

**HumanGood California Obligated
Group & Foundation Affiliates
(Members of HumanGood)**

Combined Financial Statements and
Combining Supplementary Information

December 31, 2022 and 2021

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

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December 31, 2022 and 2021

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Independent Auditors' Report

To the Boards of Directors of
HumanGood California Obligated Group & Foundation Affiliates

Opinion

We have audited the combined financial statements of the HumanGood California Obligated Group & Foundation Affiliates (the Corporations), which comprise the combined balance sheets as of December 31, 2022 and 2021, and the related combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Corporations as of December 31, 2022 and 2021 and the results of their operations, and changes in their net assets and their 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 Combined Financial Statements section of our report. We are required to be independent of the Corporations 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 Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 Corporations' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporations' 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 43 to 66 is presented for purposes of additional analysis of the combining financial statements rather than to present the financial position, results of operations and changes in net deficit and cash flows of the individual organizations, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 27, 2023

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combined Balance Sheets
December 31, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 43,460	\$ 52,624	Accounts payable and accrued expenses	\$ 41,535	\$ 37,845
Resident accounts receivable, less allowances for doubtful accounts of \$4,406 in 2022 and \$3,853 in 2021	13,642	13,017	Deposits	3,558	3,157
Other receivables	7,313	10,594	Accrued interest	3,811	3,509
Current portion of restricted investments	5,504	4,728	Current portion of notes and bonds payable	10,581	9,524
Intercompany advances due	24,637	8,644	Entrance fee rebates payable	-	215
Prepaid expenses, deposits and other assets	8,502	7,495			
			Total current liabilities	59,485	54,250
Total current assets	103,058	97,102	Notes and Bonds Payable, Net	461,199	460,728
Restricted Cash	5,140	5,106	Rebatable Entrance Fees Due	174,730	174,492
Investments	215,820	211,792	Entrance Fees Subject to Refund	93,163	79,974
Designated Investments	121,964	130,957	Entrance Fees Nonrefundable	212,725	199,606
Investment in HumanGood Nevada Bonds	28,814	43,819	Revocable Trusts	-	251
Restricted Investments	175,387	201,330	Obligations Under Annuity Agreements	3,301	3,854
Subordinated Notes Receivable, Net	15,495	15,607	Retirement Liabilities	5,167	4,625
Land, Buildings and Equipment, Net	473,178	466,861	Workers' Compensation Liability	17,049	18,086
Interest and Management Fees Due From Affiliates	1,070	477	Advances Subject to Refund	-	21,060
Other Noncurrent Assets	32,064	10,492	Other Liabilities	2,813	1,915
			Total liabilities	1,029,632	1,018,841
			Net Assets		
			Without donor restrictions	105,135	123,817
			With donor restrictions	37,223	40,885
			Total net assets	142,358	164,702
Total assets	<u>\$ 1,171,990</u>	<u>\$ 1,183,543</u>	Total liabilities and net assets	<u>\$ 1,171,990</u>	<u>\$ 1,183,543</u>

See notes to combined financial statements

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combined Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions		
Operating revenues:		
Residential living	\$ 117,252	\$ 109,963
Assisted living	38,627	34,943
Health center	97,699	92,387
Memory support	15,438	14,557
Other residential services	4,091	3,964
Amortization of entrance fees	43,494	43,034
COVID relief funding	21,060	1,174
Other operating revenues	9,184	10,469
Net assets released from restrictions	4,702	4,408
Unrestricted contributions	1,370	811
	<u>352,917</u>	<u>315,710</u>
Total operating revenues		
Operating expenses:		
Salaries and wages	154,473	137,937
Employee benefits	39,013	35,295
Supplies	23,794	23,340
Ancillary services	11,977	12,907
Repairs and maintenance	4,955	4,777
Marketing and advertising	4,640	4,367
Purchased services	20,837	15,477
Utilities	15,159	13,057
Travel and related	1,956	1,335
Leases and rents	1,134	1,758
Insurance	5,218	4,742
Other operating expenses	8,489	10,396
	<u>291,645</u>	<u>265,388</u>
Total operating expenses		
	61,272	50,322
Income before other operating income (expense)		
Other operating income (expense):		
Realized (losses) gains on investments, net	(3,094)	14,198
Realized gain on investment in HumanGood Nevada Bonds	-	8,834
Change in unrealized (losses) gains on investments, net	(38,164)	1,895
Unrealized loss on investment in		
HumanGood Nevada Bonds	(14,805)	-
Investment income, net	10,794	5,598
Mortgage interest	(14,639)	(11,288)
Depreciation and amortization	(41,990)	(41,760)
Gain on early retirement of debt	5,256	-
Gains on disposal of fixed assets, net	87	4,927
Nonrecurring operating expenses	(2,185)	-
	<u>(37,468)</u>	<u>32,726</u>
(Loss) income from operations		

See notes to combined financial statements

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combined Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions (Continued)		
Other changes in net assets without donor restrictions:		
Change in minimum pension liability	\$ 7,985	\$ (104)
Other affiliate distributions and equity transfers	(2,058)	(4,241)
Forgiveness of indebtedness to affiliate	-	(2,000)
Unrealized gains on interest rate swaps and caps	12,859	3,647
	<u>(18,682)</u>	<u>30,028</u>
Change in net assets without donor restrictions		
	<u>(18,682)</u>	<u>30,028</u>
Changes in Net Assets With Donor Restrictions		
Dividend and interest income	999	909
Unrealized (losses) gains on investments with donor restrictions, net	(5,140)	1,323
Contributions	5,881	5,858
Net assets released from restrictions for benevolence	(461)	(169)
Contractual payments to beneficiaries	(1,606)	(1,328)
Realized gains on investments, net	238	1,205
Contractual liability adjustments	668	(283)
Net assets released from restrictions for special project funds	(4,241)	(4,239)
	<u>(3,662)</u>	<u>3,276</u>
Change in net assets with donor restrictions		
	<u>(3,662)</u>	<u>3,276</u>
Change in net assets	(22,344)	33,304
Net Assets, Beginning	<u>164,702</u>	<u>131,398</u>
Net Assets, Ending	<u>\$ 142,358</u>	<u>\$ 164,702</u>

See notes to combined financial statements

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combined Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Cash received for resident services	\$ 270,180	\$ 253,795
Cash received from nonrebatale entrance fees from reoccupancy	77,488	66,418
Cash received from advances subject to refund	-	21,060
Cash received from COVID relief funding	-	1,023
Cash received from other operating activities	10,430	6,403
Cash received from bequests and trust maturities	1,370	811
Cash earnings realized from investments	10,794	5,598
Cash paid for employee salaries	(141,226)	(126,298)
Cash paid for employee benefits	(36,973)	(33,660)
Cash paid for temporary labor	(17,068)	(11,250)
Cash paid to vendors	(87,879)	(88,070)
Cash paid for interest	(15,332)	(10,872)
	<u>71,784</u>	<u>84,958</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(47,952)	(37,589)
Proceeds from sale of fixed assets	-	6,216
Net purchases of unrestricted investments	(36,213)	(6,639)
Net sales (purchases) of restricted investments	2,168	(4,461)
Cash paid for intercompany and affiliate transactions	(15,993)	(969)
	<u>(97,990)</u>	<u>(43,442)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Proceeds from rebatable entrance fees	17,476	12,991
Refunds of deposits and entrance fees	(24,645)	(23,845)
Proceeds from issuance of notes and bonds payable	31,645	133,481
Principal payments on notes and bonds payable	(23,670)	(9,149)
Cash paid for bond issuance costs	(206)	(1,464)
Cash paid for other trust activity	(5,463)	(3,475)
Affiliate cash distributions	(2,058)	(4,241)
Cash received from restricted contributions	5,881	5,858
	<u>(1,040)</u>	<u>110,156</u>
Net cash (used in) provided by financing activities		
(Decrease) increase in cash, cash equivalents and restricted cash	(27,246)	151,672
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>220,173</u>	<u>68,501</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 192,927</u>	<u>\$ 220,173</u>

See notes to combined financial statements

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Combined Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
Noncash Disclosures		
Forgiveness of indebtedness to affiliate	<u>\$ -</u>	<u>\$ 2,000</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combined Balance Sheets		
Cash and cash equivalents	\$ 43,460	\$ 52,624
Restricted cash included in restricted investments	144,327	162,443
Restricted cash	<u>5,140</u>	<u>5,106</u>
Total cash, cash equivalents and restricted cash	<u>\$ 192,927</u>	<u>\$ 220,173</u>

See notes to combined financial statements

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

1. Business and Organization

HumanGood (Parent Organization) is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors through its Life Plan Communities (LPCs) and affordable housing communities owned by its subsidiaries. HumanGood is the sole member of HumanGood NorCal (NorCal), HumanGood SoCal (SoCal), HumanGood Fresno (dba Terraces at San Joaquin Gardens, TSJG) and HumanGood Cornerstone (Cornerstone). NorCal is the sole member of HumanGood Foundation West (Foundation West) and SoCal is the sole member of HumanGood Foundation South (Foundation South). NorCal, SoCal and TSJG, which collectively form the HumanGood California Obligated Group, share the common parent entity of HumanGood, and together with Foundation West and Foundation South, constitute the HumanGood California Obligated Group & Foundation Affiliates (collectively, the Corporations).

HumanGood California Obligated Group

On August 1, 2019, concurrent with the date of issuance of the Series 2019A Tax-Exempt Revenue and Refunding Bonds and the Series 2019B Taxable Bonds, the HumanGood California Obligated Group (COG) was formed (see Note 6).

HumanGood NorCal

NorCal is a California nonprofit public benefit tax-exempt corporation which owns, operates and manages LPCs in which housing, health care and supportive services are provided for seniors. Seven of NorCal's nine directors are HumanGood's directors. The executive officers of HumanGood also serve as executive officers of NorCal. As of December 31, 2022, the following LPCs were owned and operated by NorCal:

Terraces at Los Altos	Valle Verde
Grand Lake Gardens	Rosewood
Piedmont Gardens	Terraces of Los Gatos
Plymouth Village	

HumanGood SoCal

SoCal is a California nonprofit public benefit tax-exempt corporation which owns, operates and manages LPCs in which housing, health care and supportive services are provided for seniors. Seven of SoCal's nine directors are HumanGood's directors. The executive officers of HumanGood also serve as executive officers of SoCal. As of December 31, 2022, the following LPCs were owned and operated by SoCal:

Royal Oaks	Regents Point
White Sands La Jolla	Westminster Gardens
Windsor	Redwood Terrace

HumanGood Fresno

TSJG is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors in Fresno, California, through its LPC. Seven of TSJG's nine directors are HumanGood's directors. The executive officers of HumanGood also serve as executive officers of TSJG.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

HumanGood Foundation West

Foundation West is a California nonprofit public benefit tax-exempt corporation whose primary purpose is to develop, invest and administer funds to provide housing and care on behalf of certain residents. Foundation West's principal activity is to administer such funds under donor agreements. NorCal is the sole member of Foundation West, and therefore, elects the directors of Foundation West. As a result, NorCal has control over Foundation West, and therefore, Foundation West is included in these combined financial statements. Foundation West provides a limited guaranty on the NorCal Series 2015 bond obligation, with the obligation limited to Foundation West's income earned on its net assets without donor restrictions (see Note 6).

HumanGood Foundation South

Foundation South is a California nonprofit public benefit tax-exempt corporation whose primary purpose is to develop, invest and administer funds to provide housing and care on behalf of certain residents. Foundation South's principal activity is to administer such funds under donor agreements. SoCal is the sole member of Foundation South, and therefore, elects the directors of Foundation South. As a result, SoCal has control over Foundation South, and therefore, Foundation South is included in these combined financial statements.

HumanGood Cornerstone and Related Enterprises

HumanGood Cornerstone, an affiliate of the Corporations, is a California nonprofit public benefit tax-exempt corporation and, as the sole member, exercises its direction and control through the appointment of the Board of Directors of HumanGood Arizona, Inc. (dba Terraces of Phoenix, TOP), HumanGood Washington (dba Judson Park, JP), HumanGood Nevada (dba Las Ventanas), HumanGood Idaho (dba The Terraces of Boise, Boise), HumanGood Properties, HumanGood East, HumanGood Affordable Housing, and in conjunction with an affiliation, effective in February 2022, West Valley Nursing Homes, Inc., dba The Terraces at Summitview (formerly known as Living Care Retirement Community). HumanGood Arizona, Inc. and HumanGood Washington together constitute an obligated group (HumanGood National Obligated Group).

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

HumanGood Affordable Housing

HumanGood Affordable Housing (HGAH) is a California nonprofit public benefit tax-exempt corporation. HGAH serves as the sole or majority General Partner and controlling organization for 26 tax-credit affordable housing communities, serves as the sole or majority member and controlling organization for 25 additional affordable housing communities and provides management services to twelve additional affordable housing communities, including one for whom HGAH serves as the minority General Partner.

On January 1, 2015, NorCal purchased Beacon Development Group (BDG) for a combination of cash and a \$2,000,000 note and simultaneously assigned its rights thereto to HGAH. NorCal then entered into a \$2,350,000 affiliate note with BDG to assign the cost of purchase to the acquired entity.

Simultaneous with this January 1, 2015 purchase, NorCal transferred all operational activities, assets and liabilities associated with NorCal's affordable housing line of business to HGAH in exchange for a noninterest bearing affiliate note with NorCal for \$2,242,000 and a noninterest bearing contingent note with NorCal for \$1,364,000, which is payable upon HGAH's ability to achieve certain operating performance metrics. These notes receivable are included in subordinated notes receivable, net on NorCal's balance sheet included in the combining balance sheets.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

HumanGood Arizona, Inc.

HumanGood Arizona, Inc. is an Arizona nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Phoenix, Arizona through its LPC, Terraces of Phoenix. Prior to September 29, 2003, TOP was a controlled affiliate of NorCal. The funds previously advanced by NorCal to support TOP's operating and capital needs were retained in the form of a subordinated note receivable from TOP. The note has been recorded as part of subordinated notes receivable, net in the accompanying combined balance sheets at the estimated net realizable value of \$4,315,000 as of December 31, 2022 and 2021.

NorCal manages TOP under a multiyear management agreement at a management fee of 8.5% of budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants. The agreement automatically renews annually unless terminated.

HumanGood Washington

HumanGood Washington is a Washington nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Washington through its LPC, Judson Park. On May 30, 2012, NorCal entered into a ten-year management agreement, at a base fee of 8.5% of budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants. The agreement automatically renews unless terminated.

HumanGood Nevada

HumanGood Nevada is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors in the Las Vegas, Nevada area, through its LPC, Las Ventanas. On July 1, 2004, NorCal began providing oversight management services to Las Ventanas. On January 1, 2010, NorCal began providing full management services to Las Ventanas. Under the current agreement, management fees accrue at 3.0% of total cash revenues, with payment deferred until certain operating metrics have been met as laid out in the agreement. The paydown of deferred fees cannot cause the total fees paid in any one year to exceed 5.0% of total revenues.

On September 12, 2012, Las Ventanas, its bondholders and NorCal executed a restructuring agreement of Las Ventanas' debt, ground lease and other key obligations, which involved the exchanging of existing bonded indebtedness for three new series of tax-exempt bonds. NorCal contributed capital and released its interests in the Las Ventanas ground lease and construction loan, and forgave all previously accrued management fees in exchange for interests in the newly issued Las Ventanas Series 2012 A-2, Series B-2, Series B-3 and Series C-2 Bonds.

On February 19, 2019, HumanGood Nevada 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 12, 2021, an additional disclosure was filed detailing that NorCal had refined this exploration to potentially contacting holders of the Series 2012B-1 and C-1 Bonds to purchase all or a portion of those bonds with a current expectation to hold such Series 2012B-1 and C-1 Bonds within its investment portfolio in anticipation of a possible refinancing of the Series 2012 Bonds in the future. 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 of \$7,230,000.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

On November 16, 2021, HumanGood Nevada 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 NorCal cash, \$11,851,000 of HumanGood Nevada cash and an exchange of \$28,262,000 of Series 2012 Bonds held by NorCal, HumanGood Nevada retired, at a 1.0% premium, its Series 2012 Bonds in exchange for the issuance to NorCal of a CUSIP-bearing \$43,819,000 Series 2021 senior secured note bearing interest at a fixed rate of 4.0% over 35 years, which is included in investment in HumanGood Nevada Bonds on the accompanying combined balance sheets at December 31, 2021 and 2022. Concurrent with the issuance of the Series 2021 interfacility note, HumanGood Nevada paid to NorCal \$2,412,000 of outstanding management fees owing, which NorCal recorded as other operating revenue in the accompanying combined statements of operations and changes in net assets for the year ended December 31, 2021.

In connection with this financing transaction, NorCal recognized a realized gain of \$8,834,000 during 2021 of previous unrealized mark-to-market loss on its Series 2012 A-2, B-2, B-3 and C-2 bond holdings which is included in realized gain on investment in HumanGood Nevada Bonds in the accompanying combined statement of operations and changes in net assets for the year ended December 31, 2021. Additionally, NorCal exchanged its HumanGood Nevada Series 2012 B-1 and C-1 Bonds at their discounted value, as described above, for an equivalent amount of HumanGood Nevada Series 2021 notes received. As a result of this exchange, HumanGood Nevada recognized a gain on debt redemption of \$7,230,000 for the year ended December 31, 2021.

HumanGood Idaho

HumanGood Idaho is a California nonprofit public benefit tax-exempt corporation, which has been providing housing, health care and supportive services for seniors in Boise, Idaho, through its LPC, the Terraces of Boise, since 2015.

To support Boise's Series 2014 financing, NorCal provided \$3,000,000 in equity along with \$1,000,000 of funded liquidity support and an additional \$1,250,000 of unfunded liquidity support. At the same time, Boise purchased the parcel of land upon which the Terraces of Boise is built from NorCal for cash and a \$2,000,000 interest bearing subordinated note receivable. On March 18, 2020, Boise entered into a Second Supplemental Master Trust Indenture for which one of the amendments caused NorCal to fund its remaining liquidity support obligation of \$1,250,000 with the Master Trustee on March 31, 2020.

Effective February 2021, NorCal succeeded Greystone Management Services Company Idaho, LLC as manager. Under the terms of the management agreement, NorCal receives a base fee of 5% of budgeted cash revenues, with 3% deferred and payable only from cash balances greater than 150 days. No such payments have been received in 2022 and 2021 and deferred amounts of \$963,000 and \$416,000 are included in interest and management fees due from affiliates on the accompanying combined balance sheets at December 31, 2022 and 2021, respectively.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

On July 26, 2021, HumanGood Idaho filed an EMMA notice stating that the company had entered into a debt restructuring term sheet agreement with the majority of the holders of its 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. NorCal contributed \$6,500,000 in working capital in exchange for subordinated Series 2021C Bonds and forgave previous unsecured amounts owing in exchange for \$2,250,000 of junior subordinated Series 2021 Direct Obligation No. 4, both included in subordinated notes receivable, net in the accompanying combined balance sheets. Amounts forgiven include the \$2,000,000 land purchase subordinated note and \$597,000 of related interest, and \$1,212,000 of intercompany amounts owing. The accrued interest and intercompany amounts owing were fully reserved, whereas the forgiveness of the subordinated land note gave rise to a forgiveness of indebtedness to affiliate in the accompanying statement of operations and changes in net assets for the year ended December 31, 2021.

HumanGood Properties

HumanGood Properties is a California for-profit corporation, which was formed in February 2014 for the purpose of holding equity interests in developed and acquired senior housing communities and other similar investments.

On September 1, 2015, HumanGood Properties, through a subsidiary LLC, purchased a 49% equity interest, and later, through a purchase option, an additional 1% interest in a memory support senior housing community in Oklahoma.

HumanGood East

HumanGood East is a Pennsylvania nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors through its three LPCs, 18 owned and managed affordable housing communities and 21 additional affordable housing communities managed for unrelated entities.

Basis of Presentation and Principles of Combination

The accompanying combined financial statements combine the accounts of NorCal, SoCal, TSJG, Foundation West and Foundation South (HumanGood California Obligated Group & Foundation Affiliates) and were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). All entities except Foundation West and Foundation South share a common parent, HumanGood, which has the sole corporate membership and controlling financial interest in each of these organizations, and Foundation West and Foundation South are affiliates of NorCal and SoCal, respectively.

All interaffiliate transactions between the Corporations eliminate in combination.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the combined 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 combined financial statements and the reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the fair values of interest rate swaps and caps assets; allowances for contractual and uncollectible accounts receivable; fair values of notes receivable; fair values of investments; future service benefit obligations; rebatable entrance fees due; entrance fees subject to refund; entrance fees nonrefundable; liabilities for self-insured workers' compensation; self-insured health insurance; liabilities for pension and retirement plans; and valuation of split-interest agreements. 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 combined 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 and cash equivalents, which are restricted in their use by debt agreements.

Resident Accounts Receivable

The Corporations assess collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable (outstanding balances over 150 days are fully reserved), and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Corporations have exhausted all collection efforts and accounts are deemed uncollectible.

Investments

Investments include certain cash equivalents held by investment managers, mutual funds, equity securities, exchange-traded funds and closed-end funds, domestic corporate debt, U.S. and foreign government securities, municipal bonds, and certain cash equivalents and securities held by trustees for capital project expenditures and debt service and are stated at fair value in the accompanying combined balance sheets.

Investment income or loss (including interest, dividends and fees), realized gains and losses and unrealized gains and losses on investments are included in (loss) income from operations and changes in net assets without donor restrictions. 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 Corporations' 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.

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Restricted Investments

Certain investments are restricted as assets held in trust. These include assets held by trustees in accordance with the indentures relating to debt agreements and assets set aside in accordance with various trust agreements with third parties, including donors. Assets held in trust as well as assets managed with donor restrictions are classified as restricted investments in the accompanying combined balance sheets (see Note 4).

Designated Investments

Designated investments of \$121,964,000 and \$130,957,000 as of December 31, 2022 and 2021, respectively, are designated by the Board of Directors primarily for future capital projects, to advance strategic corporate initiatives and for Foundation West Board-designated benevolence funds (see Note 4).

Investment in HumanGood Nevada Bonds

Investment in HumanGood Nevada Bonds consist of a Series 2021 senior secured note bearing interest at a fixed rate of 4.0% over 35 years. These investments are recorded at fair market value as of December 31, 2022 and 2021, in the accompanying combined balance sheets.

Changes in fair market value, resulting primarily from changes in the interest rate environment, are included in unrealized loss on investment in HumanGood Nevada Bonds in the accompanying combined statements of operations and changes in net assets.

Subordinated Notes Receivable, Net

Subordinated notes receivable, net as of December 31, 2022 and 2021 are comprised of the following (in thousands):

	<u>2022</u>	<u>2021</u>
Subordinated note receivable from the Terraces of Phoenix	\$ 4,315	\$ 4,315
Subordinated note receivable from the Terraces of Boise	6,500	6,500
Junior subordinated note receivable from the Terraces of Boise	2,250	2,250
Notes receivable related to HGAH and BDG acquisition	<u>2,430</u>	<u>2,542</u>
Total	<u>\$ 15,495</u>	<u>\$ 15,607</u>

All subordinated notes receivable are further described in HumanGood Cornerstone Related Enterprises Subsection in Note 1.

Land, Buildings and Equipment, Net

Land, buildings and equipment 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 three 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.

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Asset Impairment

The Corporations periodically evaluate the carrying value of their 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 recorded during the years ended December 31, 2022 and 2021.

Other Noncurrent Assets

Other noncurrent assets are primarily comprised of membership interests in Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), limited partner interests in Ziegler's Longevity Funds, capitalized contract acquisition costs, the fair market value of interest rate cap and swap agreements and amounts recognized related to funded pension assets.

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. These unamortized amounts are presented in the combined 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 mortgage interest, in the accompanying combined statements of operations and changes in net assets was \$320,000 in 2022 and \$283,000 in 2021.

Revocable Trusts

Revocable trusts are trust agreements that are revocable by trustors at any time, with specific terms for each agreement. Consequently, a liability is reflected in revocable trusts in the accompanying combined balance sheets equal to those related trust assets in restricted investments in the accompanying combined balance sheets.

Obligations Under Annuity Agreements

In conjunction with certain giving arrangements, Foundation West and Foundation South are required to pay a certain sum of money to the donor or a designated beneficiary, and, consequently, a liability is reflected in obligations under annuity agreements in the accompanying combined balance sheets.

These types of arrangements are summarized as follows:

Gift Annuities Fund

As consideration for gifts made to Foundation West and Foundation South, the Foundations enter into agreements to pay fixed annual payments to the donors or their beneficiaries for life. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. The annual computation of the restricted amount of the gift is based upon the 2012 Individual Annuity Reserving Mortality Table, with an interest assumption at 2.75% per annum. Assets in excess of liabilities, if any, related to these annuities are available for the use of the Foundations with the approval of the California Department of Insurance.

Annuity Trusts

Annuity trusts are trust agreements that provide for a fixed annual payment of not less than 6% of the initial value of trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed to charity. The annual payment never varies, regardless of trust income or the appreciation or depreciation in the value of trust assets.

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Unitrusts

Unitrusts are trust agreements that are similar to annuity trusts, except that the annual payout generally is a fixed percentage, ranging from 5% to 7% of the value of the trust assets valued annually. In general, the unitrust beneficiary payment amounts rise and fall in proportion to the value of trust assets. In certain cases, the payout from unitrusts may be tied to trust income.

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 calculations 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 these calculations, and analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2022 and 2021.

Types of Entrance Fees

The care and residence agreements between the Corporations and the residents provide for the payment of an entrance fee. Entrance fees received by the Corporations 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. 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), new development and funding of reserves.

Refund Policy on Entrance Fees

The current 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 Corporations had nonrefundable entrance fees of \$212,725,000 and \$199,606,000 as of December 31, 2022 and 2021, respectively, related to entrance fees received that will be recognized as revenues in future years. Additionally, the Corporations had entrance fees subject to refund of \$93,163,000 and \$79,974,000 as of December 31, 2022 and 2021, respectively, which will be recognized as revenues in future years unless refunded.

The Corporations have offered contract options whereby a specified percentage between 50% and 100% of the entrance fee is rebatable at termination of the contract and subsequent reoccupancy of their apartment. As of December 31, 2022, and 2021, respectively, \$174,730,000 and \$174,707,000 of the entrance fees related to these types of contracts are contractually rebatable and are included in rebatable entrance fees due and entrance fee rebates payable in the accompanying combined balance sheets.

Actual refunds and rebates of entrance fees were \$24,645,000 and \$23,845,000 for the years ended December 31, 2022 and 2021, respectively. Based on historical experience, management expects to pay refunds in future years of approximately \$24,000,000 per year.

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Interest Rate Swaps and Caps

The Corporations use interest rate swaps and caps as part of its overall debt management policy. The Corporations account for interest rate swaps and caps in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*. The topic requires that all derivatives be carried at fair value and are included in noncurrent assets in the accompanying combined balance sheets (see Note 7).

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenues not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are included in net assets released from restrictions in the accompanying combined statements of operations and changes in net assets.

Also included in net assets with donor restrictions are assets held in trust under life annuity gifts. The assets are valued at fair value in accordance with the requirements of the specific trust agreements. Foundation West and Foundation South are required to pay a certain portion of the annual income from these assets to the donor or a designated beneficiary for the life of the donor or the beneficiary. Such amounts have been estimated and are reflected as obligations under annuity agreements in the accompanying combined balance sheets. The remaining assets will revert to the Foundations at the donor or beneficiary's death. The portion of assets received in excess of that required to meet the annuity's obligations has been recognized as a contribution at the time received.

Assets received from external trusts that are controlled by third-party trustees are recognized at the present value of the estimated future distributions to be received by the Corporations over the term of the agreement.

Net assets with donor restrictions for the years ended December 31, 2022 and 2021 are comprised of the following (in thousands):

	<u>2022</u>	<u>2021</u>
Benevolence	\$ 12,331	\$ 12,956
Purpose restricted	15,539	16,452
Funds held by trustee	4,189	5,795
Restricted in perpetuity	<u>5,164</u>	<u>5,682</u>
Total	<u>\$ 37,223</u>	<u>\$ 40,885</u>

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Endowment Funds

Foundation South's endowment funds consist of approximately 16 individual donor-restricted funds established primarily for benevolence and are recorded in net assets with donor restrictions in the accompanying combined balance sheets.

Foundation South has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Foundation South classifies net assets with donor restrictions of the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The investment earnings of the donor-restricted endowment funds are classified as donor-restricted until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The changes in endowment net assets with donor restriction for the years ended December 31, 2022 and 2021, are as follows (in thousands):

Endowment net assets, December 31, 2020	\$	8,305
Contributions		10
Net investment returns		1,039
Disbursements		(644)
		<u>8,710</u>
Endowment net assets, December 31, 2021		8,710
Net investment returns		(1,143)
		<u>7,567</u>
Endowment net assets, December 31, 2022	\$	<u>7,567</u>

The endowment net assets with donor restrictions were comprised of the following as of December 31, 2022 and 2021 (in thousands):

	<u>2022</u>	<u>2021</u>
Endowment gains with donor restrictions	\$ 2,403	\$ 3,028
Endowment funds held in perpetuity, the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	5,164	5,682
	<u>7,567</u>	<u>8,710</u>
Total	<u>\$ 7,567</u>	<u>\$ 8,710</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Foundation South to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2022 and 2021.

Foundation South has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

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To satisfy its long-term rate of return objectives, Foundation South relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Foundation South targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporations expect 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 Corporations' resident contracts vary by contract type and payor source. 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 billed and collected in advance of move-in.

Net resident service revenues are primarily comprised of the following revenues 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 Corporations have 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 Corporations receive revenues for services under third-party payor programs, including Medicare, MediCal and other third-party payors. Nursing and ancillary services provided to Medicare and MediCal 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 Corporations' clinical assessment of their residents. The Corporations are required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by Medicare and MediCal. The basis for payment to the Corporations for other payor agreements includes prospectively determined rates per day or discounts from established charges. Laws and regulations governing the Medicare and MediCal programs are complex and subject to interpretation. 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 and MediCal programs.

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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 resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporations' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenues 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, 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 2022 or 2021.

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 Corporations have 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 Corporations have 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 revenues from entrance fees until performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying combined balance sheets. The Corporations recognized amortization income of \$43,494,000 and \$43,034,000 in 2022 and 2021, respectively. The Corporations apply the practical expedient in ASC 606, and therefore, do 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 combined balance sheets.

For residents with 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 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. Amortization of entrance fees other than rebatable entrance fees is included as amortization of entrance fees in the accompanying combined statements of operations and changes in net assets.

Benevolence

The Corporations provide services to residents who meet certain criteria under their benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporations are entitled from public assistance programs on behalf of residents that meet the Corporations' benevolence criteria are reported as revenues. Because the Corporations do not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the years ended December 31, 2022 and 2021, benevolence recorded was \$2,463,000 and \$1,973,000, respectively.

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Contractual Allowances

A portion of the Corporations' health center revenues are subject to explicit price concessions (contractual allowances) under contracts with third-party payors. These price concessions, were \$1,999,000 and \$3,395,000 for the years ended December 31, 2022 and 2021, respectively.

COVID Relief Funding

COVID relief funding in the accompanying combined statements of operations and changes in net assets is comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Corporations account for this funding in accordance with FASB ASC 958-605 guidance for conditional contributions and accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Corporations comply 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 health care providers. In accordance with the terms and conditions of PRF, the Corporations could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Corporations received PRF funding payments of \$994,000 and other COVID relief funding of \$29,000 during 2021. No COVID relief funding payments were received during 2022.

The Corporations incurred lost revenues and eligible expenses sufficient to allow them, in accordance with the terms of the respective funding sources, to recognize PRF revenues and other COVID relief funding revenues of \$1,145,000 and \$29,000 in 2021, respectively (including \$151,000 of deferred revenue from funds received in 2020). COVID relief funding revenues for 2022 of \$21,060,000 are comprised of funds received during 2021 under the Paycheck Protection Program (PPP) (as further described below). These amounts were recognized and included in COVID relief funding in the accompanying statements of operations and changes in net assets.

COVID-19 testing expenses of \$964,000 in 2022 and \$3,277,000 in 2021 are included in other operating expenses in the accompanying statements of operations and changes in net assets. Other costs due to the pandemic, such as increased personal protective equipment usage, are included in supplies in the accompanying statements of operations and changes in net assets.

The Corporations' methodology for calculating lost revenues, considered an alternate reasonable method due to the standard timing of budget approvals for the Corporations, was calculated using the difference between budgeted resident care revenues and actual resident care revenues for quarterly periods in 2021 and 2020. The Corporations' budgeting process is consistent, rigorous and represents the Corporations' best estimate of actual results given the current environments and known circumstances. Budget variances in operating revenues for 2020 and 2021 were attributable to fluctuations in occupancy due to the COVID-19 pandemic and as such an alternate reasonable method mirroring the budget revenue method was deemed a reasonable approach by the Corporations in establishing how lost revenues were attributable to the coronavirus pandemic.

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 combined financial statements were issued.

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Paycheck Protection Program

In May 2021, the Corporations received proceeds in the amount of \$21,060,000 under the 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 Corporations 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 loans, or when such conditions are explicitly waived, the full balance of the PPP loans was recognized and included in COVID relief funding in the accompanying combined statement of operations and changes in net assets 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 Corporations are required to maintain their 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 Corporations do not believe the results of any audits or reviews by the SBA would have a material impact on the combined financial statements.

Performance Indicator

(Loss) income from operations as reflected in the accompanying combined statements of operations and changes in net assets is the performance indicator. (Loss) income from operations includes all changes in net assets without donor restrictions other than changes in minimum pension liability, other affiliate distributions and equity transfers, forgiveness of indebtedness to affiliate, and unrealized gains on interest rate swap and caps.

Tax-Exempt Status

The Corporations are comprised of several California nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and have been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Corporations assess uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporations recognize 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 Corporations recognize interest and penalties related to income tax matters in operating expenses. As of December 31, 2022, and 2021, and for the year ended December 31, 2022, there were no such uncertain tax positions.

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Future Accounting Standards

During March 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities could elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. During December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. These amendments defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The guidance may be elected over time and the Corporations elected the optional practical expedient provided by ASU 2020-04 for debt contract modifications related to the discontinuation of reference rates. The adoption of the optional expedient has not had and is not expected to have a material impact on the Corporations' combined financial statements.

3. Liquidity and Availability of Resources

The Corporations have financial assets available for utilization within one year of the combined balance sheets date, which consist of the following as of December 31, 2022 and 2021 (in thousands):

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 43,460	\$ 52,624
Resident accounts receivable	13,642	13,017
Entrance fee notes receivable	1,127	1,047
Investments	<u>215,820</u>	<u>211,792</u>
Total	<u>\$ 274,049</u>	<u>\$ 278,480</u>

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

The Corporations have other assets held by trustee under trust indenture, and assets reserved for future gift annuity payments and donor-restricted purposes. Additionally, certain other Board-designated assets are internally designated for long-term purposes and an operating reserve. These investments, which are more fully described in Note 4 are not used for general expenditure within the next year; however, the Board-designated amounts could be made available, if necessary.

As part of the Corporations' 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.

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4. Investments, Designated Investments, Restricted Investments and Fair Value Measurements

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

	<u>2022</u>	<u>2021</u>
Investments (including designated investments and investment in HumanGood Nevada Bonds):		
Cash and cash equivalents	\$ 31,035	\$ 20,125
Mutual funds	82,819	104,770
Equity securities	59,845	75,458
Exchange-traded funds and closed-end funds	56,366	43,107
Domestic corporate debt	37,342	43,098
U.S. government securities	41,172	33,398
Municipal bonds	13,706	11,070
Foreign government securities	2,589	3,038
Alternative investments	12,910	8,685
Investment in HumanGood Nevada Bonds	28,814	43,819
	<u>366,598</u>	<u>386,568</u>
Total investments (including designated investments and investment in HumanGood Nevada Bonds):		
Restricted investments:		
Cash and cash equivalents	144,327	162,443
Mutual funds	9,506	11,290
Equity securities	722	1,989
Exchange-traded funds and closed-end funds	15,019	16,850
Domestic corporate debt	2,207	4,774
U.S. government securities	5,101	5,030
Municipal bonds	1,188	1,489
Foreign government securities	95	185
Alternative investments	2,726	2,008
	<u>180,891</u>	<u>206,058</u>
Total restricted investments		
Total investments, designated investments and restricted investments	<u>\$ 547,489</u>	<u>\$ 592,626</u>

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

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Investments held as of December 31, 2022 and 2021 are comprised of the following (at fair value)
(in thousands):

	<u>2022</u>	<u>2021</u>
Restricted investments:		
Principal, interest and other reserves held in trust under bond indenture or mortgage agreements	\$ 8,686	\$ 7,932
Undrawn funds held for LPC construction projects	133,728	155,253
Donor-restricted investments, including investments held in trust under revocable trust, gift annuity, annuity trust or unitrust agreements	<u>38,477</u>	<u>42,873</u>
Total restricted investments	180,891	206,058
Investment in HumanGood Nevada Bonds	28,814	43,819
Investments, unrestricted	215,820	211,792
Investments, designated	<u>121,964</u>	<u>130,957</u>
Total investments, designated investments and restricted investments	<u>\$ 547,489</u>	<u>\$ 592,626</u>

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code. The Corporations have identified certain corporate initiatives and contingencies listed below to which assets without restriction may be exposed, and therefore, have designated reserves as a safeguard against such contingencies. Although not restricted in accordance with FASB ASC Topic 958, *Not-for-Profit Entities*, the designations are as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Designated for Benevolence	\$ 59,613	\$ 65,829
Designated for Retirement	4,549	5,301
Designated for Innovation	10,000	10,000
Designated for Capital Projects	<u>47,802</u>	<u>49,827</u>
Total designations	<u>\$ 121,964</u>	<u>\$ 130,957</u>

Investment Returns

Investment returns for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Total dividend, interest and other investment income, net of expense	\$ 11,793	\$ 6,507
Total realized (losses) gains on investments	(2,856)	15,403
Total net change in unrealized gains on investments	(43,304)	3,218
Unrealized loss on investment in HumanGood Nevada Bonds	(14,805)	-
Realized gain from investment in HumanGood Nevada Bonds	<u>-</u>	<u>8,834</u>
Total	<u>\$ (49,172)</u>	<u>\$ 33,962</u>

Investment income is net of investment expenses of \$1,155,000 and \$1,307,000 for the years ended December 31, 2022 and 2021, respectively.

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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.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying combined 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.

Equities, 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.

Corporate debt (domestic and foreign) - Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations and recently executed transactions in securities of the issuer or comparable issuers. To the extent that these inputs are observable and timely, the values are categorized as Level 2.

Government securities (U.S. and foreign) - Government securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.

Municipal bonds - Municipal bonds are valued using inputs and techniques which include identification of similar issues and market activity. To the extent that these inputs are observable and timely, values are categorized as Level 2.

Investment in HumanGood Nevada Bonds - The fair value is estimated by a third-party using a small sample of sales comparables of other nonrelated LPC fixed rate bonds. Due to a lack of available Level 1 and Level 2 inputs, the investments have been classified as Level 3.

Alternative investments valued at NAV - Primarily hedge funds are valued at NAV per share of the underlying investment fund. In accordance with ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate NAV per Share (or Its Equivalent)*, investments are not categorized within the fair value hierarchy.

Interest rate swaps and caps agreements - The fair value is estimated by a third-party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified as Level 2.

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The following table presents the fair value measurements of financial instruments recognized in the accompanying combined 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 as of December 31, 2022 and 2021 (in thousands):

	2022			Total
	Level 1	Level 2	Level 3	
Investments, designated investments and restricted investments:				
Mutual funds:				
Equity	\$ 20,597	\$ -	\$ -	\$ 20,597
Fixed income	40,007	-	-	40,007
Open funds	31,721	-	-	31,721
Equity securities	60,567	-	-	60,567
Exchange-traded funds and closed-end funds	71,385	-	-	71,385
Domestic corporate debt	-	39,549	-	39,549
U.S. government securities	-	46,273	-	46,273
Municipal bonds	-	14,894	-	14,894
Foreign government securities	-	2,684	-	2,684
Investment in HumanGood Nevada Bonds	-	-	28,814	28,814
Total investments, designated investments and restricted investments measured at fair value	<u>\$ 224,277</u>	<u>\$ 103,400</u>	<u>\$ 28,814</u>	356,491
Alternative investments valued at NAV				15,636
Cash and cash equivalents				<u>175,362</u>
Total investments, designated investments and restricted investments				<u>\$ 547,489</u>
Interest rate swaps and caps measured at fair value	<u>\$ -</u>	<u>\$ 17,517</u>	<u>\$ -</u>	<u>\$ -</u>

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	2021			
	Level 1	Level 2	Level 3	Total
Investments, designated investments and restricted investments:				
Mutual funds:				
Equity	\$ 27,181	\$ -	\$ -	\$ 27,181
Fixed income	63,669	-	-	63,669
Open funds	25,210	-	-	25,210
Equity securities	77,447	-	-	77,447
Exchange-traded funds and closed-end funds	59,957	-	-	59,957
Domestic corporate debt	-	47,872	-	47,872
U.S. government securities	-	38,428	-	38,428
Municipal bonds	-	12,559	-	12,559
Foreign government securities	-	3,223	-	3,223
Investment in HumanGood Nevada Bonds	-	-	43,819	43,819
Total investments, designated investments and restricted investments measured at fair value	<u>\$ 253,464</u>	<u>\$ 102,082</u>	<u>\$ 43,819</u>	399,365
Alternative investments valued at NAV				10,693
Cash and cash equivalents				<u>182,568</u>
Total investments, designated investments and restricted investments				<u>\$ 592,626</u>
Interest rate swaps and caps measured at fair value	<u>\$ -</u>	<u>\$ 4,658</u>	<u>\$ -</u>	<u>\$ 4,658</u>

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying combined financial statements using significant unobservable (Level 3) inputs (in thousands):

Balance, December 31, 2020	\$ 4,242
Purchases, issuances and settlements	30,743
Realized gains on investment in HumanGood Nevada Bonds	<u>8,834</u>
Balance, December 31, 2021	43,819
Purchases, issuances and settlements	(200)
Unrealized loss on investment in HumanGood Nevada Bonds	<u>(14,805)</u>
Balance, December 31, 2022	<u>\$ 28,814</u>

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5. Land, Buildings and Equipment, Net

Land, buildings and equipment, net at cost as of December 31, 2022 and 2021, consist of the following (in thousands):

	<u>2022</u>	<u>2021</u>
Land	\$ 18,108	\$ 18,108
Land improvements	19,301	17,978
Buildings and improvements	790,794	764,122
Furnishings, equipment and automotive	<u>88,716</u>	<u>76,506</u>
Total	916,919	876,714
Accumulated depreciation	<u>(470,416)</u>	<u>(450,194)</u>
Total	446,503	426,520
Construction in progress	<u>26,675</u>	<u>40,341</u>
Land, buildings and equipment, net	<u>\$ 473,178</u>	<u>\$ 466,861</u>

Depreciation expense for the years ended December 31, 2022 and 2021, respectively, was \$41,722,000 and \$41,629,000.

Assets that were primarily fully depreciated of \$21,784,000 and \$15,360,000 were disposed of during the years ended December 31, 2022 and 2021, respectively.

On October 14, 2022, a fire broke out in a resident's unit and quickly spread across the 5th floor at Grand Lake Gardens, a Life Plan Community in Oakland, California, that is part of HumanGood NorCal. No residents were injured but the building sustained material damage. All of the residents were relocated into alternate affiliate or third-party senior care facilities. The fire resulted in a loss from disposals of fixed assets of \$245,000 in 2022 and other resident relocation and remediation costs of \$1,580,000 in 2022, which are included in nonrecurring operating expenses for the year ended December 31, 2022.

Effective May 15, 2021, SoCal sold its corporate office building with a net book value of \$3,456,000 to an unrelated party, for \$9,000,000, less selling costs, for a gain of \$5,021,000 which is included in gains on disposal of fixed assets in the accompanying combined statement of operations and changes in net assets as of December 31, 2021.

During 2021, the Corporations have entered into negotiations to sell one of its LPCs, Windsor, to unrelated parties. Management evaluated the accounting treatment of the land and building based on ASC Topic 360, *Property, Plant and Equipment*, and met the criteria for assets held for sale as of December 31, 2022 and 2021 and accounts for them at the lower of cost or net realizable value. No impairment loss has been recorded in the accompanying combined statements of operations for the years ended December 31, 2022 and 2021, as the fair value exceeds the net book value of the property. The carrying amount of the assets held for sale was approximately \$5,949,000 as of December 31, 2022 and 2021 and is included land, buildings and equipment, net in the accompanying combined balance sheets. On March 1, 2023, the Corporations closed on the sale of Windsor. The transaction, which was approved by California's Attorney General, was made for fair market value pursuant to an agreement between both parties.

The Corporations have entered into construction contracts totaling approximately \$14,629,000 at December 31, 2022 with approximately \$163,000 incurred during fiscal year 2022.

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6. Notes and Bonds Payable, Net

A summary of the Corporations' notes and bonds payable as of December 31, 2022 and 2021, is as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Secured		
Bonds used to refinance existing debt and renovate HumanGood California Obligated Group communities, all secured under a Master Trust Indenture by HumanGood California Obligated Group's gross revenues pledged and by a deed of trust on certain HumanGood California Obligated Group's assets:		
NorCal Series 2015 Tax-Exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated May 28, 2015). Serial certificates in the aggregate amount of \$30,550 maturing annually through 2028 with annual principal payable commencing on October 1, 2016, in varying amounts ranging from \$1,885 to \$3,080 through 2028; interest at fixed rates ranging from 2.0% to 5.0%, payable semiannually on April 1 and October 1. Term bond in the amount of \$21,530 with annual principal payments commencing on October 1, 2037, in varying amounts ranging from \$345 to \$4,780 through 2045; interest at the fixed rate of 5.0%, payable semiannually on April 1 and October 1. Foundation West provides a limited guaranty on the NorCal Series 2015 bond obligation (see Note 1).	\$ 38,100	\$ 40,455
SoCal Series 2015 Tax-Exempt Revenue Bonds issued by the California Municipal Finance Authority in December 2015 and maturing in December 2036 to refund existing Series 2006 Bonds as well as to support additional construction projects at White Sands La Jolla and Westminster Gardens. Annual principal payable in varying amounts ranging from \$0 to \$990 through 2020, and amounts ranging from \$1,045 to \$5,130 through 2036; interest at variable rate of the current index, 65.1% of the one-month LIBOR, plus 1.5%, which was 4.39% at December 31, 2022.	41,135	42,210
Series 2019A Tax-Exempt Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated August 1, 2019) to refund existing NorCal Series 2010 and SoCal Series 2009 Bonds and as well as to support additional construction projects for COG communities, with annual principal payable commencing on October 1, 2028, in varying amounts ranging from \$2,865 to \$5,370 through 2036, and \$11,810 to \$13,370 through 2044, interest at fixed rate of 4% through 2039 and ranging from 4.00% to 5.00% through 2044, payable annually on October 1.	141,705	141,705

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	<u>2022</u>	<u>2021</u>
Series 2019B Taxable Bonds issued concurrently with Series 2019A in August 2019 and maturing in 2028 with annual principal payable in varying amounts ranging from \$2,995 in 2020 to \$3,415 in 2027 and \$650 in 2028; interest at fixed rate of 3% through 2028, payable annually on October 1.	\$ 16,785	\$ 19,745
Series 2020A Tax-Exempt Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated October 1, 2020) and subsequently sold and delivered to Washington Federal Bank to refund existing NorCal Series 2012A Bonds in a tax-exempt variable rate mode with interest payable monthly based on the sum of one-month LIBOR, plus a bank credit spread multiplied by a factor of 79%. Interest rate at December 31, 2022 was 4.49%. Principal payments are payable annually commencing on October 1, 2021, in varying amounts ranging from \$770 to \$1,125 through 2036. In connection with the issuance of the Series 2020A Bonds, an interest rate cap was purchased with an "all in" strike price of 3.50% and an expiration of November 1, 2035.	13,860	14,710
Series 2020B Taxable Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated October 1, 2020) and subsequently sold and delivered to Washington Federal Bank to refund existing NorCal Series 2013A Bonds and TSJG Series 2012A Bonds, initially in a taxable variable rate mode with interest payable monthly based on one-month LIBOR, plus a bank credit spread, converted to a tax-exempt variable rate mode in September 2022 with interest payable monthly based on the sum of one-Month LIBOR, plus a bank credit spread multiplied by a factor of 79%. Interest rate at December 31, 2022 was 4.49%. Principal payments on the Series 2020B Bonds are payable annually commencing on October 1, 2021, through 2047. In connection with the Series 2020B Bonds, an interest rate cap was purchased with an "all in" strike price of 1.6% and an expiration of August 1, 2022 and a forward starting swap was entered into, beginning August 1, 2022 at a fixed rate of 0.768% and expiring November 1, 2035.	61,715	63,270

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	<u>2022</u>	<u>2021</u>
Series 2020 Taxable Bank Loan for \$33,755, with loan draws available over the initial 24 months subsequent to issuance, issued directly to HumanGood California Obligated Group (dated October 1, 2020) by Washington Federal Bank in a taxable variable rate mode with interest payable monthly based on one-month LIBOR plus a bank credit spread, converted to a Term Loan effective December 1, 2022. Principal payments are payable monthly, commencing December 1, 2022 in varying amounts ranging from \$90 to \$190 through October 1, 2047. In connection with the Series 2020 Taxable Loan, a forward starting swap for the full loan amount was entered into, beginning November 1, 2022 at a fixed rate of 0.996% and expiring November 1, 2035. Interest rate at December 31, 2022 was 5.68%.	\$ 33,575	\$ 2,110
Series 2021 Tax-Exempt Revenue Bonds issued by the California Municipal Finance Authority (dated September 1, 2021) and maturing in 2049 with annual principal payable in varying amounts ranging from \$85 in 2024 to \$26,610 in 2049; interest at fixed rates ranging from 3% to 5% for the various tranches of the debt, payable annually on October 1.	100,780	120,000
Other Secured Obligations		
Piedmont Gardens Elevator Construction Loan issued in December 2016 and maturing in December 2023. Monthly principal and interest payments in the amount of \$46 began upon completion of construction; interest at a fixed rate of 2.89%. The Elevator Construction Loan is secured by the respective elevator.	539	1,070
Total	448,194	445,275
Unsecured		
Note payable bearing interest at 4.5%	600	800
Total	448,794	446,075
Less current portion of notes and bonds payable	(10,581)	(9,524)
Add unamortized bond premium	28,900	30,206
Less unamortized bond issuance costs, net	(5,914)	(6,029)
Notes and bonds payable, net	<u>\$ 461,199</u>	<u>\$ 460,728</u>

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

Years ending December 31:	
2023	\$ 10,581
2024	11,135
2025	11,520
2026	11,705
2027	12,105
Thereafter	391,748
Total	<u>\$ 448,794</u>

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The Corporations are subject to financial covenants on debt, which include debt service coverage ratios and minimum days of cash-on-hand requirements.

On September 29, 2021, HumanGood California Obligated Group completed a \$120,000,000 financing at a premium of \$13,481,000 and a 2.89% yield to maturity with proceeds intended to fund on-going capital and infrastructure needs.

In September 2022, because the since defeased 2012A and 2013A bonds were within three months of their respective call dates, HumanGood California Obligated Group was able to convert its Series 2020B Taxable Revenue and Refunding Bonds to tax exempt variable rate bonds as planned for during the initial financing event.

In November 2022, HumanGood California Obligated Group drew the remaining \$31,645,000 of its Series 2020 Taxable Bank Loan, dated October 1, 2020 and completed its conversion to a Term Loan as scheduled effective December 1, 2022.

During 2022, HumanGood California Obligated Group purchased \$19,220,000 of its Series 2021 Bonds in the open market at a discount, which resulted in a gain on early retirement of debt of \$5,256,000 which is included in the accompanying combined statement of operations and changes in net assets for the year ended December 31, 2022. The repurchased 2021 Bonds are held as treasury bonds reducing the senior external debt amounts in the accompanying combined balance sheet at December 31, 2022.

7. Interest Rate Caps and Swaps

On December 1, 2015, HumanGood SoCal entered into an interest rate cap agreement with a counterparty to extend the management of interest rate risk on \$25,000,000 of its Series 2015 Tax-Exempt Variable Rate Revenue Bonds from December 1, 2015 to December 1, 2025. The agreement establishes that when 65.1% of the one-month LIBOR rate exceeds 2.5%, SoCal is reimbursed for the excess by the counterparty to the transaction.

On October 16, 2020, in conjunction with the aforementioned Series 2020 financing, NorCal, as an Obligated Group representative, entered into four derivative agreements with two counterparties. The first agreement is an interest rate cap agreement with a counterparty to extend the management of interest rate risk on the \$15,480,000 Tax-Exempt Series 2020A Variable Rate Bonds from October 28, 2020 to October 1, 2035. The agreement establishes that when 79% of the one-month LIBOR rate exceeds 2.394%, NorCal is reimbursed for the excess by the counterparty to the transaction. The second agreement is an interest rate cap agreement with a counterparty to extend the management of interest rate risk on the \$64,675,000 Series 2020B Variable Rate Bonds during the anticipated period that the bonds would be taxable from October 28, 2020 to August 1, 2022. The agreement establishes that when the one-month LIBOR rate exceeds 1.6%, NorCal is reimbursed for the excess by the counterparty to the transaction. The third agreement is a forward-starting interest rate swap agreement with a counterparty to extend the management of interest rate risk on the outstanding \$63,270,000 Series 2020B Variable Rate Bonds during the anticipated period that the bonds would be tax-exempt from August 1, 2022 to October 1, 2035. The agreement establishes that when 79% of the one-month LIBOR rate exceeds 0.768%, NorCal is reimbursed for the excess by the counterparty to the transaction and conversely when 79% of the one-month LIBOR rate is less than 0.768%, NorCal pays the shortfall to the counterparty. The fourth agreement is a forward-starting interest rate swap agreement with a counterparty to extend the management of interest rate risk on the \$33,755,000 Series 2020 taxable variable rate bank loan from November 1, 2022 to October 1, 2035. The agreement establishes that when the one-month LIBOR rate exceeds 0.9957%, NorCal is reimbursed for the excess by the counterparty to the transaction and conversely when the one-month LIBOR rate is less than 0.9957%, NorCal pays the shortfall to the counterparty. In October 2022, HumanGood California Obligated Group modified the terms of their two existing interest rate swaps related to the Series 2020 bonds to tie the receive leg of the swap to 10 Year SOFR on a 6 month forward starting basis.

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For the year ended December 31, 2021, the aforementioned floating interest rates for the cap and swap agreements failed to exceed the respective cap and strike rates, and thus none of the aforementioned cap and swap agreements had an impact on interest expense. During 2022, interest rate cap and swap payments in the amount of \$678,000 were received to reduce interest expense for the year ended December 31, 2022.

The fair value of the interest rate caps and swaps was \$17,517,000 and \$4,658,000 as of December 31, 2022 and 2021, respectively. The unrealized gain from mark-to-market of floating to fixed rate interest rate caps was \$12,859,000 and \$3,647,000 for the years ended December 31, 2022 and 2021, respectively.

8. Employee Benefit Plans

Defined Benefit Pension Plan

HumanGood SoCal has a defined benefit retirement plan (the Plan) which, prior to being frozen, provided retirement benefits through a noncontributory defined benefit retirement plan for substantially all full-time SoCal employees. On October 22, 2009, the Board of Directors of SoCal froze the Plan, whereby effective October 31, 2009, further accrual of benefits ceased for participants in the Plan. In December 2022, board approval was obtained to terminate the Plan and notification letters were mailed to plan participants.

Prior to October 31, 2009, the benefits were based upon years of service and the employee's compensation during the years of employment. SoCal's funding policy, at a minimum, was to contribute amounts to the Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus additional amounts deemed to be appropriate.

The plan assets include separate investment accounts with underlying mutual funds invested in fixed-income and equity securities whose values are subject to fluctuations of the securities markets. Changes in these values attributable to the differences between actual and assumed returns on plan assets were deferred as unrecognized gains or losses and were included in the determination of the net pension expense over time.

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A summary of the components of net periodic pension cost as of the date of the actuarial valuation for the years ended December 31, 2022 and 2021 is as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Changes in projected benefit obligation:		
Projected benefit obligation, January 1	\$ 42,370	\$ 42,719
Service cost		-
Interest cost	1,086	1,088
Settlement loss (gain)	249	(511)
Benefits paid	(1,240)	(1,221)
Settlement payments	(1,285)	(1,983)
Actuarial (gain) loss	(12,289)	2,278
Projected benefit obligation, December 31	<u>28,891</u>	<u>42,370</u>
Changes in plan assets:		
Fair value of plan assets, January 1	41,061	41,719
Actual return on plan assets	(3,951)	1,463
Employer contributions	1,000	1,083
Expenses		-
Settlement payments	(1,284)	(1,983)
Benefits paid	(1,240)	(1,221)
Fair value of plan assets, December 31	<u>35,586</u>	<u>41,061</u>
Funded status	<u>\$ 6,695</u>	<u>\$ (1,309)</u>
Accumulated benefit obligation	<u>\$ (28,891)</u>	<u>\$ (42,370)</u>
Amounts recognized in other noncurrent assets (retirement liabilities) in the accompanying combined balance sheets	<u>\$ 6,695</u>	<u>\$ (1,309)</u>
	<u>2022</u>	<u>2021</u>
Components of net periodic benefit cost:		
Interest cost	\$ 1,086	\$ 1,088
Expected return on plan assets	(1,580)	(1,610)
Net loss amortization	1,284	1,233
Net periodic benefit cost	790	711
Settlement charge	192	576
Total benefit expense	<u>\$ 982</u>	<u>\$ 1,287</u>
Net gain (losses) recognized in net assets without donor	<u>\$ 7,985</u>	<u>\$ (104)</u>
Amounts not yet reflected in periodic benefit costs and recognized in accumulated net assets without donor restrictions, net actuarial loss	<u>\$ 4,328</u>	<u>\$ 12,313</u>
Total accumulated charge to net assets without donor restrictions	<u>\$ 4,328</u>	<u>\$ 12,313</u>

The actuarial gain in 2022 was primarily attributable to an increase in the discount rate from 2.66% to 4.50%.

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In 2022 and 2021, SoCal offered lump sum payouts for certain terminated vested participants. Approximately \$1,285,000 and \$1,983,000 was paid out during the 2022 and 2021 plan years, respectively, under this program.

Weighted-average assumptions used to determine benefit obligations as of December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	4.50 %	2.66 %
Rate of compensation	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	2.66 %	2.67 %
Expected long-term rate of return on plan assets	4.00	4.00
Rate of compensation	N/A	N/A

SoCal determines the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset class returns and advice from external actuarial firms, while incorporating specific asset class risk factors. For the years ended December 31, 2022 and 2021, the expected long-term rate of return used in determining net periodic pension cost was 4.00%.

The Plan invests primarily in asset categories to permit conservative investments with minimal risk of loss of principal. The Plan invests in asset categories that provide diversification benefits and are easily measured. Maximum and minimum holding ranges for each of these asset categories are set by the investment committee and defined in an investment policy. The policy target allocations for equity and fixed income are 20% and 80%, respectively, for the years ended December 31, 2022 and 2021; however, the policy allows for flexibility within approved ranges for each listed asset class. Actual asset allocation within these approved ranges is based on a variety of economic and market conditions and consideration of specific asset category risk. To assess the Plan's investment performance, a long-term asset allocation policy benchmark has been established. The Plan's assets are invested in separate accounts which are considered Level 2 securities and the asset allocation was in line with investment policy guidelines as of December 31, 2022 and 2021.

No contributions to the Plan are expected to be made during the year ending December 31, 2023.

SoCal estimates that benefit payments will be paid over the next ten years as follows (in thousands):

Years ending December 31:

2023	\$ 2,256
2024	2,513
2025	2,519
2026	2,453
2027	2,054
2028 - 2032	<u>10,070</u>
Total	<u>\$ 21,865</u>

Actuarial losses of \$127,000 related to the Plan are expected to be recognized as a component of the change in minimum pension liability during the year ending December 31, 2023. Management has included the net periodic pension cost in SoCal's 2023 operating budget.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

Supplemental Retirement Income Plan Agreements

Certain NorCal management employees or retirees of NorCal participate in supplemental retirement income plans and have individually entered into agreements with NorCal whereby the employees will be provided specific amounts of annual retirement income for the balance of their lifetime following retirement. During 2005, accrued benefits for active participants in the supplemental retirement income plan were transferred into a new nonqualified plan under IRC 457(f) that distributes a lump-sum payment at age 65. On October 2, 2015, the plan was frozen to new entrants. On December 1, 2017, the HumanGood Board of Directors elected to terminate the plan and, in 2018, final termination payouts of \$2,143,000 were made. Subsequent to the termination and payout of the IRC 457(f) plan, the remaining NorCal frozen supplemental retirement income plan had a present value of future payments to participants of \$1,421,000 and \$1,485,000 as of December 31, 2022 and 2021, respectively which is included in retirement liabilities in the accompanying combined balance sheets.

In 2020, a separate IRC 457(f) plan was established for certain key executive leadership whereby the plan will fund based on predetermined annual contributions and earn a return equal to the Consumer Price Index rate plus 2.5% with a cap of 6.0%, with a present value of future anticipated participant distributions of \$1,508,000 and \$674,000 as of December 31, 2022 and 2021, respectively, which is included in retirement liabilities in the accompanying combined balance sheets.

Assets available for benefits to these two pools of participants are subject to the claims of NorCal's creditors. The assets are included in designated investments in the accompanying combined balance sheets and amounted to \$4,549,000 and \$5,301,000 as of December 31, 2022 and 2021, respectively.

Defined Contribution Plan

The Corporations also participate in a defined contribution retirement plan covering all eligible employees. The Corporations' contribution is a match of employee contributions up to 4% of eligible earnings in a calendar year. Annual expenses incurred under the plan for the years ended December 31, 2022 and 2021, respectively, were approximately \$3,757,000 and \$3,219,000.

9. Self-Insured Programs

Workers' Compensation Plan

The Corporations are self-insured to a stipulated retention amount followed by a commercial policy with a major insurance company providing benefits up to state statutory limits for 2022 and 2021. Claims are accrued under the plan as the incidents that give rise to them occur. The estimate of incurred but not reported claims is based on actuarial projections of the ultimate cost of settlement, including claim settlement expenses, using the Corporations' historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. The Corporations have recorded a total liability for claims payable of \$17,049,000 and \$18,086,000, including an estimate of incurred but not reported claims as of December 31, 2022 and 2021, respectively. The estimated insurance recovery receivables of \$4,512,000 and \$6,034,000 are recorded under other receivables in the accompanying combined balance sheets as of December 31, 2022 and 2021, respectively. As required by the insurer, the Corporations have obtained a letter of credit for \$1,108,000 in connection with this program, subject to annual renewal, with the next scheduled renewal date on September 30, 2023.

Given the inherent variability of such estimates, the actual liability could differ significantly from the estimates. While the ultimate payments of self-insured workers' compensation claims are dependent upon future developments, management believes that the recorded liability is adequate.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

Health Insurance Plan

The Corporations are self-insured for health insurance claims for eligible active employees with certain self-insured retention limits. Based on claims incurred through December 31, an estimated liability for claims incurred, but not paid of \$2,450,000 and \$2,162,000 is included in accounts payable and accrued expenses in the accompanying combined balance sheets as of December 31, 2022 and 2021, respectively. The estimate of incurred but not paid claims is based on actuarial projections using the Corporations' historical claim payment experience and previous patterns of payments. While estimates are based on the information and data available at a point in time, management believes that the recorded liability has been properly accounted for and accrued at December 31, 2022 and 2021.

Professional Liability Insurance

The Corporations have secured claims-made policies for malpractice and general liability insurance with certain self-insured retentions. The Corporations have accrued liabilities of \$4,661,000 and \$709,000 as its best estimate of the cost of known claims incurred prior to December 31, 2022 and 2021, respectively. Related insurance recovery receivables of \$0 and \$150,000 as of December 31, 2022 and 2021, respectively, are recorded under other receivables in the accompanying combined balance sheets. In addition, the Corporations have accrued liabilities of \$2,047,000 and \$2,308,000 as of December 31, 2022 and 2021, respectively, as their best estimate of the cost of claims incurred but not yet reported. These liabilities are included in accounts payable and accrued expenses in the accompanying combined balance sheets.

10. Net Resident Service Revenues

The Corporations disaggregate revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of their revenues and cash flows as affected by economic factors. Resident services and patient revenues consist of the following for the years ended December 31, 2022 and 2021 (in thousands):

	2022				Total
	Residential Living	Assisted Living	Health Center	Memory Support	
Private (contract)	\$ 110,052	\$ 25,156	\$ 13,351	\$ 10,438	\$ 158,997
Private (noncontract)	7,200	13,471	10,550	5,000	36,221
Medicare (Part A)	-	-	42,730	-	42,730
Medicare (Part B)	-	-	1,680	-	1,680
MediCal	-	-	18,802	-	18,802
Managed care	-	-	10,586	-	10,586
Subtotal	<u>\$ 117,252</u>	<u>\$ 38,627</u>	<u>\$ 97,699</u>	<u>\$ 15,438</u>	269,016
Amortization of entrance fees					43,494
Total					<u>\$ 312,510</u>

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

	2021				Total
	Residential Living	Assisted Living	Health Center	Memory Support	
Private (contract)	\$ 103,622	\$ 23,897	\$ 12,977	\$ 9,796	\$ 150,292
Private (noncontract)	6,341	11,046	10,742	4,761	32,890
Medicare (Part A)	-	-	38,354	-	38,354
Medicare (Part B)	-	-	2,034	-	2,034
MediCal	-	-	17,006	-	17,006
Managed care	-	-	11,274	-	11,274
Subtotal	<u>\$ 109,963</u>	<u>\$ 34,943</u>	<u>\$ 92,387</u>	<u>\$ 14,557</u>	251,850
Amortization of entrance fees					43,034
Total					<u>\$ 294,884</u>

11. Functional Expenses

The Corporations provide housing, health care and other related services to residents within their 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, 2022 and 2021 (in thousands):

	2022		
	Residential Services	General and Administrative	Total
Salaries and wages	\$ 127,605	\$ 26,868	\$ 154,473
Employee benefits	32,247	6,766	39,013
Supplies	22,856	938	23,794
Ancillary services	11,977	-	11,977
Repairs and maintenance	4,941	14	4,955
Marketing and advertising	4,607	33	4,640
Purchased services	11,787	9,050	20,837
Utilities	13,784	1,375	15,159
Travel and related	1,250	706	1,956
Leases and rents	483	651	1,134
Insurance	5,218	-	5,218
Other operating expenses	5,972	2,517	8,489
Depreciation and amortization	41,990	-	41,990
Mortgage interest	14,639	-	14,639
Nonrecurring operating expenses	2,185	-	2,185
Total expenses	<u>\$ 301,541</u>	<u>\$ 48,918</u>	<u>\$ 350,459</u>

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

	2021		
	Residential Services	General and Administrative	Total
Salaries and wages	\$ 112,234	\$ 25,703	\$ 137,937
Employee benefits	27,763	7,532	35,295
Supplies	21,147	2,193	23,340
Ancillary services	12,907	-	12,907
Repairs and maintenance	4,766	11	4,777
Marketing and advertising	4,321	46	4,367
Purchased services	10,432	5,045	15,477
Utilities	11,733	1,324	13,057
Travel and related	846	489	1,335
Leases and rents	725	1,033	1,758
Insurance	4,742	-	4,742
Other operating expenses	7,156	3,240	10,396
Depreciation and amortization	41,760	-	41,760
Mortgage interest	11,288	-	11,288
Total expenses	<u>\$ 271,820</u>	<u>\$ 46,616</u>	<u>\$ 318,436</u>

12. Transactions With Affiliates

The Corporations manage rental housing communities and LPCs (see Note 1) under management agreements whereby the Corporations and its affiliates provide administrative and management services to all communities and sales management services to the LPCs.

Management fees for providing these services for the years ended December 31, 2022 and 2021, are included in other operating revenues earned by the Corporations in the accompanying combined statements of operations and changes in net assets and are as follows (in thousands):

	2022	2021
HumanGood LPCs Management Fee:		
Terraces of Phoenix	\$ 1,865	\$ 1,826
Judson Park	1,920	1,857
Las Ventanas	539	2,952
Terraces of Boise	365	277
Terraces at Summitview	301	-
HumanGood Affordable Housing Cost Allocation	300	300
Total	<u>\$ 5,290</u>	<u>\$ 7,212</u>

During the year ended December 31, 2021, in conjunction with the debt restructuring of Las Ventanas (see Note 1), Las Ventanas paid to NorCal \$2,412,000 in deferred management fees. Interest and management fees due from affiliates in the accompanying combined balance sheets include deferred management fees due from the Terraces of Boise in the amounts of \$963,000 and \$416,000, as well as interest income receivable from Beacon Development Group, related to the outstanding purchase note described further in Note 1, in the amounts of \$107,000 and \$61,000 as of December 31, 2022 and 2021, respectively.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

Amounts due from affiliates for management fees and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance are included in intercompany advances due as of December 31, 2022 and 2021 in the accompanying combined balance sheets, and are as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Due from HumanGood Affordable Housing and Affiliates	\$ 2,553	\$ 3,988
Due from HumanGood SoCal Affordable Housing Communities	798	841
Due from HumanGood Washington	16,544	2,250
Due from HumanGood Arizona, Inc.	1,359	242
Due from HumanGood Idaho	473	214
Due from HumanGood Nevada	422	320
Due from HumanGood East	465	901
Due from Terraces at Summitview	1,231	-
Due from (to) HumanGood Cornerstone and certain affiliates	792	(112)
Total	<u>\$ 24,637</u>	<u>\$ 8,644</u>

These balances are settled in the normal course of operations with no fixed repayment terms.

Other affiliate distributions and equity transfers in the accompanying combined statements of operations and changes in net assets is primarily comprised of cash distributions of \$2,600,000 and \$5,050,000 from NorCal and SoCal to Cornerstone for the years ended December 31, 2022 and 2021, respectively.

13. Commitments and Contingencies

Legal and Other

The Corporations are 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 Corporations.

The Corporations are aware of the existence of asbestos in certain of its buildings. The Corporations have not recorded a liability for any asbestos abatement costs because the cost cannot be reasonably estimated at this time. At such time in the future that plans are made to make changes to structures with asbestos and the related asbestos removal cost estimates are completed, the Corporations will record an estimate of the costs of the required asbestos abatement.

For the tax-credit financed affordable housing communities in which HGAH serves as a General Partner (see Note 1), NorCal and HGAH, as co-guarantors, have issued on-going guarantees to cover operating deficits and guarantees to ensure compliance with certain on-going aspects of the Limited Partnership Agreement (LPA). NorCal periodically evaluates the potential exposure from these on-going guarantees. NorCal has not provided support under these guarantees in the past and based on the current evaluation, management believes they cumulatively do not constitute a material future financial risk exposure for NorCal.

In addition to operating deficit and LPA guarantees, NorCal and HGAH, as co-guarantors, also issue, unconditional project completion guarantees for tax-credit financed affordable housing communities in which HGAH serves as a General Partner (see Note 1). NorCal has not provided support under these guarantees in the past and based on the current evaluation, management believes they cumulatively do not constitute a material future financial risk exposure for NorCal.

HumanGood California Obligated Group & Foundation Affiliates (Members of HumanGood)

Notes to Combined Financial Statements
December 31, 2022 and 2021

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 health care 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 Corporations, if any, are not presently determinable.

14. Concentrations of Credit Risk

The Corporations grant credit without collateral to their residents, some of whom are insured under third-party payor arrangements.

The Corporations maintain cash accounts, which, at times, may exceed federally insured limits. The Corporations have 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.

15. Subsequent Events

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

On November 23, 2022, HumanGood NorCal entered into a purchase and sale agreement to acquire title and interest in the business and assets of a life plan community in the Pacific Northwest. At closing, HumanGood NorCal will assign all of its rights and obligations under the purchase and sale agreement to a newly formed LLC subsidiary of West Valley Nursing Homes, Inc. On such date, HumanGood NorCal will transfer to the LLC an amount equivalent to the purchase price in exchange for a senior secured promissory note in the same amount. In addition, to make available funds for reserves and working capital needs of the community, HumanGood NorCal will extend to the LLC a line of credit in the maximum principal amount of \$8,000,000 in exchange for a revolving note. The transaction is pending final regulatory approval and is anticipated to close in May 2023.

On March 1, 2023, the Corporations closed on the sale of Windsor, one of its LPCs that is part of HumanGood SoCal, to an unrelated party (see Note 5).

The Corporations have evaluated subsequent events through April 27, 2023, which is the date the combined financial statements were issued.

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Balance Sheet Schedule
December 31, 2022
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Assets										
Current Assets										
Cash and cash equivalents	\$ 38,822	\$ 2,047	\$ 1,241	\$ -	\$ 42,110	\$ 649	\$ 701	\$ 1,350	\$ -	\$ 43,460
Resident accounts receivable, net	6,910	5,937	795	-	13,642	-	-	-	-	13,642
Other receivables	3,802	2,650	208	-	6,660	653	-	653	-	7,313
Current portion of restricted investments	5,504	-	-	-	5,504	-	-	-	-	5,504
Intercompany advances due	34,370	(7,637)	(1,228)	-	25,505	(320)	(548)	(868)	-	24,637
Prepaid expenses, deposits and other assets	6,781	1,446	275	-	8,502	-	-	-	-	8,502
Total current assets	96,189	4,443	1,291	-	101,923	982	153	1,135	-	103,058
Restricted Cash	-	5,140	-	-	5,140	-	-	-	-	5,140
Investments	108,876	91,443	5,027	-	205,346	-	10,474	10,474	-	215,820
Designated Investments	48,415	13,936	-	-	62,351	59,613	-	59,613	-	121,964
Investment in HumanGood Nevada Bonds	28,814	-	-	-	28,814	-	-	-	-	28,814
Restricted Investments	136,910	-	-	-	136,910	12,359	26,118	38,477	-	175,387
Subordinated Notes Receivable, Net	15,495	-	-	-	15,495	-	-	-	-	15,495
Land, Buildings and Equipment, Net	228,062	169,361	75,755	-	473,178	-	-	-	-	473,178
Interest and Management Fees Due From Affiliates	1,070	-	-	-	1,070	-	-	-	-	1,070
Other Noncurrent Assets	20,718	11,218	128	-	32,064	-	-	-	-	32,064
Total assets	\$ 684,549	\$ 295,541	\$ 82,201	\$ -	\$ 1,062,291	\$ 72,954	\$ 36,745	\$ 109,699	\$ -	\$ 1,171,990

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Balance Sheet Schedule
December 31, 2022
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Liabilities and Net Assets (Deficit)										
Current Liabilities										
Accounts payable and accrued expenses	\$ 32,247	\$ 7,213	\$ 1,822	\$ -	\$ 41,282	\$ 142	\$ 111	\$ 253	\$ -	\$ 41,535
Deposits	2,153	1,166	239	-	3,558	-	-	-	-	3,558
Accrued interest	3,504	307	-	-	3,811	-	-	-	-	3,811
Current portion of notes and bonds payable	4,332	4,160	2,089	-	10,581	-	-	-	-	10,581
Total current liabilities	42,236	12,846	4,150	-	59,232	142	111	253	-	59,485
Notes and Bonds Payable, Net	296,361	104,388	60,450	-	461,199	-	-	-	-	461,199
Rebatable Entrance Fees Due	97,799	47,720	29,211	-	174,730	-	-	-	-	174,730
Entrance Fees Subject to Refund	46,526	40,156	6,481	-	93,163	-	-	-	-	93,163
Entrance Fees Nonrefundable	120,652	72,032	20,041	-	212,725	-	-	-	-	212,725
Obligations Under Annuity Agreements	-	-	-	-	-	1,813	1,488	3,301	-	3,301
Retirement Liabilities	4,389	778	-	-	5,167	-	-	-	-	5,167
Workers' Compensation Liability	10,229	6,820	-	-	17,049	-	-	-	-	17,049
Other Liabilities	2,771	-	42	-	2,813	-	-	-	-	2,813
Total liabilities	620,963	284,740	120,375	-	1,026,078	1,955	1,599	3,554	-	1,029,632
Net Assets (Deficit)										
Without donor restrictions	63,586	10,801	(38,174)	-	36,213	59,029	9,893	68,922	-	105,135
With donor restrictions	-	-	-	-	-	11,970	25,253	37,223	-	37,223
Total net assets (deficit)	63,586	10,801	(38,174)	-	36,213	70,999	35,146	106,145	-	142,358
Total liabilities and net assets (deficit)	\$ 684,549	\$ 295,541	\$ 82,201	\$ -	\$ 1,062,291	\$ 72,954	\$ 36,745	\$ 109,699	\$ -	\$ 1,171,990

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2022
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions										
Operating revenues:										
Residential living	\$ 60,524	\$ 44,289	\$ 12,439	\$ -	\$ 117,252	\$ -	\$ -	\$ -	\$ -	\$ 117,252
Assisted living	18,137	16,241	4,249	-	38,627	-	-	-	-	38,627
Health center	58,817	30,311	8,571	-	97,699	-	-	-	-	97,699
Memory support	10,071	2,994	2,373	-	15,438	-	-	-	-	15,438
Other residential services	1,551	2,453	87	-	4,091	-	-	-	-	4,091
Amortization of entrance fees	24,277	15,006	4,211	-	43,494	-	-	-	-	43,494
COVID relief funding	10,000	9,246	1,814	-	21,060	-	-	-	-	21,060
Other operating revenues	9,412	1,630	276	(2,134)	9,184	-	-	-	-	9,184
Net assets released from restrictions	-	-	-	-	-	2,461	2,241	4,702	-	4,702
Unrestricted contributions	-	-	-	-	-	1,370	-	1,370	-	1,370
Foundation community benefit	910	530	398	-	1,838	-	-	-	(1,838)	-
Total operating revenues	193,699	122,700	34,418	(2,134)	348,683	3,831	2,241	6,072	(1,838)	352,917
Operating expenses:										
Salaries and wages	84,977	57,595	11,420	-	153,992	265	216	481	-	154,473
Employee benefits	21,051	14,953	2,912	-	38,916	50	47	97	-	39,013
Supplies	12,233	8,820	2,736	-	23,789	5	-	5	-	23,794
Ancillary services	7,541	3,234	1,202	-	11,977	-	-	-	-	11,977
Repairs and maintenance	2,775	1,796	384	-	4,955	-	-	-	-	4,955
Marketing and advertising	1,905	2,077	644	-	4,626	10	4	14	-	4,640
Purchased services	10,900	8,900	985	-	20,785	44	8	52	-	20,837
Corporate allocations	-	-	2,134	(2,134)	-	-	-	-	-	-
Utilities	7,217	6,007	1,933	-	15,157	1	1	2	-	15,159
Travel and related	1,218	582	120	-	1,920	25	11	36	-	1,956
Leases and rents	789	253	92	-	1,134	-	-	-	-	1,134
Insurance	2,829	1,886	503	-	5,218	-	-	-	-	5,218
Foundation community distributions	-	-	-	-	-	1,308	530	1,838	(1,838)	-
Other operating expenses	2,163	1,619	827	-	4,609	2,457	1,423	3,880	-	8,489
Total operating expenses	155,598	107,722	25,892	(2,134)	287,078	4,165	2,240	6,405	(1,838)	291,645
Income (loss) before other operating income (expense)	38,101	14,978	8,526	-	61,605	(334)	1	(333)	-	61,272

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2022
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Other operating income (expense):										
Realized gains (losses) on investments, net	\$ (1,585)	\$ (2,105)	\$ (120)	\$ -	\$ (3,810)	\$ 649	\$ 67	\$ 716	\$ -	\$ (3,094)
Change in unrealized (losses) gains on investments, net	(12,320)	(16,882)	73	-	(29,129)	(7,762)	(1,273)	(9,035)	-	(38,164)
Unrealized loss on investment in HumanGood Nevada Bonds	(14,805)	-	-	-	(14,805)	-	-	-	-	(14,805)
Investment income, net	6,486	3,071	52	-	9,609	995	190	1,185	-	10,794
Mortgage interest	(9,448)	(3,353)	(1,838)	-	(14,639)	-	-	-	-	(14,639)
Depreciation and amortization	(20,580)	(16,472)	(4,938)	-	(41,990)	-	-	-	-	(41,990)
Gain on early retirement of debt	5,256	-	-	-	5,256	-	-	-	-	5,256
Gains on disposal of fixed assets	29	58	-	-	87	-	-	-	-	87
Nonrecurring operating expenses	(2,185)	-	-	-	(2,185)	-	-	-	-	(2,185)
(Loss) income from operations	(11,051)	(20,705)	1,755	-	(30,001)	(6,452)	(1,015)	(7,467)	-	(37,468)
Changes in Net Assets Without Donor Restrictions (Continued)										
Other changes in net assets without donor restrictions:										
Change in minimum pension liability	-	7,985	-	-	7,985	-	-	-	-	7,985
Other affiliate distributions and equity transfers	(2,512)	429	25	-	(2,058)	-	-	-	-	(2,058)
Unrealized gains on interest rate swaps and caps	12,504	355	-	-	12,859	-	-	-	-	12,859
Change in net assets without donor restrictions	(1,059)	(11,936)	1,780	-	(11,215)	(6,452)	(1,015)	(7,467)	-	(18,682)
Changes in Net Assets With Donor Restrictions										
Dividend and interest income	-	-	-	-	-	293	706	999	-	999
Unrealized losses on investments with donor restrictions, net	-	-	-	-	-	(1,737)	(3,403)	(5,140)	-	(5,140)
Contributions	-	-	-	-	-	3,723	2,158	5,881	-	5,881
Net assets released from restrictions for benevolence	-	-	-	-	-	-	(461)	(461)	-	(461)
Contractual payments to beneficiaries	-	-	-	-	-	(1,097)	(509)	(1,606)	-	(1,606)
Realized gains on investments, net	-	-	-	-	-	117	121	238	-	238
Contractual liability adjustments	-	-	-	-	-	472	196	668	-	668
Net assets released from restrictions for special project funds	-	-	-	-	-	(2,461)	(1,780)	(4,241)	-	(4,241)
Change in net assets with donor restrictions	-	-	-	-	-	(690)	(2,972)	(3,662)	-	(3,662)
Change in net assets (deficit)	(1,059)	(11,936)	1,780	-	(11,215)	(7,142)	(3,987)	(11,129)	-	(22,344)
Net Assets (Deficit), Beginning	64,645	22,737	(39,954)	-	47,428	78,141	39,133	117,274	-	164,702
Net Assets (Deficit), Ending	\$ 63,586	\$ 10,801	\$ (38,174)	\$ -	\$ 36,213	\$ 70,999	\$ 35,146	\$ 106,145	\$ -	\$ 142,358

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Combining Statement of Cash Flows Schedule

Year Ended December 31, 2022

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Cash Flows From Operating Activities										
Cash received for resident services	\$ 148,712	\$ 93,753	\$ 27,715	\$ -	\$ 270,180	\$ -	\$ -	\$ -	\$ -	\$ 270,180
Cash received from nonrebatable entrance fees from reoccupancy	-	37,501	33,851	6,136	-	77,488	-	-	-	77,488
Cash received from other operating activities	9,522	4,636	662	(2,531)	12,289	(21)	-	(21)	(1,838)	10,430
Cash received from bequests and trust maturities	-	-	-	-	-	1,370	-	1,370	-	1,370
Cash earnings realized from investments	6,486	3,071	52	-	9,609	995	190	1,185	-	10,794
Cash paid for employee salaries	(78,846)	(51,364)	(10,611)	-	(140,821)	(221)	(184)	(405)	-	(141,226)
Cash paid for employee benefits	(18,457)	(15,507)	(2,912)	-	(36,876)	(50)	(47)	(97)	-	(36,973)
Cash paid for temporary labor	(9,598)	(6,593)	(877)	-	(17,068)	-	-	-	-	(17,068)
Cash paid to vendors	(45,625)	(34,199)	(11,329)	2,531	(88,622)	(1,356)	261	(1,095)	1,838	(87,879)
Cash paid for interest	(10,086)	(3,403)	(1,843)	-	(15,332)	-	-	-	-	(15,332)
Net cash provided by operating activities	39,609	24,245	6,993	-	70,847	717	220	937	-	71,784
Cash Flows From Investing Activities										
Acquisition of land, buildings and equipment	(19,693)	(25,249)	(3,010)	-	(47,952)	-	-	-	-	(47,952)
Net (purchases) sales of unrestricted investments	(42,125)	(2,948)	10,779	-	(34,294)	(898)	(1,021)	(1,919)	-	(36,213)
Net sales (purchases) of restricted investments	1,790	-	-	-	1,790	576	(198)	378	-	2,168
Cash (paid for) received from intercompany and affiliate transactions	(10,726)	9,012	(14,918)	-	(16,632)	(17)	656	639	-	(15,993)
Net cash used in investing activities	(70,754)	(19,185)	(7,149)	-	(97,088)	(339)	(563)	(902)	-	(97,990)
Cash Flows From Financing Activities										
Proceeds from rebatable entrance fees	9,037	5,733	2,706	-	17,476	-	-	-	-	17,476
Refunds of deposits and entrance fees	(11,884)	(8,267)	(4,494)	-	(24,645)	-	-	-	-	(24,645)
Proceeds from issuance of notes and bonds payable	31,645	-	-	-	31,645	-	-	-	-	31,645
Principal payments on notes and bonds payable	(17,316)	(4,241)	(2,113)	-	(23,670)	-	-	-	-	(23,670)
Cash paid for bond issuance costs	(206)	-	-	-	(206)	-	-	-	-	(206)
Cash paid for other trust activity	-	-	-	-	-	(3,283)	(2,180)	(5,463)	-	(5,463)
Affiliate cash distributions	(2,512)	429	25	-	(2,058)	-	-	-	-	(2,058)
Cash received from restricted contributions	-	-	-	-	-	3,722	2,159	5,881	-	5,881
Net cash provided by (used in) financing activities	8,764	(6,346)	(3,876)	-	(1,458)	439	(21)	418	-	(1,040)
(Decrease) increase in cash, cash equivalents and restricted cash	(22,381)	(1,286)	(4,032)	-	(27,699)	817	(364)	453	-	(27,246)
Cash, Cash Equivalents and Restricted Cash, Beginning	202,371	8,473	5,273	-	216,117	2,364	1,692	4,056	-	220,173
Cash, Cash Equivalents and Restricted Cash, Ending	\$ 179,990	\$ 7,187	\$ 1,241	\$ -	\$ 188,418	\$ 3,181	\$ 1,328	\$ 4,509	\$ -	\$ 192,927

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Statement of Cash Flows Schedule
Year Ended December 31, 2022
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combining Balance Sheet										
Cash and cash equivalents	\$ 38,822	\$ 2,047	\$ 1,241	\$ -	\$ 42,110	\$ 649	\$ 701	\$ 1,350	\$ -	\$ 43,460
Restricted cash included in restricted investments	141,168	-	-	-	141,168	2,532	627	3,159	-	144,327
Restricted cash	-	5,140	-	-	5,140	-	-	-	-	5,140
Total cash, cash equivalents and restricted cash	<u>\$ 179,990</u>	<u>\$ 7,187</u>	<u>\$ 1,241</u>	<u>\$ -</u>	<u>\$ 188,418</u>	<u>\$ 3,181</u>	<u>\$ 1,328</u>	<u>\$ 4,509</u>	<u>\$ -</u>	<u>\$ 192,927</u>

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2022

(In Thousands)

	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	NorCal Community Support Center	Eliminations	HumanGood NorCal
Changes in Net Assets Without Donor Restrictions										
Operating revenues:										
Residential living	\$ 7,913	\$ 3,079	\$ 9,614	\$ 8,110	\$ 14,983	\$ 4,302	\$ 12,523	\$ -	\$ -	\$ 60,524
Assisted living	3,213	-	4,899	2,071	2,355	1,860	3,739	-	-	18,137
Health center	6,840	-	12,297	4,382	10,524	10,135	14,639	-	-	58,817
Memory support	2,197	-	1,680	804	2,172	1,186	2,032	-	-	10,071
Other residential services	24	104	615	219	258	147	184	-	-	1,551
Amortization of entrance fees	3,610	266	3,598	2,213	7,583	795	6,212	-	-	24,277
COVID relief funding	1,071	286	1,907	976	1,839	1,201	1,728	992	-	10,000
Other operating revenues	151	130	159	183	1,267	241	144	19,119	(11,982)	9,412
Foundation community benefit	219	72	93	275	74	96	81	-	-	910
Total operating revenues	25,238	3,937	34,862	19,233	41,055	19,963	41,282	20,111	(11,982)	193,699
Operating expenses:										
Salaries and wages	9,195	2,111	14,166	8,073	13,951	8,581	15,130	13,770	-	84,977
Employee benefits	1,867	543	3,782	1,791	3,536	2,289	3,389	3,854	-	21,051
Supplies	1,340	428	2,134	1,498	2,861	1,413	2,328	231	-	12,233
Ancillary services	1,061	5	1,200	533	1,052	1,503	2,187	-	-	7,541
Repairs and maintenance	338	38	561	293	641	195	706	3	-	2,775
Marketing and advertising	245	208	343	408	241	267	187	6	-	1,905
Purchased services	856	284	1,104	1,003	1,073	1,004	1,295	4,281	-	10,900
Corporate allocations	1,603	365	2,322	1,225	2,478	1,491	2,408	90	(11,982)	-
Utilities	815	464	1,511	908	1,480	715	1,126	198	-	7,217
Travel and related	149	31	56	98	148	44	145	547	-	1,218
Leases and rents	69	32	106	117	110	46	59	250	-	789
Insurance	345	89	531	346	576	403	539	-	-	2,829
Other operating expenses	396	212	480	691	960	824	580	(1,980)	-	2,163
Total operating expenses	18,279	4,810	28,296	16,984	29,107	18,775	30,079	21,250	(11,982)	155,598
Income (loss) before other operating income (expense)	6,959	(873)	6,566	2,249	11,948	1,188	11,203	(1,139)	-	38,101
Other operating income (expense):										
Realized losses on investments, net	-	-	-	-	-	-	-	(1,585)	-	(1,585)
Change in unrealized losses on investments, net	-	(1)	-	-	-	-	-	(12,319)	-	(12,320)
Unrealized loss on investment in HumanGood	-	-	-	-	-	-	-	(14,805)	-	(14,805)
Nevada Bonds	-	-	-	-	-	-	-	6,486	-	6,486
Investment income, net	-	-	-	-	-	-	-	(4,032)	-	(9,448)
Mortgage interest	(1,463)	(47)	(416)	(309)	(1,355)	(304)	(1,522)	(520)	-	(20,580)
Depreciation and amortization	(3,957)	(550)	(2,664)	(2,314)	(5,053)	(1,397)	(4,125)	5,256	-	5,256
Gain on early retirement of debt	-	-	-	-	-	-	-	29	-	29
Gain on disposal of fixed assets	-	-	-	-	-	-	-	-	-	29
Nonrecurring operating expenses	(72)	(1,825)	(75)	(66)	(74)	-	(73)	-	-	(2,185)
Income (loss) from operations	1,467	(3,296)	3,411	(440)	5,466	(513)	5,483	(22,629)	-	(11,051)

HumanGood California Obligated Group & Foundation Affiliates

(Members of HumanGood)

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2022

(In Thousands)

	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	NorCal Community Support Center	Eliminations	HumanGood NorCal
Changes in Net Assets Without Donor Restrictions (Continued)										
Other changes in net assets without donor restrictions:										
Other affiliate distributions and equity transfers	\$ -	\$ 2	\$ -	\$ 24	\$ 62	\$ -	\$ -	\$ (2,600)	\$ -	\$ (2,512)
Unrealized gains on interest rate swaps and caps	-	-	-	-	-	-	-	12,504	-	12,504
Change in net assets without donor restrictions	1,467	(3,294)	3,411	(416)	5,528	(513)	5,483	(12,725)	-	(1,059)
Net Assets (Deficit), Beginning	4,449	(11,550)	42,741	1,167	70,152	(23,088)	56,280	(75,506)	-	64,645
Net Assets (Deficit), Ending	\$ 5,916	\$ (14,844)	\$ 46,152	\$ 751	\$ 75,680	\$ (23,601)	\$ 61,763	\$ (88,231)	\$ -	\$ 63,586

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2022

(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
Changes in Net Assets Without Donor Restrictions									
Operating revenues:									
Residential living	\$ 8,327	\$ 10,832	\$ 2,971	\$ 11,431	\$ 5,534	\$ 5,194	\$ -	\$ -	\$ 44,289
Assisted living	2,322	3,356	2,641	3,511	1,734	2,677	-	-	16,241
Health center	7,092	4,976	3,588	6,946	-	7,709	-	-	30,311
Memory support	-	733	-	700	733	828	-	-	2,994
Other residential services	1,212	571	57	563	-	50	-	-	2,453
Amortization of entrance fees	2,394	5,144	368	3,928	1,661	1,511	-	-	15,006
COVID relief funding	1,542	1,672	977	1,895	558	1,523	1,079	-	9,246
Other operating revenues	163	280	73	291	152	371	7,956	(7,656)	1,630
Foundation community benefit	86	99	100	4	129	112	-	-	530
Total operating revenues	23,138	27,663	10,775	29,269	10,501	19,975	9,035	(7,656)	122,700
Operating expenses:									
Salaries and wages	9,984	10,601	5,986	11,974	3,771	8,514	6,765	-	57,595
Employee benefits	2,581	2,774	1,503	2,999	932	2,265	1,899	-	14,953
Supplies	1,682	1,973	893	2,244	600	1,331	97	-	8,820
Ancillary services	759	61	319	598	10	1,487	-	-	3,234
Repairs and maintenance	419	510	394	170	182	120	1	-	1,796
Marketing and advertising	366	435	226	440	265	342	3	-	2,077
Purchased services	967	1,540	567	1,888	475	1,024	2,439	-	8,900
Corporate allocations	1,460	1,638	756	1,962	561	1,279	-	(7,656)	-
Utilities	916	1,371	549	1,383	644	1,062	82	-	6,007
Travel and related	47	38	71	75	28	54	269	-	582
Leases and rents	36	10	21	16	(94)	66	198	-	253
Insurance	332	387	196	439	154	349	29	-	1,886
Other operating expenses	822	288	399	637	151	254	(932)	-	1,619
Total operating expenses	20,371	21,626	11,880	24,825	7,679	18,147	10,850	(7,656)	107,722
Income (loss) before other operating income (expense)	2,767	6,037	(1,105)	4,444	2,822	1,828	(1,815)	-	14,978
Other operating income (expense):									
Realized losses on investments, net	-	-	-	-	-	-	(2,105)	-	(2,105)
Change in unrealized losses on investments, net	-	-	-	-	-	-	(16,882)	-	(16,882)
Investment income, net	-	31	-	-	3	-	3,037	-	3,071
Mortgage interest	(489)	(1,984)	(56)	(568)	(188)	(68)	-	-	(3,353)
Depreciation and amortization	(3,205)	(5,400)	(875)	(2,897)	(1,317)	(2,573)	(205)	-	(16,472)
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-	58	-	58
(Loss) income from operations	(927)	(1,316)	(2,036)	979	1,320	(813)	(17,912)	-	(20,705)

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2022
(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
Changes in Net Assets Without Donor Restrictions (Continued)									
Other changes in net assets without donor restrictions:									
Change in minimum pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,985	\$ -	\$ 7,985
Other affiliate distributions and equity transfers	203	153	-	54	16	3	-	-	429
Unrealized gains on interest rate swaps and caps	-	325	-	-	30	-	-	-	355
Change in net assets without donor restrictions	(724)	(838)	(2,036)	1,033	1,366	(810)	(9,927)	-	(11,936)
Net Assets (Deficit), Beginning	(10,433)	(23,595)	(5,849)	40,901	6,808	(20,168)	35,073	-	22,737
Net Assets (Deficit), Ending	\$ (11,157)	\$ (24,433)	\$ (7,885)	\$ 41,934	\$ 8,174	\$ (20,978)	\$ 25,146	\$ -	\$ 10,801

HumanGood California Obligated Group & Foundation Affiliates

(Members of HumanGood)

Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2022

(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions								
Operating revenues:								
Residential living	\$ 12,439	\$ -	\$ 117,252	\$ -	\$ -	\$ -	\$ -	\$ 117,252
Assisted living	4,249	-	38,627	-	-	-	-	38,627
Health center	8,571	-	97,699	-	-	-	-	97,699
Memory support	2,373	-	15,438	-	-	-	-	15,438
Other residential services	87	-	4,091	-	-	-	-	4,091
Amortization of entrance fees	4,211	-	43,494	-	-	-	-	43,494
COVID relief funding	1,814	-	21,060	-	-	-	-	21,060
Other operating revenues	276	(2,134)	9,184	-	-	-	-	9,184
Net assets released from restrictions	-	-	-	2,461	2,241	4,702	-	4,702
Unrestricted contributions	-	-	-	1,370	-	1,370	-	1,370
Foundation community benefit	398	-	1,838	-	-	-	(1,838)	-
Total operating revenues	34,418	(2,134)	348,683	3,831	2,241	6,072	(1,838)	352,917
Operating expenses:								
Salaries and wages	11,420	-	153,992	265	216	481	-	154,473
Employee benefits	2,912	-	38,916	50	47	97	-	39,013
Supplies	2,736	-	23,789	5	-	5	-	23,794
Ancillary services	1,202	-	11,977	-	-	-	-	11,977
Repairs and maintenance	384	-	4,955	-	-	-	-	4,955
Marketing and advertising	644	-	4,626	10	4	14	-	4,640
Purchased services	985	-	20,785	44	8	52	-	20,837
Corporate allocations	2,134	(2,134)	-	-	-	-	-	-
Utilities	1,933	-	15,157	1	1	2	-	15,159
Travel and related	120	-	1,920	25	11	36	-	1,956
Leases and rents	92	-	1,134	-	-	-	-	1,134
Insurance	503	-	5,218	-	-	-	-	5,218
Foundation community distributions	-	-	-	1,308	530	1,838	(1,838)	-
Other operating expenses	827	-	4,609	2,457	1,423	3,880	-	8,489
Total operating expenses	25,892	(2,134)	287,078	4,165	2,240	6,405	(1,838)	291,645
Income (loss) before other operating income (expense)	8,526	-	61,605	(334)	1	(333)	-	61,272
Other operating income (expense):								
Realized (losses) gains on investments, net	(120)	-	(3,810)	649	67	716	-	(3,094)
Change in unrealized gains (losses) on investments, net	73	-	(29,129)	(7,762)	(1,273)	(9,035)	-	(38,164)
Unrealized loss on investment in HumanGood Nevada Bonds	-	-	(14,805)	-	-	-	-	(14,805)
Investment income, net	52	-	9,609	995	190	1,185	-	10,794
Mortgage interest	(1,838)	-	(14,639)	-	-	-	-	(14,639)
Depreciation and amortization	(4,938)	-	(41,990)	-	-	-	-	(41,990)
Gain on early retirement of debt	-	-	5,256	-	-	-	-	5,256
Gain on disposal of fixed assets	-	-	87	-	-	-	-	87
Nonrecurring operating expenses	-	-	(2,185)	-	-	-	-	(2,185)
Income (loss) from operations	1,755	-	(30,001)	(6,452)	(1,015)	(7,467)	-	(37,468)

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2022
(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions (Continued)								
Other changes in net assets without donor restrictions:								
Change in minimum pension liability	\$ -	\$ -	\$ 7,985	\$ -	\$ -	\$ -	\$ -	\$ 7,985
Other affiliate distributions and equity transfers	25	-	(2,058)	-	-	-	-	(2,058)
Unrealized gains on interest rate swaps and caps	-	-	12,859	-	-	-	-	12,859
Change in net assets without donor restrictions	1,780	-	(11,215)	(6,452)	(1,015)	(7,467)	-	(18,682)
Changes in Net Assets With Donor Restrictions								
Dividend and interest income	-	-	-	293	706	999	-	999
Unrealized gains on investments with donor restrictions, net	-	-	-	(1,737)	(3,403)	(5,140)	-	(5,140)
Contributions	-	-	-	3,723	2,158	5,881	-	5,881
Net assets released from restrictions for benevolence	-	-	-	-	(461)	(461)	-	(461)
Contractual payments to beneficiaries	-	-	-	(1,097)	(509)	(1,606)	-	(1,606)
Realized losses on investments, net	-	-	-	117	121	238	-	238
Contractual liability adjustments	-	-	-	472	196	668	-	668
Net assets released from restrictions for special project funds	-	-	-	(2,461)	(1,780)	(4,241)	-	(4,241)
Change in net assets with donor restrictions	-	-	-	(690)	(2,972)	(3,662)	-	(3,662)
Change in net (deficit) assets	1,780	-	(11,215)	(7,142)	(3,987)	(11,129)	-	(22,344)
Net (Deficit) Assets, Beginning	(39,954)	-	47,428	78,141	39,133	117,274	-	164,702
Net (Deficit) Assets, Ending	\$ (38,174)	\$ -	\$ 36,213	\$ 70,999	\$ 35,146	\$ 106,145	\$ -	\$ 142,358

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Balance Sheet Schedule
December 31, 2021
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Assets										
Current Assets										
Cash and cash equivalents	\$ 42,226	\$ 3,367	\$ 5,269	\$ -	\$ 50,862	\$ 917	\$ 845	\$ 1,762	\$ -	\$ 52,624
Resident accounts receivable, net	7,954	4,227	836	-	13,017	-	-	-	-	13,017
Other receivables	3,477	6,485	-	-	9,962	632	-	632	-	10,594
Current portion of restricted investments	4,728	-	-	-	4,728	-	-	-	-	4,728
Intercompany advances due	31,807	(5,513)	(17,421)	-	8,873	(337)	108	(229)	-	8,644
Prepaid expenses, deposits and other assets	5,823	1,394	278	-	7,495	-	-	-	-	7,495
Total current assets	96,015	9,960	(11,038)	-	94,937	1,212	953	2,165	-	97,102
Restricted Cash	-	5,106	-	-	5,106	-	-	-	-	5,106
Investments	77,799	107,481	15,853	-	201,133	-	10,659	10,659	-	211,792
Designated Investments	51,192	13,936	-	-	65,128	65,829	-	65,829	-	130,957
Investment in HumanGood Nevada Bonds	43,819	-	-	-	43,819	-	-	-	-	43,819
Restricted Investments	158,453	-	4	-	158,457	13,587	29,286	42,873	-	201,330
Subordinated Notes Receivable, Net	15,607	-	-	-	15,607	-	-	-	-	15,607
Land, Buildings and Equipment, Net	228,822	160,374	77,665	-	466,861	-	-	-	-	466,861
Interest and Management Fees Due From Affiliates	477	-	-	-	477	-	-	-	-	477
Other Noncurrent Assets	6,761	3,678	53	-	10,492	-	-	-	-	10,492
Total assets	\$ 678,945	\$ 300,535	\$ 82,537	\$ -	\$ 1,062,017	\$ 80,628	\$ 40,898	\$ 121,526	\$ -	\$ 1,183,543

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Combining Balance Sheet Schedule
December 31, 2021
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Liabilities and Net Assets (Deficit)										
Current Liabilities										
Accounts payable and accrued expenses	\$ 29,415	\$ 6,722	\$ 1,561	\$ -	\$ 37,698	\$ 66	\$ 81	\$ 147	\$ -	\$ 37,845
Deposits	1,695	1,368	94	-	3,157	-	-	-	-	3,157
Accrued interest	3,394	115	-	-	3,509	-	-	-	-	3,509
Current portion of notes and bonds payable	3,378	4,035	2,111	-	9,524	-	-	-	-	9,524
Entrance fee rebates payable	84	-	131	-	215	-	-	-	-	215
Total current liabilities	37,966	12,240	3,897	-	54,103	66	81	147	-	54,250
Notes and Bonds Payable, Net	297,348	102,110	61,270	-	460,728	-	-	-	-	460,728
Rebatable Entrance Fees Due	98,002	45,673	30,817	-	174,492	-	-	-	-	174,492
Entrance Fees Subject to Refund	38,865	34,607	6,502	-	79,974	-	-	-	-	79,974
Entrance Fees Nonrefundable	118,288	63,170	18,148	-	199,606	-	-	-	-	199,606
Revocable Trusts	-	-	-	-	-	251	-	251	-	251
Obligations Under Annuity Agreements	-	-	-	-	-	2,170	1,684	3,854	-	3,854
Retirement Liabilities	2,899	1,726	-	-	4,625	-	-	-	-	4,625
Workers' Compensation Liability	9,061	9,025	-	-	18,086	-	-	-	-	18,086
Advances Subject to Refund	10,000	9,246	1,814	-	21,060	-	-	-	-	21,060
Other Liabilities	1,871	1	43	-	1,915	-	-	-	-	1,915
Total liabilities	614,300	277,798	122,491	-	1,014,589	2,487	1,765	4,252	-	1,018,841
Net Assets (Deficit)										
Without donor restrictions	64,645	22,737	(39,954)	-	47,428	65,481	10,908	76,389	-	123,817
With donor restrictions	-	-	-	-	-	12,660	28,225	40,885	-	40,885
Total net assets (deficit)	64,645	22,737	(39,954)	-	47,428	78,141	39,133	117,274	-	164,702
Total liabilities and net assets (deficit)	\$ 678,945	\$ 300,535	\$ 82,537	\$ -	\$ 1,062,017	\$ 80,628	\$ 40,898	\$ 121,526	\$ -	\$ 1,183,543

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions										
Operating revenues:										
Residential living	\$ 57,488	\$ 41,021	\$ 11,454	\$ -	\$ 109,963	\$ -	\$ -	\$ -	\$ -	\$ 109,963
Assisted living	16,900	14,106	3,937	-	34,943	-	-	-	-	34,943
Health center	55,865	28,448	8,074	-	92,387	-	-	-	-	92,387
Memory support	9,420	3,065	2,072	-	14,557	-	-	-	-	14,557
Other residential services	1,697	2,189	78	-	3,964	-	-	-	-	3,964
Amortization of entrance fees	24,016	14,663	4,355	-	43,034	-	-	-	-	43,034
COVID relief funding	699	365	110	-	1,174	-	-	-	-	1,174
Other operating revenues	17,520	1,126	302	(8,479)	10,469	-	-	-	-	10,469
Net assets released from restrictions	-	-	-	-	-	2,534	1,874	4,408	-	4,408
Unrestricted contributions	-	-	-	-	-	811	-	811	-	811
Foundation community benefit	699	185	258	-	1,142	-	-	-	(1,142)	-
Total operating revenues	184,304	105,168	30,640	(8,479)	311,633	3,345	1,874	5,219	(1,142)	315,710
Operating expenses:										
Salaries and wages	77,525	50,046	9,872	-	137,443	259	235	494	-	137,937
Employee benefits	19,606	13,100	2,492	-	35,198	45	52	97	-	35,295
Supplies	12,024	8,715	2,598	-	23,337	3	-	3	-	23,340
Ancillary services	8,087	3,504	1,316	-	12,907	-	-	-	-	12,907
Repairs and maintenance	2,401	1,974	399	-	4,774	3	-	3	-	4,777
Marketing and advertising	1,865	1,850	652	-	4,367	-	-	-	-	4,367
Purchased services	7,905	6,629	886	-	15,420	39	18	57	-	15,477
Corporate allocations	-	-	2,084	(2,084)	-	-	-	-	-	-
Utilities	6,324	5,191	1,540	-	13,055	1	1	2	-	13,057
Travel and related	772	444	98	-	1,314	12	9	21	-	1,335
Leases and rents	1,149	482	127	-	1,758	-	-	-	-	1,758
Insurance	2,379	1,949	414	-	4,742	-	-	-	-	4,742
Foundation community distributions	-	-	-	-	-	957	185	1,142	(1,142)	-
Other operating expenses	3,852	2,034	741	-	6,627	2,394	1,375	3,769	-	10,396
Total operating expenses	143,889	95,918	23,219	(2,084)	260,942	3,713	1,875	5,588	(1,142)	265,388
Income (loss) before other operating income (expense)	40,415	9,250	7,421	(6,395)	50,691	(368)	(1)	(369)	-	50,322
Other operating income (expense):										
Realized gains (losses) on investments, net	5,294	6,263	49	-	11,606	2,217	375	2,592	-	14,198
Realized gain on investment in HumanGood Nevada Bonds	8,834	-	-	-	8,834	-	-	-	-	8,834
Change in unrealized gains (losses) on investments, net	(2,041)	248	(177)	-	(1,970)	3,305	560	3,865	-	1,895
Unrealized loss on investment in HumanGood Nevada Bonds	-	-	-	-	-	-	-	-	-	-
Investment income, net	4,357	1,980	80	(2,172)	4,245	1,159	194	1,353	-	5,598
Mortgage interest	(7,332)	(3,207)	(2,116)	1,367	(11,288)	-	-	-	-	(11,288)
Depreciation and amortization	(19,823)	(17,225)	(4,712)	-	(41,760)	-	-	-	-	(41,760)
Gain on early retirement of debt	-	-	-	-	-	-	-	-	-	-
(Loss) gains on disposal of fixed assets	(100)	5,027	-	-	4,927	-	-	-	-	4,927
Income (loss) from operations	29,604	2,336	545	(7,200)	25,285	6,313	1,128	7,441	-	32,726

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions (Continued)										
Other changes in net assets without donor restrictions:										
Change in minimum pension liability	\$ -	\$ (104)	\$ -	\$ -	\$ (104)	\$ -	\$ -	\$ -	\$ -	\$ (104)
Other affiliate distributions and equity transfers	(4,872)	610	21	-	(4,241)	-	-	-	-	(4,241)
Forgiveness of indebtedness to affiliate	(2,000)	-	-	-	(2,000)	-	-	-	-	(2,000)
Unrealized gains on interest rate swaps and caps	3,625	22	-	-	3,647	-	-	-	-	3,647
Change in net assets without donor restrictions	26,357	2,864	566	(7,200)	22,587	6,313	1,128	7,441	-	30,028
Changes in Net Assets With Donor Restrictions										
Dividend and interest income	-	-	-	-	-	211	698	909	-	909
Unrealized gains on investments with donor restrictions, net	-	-	-	-	-	236	1,087	1,323	-	1,323
Restricted equity contributions	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	3,208	2,650	5,858	-	5,858
Net assets released from restrictions for benevolence	-	-	-	-	-	-	(169)	(169)	-	(169)
Contractual payments to beneficiaries	-	-	-	-	-	(370)	(958)	(1,328)	-	(1,328)
Realized gains on investments, net	-	-	-	-	-	391	814	1,205	-	1,205
Contractual liability adjustments	-	-	-	-	-	(228)	(55)	(283)	-	(283)
Net assets released from restrictions for special project funds	-	-	-	-	-	(2,534)	(1,705)	(4,239)	-	(4,239)
Change in net assets with donor restrictions	-	-	-	-	-	914	2,362	3,276	-	3,276
Change in net assets	26,357	2,864	566	(7,200)	22,587	7,227	3,490	10,717	-	33,304
Net Assets (Deficit), Beginning	38,288	19,873	(40,520)	7,200	24,841	70,914	35,643	106,557	-	131,398
Net Assets (Deficit), Ending	\$ 64,645	\$ 22,737	\$ (39,954)	\$ -	\$ 47,428	\$ 78,141	\$ 39,133	\$ 117,274	\$ -	\$ 164,702

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Combining Statement of Cash Flows Schedule

Year Ended December 31, 2021

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Cash Flows From Operating Activities										
Cash received for resident services	\$ 139,642	\$ 88,958	\$ 25,195	\$ -	\$ 253,795	\$ -	\$ -	\$ -	\$ -	\$ 253,795
Cash received from nonrebatable entrance fees										
from reoccupancy	37,040	23,710	5,668	-	66,418	-	-	-	-	66,418
Cash received from advances subject to refund	10,000	9,246	1,814	-	21,060	-	-	-	-	21,060
Cash received from COVID relief funding	699	214	110	-	1,023	-	-	-	-	1,023
Cash received from other operating activities	41,468	1,328	560	(36,074)	7,282	5	-	5	(884)	6,403
Cash received from bequests and trust maturities	-	-	-	-	-	811	-	811	-	811
Cash earnings realized from investments	4,357	1,980	80	(2,172)	4,245	1,159	194	1,353	-	5,598
Cash paid for employee salaries	(70,718)	(45,901)	(9,271)	-	(125,890)	(228)	(180)	(408)	-	(126,298)
Cash paid for employee benefits	(18,101)	(12,970)	(2,492)	-	(33,563)	(45)	(52)	(97)	-	(33,660)
Cash paid for temporary labor	(5,878)	(4,745)	(627)	-	(11,250)	-	-	-	-	(11,250)
Cash paid to vendors	(47,482)	(32,955)	(16,614)	8,738	(88,313)	(923)	282	(641)	884	(88,070)
Cash paid for interest	(5,916)	(3,464)	(2,859)	1,367	(10,872)	-	-	-	-	(10,872)
Net cash provided by (used in) operating activities	85,111	25,401	1,564	(28,141)	83,935	779	244	1,023	-	84,958
Cash Flows From Investing Activities										
Acquisition of land, buildings and equipment	(18,054)	(17,212)	(2,323)	-	(37,589)	-	-	-	-	(37,589)
Proceeds from sale of fixed assets	-	6,216	-	-	6,216	-	-	-	-	6,216
Net (purchases) sales of unrestricted investments	(3,318)	(1,812)	(93)	-	(5,223)	(1,293)	(123)	(1,416)	-	(6,639)
Net (purchases) sales of restricted investments	(27)	(114)	-	-	(141)	(631)	(3,689)	(4,320)	-	(4,461)
Cash (paid for) received from intercompany and affiliate transactions	(34,850)	(1,112)	6,810	28,141	(1,011)	169	(127)	42	-	(969)
Net cash (used in) provided by investing activities	(56,249)	(14,034)	4,394	28,141	(37,748)	(1,755)	(3,939)	(5,694)	-	(43,442)
Cash Flows From Financing Activities										
Proceeds from rebatable entrance fees	9,059	1,829	2,103	-	12,991	-	-	-	-	12,991
Refunds of deposits and entrance fees	(9,559)	(9,605)	(4,681)	-	(23,845)	-	-	-	-	(23,845)
Proceeds from issuance of notes and bonds payable	133,481	-	-	-	133,481	-	-	-	-	133,481
Principal payments on notes and bonds payable	(6,513)	(2,620)	(16)	-	(9,149)	-	-	-	-	(9,149)
Cash paid for bond issuance costs	(1,464)	-	-	-	(1,464)	-	-	-	-	(1,464)
Cash paid for other trust activity	-	-	-	-	-	(2,156)	(1,319)	(3,475)	-	(3,475)
Affiliate cash distributions	(4,872)	610	21	-	(4,241)	-	-	-	-	(4,241)
Cash received from restricted contributions	-	-	-	-	-	3,209	2,649	5,858	-	5,858
Net cash (used in) provided by financing activities	120,132	(9,786)	(2,573)	-	107,773	1,053	1,330	2,383	-	110,156
(Decrease) increase in cash, cash equivalents and restricted cash	148,994	1,581	3,385	-	153,960	77	(2,365)	(2,288)	-	151,672
Cash, Cash Equivalents and Restricted Cash, Beginning	53,377	6,892	1,888	-	62,157	2,287	4,057	6,344	-	68,501
Cash, Cash Equivalents and Restricted Cash, Ending	\$ 202,371	\$ 8,473	\$ 5,273	\$ -	\$ 216,117	\$ 2,364	\$ 1,692	\$ 4,056	\$ -	\$ 220,173

HumanGood California Obligated Group & Foundation Affiliates

(Members of HumanGood)

Combining Statement of Cash Flows Schedule

Year Ended December 31, 2021

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Noncash Disclosures										
Forgiveness of indebtedness to affiliate	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combining Balance Sheet										
Cash and cash equivalents	\$ 42,226	\$ 3,367	\$ 5,269	\$ -	\$ 50,862	\$ 917	\$ 845	\$ 1,762	\$ -	\$ 52,624
Restricted cash included in restricted investments	160,145	-	4	-	160,149	1,447	847	2,294	-	162,443
Restricted cash	-	5,106	-	-	5,106	-	-	-	-	5,106
Total cash, cash equivalents and restricted cash	\$ 202,371	\$ 8,473	\$ 5,273	\$ -	\$ 216,117	\$ 2,364	\$ 1,692	\$ 4,056	\$ -	\$ 220,173

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	NorCal Community Support Center	Eliminations	HumanGood NorCal
Changes in Net Assets Without Donor Restrictions										
Operating revenues:										
Residential living	\$ 7,519	\$ 3,919	\$ 8,502	\$ 7,396	\$ 14,405	\$ 4,072	\$ 11,675	\$ -	\$ -	\$ 57,488
Assisted living	2,985	-	4,463	2,000	2,197	1,677	3,578	-	-	16,900
Health center	7,038	-	13,062	3,743	10,597	9,363	12,062	-	-	55,865
Memory support	1,862	-	1,605	575	2,093	1,299	1,986	-	-	9,420
Other residential services	68	146	551	213	262	145	312	-	-	1,697
Amortization of entrance fees	3,482	282	2,890	2,202	8,010	763	6,387	-	-	24,016
COVID relief funding	70	-	154	87	143	127	118	-	-	699
Other operating revenues	180	144	130	197	1,020	184	137	27,064	(11,536)	17,520
Foundation community benefit	122	61	69	187	156	76	28	-	-	699
Total operating revenues	23,326	4,552	31,426	16,600	38,883	17,706	36,283	27,064	(11,536)	184,304
Operating expenses:										
Salaries and wages	8,138	2,004	13,442	6,987	12,689	7,830	12,348	14,087	-	77,525
Employee benefits	1,901	502	3,463	1,641	3,185	2,020	2,988	3,906	-	19,606
Supplies	1,378	459	2,039	1,508	2,818	1,497	2,127	198	-	12,024
Ancillary services	991	9	1,278	640	1,118	1,707	2,344	-	-	8,087
Repairs and maintenance	288	20	468	259	550	233	578	5	-	2,401
Marketing and advertising	251	167	317	450	241	252	178	9	-	1,865
Purchased services	879	285	1,003	780	1,195	998	1,192	1,573	-	7,905
Corporate allocations	1,528	352	2,270	1,252	2,397	1,506	2,231	-	(11,536)	-
Utilities	686	456	1,169	803	1,333	593	1,098	186	-	6,324
Travel and related	44	30	40	99	115	42	71	331	-	772
Leases and rents	77	27	145	140	124	50	87	499	-	1,149
Insurance	292	81	450	298	462	335	461	-	-	2,379
Foundation community distributions	-	-	-	-	-	-	-	-	-	-
Other operating expenses	248	200	819	704	889	1,097	954	(1,059)	-	3,852
Total operating expenses	16,701	4,592	26,903	15,561	27,116	18,160	26,657	19,735	(11,536)	143,889
Income (loss) before other operating income (expense)	6,625	(40)	4,523	1,039	11,767	(454)	9,626	7,329	-	40,415
Other operating income (expense):										
Realized gains (losses) on investments, net	-	-	-	-	-	-	-	5,294	-	5,294
Realized gain on investment in HumanGood Nevada Bonds	-	-	-	-	-	-	-	8,834	-	8,834
Change in unrealized gains (losses) on investments, net	-	-	-	-	-	-	-	(2,041)	-	(2,041)
Investment income, net	-	-	-	-	-	-	-	4,357	-	4,357
Mortgage interest	(860)	(130)	(410)	(368)	(737)	(393)	(1,206)	(3,228)	-	(7,332)
Depreciation and amortization	(3,854)	(681)	(2,334)	(2,456)	(4,810)	(1,336)	(3,712)	(640)	-	(19,823)
Gain (loss) on disposal of fixed assets	-	-	-	-	3	-	-	(103)	-	(100)
Income (loss) from operations	1,911	(851)	1,779	(1,785)	6,223	(2,183)	4,708	19,802	-	29,604

HumanGood California Obligated Group & Foundation Affiliates

(Members of HumanGood)

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

	<u>Terraces at Los Altos</u>	<u>Grand Lake Gardens</u>	<u>Piedmont Gardens</u>	<u>Plymouth Village</u>	<u>Valle Verde</u>	<u>Rosewood</u>	<u>Terraces of Los Gatos</u>	<u>NorCal Community Support Center</u>	<u>Eliminations</u>	<u>HumanGood NorCal</u>
Changes in Net Assets Without Donor Restrictions (Continued)										
Other changes in net assets without donor restrictions:										
Other affiliate distributions and equity transfers	\$ -	\$ 49	\$ -	\$ 33	\$ 81	\$ -	\$ 15	\$ (5,050)	\$ -	\$ (4,872)
Forgiveness of indebtedness to affiliate	-	-	-	-	-	-	-	(2,000)	-	(2,000)
Unrealized gains on interest rate swaps and caps	-	-	-	-	-	-	-	3,625	-	3,625
Change in net assets without donor restrictions	1,911	(802)	1,779	(1,752)	6,304	(2,183)	4,723	16,377	-	26,357
Net Assets (Deficit), Beginning	<u>2,538</u>	<u>(10,748)</u>	<u>40,962</u>	<u>2,919</u>	<u>63,848</u>	<u>(20,905)</u>	<u>51,557</u>	<u>(91,883)</u>	<u>-</u>	<u>38,288</u>
Net Assets (Deficit), Ending	<u>\$ 4,449</u>	<u>\$ (11,550)</u>	<u>\$ 42,741</u>	<u>\$ 1,167</u>	<u>\$ 70,152</u>	<u>\$ (23,088)</u>	<u>\$ 56,280</u>	<u>\$ (75,506)</u>	<u>\$ -</u>	<u>\$ 64,645</u>

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
Changes in Net Assets Without Donor Restrictions									
Operating revenues:									
Residential living	\$ 7,576	\$ 10,688	\$ 2,815	\$ 10,606	\$ 4,701	\$ 4,635	\$ -	\$ -	\$ 41,021
Assisted living	1,884	2,859	2,381	3,372	1,589	2,021	-	-	14,106
Health center	6,562	4,708	3,509	6,123	-	7,546	-	-	28,448
Memory support	-	866	-	743	684	772	-	-	3,065
Other residential services	579	219	114	1,032	116	129	-	-	2,189
Amortization of entrance fees	2,349	4,713	302	4,612	1,396	1,291	-	-	14,663
COVID relief funding	51	110	35	57	55	57	-	-	365
Other operating revenues	129	124	73	235	128	138	7,564	(7,265)	1,126
Foundation community benefit	-	44	12	1	55	73	-	-	185
Total operating revenues	19,130	24,331	9,241	26,781	8,724	16,662	7,564	(7,265)	105,168
Operating expenses:									
Salaries and wages	8,671	8,599	5,304	10,523	3,403	7,904	5,642	-	50,046
Employee benefits	2,332	2,422	1,417	2,850	853	2,188	1,038	-	13,100
Supplies	1,826	1,782	964	2,158	592	1,287	106	-	8,715
Ancillary services	905	73	368	745	13	1,400	-	-	3,504
Repairs and maintenance	535	428	328	309	259	112	3	-	1,974
Marketing and advertising	328	308	241	356	291	322	4	-	1,850
Purchased services	1,074	1,249	597	1,425	399	887	998	-	6,629
Corporate allocations	1,328	1,559	734	1,834	582	1,228	-	(7,265)	-
Utilities	885	1,114	509	1,189	491	891	112	-	5,191
Travel and related	60	36	55	55	19	51	168	-	444
Leases and rents	45	14	26	65	7	114	211	-	482
Insurance	334	410	194	423	173	380	35	-	1,949
Other operating expenses	646	521	351	536	193	185	(398)	-	2,034
Total operating expenses	18,969	18,515	11,088	22,468	7,275	16,949	7,919	(7,265)	95,918
Income (loss) before other operating income (expense)	161	5,816	(1,847)	4,313	1,449	(287)	(355)	-	9,250
Other operating income (expense):									
Realized gains (losses) on investments, net	-	-	-	-	-	-	6,263	-	6,263
Realized gain on investment in HumanGood Nevada Bonds	-	-	-	-	-	-	-	-	-
Change in unrealized gains (losses) on investments, net	-	-	-	-	-	-	248	-	248
Investment income, net	-	-	2	-	-	-	1,978	-	1,980
Mortgage interest	(786)	(1,651)	(58)	(569)	(143)	-	-	-	(3,207)
Depreciation and amortization	(2,955)	(5,711)	(748)	(3,071)	(1,509)	(2,630)	(601)	-	(17,225)
Gain on disposal of fixed assets	-	-	-	-	-	-	5,027	-	5,027
Income (loss) from operations	(3,580)	(1,546)	(2,651)	673	(203)	(2,917)	12,560	-	2,336

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2021
(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
Changes in Net Assets Without Donor Restrictions (Continued)									
Other changes in net assets without donor restrictions:									
Change in minimum pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (104)	\$ -	\$ (104)
Other affiliate distributions and equity transfers	187	161	18	9	212	23	-	-	610
Unrealized gains on interest rate swaps and caps	-	20	-	-	2	-	-	-	22
Change in net assets without donor restrictions	(3,393)	(1,365)	(2,633)	682	11	(2,894)	12,456	-	2,864
Net Assets (Deficit), Beginning	<u>(7,040)</u>	<u>(22,230)</u>	<u>(3,216)</u>	<u>40,219</u>	<u>6,797</u>	<u>(17,274)</u>	<u>22,617</u>	<u>-</u>	<u>19,873</u>
Net Assets (Deficit), Ending	<u>\$ (10,433)</u>	<u>\$ (23,595)</u>	<u>\$ (5,849)</u>	<u>\$ 40,901</u>	<u>\$ 6,808</u>	<u>\$ (20,168)</u>	<u>\$ 35,073</u>	<u>\$ -</u>	<u>\$ 22,737</u>

HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions								
Operating revenues:								
Residential living	\$ 11,454	\$ -	\$ 109,963	\$ -	\$ -	\$ -	\$ -	\$ 109,963
Assisted living	3,937	-	34,943	-	-	-	-	34,943
Health center	8,074	-	92,387	-	-	-	-	92,387
Memory support	2,072	-	14,557	-	-	-	-	14,557
Other residential services	78	-	3,964	-	-	-	-	3,964
Amortization of entrance fees	4,355	-	43,034	-	-	-	-	43,034
COVID relief funding	110	-	1,174	-	-	-	-	1,174
Other operating revenues	302	(8,479)	10,469	-	-	-	-	10,469
Net assets released from restrictions	-	-	-	2,534	1,874	4,408	-	4,408
Unrestricted contributions	-	-	-	811	-	811	-	811
Foundation community benefit	258	-	1,142	-	-	-	(1,142)	-
Total operating revenues	30,640	(8,479)	311,633	3,345	1,874	5,219	(1,142)	315,710
Operating expenses:								
Salaries and wages	9,872	-	137,443	259	235	494	-	137,937
Employee benefits	2,492	-	35,198	45	52	97	-	35,295
Supplies	2,598	-	23,337	3	-	3	-	23,340
Ancillary services	1,316	-	12,907	-	-	-	-	12,907
Repairs and maintenance	399	-	4,774	3	-	3	-	4,777
Marketing and advertising	652	-	4,367	-	-	-	-	4,367
Purchased services	886	-	15,420	39	18	57	-	15,477
Corporate allocations	2,084	(2,084)	-	-	-	-	-	-
Utilities	1,540	-	13,055	1	1	2	-	13,057
Travel and related	98	-	1,314	12	9	21	-	1,335
Leases and rents	127	-	1,758	-	-	-	-	1,758
Insurance	414	-	4,742	-	-	-	-	4,742
Foundation community distributions	-	-	-	957	185	1,142	(1,142)	-
Other operating expenses	741	-	6,627	2,394	1,375	3,769	-	10,396
Total operating expenses	23,219	(2,084)	260,942	3,713	1,875	5,588	(1,142)	265,388
Income (loss) before other operating income (expense)	7,421	(6,395)	50,691	(368)	(1)	(369)	-	50,322
Other operating income (expense):								
Realized gains (losses) on investments, net	49	-	11,606	2,217	375	2,592	-	14,198
Realized gain on investment in HumanGood Nevada Bonds	-	-	8,834	-	-	-	-	8,834
Change in unrealized gains (losses) on investments, net	(177)	-	(1,970)	3,305	560	3,865	-	1,895
Investment income, net	80	(2,172)	4,245	1,159	194	1,353	-	5,598
Mortgage interest	(2,116)	1,367	(11,288)	-	-	-	-	(11,288)
Depreciation and amortization	(4,712)	-	(41,760)	-	-	-	-	(41,760)
Gain on disposal of fixed assets, net	-	-	4,927	-	-	-	-	4,927
Income (loss) from operations	545	(7,200)	25,285	6,313	1,128	7,441	-	32,726

**HumanGood California Obligated Group & Foundation Affiliates
(Members of HumanGood)**

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2021
(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions (Continued)								
Other changes in net assets without donor restrictions:								
Change in minimum pension liability	\$ -	\$ -	\$ (104)	\$ -	\$ -	\$ -	\$ -	\$ (104)
Other affiliate distributions and equity transfers	21	-	(4,241)	-	-	-	-	(4,241)
Forgiveness of indebtedness to affiliate	-	-	(2,000)	-	-	-	-	(2,000)
Unrealized gains on interest rate swaps and caps	-	-	3,647	-	-	-	-	3,647
Change in net assets without donor restrictions	566	(7,200)	22,587	6,313	1,128	7,441	-	30,028
Changes in Net Assets With Donor Restrictions								
Dividend and interest income	-	-	-	211	698	909	-	909
Unrealized gains on investments with donor donor restrictions, net	-	-	-	236	1,087	1,323	-	1,323
Contributions	-	-	-	3,208	2,650	5,858	-	5,858
Net assets released from restrictions for benevolence	-	-	-	-	(169)	(169)	-	(169)
Contractual payments to beneficiaries	-	-	-	(370)	(958)	(1,328)	-	(1,328)
Realized losses on investments, net	-	-	-	391	814	1,205	-	1,205
Contractual liability adjustments	-	-	-	(228)	(55)	(283)	-	(283)
Net assets released from restrictions for special project funds	-	-	-	(2,534)	(1,705)	(4,239)	-	(4,239)
Change in net assets with donor restrictions	-	-	-	914	2,362	3,276	-	3,276
Change in net assets	566	(7,200)	22,587	7,227	3,490	10,717	-	33,304
Net Assets (Deficit), Beginning	(40,520)	7,200	24,841	70,914	35,643	106,557	-	131,398
Net Assets (Deficit), Ending	\$ (39,954)	\$ -	\$ 47,428	\$ 78,141	\$ 39,133	\$ 117,274	\$ -	\$ 164,702