899 | 3,625,563 |
| Insurance | 338,244 | 152,148 | 24,930 | 515,322 |
| Purchased Services | 599,261 | 121,715 | 384,483 | 1,105,459 |
| Occupancy Expenses | 1,873,160 | 464,935 | 5,118 | 2,343,213 |
| Repairs and Maintenance | 471,809 | 80,485 | 2,775 | 555,069 |
| Other | 425,949 | 369,552 | 87,076 | 882,577 |
| Totals | $ 17,161,487 | $ 9,841,232 | $ 1,578,152 | $ 28,580,871 |

## NOTE 13 STIMULUS FUNDS

**Paycheck Protection Program Loan**

On April 24, 2020 the Corporation received proceeds in the amount of $1,951,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The Corporation classified this loan as a conditional contribution for accounting purposes upon receipt in 2020. The Corporation recognized $1,951,000 of other revenue related to this agreement during the year ended December 31, 2020, which represents the portion of the PPP Loan funds for which the performance barriers to forgiveness have been met. The Corporation applied for forgiveness in November 2020. The PPP Loan was forgiven in full on May 24, 2021 by the Small Business Administration. As the loan was recognized as a conditional contribution in 2020, the forgiveness had no impact on the Corporation's consolidated financial statements as of December 31, 2021.

The Small Business Administration may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Corporation's financial position.

**Provider Relief Funds**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Corporation were $26,440 and $659,736 as of December 31, 2021 and 2020, respectively. The PRFs are subject to certain restrictions on eligible expenses or uses and reporting requirements. At December 31, 2021, the Corporation recognized the remaining $204,602 of PRFs as other operating revenue in the consolidated statements of operations. At December 31 2020, the Corporation recognized $481,573 as other operating revenue in the consolidated statements of operations and $178,162 as a deferred advance liability in the consolidated statements of financial position. Management believes the amounts have been recognized appropriately as of December 31, 2021 and 2020.

**State of Vermont Front-Line Employees Hazard Pay Grant Program**

Due to the Coronavirus pandemic, the US Department of Treasury made available emergency relief grant funds to health care providers through the Coronavirus Relief Fund (CRF). The Vermont Front-Line Employees Hazard Pay Grant Program Grant was awarded on a one-time basis from the CRF established under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to address necessary expenditures with respect to the COVID-19 public health emergency. The grant was issued to provide hazard pay payments to employees who were engaged in activities substantially dedicated to mitigating or responding to the COVID-19 public health emergency during the eligible time period, March 13, 2020 through May 15, 2020.

## NOTE 13 STIMULUS FUNDS (CONTINUED)

**State of Vermont Front-Line Employees Hazard Pay Grant Program (Continued)**

Total grant funds approved, received, and expended by the Corporation were $-0- and $300,400 as of December 31, 2021 and 2020, respectively. The Corporation recognized $300,400 as other operating revenue in the consolidated statement of operations as of December 31, 2020. Management believes the amounts have been recognized appropriately as of December 31, 2021 and 2020.

## NOTE 14 COMMITMENTS AND CONTINGENCIES

As of December 31, 2020, Wake Robin has completed the construction of a capital project that commenced in 2017 (Phase III). The project encompassed renovations to existing buildings, additions, and new ground up construction. The three major program spaces impacted by the 2017 Project were the Linden Health Care Center (skilled nursing, residential care), the Community Center (dining and campus amenities), and a new 38-unit independent living apartment building (Maple).

## NOTE 15 SUBSEQUENT EVENTS

**2022 Refinancing**

On January 31, 2022, the Corporation entered into a Loan Agreement and Mortgage with the state of Vermont, acting by and through the Vermont Economic Development Authority (the Authority) pursuant to which the Authority issued the Series 2022B Bonds. The proceeds of the Series 2022B Bonds, along with other available funds, will be used to refund the outstanding balance of the Series 2012 Bonds on the May 1, 2022 redemption date and to pay the costs of issuing the Series 2022B Bonds.

**WAKE ROBIN CORPORATION AND SUBSIDIARY**
**SCHEDULE 1 – RESIDENTS' ASSISTANCE FUND**
**DECEMBER 31, 2021 AND 2020**

The following represents the activity of the Residents' Assistance Fund, which is included in net assets without donor restrictions and net assets with donor restrictions.

| | 2021 | 2020 |
|---|---|---|
| **REVENUE, GAINS, AND OTHER SUPPORT** | | |
| Investment Income | $ 86,373 | $ 33,563 |
| Contributions | 6,000 | 1,000 |
| Unrealized Gain on Investments | 273,238 | 274,050 |
| Total Revenue, Gains, and Other Support | 365,611 | 308,613 |
| **EXCESS OF REVENUE, GAINS, AND OTHER SUPPORT SUPPORT OVER EXPENSES** | 365,611 | 308,613 |
| Net Assets - Beginning of Year | 2,932,175 | 2,623,562 |
| **NET ASSETS - END OF YEAR** | $ 3,297,786 | $ 2,932,175 |
| **(A) NET ASSETS ARE COMPRISED OF:** | | |
| With Donor Restrictions | $ 3,297,786 | $ 2,932,175 |