

Brooksby Village, Inc. and Subsidiary

**Consolidated Financial Statements and
Supplemental Information**

December 31, 2023 and 2022

Report of Independent Auditors

To the Board of Directors
Brooksby Village, Inc. and Subsidiary

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, 2023 and 2022 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 “consolidated 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, 2023 and 2022, 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 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 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 consolidated 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 consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements taken as a whole. The Supplemental Schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

[PricewaterhouseCoopers LLP (signed)]

Baltimore, Maryland
April xx, 2024

Brooksby Village, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash	\$ 16,323,582	\$ 19,603,103
Short term investments	7,985,877	7,010,995
Accounts receivable	4,669,503	2,350,195
Prepaid expenses and other current assets	1,534,767	531,162
Promissory notes receivable	5,099,400	6,758,000
Restricted cash and cash equivalents	173,987	359,514
Total current assets	<u>35,787,116</u>	<u>36,612,969</u>
Non-current assets		
Beneficial interest in National CCRC Business Trust I	172,020,017	125,066,978
Resident capital cash	2,601,790	4,642,442
Annuities	73,066	73,066
Restricted funds (debt related)	2,615,332	2,617,803
Beneficial interest in National CCRC Statutory Tier IV Trust	7,225,367	4,959,246
Funds with donor restrictions	1,262,720	1,031,315
Funds held for residents	377,579	316,379
Property and equipment, net	288,861,577	286,720,786
Interest rate swap receivable	6,012,556	5,822,975
Total non-current assets	<u>481,050,004</u>	<u>431,250,990</u>
Total assets	<u>\$ 516,837,120</u>	<u>\$ 467,863,959</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities		
Accounts payable and accrued expenses	\$ 10,847,282	\$ 7,731,379
Claims reserve (insurance related)	975,844	914,860
Bonds payable - current	2,143,620	2,055,125
Resident refunds payable	13,279,760	14,753,206
Other current liabilities	200,528	208,953
Total current liabilities	<u>27,447,034</u>	<u>25,663,523</u>
Non-current liabilities		
Funds held for residents (payable)	377,579	316,379
Advance deposits	3,065,600	1,792,200
Parking deposits	—	10,000
Resident entrance fees, net of accumulated amortization of \$36,989,597 and \$36,838,031 for 2023 and 2022, respectively	432,087,873	413,314,852
Bonds payable - non-current	102,947,483	93,102,309
Total non-current liabilities	<u>538,478,535</u>	<u>508,535,740</u>
Total liabilities	<u>565,925,569</u>	<u>534,199,263</u>
Net assets (deficit)		
Without donor restrictions	(50,424,235)	(67,439,685)
With donor restrictions	1,335,786	1,104,381
Total net assets (deficit)	<u>(49,088,449)</u>	<u>(66,335,304)</u>
Total liabilities and net assets (deficit)	<u>\$ 516,837,120</u>	<u>\$ 467,863,959</u>

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

Brooksby Village, Inc. and Subsidiary
Consolidated Statements of Operations
December 31, 2023 and 2022

	2023	2022
Operating revenue and other support		
Resident occupancy revenue	\$ 81,998,021	\$ 71,212,716
Ancillary fee revenue	7,110,338	6,376,957
Amortization of non-refundable resident entrance fees	2,261,376	1,842,187
Other revenue	1,313,538	1,465,496
Net assets released from restriction used for operations	1,479,503	1,078,076
Total operating revenue and other support	<u>94,162,776</u>	<u>81,975,432</u>
Operating expenses		
Salaries, wages and benefits	40,566,286	36,779,356
Professional and contracted services	12,276,992	11,318,207
Supplies	7,413,398	7,412,941
General and administrative	9,495,143	6,585,891
Management fees	4,010,547	3,270,699
Interest	3,762,696	2,710,171
Real estate taxes	1,681,082	1,801,815
Depreciation	18,540,623	15,738,910
Expenses incurred related to net assets with donor restrictions	1,479,503	1,078,076
Total operating expenses	<u>99,226,270</u>	<u>86,696,066</u>
Operating loss	(5,063,494)	(4,720,634)
Non-operating income and (expenses)		
Investment return, net	913,876	(269,422)
Change in beneficial interest in National CCRC Business Trust I	20,453,039	(22,231,529)
Realized and unrealized gain on swap agreements	712,029	4,571,984
Total non-operating income/(expenses)	<u>22,078,944</u>	<u>(17,928,967)</u>
Excess of revenue over expenses/(expenses over revenue)	<u>\$ 17,015,450</u>	<u>\$ (22,649,601)</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, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets (deficit) January 1, 2022	\$ (44,790,084)	\$ 1,507,660	\$ (43,282,424)
Restricted contributions and net investment return	—	674,797	674,797
Net assets released from restriction used for operations	—	(1,078,076)	(1,078,076)
Excess of expenses over revenue	(22,649,601)	—	(22,649,601)
Change in net assets (deficit)	(22,649,601)	(403,279)	(23,052,880)
Net assets (deficit) December 31, 2022	\$ (67,439,685)	\$ 1,104,381	\$ (66,335,304)
Restricted contributions and net investment return	—	1,710,908	1,710,908
Net assets released from restriction used for operations	—	(1,479,503)	(1,479,503)
Excess of revenue over expenses	17,015,450	—	17,015,450
Change in net assets (deficit)	17,015,450	231,405	17,246,855
Net assets (deficit) December 31, 2023	\$ (50,424,235)	\$ 1,335,786	\$ (49,088,449)

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets (deficit)	\$ 17,246,855	\$ (23,052,880)
Adjustments to reconcile change in net assets (deficit) to net cash and restricted cash and cash equivalents provided by operating activities		
Settlements related to interest rate swaps classified as financing activities	(522,449)	(48,427)
Depreciation	18,540,623	15,738,910
Amortization of non-refundable resident entrance fees	(2,261,376)	(1,842,187)
Gain on disposals of fixed assets	(6,690)	(5,070)
Amortization of bond premium	(589,579)	(645,730)
Amortization of cost of issuance	58,872	63,961
Change in fair value of swap agreements	(189,581)	(4,523,557)
Change in unrealized (gain)/loss on investments	(618,317)	364,547
Change in beneficial interest in National CCRC Business Trust I	(20,453,039)	22,231,529
Change in beneficial interest in National CCRC Statutory Tier IV Trust	(516,120)	263,207
Proceeds from non-refundable entrance fees	5,967,810	7,461,730
Spend down	(4,906,456)	(4,498,040)
Increase in accounts receivable	(2,319,308)	(768,175)
(Increase)/decrease in prepaid expenses and other current assets	(1,003,606)	213,803
Increase/(decrease) in accounts payable and accrued expenses	2,165,333	(446,975)
Increase in claims reserve (insurance related)	60,984	2,723
(Decrease)/increase in other current liabilities	(8,425)	7,849
Decrease in other non-current liabilities	—	(38,343)
Net cash provided by operating activities	<u>10,645,531</u>	<u>10,478,875</u>
Cash flows from investing activities		
Increase in short-term investments	(356,565)	(344,624)
(Increase)/decrease in limited use cash, cash equivalents and investments	(172,614)	689,145
Purchases of beneficial interest in National CCRC Business Trust I	(26,500,000)	(11,000,000)
Purchases of beneficial interest in National CCRC Statutory Tier IV Trust	(1,750,000)	(1,750,000)
Purchases of property and equipment	(19,730,842)	(25,243,105)
Proceeds from sale of property and equipment	6,690	5,070
Net cash used in investing activities	<u>(48,503,331)</u>	<u>(37,643,514)</u>
Cash flows from financing activities		
Refunds of parking deposits	(10,000)	(5,000)
Proceeds from refundable entrance fees	59,123,989	64,755,271
Refunds of refundable entrance fees	(37,692,392)	(44,860,710)
Proceeds from bond drawdowns	12,519,500	14,774,015
Principal payments of bonds payable	(2,055,126)	(1,968,317)
Settlements related to interest rate swap agreements	522,449	48,427
Net cash provided by financing activities	<u>32,408,420</u>	<u>32,743,686</u>
(Decrease)/increase in cash and restricted cash and cash equivalents	(5,449,380)	5,579,047
Cash and restricted cash and cash equivalents, beginning of year	<u>27,785,356</u>	<u>22,206,309</u>
Cash and restricted cash and cash equivalents, end of year	<u>\$ 22,335,976</u>	<u>\$ 27,785,356</u>
Supplemental cash flow disclosure:		
Change in funds held for residents	\$ 61,200	\$ 32,404
Purchases of property and equipment in accounts payable and accrued expenses	1,160,450	209,878
Change in assets and liabilities under finance lease	(45,418)	(45,418)
Cash paid for interest	4,242,667	3,200,992

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

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

1. Organization

Brooksby Village, Inc. (the "Community") was established on July 16, 1998 as a Maryland non-stock corporation to operate a not-for-profit continuing care retirement community ("CCRC") located in Peabody, Massachusetts. The Community's available and occupied units were as follows as of December 31:

	2023	2022
Available units		
Independent living units	1,339	1,338
Assisted living units	124	124
Skilled nursing beds	60	54
Memory care units	44	44
Total available units	<u>1,567</u>	<u>1,560</u>
Occupied units		
Independent living units	1,314	1,309
Assisted living units	118	103
Skilled nursing beds	53	44
Memory care units	39	38
Total occupied units	<u>1,524</u>	<u>1,494</u>
Occupancy percentage		
Independent living units	98.1 %	97.8 %
Assisted living units	95.2 %	83.1 %
Skilled nursing beds	88.3 %	81.5 %
Memory care units	88.6 %	86.4 %
Total occupancy percentage	<u>97.3 %</u>	<u>95.8 %</u>

National Senior Communities, Inc. ("NSC"), a not-for-profit organization, was organized to support the Community and 17 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 ("ESL") to provide management services as described in footnote 4. There are various agreements associated with the management of the Community whereby ESL is considered a related party.

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, 2023 and 2022.

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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, workers' compensation insurance plans, and property claims. 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 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 \$600,000 for each of the years ended December 31, 2023 and 2022, respectively, 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, 2023 and 2022, expenses related to the employee health plan were \$2,804,221 and \$2,231,427 respectively, and are included in salaries, wages and benefits on the Consolidated Statements of Operations. The liability for future health claims was \$294,138 and \$249,940 as of December 31, 2023 and 2022, 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 \$5,000,000 per claim retention and \$5,000,000 professional and general liability retention aggregate. Bowhead Specialty Underwriters ("BSU") 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, 2023 and 2022, expenses related to the professional and general liability plans were \$300,134 and \$260,911, respectively, and are included in General and administrative 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 BSU. 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 \$493,877 and \$517,978 as of December 31, 2023 and 2022, 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, 2023 and 2022, expenses related to the workers' compensation plan were \$716,327 and \$613,339,

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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. Beginning in 2022, the plan has a \$10,000,000 retention per occurrence, and American International Group provides the lead excess coverage.

For the years ended December 31, 2023 and 2022, expenses related to the property insurance plan were \$723,889 and \$596,719, respectively, and are included in General and administrative expense on the Consolidated Statements of Operations. The liability for future property insurance claims was \$187,829 and \$146,942 as of December 31, 2023 and 2022, respectively, and is included in claims reserve (insurance related) on the Consolidated Balance Sheets.

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.

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 \$5,099,400 and \$6,758,000 as of December 31, 2023 and 2022, 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 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

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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. The amount of amortization related to the 10% non-refundable portion of the deposit was \$2,261,376 and \$1,842,187 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, spend down activity to offset monthly charges was \$4,906,456 and \$4,498,040, respectively.

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

	2023	2022
Fully refundable contracts		
Resident entrance fees	\$ 91,132,100	\$ 108,145,101
Less: Accumulated amortization	(9,226,324)	(11,517,524)
90% Contracts		
Resident entrance fees		
90% refundable portion	348,010,945	314,765,105
10% non-refundable portion	39,741,201	35,883,201
Less: Accumulated amortization	(27,763,273)	(25,320,507)
Less: Spend down	(9,806,776)	(8,640,524)
Resident entrance fees, net	<u>\$ 432,087,873</u>	<u>\$ 413,314,852</u>

Limited Use Cash, Cash Equivalents and Investments

BBV has restricted cash and cash equivalents, resident capital cash, annuities, restricted funds (debt related), 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.

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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:

	2023	2022
Cash	\$ 16,323,582	\$ 19,603,103
Restricted cash and cash equivalents	173,987	359,514
Resident capital cash	2,601,790	4,642,442
Restricted funds (debt related)	2,615,332	2,617,803
Funds with donor restrictions	243,706	246,115
Funds held for residents (cash)	377,579	316,379
Cash and restricted cash and cash equivalents	<u>\$ 22,335,976</u>	<u>\$ 27,785,356</u>

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

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 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	
	2023	2022
Shares owned	7,375,764	6,172,809
Value of investment	172,020,017	125,066,978
Contributions made	26,500,000	11,000,000
Change in beneficial interest	20,453,039	(22,231,529)

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

	Business Trust	
	2023	2022
Assets	\$ 1,216,302,306	\$ 1,007,304,780
Liabilities	250,872	186,330
Net assets	1,216,051,434	1,007,118,450
Net asset value per share	23.32	20.26
Net investment income	36,714,566	33,911,201
Realized and unrealized gain/(loss) from investments	119,718,418	(218,509,552)
Net increase/(decrease) in net assets	156,432,984	(184,598,351)

National CCRC Statutory Tier IV Trust

The NSC is a not-for-profit member and supporting organization of the largest system of not-for-profit continuing care retirement communities in the United States. Its primary mission is to uphold the highest standards of quality and care across these communities. To further this mission, the NSC maintains an investment portfolio in multiple trusts, including the Tier IV Trust. The objective of this trust is to invest cash in an efficient and diversified approach to obtain a reasonable return while accepting a moderate and prudent level of risk. In the future, the NSC may choose to invest the funds in less traditional, illiquid assets or non-marketable securities. As of December 31, 2023, no such purchases have been made, or are expected to be made in the coming year.

Funds in the Tier IV Trust are limited to use as determined by the Trustee. The NSC, as the Trustee, has the executive management and control of the funds within the Tier IV Trust, which include fixed income funds, equity mutual funds and money market funds as of December 31, 2023 and 2022. The Trustee has exclusive management and control of the Tier IV Trust. As such, the Trustee has the power to conduct, operate, and carry out the business of the Tier IV Trust, which includes (but is not limited to) buying, holding, and selling investments on behalf of the Tier IV Trust. The Trustee may, in its discretion, enter into one or more investment advisory or management agreements whereby the Trustee engages the services of an investment advisor for the Tier IV Trust. The Trustee is not compensated for any services provided.

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.

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	
	2023	2022
Shares owned	714,716	542,286
Value of investment	\$ 7,225,367	\$ 4,959,246
Contributions made	1,750,000	1,750,000
Change in beneficial interest	\$ 516,120	(263,207)

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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

	Tier IV Trust	
	2023	2022
Assets	\$ 41,449,370	\$ 28,457,780
Liabilities	161,564	119,230
Net assets	41,287,806	28,338,550
Net asset value per share	10.11	9.15
Net investment income	801,872	319,852
Realized and unrealized gain/(loss) from investments	2,147,384	(1,823,888)
Net increase/(decrease) in net assets	2,949,256	(1,504,036)

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 issuance 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 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, 2023 and 2022.

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 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.

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 \$172,020,017 and \$125,066,978 invested in the Business Trust as of December 31, 2023 and 2022, 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.

Excess of Revenue Over Expenses/(Expenses Over Revenue)

The Consolidated Statements of Operations include excess of revenue over expenses/(expenses over revenue), 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 RCAs, 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 care 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.

The independent living portion of resident occupancy revenue that qualified under the provisions of the lease guidance was \$53,873,590 and \$48,510,168 for the years ended December 31, 2023 and 2022, respectively.

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. 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, 2023 were approximately \$27.2 million in each of the next five years.

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022. Subsequent changes that are determined to be the result 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, 2023 and 2022.

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.

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,

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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:

	2023				
	Independent living	Assisted care	Skilled nursing and other	Memory care	Total
Private pay	\$ 53,873,590	\$ 13,759,545	\$ 4,968,892	\$ 5,196,070	\$ 77,798,097
Medicare and Medicaid	—	—	3,408,683	—	3,408,683
Third party	—	—	791,241	—	791,241
Total resident occupancy revenue	<u>\$ 53,873,590</u>	<u>\$ 13,759,545</u>	<u>\$ 9,168,816</u>	<u>\$ 5,196,070</u>	<u>\$ 81,998,021</u>

	2022				
	Independent living	Assisted care	Skilled nursing and other	Memory care	Total
Private pay	\$ 48,510,168	\$ 10,329,304	\$ 4,671,958	\$ 3,718,206	\$ 67,229,636
Medicare and Medicaid	—	—	3,289,800	—	3,289,800
Third party	—	—	693,280	—	693,280
Total resident occupancy revenue	<u>\$ 48,510,168</u>	<u>\$ 10,329,304</u>	<u>\$ 8,655,038</u>	<u>\$ 3,718,206</u>	<u>\$ 71,212,716</u>

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

	2023				
	Independent living	Assisted care	Skilled nursing and other	Memory care	Total
Private pay	\$ 3,587,016	\$ 53,708	\$ 1,384,769	\$ 58	\$ 5,025,551
Medicare and Medicaid	—	—	1,634,658	—	1,634,658
Third party	101,097	—	349,032	—	450,129
Total ancillary fees	<u>\$ 3,688,113</u>	<u>\$ 53,708</u>	<u>\$ 3,368,459</u>	<u>\$ 58</u>	<u>\$ 7,110,338</u>

	2022				
	Independent living	Assisted care	Skilled nursing and other	Memory care	Total
Private pay	\$ 2,797,423	\$ 22,359	\$ 1,329,248	\$ 2,811	\$ 4,151,841
Medicare and Medicaid	—	—	1,392,486	—	1,392,486
Third party	41,279	—	791,351	—	832,630
Total ancillary fees	<u>\$ 2,838,702</u>	<u>\$ 22,359</u>	<u>\$ 3,513,085</u>	<u>\$ 2,811</u>	<u>\$ 6,376,957</u>

Other Revenue

Other revenue includes revenue from government grants, lease income, and contribution revenue. Grant revenue is recognized when the applicable terms and conditions of the grant have been met. The Community has determined that there is not an exchange back to the granting authority and accounts for these grants under the contribution model (ASC 958-605), which is outside the scope of ASC 606.

The Community has leased space to various vendors who provide services to the residents as an amenity. These agreements typically range from 1 to 5 years, most for a fixed monthly rate. Revenue from these agreements is recognized ratably over the lease term on a straight-line basis. However, some agreements do include a variable component in the final monthly price.

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

The Community receives contributions from donors for use limited to a specified purpose. Revenue is recognized when the donor imposed stipulation is fulfilled and funds are expensed. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give, and indications of intentions to give, are reported at fair value at the date the condition is satisfied. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as other revenue in the Consolidated Statements of Operations.

Coronavirus Disease 2019 Funding Programs

The Community participates in certain government programs that provide funding related to the Coronavirus Disease 2019 ("COVID-19") pandemic. These funds have reduced the overall net impact of COVID-19 on the Community's financial performance.

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, 2023 and 2022, the Community recognized in other revenue, grants received from the Provider Relief Fund totaling \$41,044 and \$307,960, respectively, based on laws and regulations, as well as interpretations issued by the Department of Health and Human Services ("HHS"). 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. 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, 2023 and 2022, the Community recognized \$494,456 and \$14,943, respectively, in other revenue from this FEMA program.

Beyond the grants described above, the Community has recognized \$0 and \$422,001 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, 2023 and 2022, respectively.

The CARES Act provides refundable employee retention credits, which can be used to offset payroll tax liabilities. For the years ended December 31, 2023 and 2022, the Community recognized a benefit of \$0 and \$240,000, respectively, which is included in salaries, wages and benefits on the Consolidated Statements of Operations.

Non-operating Revenue and Expenses

Non-operating revenues and expenses are comprised primarily of interest paid and changes in market value on interest rate swap agreements, net investment return, and changes in beneficial interest in National CCRC Business Trust. Investment return, net, consists of investment and dividend income, realized and unrealized gains and losses from investments, investment fees, and the change in the Tier IV Trust. Distributions received from investments are recorded as investment income to the extent that such distributions represent interest or dividends. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Realized gain or loss is

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

recognized when an investment is disposed of and is computed as the difference between the cost basis in the investment through specific identification at the disposition date and the net proceeds received from such disposition. Unrealized gains or losses display the difference between the fair market value of the investment and the cost basis of the investment.

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.

Management 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 assessment 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 is recorded in the non-operating section of 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 interest revenue and expenses on swap agreements as non-operating income and expense within excess of revenue over expenses/(expenses over revenue) on the Consolidated Statements of Operations.

Recently Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-04 which provides optional expedients for a limited period of time for accounting for contracts, hedging relationships, and other transactions affected by the London Interbank Offered Rate (LIBOR) or other reference rates expected to be discontinued. Specifically, to the extent the Community's debt and other agreements are modified to replace LIBOR with another interest rate index, ASU 2020-04 will permit the Community to account for the modification as a continuation of the existing contract without additional analysis. These optional expedients can be applied from March 2020 through December 31, 2022 on a prospective basis. In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform* (Topic 848): Deferral of the Sunset Date of Topic 848, to extend the period the optional expedients can be applied from December 31, 2022 to December 31, 2024.

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

During June 2023, the Community adopted the optional relief guidance provided under ASU 2020-04 in connection with the amendment of our Series 2020B Bonds, Series 2020 Term Loan, and swap agreements. The amendment was done in response to the planned phase out of LIBOR and the only contractual change was to update the reference rate from LIBOR to the Secured Overnight Financing Rate (SOFR). See footnote 7, Bonds Payable and Interest Rate Swaps, for further discussion. There was no material impact to our consolidated financial statements during the year ended December 31, 2023 as a result of adoption of this standard.

In June 2016, the FASB issued 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 to occur. 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 Community adopted this standard effective, January 1, 2023. Management evaluated the impact of this update on the consolidated financial statements and there were no material impacts.

3. Property and Equipment, Net

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

	2023	2022
Land and land improvements	\$ 24,150,622	\$ 23,119,425
Building and building improvements	432,543,305	409,043,542
Furniture and fixtures	752,612	987,331
Equipment and vehicles	11,442,639	11,236,691
	<u>468,889,178</u>	<u>444,386,989</u>
Less: Accumulated depreciation	(191,299,832)	(175,303,636)
	<u>277,589,346</u>	<u>269,083,353</u>
Open projects	11,272,231	17,637,433
Total property and equipment, net	<u>\$ 288,861,577</u>	<u>\$ 286,720,786</u>

Depreciation expense was \$18,540,623 and \$15,738,910 for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, BBV disposed of fully depreciated assets totaling \$2,544,426 and \$8,087,881, respectively. There were gains of \$6,690 and \$5,070 related to these disposals for the years ended December 31, 2023 and 2022, respectively, which are included in other revenue on the Consolidated Statements of Operations.

4. 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, most recently on January 1, 2023. The 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, 2023 and 2022 were \$4,010,547 and \$3,270,699, respectively.

The direct and shared costs allocated to BBV by ESL for the years ended December 31, 2023 and 2022 were \$7,892,511 and \$7,071,316, respectively, and are included in professional and contracted

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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.

5. Defined Contribution Plan

BBV maintains a defined contribution plan for BBV employees meeting certain eligibility requirements. Eligible employees may contribute up to 100% 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 \$557,390 and \$509,567 for the years ended December 31, 2023 and 2022, respectively, and is included in salaries, wages and benefits on the Consolidated Statements of Operations.

6. 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.

ASC 820: Fair Value Measurements and Disclosures ("ASC 820"), clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

	December 31, 2023			
	Unadjusted Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
Current assets				
Short term investments				
Money market funds	\$ 402,267	\$ —	\$ —	\$ 402,267
Fixed income securities	—	3,266,911	—	3,266,911
U.S. agency securities	—	1,820,092	—	1,820,092
Equity securities	2,496,607	—	—	2,496,607
Restricted cash and cash equivalents	173,987	—	—	173,987
	<u>\$ 3,072,861</u>	<u>\$ 5,087,003</u>	<u>\$ —</u>	<u>\$ 8,159,864</u>
Non-current assets				
Resident capital cash				
Cash	\$ 2,601,790	\$ —	\$ —	\$ 2,601,790
Beneficial interest in gift annuities	—	—	73,066	73,066
Restricted funds (debt related)				
Money market funds	2,615,332	—	—	2,615,332
Funds with donor restrictions				
Cash	243,706	—	—	243,706
Fixed income securities	609,379	—	—	609,379
Equity securities	409,635	—	—	409,635
Funds held for residents				
Cash	377,579	—	—	377,579
Interest rate swap receivable	—	6,012,556	—	6,012,556
	<u>\$ 6,857,421</u>	<u>\$ 6,012,556</u>	<u>\$ 73,066</u>	<u>\$ 12,943,043</u>

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

	December 31, 2022			
	Unadjusted Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
Current assets				
Short term investments				
Money market funds	\$ 410,826	\$ —	\$ —	\$ 410,826
Fixed income securities	—	3,756,677	—	3,756,677
U.S. agency securities	—	908,006	—	908,006
Equity securities	1,935,486	—	—	1,935,486
Restricted cash and cash equivalents	359,514	—	—	359,514
	<u>\$ 2,705,826</u>	<u>\$ 4,664,683</u>	<u>\$ —</u>	<u>\$ 7,370,509</u>
Non-current assets				
Resident capital cash				
Cash	\$ 4,642,442	\$ —	\$ —	\$ 4,642,442
Beneficial interest in gift annuities	—	—	73,066	73,066
Restricted funds (debt related)				
Money market funds	2,617,803	—	—	2,617,803
Funds with donor restrictions				
Cash	246,115	—	—	246,115
Fixed income securities	460,321	—	—	460,321
Equity securities	324,879	—	—	324,879
Funds held for residents				
Cash	316,379	—	—	316,379
Interest rate swap receivable	—	5,822,975	—	5,822,975
	<u>\$ 8,607,939</u>	<u>\$ 5,822,975</u>	<u>\$ 73,066</u>	<u>\$ 14,503,980</u>

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.

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. 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.

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 7.

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.

7. Bonds Payable and Interest Rate Swaps

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

	2023	2022
Virginia Small Business Financing Authority, The Obligated Group of National Senior Communities, Inc., Series 2020A, tax-exempt, fixed rate, final maturity January 1, 2051	\$ 62,519,688	\$ 63,768,167
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	34,678,790	22,168,788
The Obligated Group of National Senior Communities, Inc., 2020 Term Loan, taxable, variable rate, due October 1, 2028	4,025,983	4,823,132
Subtotal	\$ 101,224,461	\$ 90,760,087
Less: Current portion	(2,143,620)	(2,055,125)
Less: Deferred financing costs, net	(703,835)	(762,709)
Add: Bond premium	4,570,477	5,160,056
Bonds payable, net of current portion	<u>\$ 102,947,483</u>	<u>\$ 93,102,309</u>

Obligated Group of National Senior Communities, Inc.

The Obligated Group of National Senior Communities, Inc. (the "Obligated Group"), consists of Ann's Choice, Inc., Brooksby Village, Inc., Cedar Crest Village, Inc., Greenspring Village, Inc., Seabrook Village, Inc., and as of March 1, 2022, Linden Ponds, 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 certain of the

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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.

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 a 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 issued bonds 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 had advanced proceeds provided to the Obligated Group through October 1, 2023, with first principal payment due November 1, 2023 in accordance with the repayment schedule. The advanced payments provided to the Obligated Group in 2020 were \$8,106,243. The Series 2020B Bonds have a mandatory tender date of October 15, 2035.

Effective June 1, 2023, the interest rate formula for the 2020B Bonds was amended in connection with the phase-out of LIBOR. Pursuant to the amendment, the interest rate is set at 79% of the sum of SOFR plus a spread of 110 basis points and an initial spread adjustment of 0.10%, provided that SOFR shall not be less than 0%. Prior to the amendment, the initial interest rate for the 2020 Bonds was set at 79% of the sum of one-month LIBOR plus a spread of 110 basis points, 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 5.33%, and 4.12%, as of December 31, 2023 and 2022, 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 Series 2020B Bonds as of December 31, 2023 and 2022 was \$34,678,790 and \$22,168,788, respectively. The cash portion of the advanced proceeds from the Series 2020B Bonds was \$12,519,500 and \$14,774,015 as of December 31, 2023 and 2022, respectively.

2020 Taxable Term Loan

The principal amount of the 2020 Taxable Term Loan was \$16,950,000. 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. Effective June 1, 2023, the interest rate on the 2020 Taxable Term Loan was amended in connection with the phase-out of LIBOR. Pursuant to the amendment, the interest rate was set at SOFR plus a spread of 110.3 basis points, provided that SOFR shall not be less than 0%. Prior to the amendment, the initial interest rate for the 2020 Taxable Term Loan was set at one-month LIBOR plus a spread of 100 basis points, 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 6.42%, and 5.14%, as of

Brooksby Village, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

December 31, 2023 and 2022, 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 (refer to the Derivative Financial Instruments discussion below). BBV's portion of the proceeds from the 2020 Taxable Term Loan was \$6,495,994.

On March 1, 2022, Linden Ponds, Inc. became a member of the Obligated Group. Concurrent with joining the Obligated Group, at the request of Linden Ponds, Inc., 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. Upon becoming a member of the Obligated Group, Linden Ponds' Series 2018 Bonds became the debt of the Obligated Group. BBV did not receive any portion of the Series 2018 or Series 2022 bond proceeds.

The Obligated Group's total balance of bonds payable was \$668,574,939 and \$652,082,970 as of December 31, 2023 and 2022, respectively.

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 original portion of the deferred financing costs was \$914,022. Amortization of cost of issuance was \$58,872 and \$63,961 for the years ended December 31, 2023 and 2022, respectively.

Future principal payments required by BBV under the bond agreements, are as follows as of December 31, 2023:

2024	\$ 2,143,620
2025	2,281,766
2026	2,372,599
2027	2,457,384
2028	2,603,808
Years thereafter	89,365,284
Total future principal payments	101,224,461
Less: Current portion	(2,143,620)
Less: Deferred financing costs, net	(703,835)
Add: Bond premium	4,570,477
Bonds payable, net of current portion	<u>\$ 102,947,483</u>

Derivative Financial Instruments

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. BBV jointly with other Obligated Group Members have agreed to pay the Swap Counterparty scheduled payments using a fixed rate equal to 0.841%, and receive payments based on 79% of SOFR commencing on November 1, 2023 through and including the termination date of October 1, 2035. Prior to the amendment, the Obligated Group members agreed to pay a fixed rate equal to 0.92% and receive payments based on 79% of one-month LIBOR.

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

In conjunction with the issuance of the 2020 Taxable 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. The swap agreement was amended in connection with the phase-out of LIBOR, whereby, BBV jointly with other Obligated Group Members have agreed to pay the Swap Counterparty scheduled payments determined using a fixed rate equal to 0.335% and receive payments based on SOFR commencing on July 1, 2023 through and including the termination date of October 1, 2028. Prior to the amendment, the Obligated Group Members agreed to pay a fixed rate equal to 0.44% and receive payments based on 79% of one-month LIBOR.

The change in market value of the swaps is recorded in excess of revenue over expenses/(expenses over revenue) in the Consolidated 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	
	2023	2022
Derivatives not designated as hedging instruments		
Interest rate swap receivable	\$ 6,012,556	\$ 5,822,975
Classification of derivatives gain in Consolidated Statements of Operations	Amount of Gain Recognized in Excess of Revenue Over Expenses/ (Expenses Over Revenue)	
	2023	2022
Derivatives not designated as hedging instrument		
Unrealized gain on interest rate swaps	\$ 189,581	\$ 4,523,557
Realized gain on interest rate swaps	522,449	48,427
Realized and unrealized gain on swap agreements	<u>\$ 712,030</u>	<u>\$ 4,571,984</u>

8. Net Assets With Donor Restrictions

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

	2023	2022
Resident care	\$ 404,067	\$ 100,563
Scholarship	912,194	975,981
Staff appreciation	19,525	27,837
Total funds with donor restrictions	<u>\$ 1,335,786</u>	<u>\$ 1,104,381</u>

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

	2023	2022
Resident care	\$ 1,107,740	\$ 659,851
Scholarship	371,763	418,225
Total net assets released from restriction	<u>\$ 1,479,503</u>	<u>\$ 1,078,076</u>

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Resident care and scholarship funds are referred to as Limited Use Assets on the balance sheet. Communities deemed to have an excess of cash, invest in equity and fixed income mutual funds in the Business Trust.

Staff appreciation funds totaling \$225,618 and \$222,352 were expended during the years ended December 31, 2023 and 2022, respectively. These amounts are included in both other revenue and salaries, wages and benefits on the Consolidated Statements of Operations.

9. 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:

	2023	2022
Cash	\$ 16,323,582	\$ 19,603,103
Short-term investments	7,985,877	7,010,995
Accounts receivable	4,669,503	2,350,195
Promissory notes receivable	5,099,400	6,758,000
Beneficial interest in National CCRC Business Trust I	172,020,017	125,066,978
	<u>\$ 206,098,379</u>	<u>\$ 160,789,271</u>

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 may be drawn upon, if necessary, to meet unexpected liquidity needs and they are included in the quantitative information above.

10. 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:

	2023				
	Program Services			Support Services	
	Independent Living	Continuing Care	Ancillary Health	General and Administration	Total
Expenses					
Salaries, wages and benefits	\$ 15,585,917	\$ 16,271,652	\$ 2,046,282	\$ 6,662,435	\$ 40,566,286
Professional and contracted services	4,054,373	1,467,745	165,274	6,589,600	12,276,992
Supplies	5,271,152	1,689,418	33,728	419,100	7,413,398
General and administrative	7,020,128	1,010,864	1,498	1,462,653	9,495,143
Management fees	2,885,537	1,125,010	—	—	4,010,547
Interest	3,762,696	—	—	—	3,762,696
Real estate taxes	1,417,159	263,923	—	—	1,681,082
Depreciation	17,168,941	1,368,624	3,058	—	18,540,623
Expenses incurred related to net assets with donor restrictions	1,479,503	—	—	—	1,479,503
Total expenses	<u>\$ 58,645,406</u>	<u>\$ 23,197,236</u>	<u>\$ 2,249,840</u>	<u>\$ 15,133,788</u>	<u>\$ 99,226,270</u>

Brooksby Village, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

	2022				
	Program Services			Support Services	
	Independent Living	Continuing Care	Ancillary Health	General and Administration	Total
Expenses					
Salaries, wages and benefits	\$ 14,140,261	\$ 14,553,448	\$ 1,971,649	\$ 6,113,998	\$ 36,779,356
Professional and contracted services	3,545,795	1,288,782	145,913	6,337,717	11,318,207
Supplies	4,979,739	1,966,033	97,953	369,216	7,412,941
General and administrative	4,867,832	876,979	547	840,533	6,585,891
Management fees	2,346,273	924,426	—	—	3,270,699
Interest	2,710,171	—	—	—	2,710,171
Real estate taxes	1,538,773	263,042	—	—	1,801,815
Depreciation	15,425,952	310,726	2,232	—	15,738,910
Expenses incurred related to net assets with donor restrictions	1,078,076	—	—	—	1,078,076
Total expenses	<u>\$ 50,632,872</u>	<u>\$ 20,183,436</u>	<u>\$ 2,218,294</u>	<u>\$ 13,661,464</u>	<u>\$ 86,696,066</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.

11. 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 various construction related contracts for buildings on campus. Commitments for the portions of any contracts not completed as of December 31, 2023 and 2022 were \$2,440,569 and \$1,252,445, respectively.

12. Subsequent Event

Subsequent events have been evaluated by management through April xx, 2024, 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, 2023 and 2022

(Unaudited)	2023	2022
Cash and investments		
Cash	\$ 16,323,582	\$ 19,603,103
Short-term investments	7,985,877	7,010,995
Beneficial interest in National CCRC Business Trust I	172,020,017	125,066,978
Beneficial interest in National CCRC Statutory Tier IV Trust	7,225,367	4,959,246
Total cash and investments	<u>\$ 203,554,843</u>	<u>\$ 156,640,322</u>
Change in cash and investments		
Cash	\$ (3,279,521)	\$ 6,611,917
Short term investments	974,882	(19,923)
Beneficial interest in National CCRC Business Trust I	46,953,039	(11,231,529)
Beneficial interest in National CCRC Statutory Tier IV Trust	2,266,121	1,486,793
Change in cash and investments	<u>\$ 46,914,521</u>	<u>\$ (3,152,742)</u>
Cash provided by business operations:		
Total operating revenue and other support	\$ 94,162,776	\$ 81,975,432
Less: Amortization of non-refundable resident entrance fees	(2,261,376)	(1,842,187)
Add: Net cash flows related to entrance fees	24,523,603	24,153,200
Cash provided by business operations	<u>116,425,003</u>	<u>104,286,445</u>
Total operating expenses	(99,226,270)	(86,696,066)
Less: Depreciation	18,540,623	15,738,910
Less: Gain on disposal of fixed assets	(6,690)	(5,070)
Less: Interest expense	3,762,696	2,710,171
Cash used for operating expenses	<u>(76,929,641)</u>	<u>(68,252,055)</u>
Purchases of property and equipment (on-going)	(10,475,622)	(10,963,818)
Cash used in business operations	<u>(87,405,263)</u>	<u>(79,215,873)</u>
Net cash provided by business operations	<u>29,019,740</u>	<u>25,070,572</u>
Other sources and uses of cash:		
Net investment income	21,366,915	(22,500,951)
Net proceeds from bond issuances and drawdowns	12,519,500	14,774,015
Purchases of property and equipment (repositioning)	(9,248,530)	(14,274,217)
Decrease in working capital	(1,148,429)	(607,051)
Debt service	(5,826,080)	(5,211,831)
Restricted contributions, net/(net assets released from restriction)	231,405	(403,279)
Net cash provided by/(used in) non-operating activities	<u>17,894,781</u>	<u>(28,223,314)</u>
Total change in cash and investments	<u>\$ 46,914,521</u>	<u>\$ (3,152,742)</u>

Brooksby Village, Inc. and Subsidiary
Note to Consolidated Supplemental Schedule
for the years ended December 31, 2023 and 2022

1. Basis of Presentation and Accounting

The Consolidated Supplemental Schedule presented on page 31 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.