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HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Financial Statements

December 31, 2023 and 2022

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December 31, 2023 and 2022

Independent Auditors' Report

To the Board of Directors of
HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Opinion

We have audited the financial statements of HumanGoodNevada (dba Las Ventanas) (a Member of HumanGood Cornerstone) (the Corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2023 and 2022, and the results of its operations, changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 26, 2024

HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Balance Sheets
December 31, 2023 and 2022
(In Thousands)

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 3,827	$ 653
Resident accounts receivable, less allowance for credit losses of $367 in 2023 and $348 in 2022	873	1,567
Other receivables	331	422
Prepaid expenses and other assets	448	379
Total current assets	5,479	3,021
Investments	3,481	3,313
Land, Buildings and Equipment, Net	64,947	64,658
Other Noncurrent Assets	265	193
Total assets	$ 74,172	$ 71,185
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,622	$ 1,439
Payable to affiliates	264	422
Deposits	413	350
Accrued interest	92	-
Current portion of notes and bonds payable, held by affiliates	216	208
Total current liabilities	2,607	2,419
Notes and Bonds Payable Held by Affiliates	43,195	43,411
Rebatable Entrance Fees Due	20,469	21,054
Entrance Fees Subject to Refund	6,135	3,678
Entrance Fees Nonrefundable	12,600	12,755
Other Liabilities	65	58
Total liabilities	85,071	83,375
Net Deficit Without Donor Restriction	(10,899)	(12,190)
Total liabilities and net deficit	$ 74,172	$ 71,185

See notes to financial statements

HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Operating Revenues		
Residential living	$ 10,419	$ 10,025
Assisted living	4,071	3,558
Health center	11,029	10,657
Memory support	1,262	1,089
Amortization of entrance fees	3,770	3,581
COVID relief funding	124	2,041
Other operating revenue	266	196
Total operating revenues	30,941	31,147
Operating Expenses		
Salaries and wages	11,302	10,474
Employee benefits	2,266	2,331
Supplies	2,270	2,288
Ancillary services	1,690	1,841
Repairs and maintenance	378	446
Marketing and advertising	463	474
Purchased services	1,644	1,516
Management fees	561	539
Utilities	1,276	1,101
Travel and related	95	83
Leases and rents	191	140
Insurance	444	392
Other operating expenses	1,924	1,603
Total operating expenses	24,504	23,228
Income before other operating income (expense)	6,437	7,919
Other Operating Income (Expense)		
Investment income, net	235	17
Realized gains on investments, net	3	-
Change in unrealized gains on investments, net	22	-
Depreciation and amortization	(3,673)	(2,995)
Interest expense	(1,838)	(1,754)
Gain on fixed asset disposal	-	55
Nonrecurring operating expenses	-	(74)
Income from operations	1,186	3,168
Other Changes in Net Deficit		
Capital contributions	105	-
Change in net deficit without donor restriction	1,291	3,168
Net Deficit, Beginning	(12,190)	(15,358)
Net Deficit, Ending	$ (10,899)	$ (12,190)

See notes to financial statements

HumanGood Nevada (dba Las Ventanas)
(a Member of HumanGood Cornerstone)

Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Cash Flows From Operating Activities		
Cash received from resident services	$ 27,137	$ 24,935
Cash received from nonrebatable entrance fees from reoccupancy	6,738	4,213
Cash received from COVID relief funding	124	333
Cash received from other operating activities	266	196
Cash earnings realized from investments	235	17
Cash paid for employee salaries	(10,574)	(9,586)
Cash paid for employee benefits	(2,266)	(2,331)
Cash paid for temporary labor	(679)	(934)
Cash paid to vendors	(10,534)	(10,657)
Cash paid for interest	(1,746)	(1,830)
Net cash provided by operating activities	8,701	4,356
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(3,941)	(3,472)
Proceeds from sale of fixed assets	-	117
Net purchases of investments	(145)	(2,516)
Net cash used in investing activities	(4,086)	(5,871)
Cash Flows From Financing Activities		
Payments of notes and bonds payable	(208)	(200)
Proceeds from rebatable entrance fees	2,298	3,134
Refunds of deposits and entrance fees	(3,478)	(3,754)
Cash (paid to) received from affiliates	(158)	102
Capital contributions	105	-
Net cash used in financing activities	(1,441)	(718)
Increase (decrease) in cash and cash equivalents	3,174	(2,233)
Cash and Cash Equivalents, Beginning	653	2,886
Cash and Cash Equivalents, Ending	$ 3,827	$ 653
Noncash Disclosures		
Senior secured interaffiliate note retired and reissued	$ 43,411	$ -

See notes to financial statements

1. Business Organization

HumanGood Nevada (dba Las Ventanas) (a Member of HumanGood Cornerstone) (the Corporation) is a California nonprofit public benefit tax-exempt corporation formed on January 7, 2004 and is qualified to do business in the state of Nevada. The Corporation was formed for the purpose of providing housing, health care and supportive services for seniors in the Las Vegas, Nevada area. The Life Plan Community (LPC) consists of 171 residential living suites, 6 residential living villas, 58 assisted living apartments, a 16-bed memory support suite and a 60-bed health center.

Parent Organization

HumanGood Cornerstone (a Member of HumanGood), a California nonprofit public benefit tax-exempt corporation, is the sole member and exercises its direction and control through the appointment of the Boards of Directors of the Corporation, HumanGood Arizona, Inc. (dba Terraces of Phoenix), HumanGood Washington (dba Judson Park), HumanGood Idaho (dba The Terraces of Boise), HumanGood Properties, HumanGood East, HumanGood Affordable Housing, and West Valley Nursing Homes, Inc., dba Terraces at Summitview. On May 1, 2023, Hillside, a life plan community in McMinneville, Oregon, was acquired by a newly formed subsidiary of West Valley Nursing Homes, Inc., HG Hillside LLC.

HumanGood is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors through its LPCs and affordable housing communities. HumanGood is the sole member of HumanGood Cornerstone, HumanGood Fresno (dba Terraces at San Joaquin Gardens), HumanGood SoCal (SoCal) and HumanGood NorCal (NorCal). NorCal is the sole member of HumanGood Foundation West and SoCal is the sole member of HumanGood Foundation South. HumanGood Fresno, HumanGood SoCal and HumanGood NorCal together constitute an obligated group (HumanGood California Obligated Group or COG).

HumanGood and HumanGood Cornerstone's Boards are composed of the same seven directors.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Corporation were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the allowances for contractual and uncollectible accounts receivable; fair value of investments; future service benefit obligations; rebatable entrance fees due; entrance fees subject to refund; and entrance fees nonrefundable. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions and overnight investments considered to be cash equivalents. For the purposes of the statements of cash flows, cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Investments

Investments include certain cash equivalents held by investment managers, mutual funds, and exchange-traded funds and closed-end funds. Investments are measured at fair value in the accompanying balance sheets (Note 4).

Net investment income or loss (including interest, dividends, and fees), realized gains and losses, and unrealized gains and losses on investments are included in income from operations. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair value reported is subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported could change materially in the near term.

Resident Accounts Receivable

Accounts receivable are reported net of an allowance for credit losses, which represents the Corporation's estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the Corporation’s allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, and expected future economic conditions and market trends. Adjustments are made to the allowance as necessary.

Other Receivables

Other receivables primarily include noninterest bearing, unsecured promissory notes from residents to pay entrance fees in the amount of $317,000 and $422,000 at December 31, 2023 and 2022, respectively. Entrance fee promissory notes receivable are evaluated for collectability prior to residents being admitted to the community based on each resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed. All amounts are contractually due within 90 days.

Other receivables are stated at the amount management expects to collect. If necessary, management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to other receivables.

Land, Buildings and Equipment, Net

Land, buildings and equipment, net are recorded at cost or fair value when received, if donated. The cost basis includes any interest, finance charges and other related costs capitalized during construction. Maintenance and repair costs are charged to operations when incurred.

Depreciation of buildings and equipment is computed on the straight-line method using estimated useful lives of 3 to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Asset Impairment

The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No asset impairment was recognized at December 31, 2023 and 2022.

Obligation to Provide Future Services

If the present value of future outflows to provide future health care services to current contracted residents, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. Management engages an actuary to periodically calculate the obligation to provide future health care services to current contracted residents. Based upon the last calculation performed using a discount rate of 5%, the present value of future outflows to provide future services, adjusted for certain noncash items, did not exceed the present value of future cash in-flows. Based upon this calculation and analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2023 and 2022.

Types of Entrance Fees

The care and residence agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees received by the Corporation are categorized into two types: initial entrance fees and entrance fees from reoccupancy and are recorded as either rebatable entrance fees due, entrance fees subject to refund or entrance fees nonrefundable in the accompanying balance sheets. Initial entrance fees, which are the initial fees on new or expanded facilities, are used to provide funds for acquisition and construction of physical facilities, debt retirement and to defray anticipated deficits in the operations of new homes for a period of time. Entrance fees from reoccupancy in existing homes are used for general purposes, including capital expenditures, support of operations (including benevolence) and funding of reserves.

Refund Policy on Entrance Fees

The care and residence agreement provides the resident with the right to a refund of the entrance fee, less 2.0% for each month of residency for 41 months after an initial reduction to the original fee after 90 days of the contract, under certain circumstances. In certain cases, upon the move out of a resident, the unamortized balance of the entrance fee on a contractual basis is payable to the resident.

The Corporation has offered contract options whereby 50% to 100% of the entrance fee is rebatable at termination of the contract and subsequent reoccupancy of the apartment. Prior to fiscal year ended September 30, 2013, the predominant contract type outstanding was a 90% rebatable contract. The current primary offering consists of modified Type A contracts, coupled with a choice of a 50%, 75% or nonrebatable contract option.

At December 31, 2023 and 2022, the Corporation had nonrefundable entrance fees of $12,600,000 and $12,755,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2023 and 2022, the Corporation had entrance fees subject to refund of $6,135,000 and $3,678,000, respectively, which will be recognized as revenue in future years, unless refunded.

At December 31, 2023 and 2022, $20,469,000 and $21,054,000, respectively, of the entrance fees are contractually rebatable and are presented as rebatable entrance fees due in the accompanying balance sheets.

Actual refunds and rebates of entrance fees were $3,478,000 and $3,754,000 for the years ended December 31, 2023 and 2022, respectively. Based on historical experience, management expects to pay refunds in future years of approximately $3,600,000 per year.

Net Deficit

Net deficit, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All net deficits as of December 31, 2023 and 2022 are classified as net deficit without donor restrictions as they are not subject to donor or time restrictions and are available for use in general operations. There were no net assets or net deficits with donor-imposed restrictions, temporary or perpetual in nature, as of December 31, 2023 and 2022.

Contributions

The Corporation participates in the HumanGood Foundation West fundraising activity. Gifts and bequests to the Corporation are credited to the Corporation's funds with Foundation West. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporation's fund. Included in other operating revenue in the accompanying statements of operations and changes in net deficit are $72,000 and $52,000 of distribution income from Foundation West for the years ended December 31, 2023 and 2022, respectively. Capital contributions of $105,000 were made from Foundation West to the Corporation for the year ended December 31, 2023. No capital contributions from Foundation West were received by the Corporation in 2022.

Net Resident Service Revenues

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

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenues for ancillary services are generally billed monthly in arrears. Additionally, entrance fees are generally billed and collected in advance of move-in.

Net resident service revenues are primarily comprised of the following revenue streams:

Health Center

Health center revenues are primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. The Corporation has determined that health center services are considered one performance obligation, which are satisfied over time as services are provided. Therefore, health center revenues are recognized on a daily basis as services are rendered.

Health center revenues, including daily service fees, ancillary and other service fees are reported at the estimated net realizable amounts from residents, third party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

The Corporation receives revenue for services under third-party payor programs, including Medicare and other third-party payors. Laws and regulations governing the Medicare program are complex and subject to interpretation. Nursing and ancillary services provided to Medicare beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The determination of these rates is partially based on the Corporation's clinical assessment of their residents. The Corporation is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by Medicare. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare programs. The basis for payment to the Corporation for other payor agreements includes prospectively determined rates per day or discounts from established charges.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, as new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2023 or 2022.

Assisted Living and Memory Support

Assisted living and memory support revenues are primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Corporation has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation for each of these levels of care, which is satisfied over time as services are provided. Therefore, assisted living and memory support revenues are recognized on a month-to-month basis.

Residential Living

Residential living revenues are primarily derived from providing housing and services to residents. The Corporation has determined that the services included in the 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 as services are provided. Therefore, residential living monthly fees are recognized on a month-to-month basis.

Entrance fees collected from residents in advance are recognized as deferred revenue from entrance fees until performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying balance sheets. The Corporation recognized amortization income of $3,770,000 in 2023 and $3,581,000 in 2022. The Corporation applies the practical expedient in Accounting Standards Codification (ASC) Topic 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

The guaranteed refund component of entrance fees is not amortized to income and is classified as rebatable entrance fees due in the accompanying balance sheets.

For residents with Life Care contracts (Type A) and modified Type B contracts, revenues from entrance fees other than rebatable entrance fees received are recognized through amortization using the straight-line method over annually adjusted estimated remaining life expectancies of the residents, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents.

Benevolence

The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the years ended December 31, 2023 and 2022, the Corporation incurred $112,000 and $158,000 in benevolence, respectively.

COVID Relief Funding

COVID relief funding in the accompanying statements of operations and changes in net deficit is comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) ASC Topic 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Corporation complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Corporation received PRF payments of $333,000 in 2022 and incurred lost revenues and eligible expenses sufficient to allow it, in accordance with the terms of the respective funding sources, to recognize revenues of $333,000 in 2022. These amounts were recognized and included in COVID relief funding in the accompanying statement of operations and changes in net deficit. No additional amounts were received or recognized during 2023 related to PRF.

The Corporation also received and recognized $124,000 in funding primarily from state sources related to COVID relief funding during 2023. No state funding was received or recognized during 2022.

The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these financial statements were available to be issued.

Paycheck Protection Program

In May 2021, the Corporation received proceeds in the amount of $1,708,000 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (of eight to 24 weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Corporation initially recorded the funds as an advance subject to refund for the year ended December 31, 2021. During 2022, after written notification of forgiveness had been received, and in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived, the full balance of the PPP loan was recognized and included in COVID relief funding in the accompanying statement of operations and changes in net deficit for the year ended December 31, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA), the Corporation is required to maintain its PPP loan documentation for six years after the PPP loan is forgiven or repaid in full and to provide that documentation to the SBA upon request. The Corporation does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

Performance Indicator

Income from operations as reflected in the accompanying statements of operations and changes in net assets is the performance indicator. Income from operations includes all changes in net deficit other than capital contributions.

Tax-Exempt Status

The Corporation is a California nonprofit public benefit tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Corporation assesses uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2023 and 2022, there were no such uncertain tax positions.

3. Liquidity and Availability of Resources

As of December 31, 2023 and 2022, the Corporation has financial assets available for utilization within one year of the balance sheet date, consisting of the following (in thousands):

	2023	2022
Cash and cash equivalents	$ 3,827	$ 653
Resident accounts receivable	873	1,567
Other receivables	331	422
Investments	3,481	3,313
Total	$ 8,512	$ 5,955

The Corporation has investments which are available for utilization within one year in the normal course of operations. Accordingly, these assets have been included above.

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

4. Investments and Restricted Investments and Fair Value Measurements

The composition of investments is set forth in the following table (in thousands):

	2023	2022
Investments:		
Cash and cash equivalents	$ 1,134	$ 3,313
Mutual funds	1,657	-
Exchange-traded funds and closed-end funds	690	-
Total	$ 3,481	$ 3,313

Investment Returns

Investment returns for the years ended December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Dividend, interest and other investment income, net of expense	$ 235	$ 17
Realized gains on investments, net	3	-
Change in unrealized gains on investments, net	22	-
Total	$ 260	$ 17

Investment income is net of investment expenses of $7,000 and $1,000 for the years ended December 31, 2023 and 2022, respectively.

Fair Value Measurements

FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value (NAV) per share (or its equivalent) with the ability to redeem the investments in the near term.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- Mutual funds - Mutual funds registered with the U.S. Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the NAV of shares and are categorized as Level 1.

- Exchange-traded funds and closed-end funds - Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1.

The following table presents the fair value measurements of financial instruments recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2023 (in thousands):

	Fair Value at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds, fixed income	$ 1,657	$ -	$ -	$ 1,657
Exchange-traded funds and closed-end funds	690	-	-	690
Total investments in fair value hierarchy	$ 2,347	$ -	$ -	$ 2,347
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 1,134			
Investments in the fair value hierarchy	2,347			
Total investments	$ 3,481			

All of the investments consist of certain cash and cash equivalents at December 31, 2022.

5. Land, Buildings and Equipment, Net

Land, buildings and equipment, net at cost at December 31, 2023 and 2022, consists of the following (in thousands):

	2023	2022
Land	$ 8,900	$ 8,900
Land improvements	510	469
Buildings and improvements	91,573	89,389
Furnishings, equipment and automotive	6,922	5,449
	107,905	104,207
Accumulated depreciation	(43,822)	(40,240)
	64,083	63,967
Construction in progress	864	691
Total	$ 64,947	$ 64,658

Depreciation expense for the years ended December 31, 2023 and 2022, was $3,652,000 and $2,971,000, respectively. Fully depreciated assets of $70,000 and $523,000 were disposed of during the year ended December 31, 2023 and 2022, respectively.

6. Notes and Bonds Payable, Net and Notes and Bonds Payable Held by Affiliates

A summary of the Corporation's notes and bonds payable at December 31, 2023 and 2022, is as follows (in thousands):

	2023	2022
Series 2021, Senior Secured Interaffiliate Note bearing interest at a fixed rate of 4.0% through November 30, 2023 and at the twelve-month SOFR (subject to a 1% floor) plus 1.4% effective December 1, 2023 over 35 years, payable to HumanGood NorCal. Secured by the Corporation's property and equipment and a security interest in the gross revenues of the Corporation. Annual principal payments commencing on December 31, 2022 in varying amounts ranging from $200 to $730 through December 31, 2055, with a balloon payment due December 31, 2056 in the amount of $29,847.	$ 43,411	$ 43,619
Total	43,411	43,619
Less current maturities	(216)	(208)
Notes and bonds payable, net	$ 43,195	$ 43,411

Scheduled maturities of notes and bonds payable held by affiliates are follows (in thousands):

Years ending December 31:	
2024	$ 216
2025	225
2026	234
2027	243
2028	253
Thereafter	42,240
Total	$ 43,411

History of Obligations

On June 22, 2012, the bondholders, the Corporation, NorCal as manager and construction loan and ground lease holder, executed a letter of agreement for the restructuring of Las Ventanas' previous debt and lease obligations. On September 12, 2012, the restructuring was finalized, which involved the exchanging of existing bonded indebtedness for three new series of tax-exempt bonds: Series A-1, Series B-1 and Series C-1 (Series 2012 Bonds). In exchange for contributed capital and the relinquishment of its interests in the ground lease and construction loan, NorCal received interests in the Series A-2, Series B-2, Series B-3 and Series C-2 Bonds.

On February 19, 2019, the Corporation filed a voluntary public disclosure announcing its intent to explore various options related to tendering, purchasing, refinancing or restructuring all or portions, of its Series 2012 Bonds. On February 18, 2021, NorCal purchased $4,922,000 par amount of the Series 2012B-1 and $9,136,000 par amount of the Series 2012C-1 Bonds at a discount.

On November 16, 2021, the Corporation filed a public disclosure informing bondholders that it intended to call for redemption the entirety of its outstanding Series 2012 bonds. On December 16, 2021, using a combination of $22,540,000 of HumanGood NorCal cash, $11,851,000 of the Corporation's funds and an exchange of $28,262,000 of Series 2012 bonds held by HumanGood NorCal, the Corporation retired, at a 1.0% premium of $516,000, its Series 2012 bonds in exchange for the issuance to HumanGood NorCal of a $43,819,000 Series 2021 senior secured note bearing interest at a fixed rate of 4.0% over 35 years, with the refinancing transition giving rise to a $7,230,000 gain for the Corporation. In December 2023, the original Series 2021 senior secured note was retired and a new Series 2021 senior secured note was reissued with identical terms except that the interest rate was converted to the twelve-month SOFR (subject to a 1% floor) plus 1.4% in exchange for HumanGood NorCal amending the existing management agreement to lock in the current management fee of 3% of revenue until August 31, 2025 and a 5% management fee for the period between September 1, 2025 and August 31, 2026.

7. Employee Benefit Plans

Effective January 1, 2018, the Corporation joined the HumanGood defined contribution retirement plan covering all eligible employees with a corporate match of employee contributions up to 4% of eligible earnings. Expenses amounted to $217,000 and $199,000 for the years ended December 31, 2023 and 2022, respectively.

8. Net Resident Service Revenues

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Resident service and patient revenues consist of the following for the years ended December 31, 2023 and 2022 (in thousands):

	2023				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 10,368	$ 2,131	$ 1,096	$ 649	$ 14,244
Private (noncontract)	51	1,940	1,392	613	3,996
Medicare (Part A)	-	-	5,266	-	5,266
Medicare (Part B)	-	-	67	-	67
Managed care	-	-	3,208	-	3,208
Subtotal	$ 10,419	$ 4,071	$ 11,029	$ 1,262	26,781
Amortization of entrance fees					3,770
Total					$ 30,551

	2022				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 9,923	$ 1,499	$ 545	$ 514	$ 12,481
Private (noncontract)	102	2,059	1,281	575	4,017
Medicare (Part A)	-	-	5,816	-	5,816
Medicare (Part B)	-	-	42	-	42
Managed care	-	-	2,973	-	2,973
Subtotal	$ 10,025	$ 3,558	$ 10,657	$ 1,089	25,329
Amortization of entrance fees					3,581
Total					$ 28,910

9. Functional Expense

The Corporation provides housing, healthcare and other related services to residents within its geographic location. Financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are approximately as follows at December 31, 2023 and 2022 (in thousands):

	2023		
	Residential Services	General and Administrative	Total
Salaries and wages	$ 10,701	$ 601	$ 11,302
Employee benefits	2,146	120	2,266
Supplies	2,235	35	2,270
Ancillary services	1,690	-	1,690
Repairs and maintenance	378	-	378
Marketing and advertising	458	5	463
Purchased services	1,355	289	1,644
Management fees	-	561	561
Utilities	1,217	59	1,276
Travel and related	89	6	95
Leases and rents	177	14	191
Insurance	444	-	444
Other operating expense	1,553	371	1,924
Interest expense	1,838	-	1,838
Depreciation and amortization	3,673	-	3,673
Total	$ 27,954	$ 2,061	$ 30,015

	2022		
	Residential Services	General and Administrative	Total
Salaries and wages	$ 9,931	$ 543	$ 10,474
Employee benefits	2,136	195	2,331
Supplies	2,251	37	2,288
Ancillary services	1,841	-	1,841
Repairs and maintenance	446	-	446
Marketing and advertising	474	-	474
Purchased services	1,259	257	1,516
Management fees	-	539	539
Utilities	1,041	60	1,101
Travel and related	75	8	83
Leases and rents	132	8	140
Insurance	392	-	392
Other operating expense	1,180	423	1,603
Interest expense	1,754	-	1,754
Depreciation and amortization	2,995	-	2,995
Nonrecurring operating expenses	74	-	74
Total	$ 25,981	$ 2,070	$ 28,051

10. Transactions With Affiliates

Payables to affiliates include management fees and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance payable to COG. The Corporation recognized expenses of $561,000 and $539,000 during 2023 and 2022, respectively, that consisted of management fees and received distributions from Foundation West as described in Note 2. The Corporation owed COG $264,000 and $422,000 as of December 31, 2023 and 2022, respectively. These balances are settled in the normal course of operations with no fixed repayment terms.

11. Insurance Programs

Workers' Compensation Plan

The Corporation maintains a guaranteed cost policy for workers' compensation claims in accordance with applicable State statutes. Management of the Corporation is not aware of any claims outstanding that are uninsured by the policy, yet any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. The expense for this coverage is reflected as a component of employee benefits in the accompanying statements of operations and changes in net deficit.

Professional Liability Insurance

The Corporation maintains professional liability coverage through a pooled program with HumanGood. HumanGood has secured claims-made policies for malpractice and general liability insurance with certain self-insured retention limits. The Corporation has accrued a liability of $70,000 as its best estimate of the cost of known claims incurred prior to December 31, 2023 and 2022. These liabilities are included in accounts payable and accrued expenses in the accompanying balance sheets. There were no insurance recovery receivables at December 31, 2023 and 2022.

Health Insurance

The Corporation is self-insured for health insurance claims for eligible active employees with certain self-insured retention limits. The program is managed by COG and estimates of the liability for claims incurred but not reported are included in the combined balance sheets of COG and costs related thereto are allocated to the Corporation through intercompany transactions based on a percentage of payroll.

12. Commitments and Contingencies

Legal

The Corporation is party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of the Corporation.

Senior Living Services Industry

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

13. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements.

The Corporation maintains cash and cash equivalent accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash and cash equivalent accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash and cash equivalent accounts.

14. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Corporation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Corporation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Corporation has evaluated subsequent events through April 26, 2024, which is the date the financial statements were available to be issued.