

**HumanGood Idaho
(dba Terraces of Boise)
(a Member of HumanGood Cornerstone)**

Financial Statements

December 31, 2023 and 2022

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Table of Contents
December 31, 2023 and 2022

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Balance Sheets	3
Statements of Operations and Changes in Net Deficit	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditors' Report

To the Board of Directors of
HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Opinion

We have audited the financial statements of HumanGood Idaho (dba Terraces of Boise) (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 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
March 27, 2024

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

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

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,922	\$ 679
Resident accounts receivable, less allowance for credit losses of \$212 at December 31, 2023 and \$208 at December 31, 2022	461	322
Other receivables	208	439
Current portion of restricted investments	931	917
Prepaid expenses and other assets	54	108
Total current assets	5,576	2,465
Restricted Cash	1,261	670
Investments	8,235	7,838
Restricted Investments	5,165	4,947
Land, Buildings and Equipment, Net	73,009	74,563
Other Noncurrent Assets	219	149
Total assets	<u>\$ 93,465</u>	<u>\$ 90,632</u>
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,744	\$ 1,389
Payable to affiliates	254	473
Deposits	680	636
Accrued interest	904	910
Current portion of deferred management fees	1,305	250
Total current liabilities	4,887	3,658
Deferred Management Fees	-	713
Senior External Debt, Net	77,840	77,800
Subordinated Affiliate Debt	8,750	8,750
Subordinated External Debt	2,900	2,900
Rebatable Entrance Fees Due	35,068	34,049
Entrance Fees Subject to Refund	5,577	4,890
Entrance Fees Nonrefundable	13,536	12,328
Total liabilities	148,558	145,088
Net Deficit	<u>(55,093)</u>	<u>(54,456)</u>
Total liabilities and net deficit	<u>\$ 93,465</u>	<u>\$ 90,632</u>

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

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

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Residential living	\$ 8,619	\$ 8,158
Assisted living	2,835	2,913
Health center	5,625	4,017
Memory support	1,956	1,760
Amortization of entrance fees	2,846	2,409
COVID Paycheck Protection Program	-	1,077
Other operating revenue	1,108	158
	<u>22,989</u>	<u>20,492</u>
Operating Expenses		
Salaries and wages	9,699	8,114
Employee benefits	2,238	2,052
Supplies	1,475	1,448
Ancillary services	752	557
Repairs and maintenance	432	310
Marketing and advertising	247	229
Purchased services	757	818
Management fees	986	913
Utilities	631	569
Travel and related	64	53
Rentals and leases	14	12
Insurance	253	213
Other operating expenses	789	881
	<u>18,337</u>	<u>16,169</u>
Income before other operating income (expense)	4,652	4,323
Other Operating Income (Expense)		
Investment income, net	662	105
Change in unrealized gains on investments, net	52	-
Depreciation and amortization	(2,318)	(2,223)
Interest expense	(3,749)	(3,715)
Nonrecurring operating income (expenses)	52	(229)
	<u>(649)</u>	<u>(1,739)</u>
Other Changes in Net Deficit		
Capital contributions	12	4
	<u>(637)</u>	<u>(1,735)</u>
Net Deficit, Beginning	<u>(54,456)</u>	<u>(52,721)</u>
Net Deficit, Ending	<u>\$ (55,093)</u>	<u>\$ (54,456)</u>

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

(In Thousands)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Cash received for resident services	\$ 18,867	\$ 16,894
Cash received from nonrebatable entrance fees from reoccupancy	4,933	4,043
Cash received for other operating activities	1,561	158
Cash earnings realized from investments	656	105
Cash paid for employee salaries	(8,744)	(7,995)
Cash paid for employee benefits	(2,238)	(2,052)
Cash paid for temporary labor	(880)	(220)
Cash paid to vendors	(5,817)	(5,918)
Cash paid for interest	(3,652)	(3,603)
Net cash provided by operating activities	<u>4,686</u>	<u>1,412</u>
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(744)	(581)
Net purchases of investments	(339)	(7,838)
Net cash used in investing activities	<u>(1,083)</u>	<u>(8,419)</u>
Cash Flows From Financing Activities		
Cash paid for deferred debt issuance costs	-	(10)
Proceeds from rebatable entrance fees	4,571	1,775
Refunds of deposits and entrance fees	(3,901)	(3,194)
Cash (paid to) received from affiliates	(219)	259
Capital contributions	12	4
Net cash provided by (used in) financing activities	<u>463</u>	<u>(1,166)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	4,066	(8,173)
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>7,213</u>	<u>15,386</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 11,279</u>	<u>\$ 7,213</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Balance Sheets		
Cash and cash equivalents	\$ 3,922	\$ 679
Current portion of restricted investments	931	917
Restricted cash	1,261	670
Restricted investments	5,165	4,947
Total cash, cash equivalents and restricted cash	<u>\$ 11,279</u>	<u>\$ 7,213</u>

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

1. Business Organization and Nature of Operations

HumanGood Idaho (dba Terraces of Boise) (the Corporation), is a California nonprofit public benefit tax-exempt corporation formed on August 3, 2005, and is qualified to do business in the state of Idaho. The Corporation was formed for the purpose of constructing, owning and operating a Life Plan Community (LPC) in Boise, Idaho, known as the Terraces of Boise (the Community), to provide housing, health care and other related services to its residents in Boise, Idaho.

The Community consists of 161 residential living apartments and cottages, 40 assisted living apartments, 24 memory support apartments and 48 skilled nursing beds.

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 Nevada (dba Las Ventanas), 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; future service benefit obligations; rebatable entrance fees due; entrance fees subject to refund; and entrance fees nonrefundable. Actual results could differ from those estimates.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

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 purposes of the statements of cash flows, cash, cash equivalents and restricted cash include investments purchased with an initial maturity of three months or less.

Restricted Cash

Restricted cash is defined as cash, which is restricted in its use by regulatory or other agreements. These accounts consist of refundable conversion deposits for future residency of the Community.

Investments

Investments include certain cash equivalents held by investment managers, mutual funds, 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, fees, and realized gains and losses), and unrealized gains and losses on investments are included in loss 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.

Restricted Investments

Certain investments are classified as restricted investments in the accompanying balance sheets (Note 4). Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement.

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.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

Insurance Receivables and Recoveries

During 2022, the Corporation experienced a water pipe burst that resulted in water damage to the Community and created the need for temporary relocation of certain residents. The Corporation filed an insurance claim to recover costs incurred related to the incident. During 2022, \$1,334,000 in insurance recoveries were received and recognized for costs incurred. The Corporation also recognized and included in other receivables as of December 31, 2022, \$439,000 of anticipated additional recoveries for costs incurred in 2022. This amount was collected during 2023. During 2023, the Corporation received and recognized an additional \$464,000 in insurance recoveries to offset additional costs incurred related to the incident. No insurance receivables were outstanding as of December 31, 2023. All recoveries and costs incurred related to the incident, including the insurance deductible, were included in nonrecurring operating income (expenses) in the accompanying statements of operations and changes in net deficit during 2022 and 2023.

Additionally, the Corporation filed a business interruption insurance claim related to the incident during 2023 which settled for an amount of \$1,100,000 that was received in August 2023 and recognized in other operating revenue during 2023. Approximately \$243,000 of this settlement amount was provided to impacted residents in the form of monthly service fee credits for the months impacted by the incident during 2023.

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 building 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 as of December 31, 2023 or 2022.

Deferred Debt Issuance Costs

Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method and are presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of interest expense in the accompanying statements of operations and changes in net deficit, was \$40,000 in 2023 and \$41,000 in 2022.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

Obligation to Provide Future Services

If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. Evaluations of the future service benefit obligation for residents were performed as of December 31, 2023 and 2022 in accordance with Accounting Standards Update (ASU) No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities - Refundable Advance Fees*. There was no liability as of December 31, 2023 and 2022. The discount rate used to calculate the obligation to provide future services was 5% for 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 Corporation offers contract options whereby 0% to 95% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. At December 31, 2023 and 2022, \$35,068,000 and \$34,049,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable and are presented as rebatable entrance fees due in the accompanying balance sheets. At December 31, 2023 and 2022, the Corporation had nonrefundable entrance fees of \$13,536,000 and \$12,328,000, 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 \$5,577,000 and \$4,890,000, respectively, which will be recognized as revenue in future years, unless refunded.

Actual refunds and rebates of deposits and entrance fees were \$3,901,000 and \$3,194,000 for the years ended December 31, 2023 and 2022, respectively. Management expects to pay refunds in future years of approximately \$3,300,000 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 deficits 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 fund 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 changes in net deficit in the accompanying statements of operations and changes in net deficit are \$4,000 of capital contributions from Foundation West for the year ended December 31, 2022. No capital contributions were made by Foundation West for the year ended December 31, 2023.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 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, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, entrance fees are generally 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 is 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 monthly service fees, ancillary and other services 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. The basis for payment to the Corporation for other payor agreements includes prospectively determined rates per day or discounts from established charges. 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.

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.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 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 the performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying balance sheets. The Corporation recognized amortization income of \$2,846,000 in 2023 and \$2,409,000 in 2022. The Corporation applies the practical expedient in Accounting Standards Codification (ASC) 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 (modified Type A), revenue from entrance fees other than rebatable entrance fees received are recognized through amortization income 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.

Contractual Allowances

A portion of the Corporation's health center revenues are subject to explicit price concessions (contractual allowances) under contracts with third-party payors. These price concessions were \$1,557,000 and \$536,000 for the years ended December 31, 2023 and 2022, respectively.

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, there was no benevolence recorded, as the Corporation had not received any requests for benevolent care.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

COVID Paycheck Protection Program

In May 2021, the Corporation received proceeds in the amount of \$1,077,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief, and Economic Security (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 twenty-four 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 Paycheck Protection Program 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

Loss from operations as reflected in the accompanying statements of operations and changes in net deficit is the performance indicator. Loss from operations includes all changes in net deficit without donor restrictions 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 Financial Accounting Standards Board (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, there were no such uncertain tax positions.

Reclassifications

Certain items in the 2023 financial statements have been reclassified to conform with the 2022 financial statements presentation.

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

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, which consist of the following (in thousands):

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,922	\$ 679
Investments	8,235	7,838
Resident accounts receivable	461	322
Other receivables	208	439
	<u>208</u>	<u>439</u>
Total	<u>\$ 12,826</u>	<u>\$ 9,278</u>

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.

4. Investments and Restricted Investments and Fair Value Measurements

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

	<u>2023</u>	<u>2022</u>
Investments:		
Cash and cash equivalents	\$ 2,682	\$ 7,838
Mutual funds	3,920	-
Exchange-traded funds and closed-end funds	1,633	-
	<u>1,633</u>	<u>-</u>
Total	<u>\$ 8,235</u>	<u>\$ 7,838</u>
Restricted investments:		
Cash and cash equivalents	\$ 6,096	\$ 5,864
	<u>6,096</u>	<u>5,864</u>

Investment Returns

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

	<u>2023</u>	<u>2022</u>
Net realized gains on investments	\$ 6	\$ -
Dividend, interest and other investment income, net of expense	656	105
	<u>656</u>	<u>105</u>
Total investment income, net	<u>\$ 662</u>	<u>\$ 105</u>
Change in unrealized gains on investments, net	<u>\$ 52</u>	<u>\$ -</u>

Investment income is net of investment expenses of \$16,000 and \$1,000 for the years ended December 31, 2023 and 2022, respectively.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

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.

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

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	\$ 3,920	\$ -	\$ -	\$ 3,920
Exchange-traded funds and closed-end funds	1,633	-	-	1,633
Total investments in fair value hierarchy	<u>\$ 5,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,553</u>
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	\$ 2,682			
Investments in the fair value hierarchy	5,553			
Total investments	<u>\$ 8,235</u>			

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 at cost as of December 31, 2023 and 2022, consist of the following (in thousands):

	2023	2022
Land	\$ 5,138	\$ 5,138
Land improvements	91	91
Buildings and improvements	83,991	83,991
Furnishings, equipment and automotive	1,869	2,074
Total	91,089	91,294
Accumulated depreciation	(18,804)	(16,885)
Total	72,285	74,409
Construction in progress	724	154
Land, buildings and equipment, net	<u>\$ 73,009</u>	<u>\$ 74,563</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$2,298,000 and \$2,204,000, respectively.

Assets that were fully depreciated of \$379,000 were disposed of during the year ended December 31, 2023. No disposals were made during 2022.

**HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)**

Notes to Financial Statements
December 31, 2023 and 2022

6. Senior External Debt, Subordinated Affiliate Debt and Subordinated External Debt

A summary of the Corporation's senior external debt, subordinated affiliate debt, and subordinated external debt at December 31, 2023 and 2022, is as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Senior External Debt		
Series 2021 Revenue Bonds, consisting of \$75,045 of Series 2021A Tax Exempt, Fixed Rate Term Revenue Bonds and \$4,170 of Series 2021B Taxable Term Revenue Bonds (dated September 1, 2021), secured by deed of trust and gross revenue. Serial certificates, annual principal payable commencing on October 1, 2028, in varying amounts ranging from \$335 to \$8,905 through 2056 for Series 2021A and, commencing on October 1, 2025, from \$925 to \$1,165 through 2028 for Series 2021B. Interest rates are fixed ranging from 3.8% to 4.55% for Series 2021A and 8% for Series 2021B.	\$ 79,215	\$ 79,215
Subordinated Affiliate Debt		
Subordinated Series 2021 Obligation No. 3 Due to HumanGood NorCal under Liquidity Support Agreement (dated September 1, 2021). Interest rates are fixed ranging from 0% to 2%. Principal payment will be due on October 1, 2060. Additional subordinated liquidity support is available up to \$1,500 under the existing series 2021 Obligation No. 3 Note.	6,500	6,500
Subordinated Series 2021 Obligation No. 4 Due to HumanGood NorCal, noninterest bearing with repayment due in full on October 1, 2060. This obligation converted the HumanGood NorCal Liquidity Support Agreement subordinated obligations dated January 1, 2014 during the debt restructuring in October 2021 (described below).	2,250	2,250
Subordinated External Debt		
Series 2021 Obligation No. 5 Due to GCI Boise, L.P. (GCI Boise), noninterest bearing with repayment due in full on October 1, 2060. Converted from GCI Boise Liquidity Support Agreement subordinated obligations dated January 1, 2014 during the debt restructuring in October 2021 (described below).	2,250	2,250
Series 2021 Obligation No. 6 Due to Greystone Development Services XX, LLC (GDS), noninterest bearing with repayment due in full on October 1, 2060.	650	650
	90,865	90,865
Less unamortized bond issuance costs, net	(1,375)	(1,415)
Total notes and bonds payable	<u>\$ 89,490</u>	<u>\$ 89,450</u>

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

Scheduled maturities of notes and bonds payable are as follows (in thousands):

Years ending December 31:		
2024	\$	-
2025		1,000
2026		1,080
2027		1,165
2028		1,260
Thereafter		<u>86,360</u>
Total	\$	<u>90,865</u>

The Corporation closed on the Series 2014 Bonds (the 2014 Bonds) which included the Series 2014A, B1, B2, B3 and C issued by the Idaho Health Facilities Authority (the Authority) in the amount of \$103,185,000 on January 28, 2014. The 2014 Bonds were refunded during the debt restructuring in October 2021 (described below).

On July 26, 2021, an EMMA notice was filed stating that the Corporation had entered into a debt restructuring term sheet agreement with the majority of the holders of the 2014 Bonds. On October 6, 2021, HumanGood Idaho issued \$75,045,000 of Series 2021A Bonds and \$4,170,000 of Series 2021B bonds in exchange for the outstanding Series 2014 Bonds. HumanGood NorCal provided an unfunded liquidity support agreement of \$1,500,000, contributed \$6,500,000 in cash in exchange for subordinated Series 2021C Bonds, converted the \$2,250,000 of Series 2014 liquidity support agreement subordinated obligations into junior subordinated Series 2021 Direct Obligation No. 4 and forgave certain unsecured amounts. In addition, Greystone Development Services XX, LLC and GCI Boise, L.P. (Greystone) exchanged previously unsecured subordinated amounts owing for \$2,900,000 of junior subordinated Series 2021 Direct Obligation 5 and 6.

The Series 2021 Bonds are subject to certain financial and occupancy covenants. The Corporation failed to achieve its Health Center occupancy covenant from December 31, 2022 through June 30, 2023. Pursuant to the Master Trust Indenture, this does not constitute an event of default but does trigger the requirement of an independent consultant upon notice of the failure by the Master Trustee or at least 25% of bondholders. As of March 27, 2024, no notice of such failure has been given. The Corporation has been in compliance with the Health Center occupancy requirement effective for the quarters ending September 30, 2023 and December 31, 2023.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

9. Transactions With Affiliates

Amounts payable to affiliates include a portion of management fees (Note 11) and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance payable to COG. The Corporation owed COG \$254,000 and \$473,000, as of December 31, 2023 and 2022, respectively, for recurring intercompany transactions and cost recoveries in the normal course of business. These balances are settled in the normal course of operations with no fixed repayment terms.

10. 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 has professional liability insurance through a pooled program with HumanGood. HumanGood has secured claims-made policies for malpractice and general liability insurance with certain self-insured retention limits for the years ended December 31, 2023 and 2022. Management of the Corporation is not aware of any claims outstanding that are in excess of policy limits, and any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. Any related insurance recovery receivables would be recorded in other receivables in the accompanying balance sheets. There are no amounts recorded at December 31, 2023 and 2022 related to professional liability insurance.

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.

11. Commitments and Contingencies

Management and Marketing Services Agreement

NorCal provides management and marketing services to the Corporation under a management fee agreement. The agreement includes a base fee of 5% of budgeted cash revenues and defers 3% of this fee, making it payable from cash balances greater than 150 days. In June 2023, a payment of \$250,000 was made towards the deferred portion. No payment towards the deferred portion was made in 2022. The deferred amounts owed of \$1,305,000 and \$963,000 are included in deferred management fees (current and noncurrent) in the accompanying balance sheets at December 31, 2023 and 2022, respectively.

The Corporation incurred management fees of \$986,000 and \$913,000 for the years ended December 31, 2023 and 2022, respectively, included in management fees in the accompanying statements of operations and changes in net deficit.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2023 and 2022

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.

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

13. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are 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 issued.

The Corporation has evaluated subsequent events through March 27, 2024, which is the date the financial statements were issued.