

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidated Financial Statements
and Supplementary Information

December 31, 2021 and 2020

HumanGood East
(a Member of HumanGood Cornerstone)

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December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors of
HumanGood East

Opinion

We have audited the consolidated financial statements of HumanGood East (the Corporation), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements. We have also audited the basic financial statements of HumanGood Pennsylvania, which comprise the balance sheets as of December 31, 2021 and 2020, and related statements of operations and changes in net assets and cash flows for the years then ended (the basic financial statements) (discretely presented on pages 36 to 42, and the related notes to those basic financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020 and the results of their operations and changes in 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). Also, in our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of HumanGood Pennsylvania as of December 31, 2021 and 2020, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with GAAP.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 36 through 42 is presented for purposes of additional analysis of the consolidated financial statements and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 29, 2022

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidated Balance Sheets
December 31, 2021 and 2020
(In Thousands)

	2021	2020		2021	2020
Assets				Liabilities and Net Assets	
Current Assets				Current Liabilities	
Cash and cash equivalents	\$ 12,881	\$ 11,041		Accounts payable and accrued expenses	\$ 7,904
Resident accounts receivable	3,617	2,316		Construction payable	4,718
Other receivables, net	5,845	2,745		Deposits	1,599
Prepaid expenses, deposits and other assets	1,445	1,076		Accrued interest	1,087
				Current portion of long-term debt	2,475
				Payable to affiliates	901
				Entrance fee rebates payable	136
Total current assets	23,788	17,178		Total current liabilities	18,820
Restricted Cash and Cash Equivalents	26,158	35,117		Construction Loan	29,152
Investments	132,075	122,833		Rebatable Entrance Fees Due	83,931
Statutory Minimum Liquid Reserve	5,033	5,190		Entrance Fees Nonrefundable	24,795
Restricted Investments	21,073	19,048		Entrance Fees Subject to Refund	13,854
Other Noncurrent Assets	2,776	2,757		Long-Term Debt	196,147
Beneficial Interest in Split-Interest Agreements and Perpetual Trusts	9,865	9,119		Retirement Liability	200
Land, Buildings and Equipment, Net	271,335	253,632		Workers' Compensation Liability	382
				Advances Subject to Refund	3,814
				Other Liabilities	328
				Total liabilities	371,423
				Net Assets	
				Net assets without donor restrictions:	
				Controlling ownership interest	73,010
				Noncontrolling ownership interest in limited partnerships	16,569
				Total net assets without donor restrictions	89,579
				Net assets with donor restrictions	31,101
				Total net assets	120,680
Total assets	\$ 492,103	\$ 464,874		Total liabilities and net assets	\$ 492,103

See notes to consolidated financial statements

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidated Statements of Operations and Changes in Net Assets

Years Ended December 31, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Operating revenues:		
Residential living	\$ 21,709	\$ 19,932
Personal care	11,275	10,708
Health center	12,890	10,711
Other service income	1,814	1,265
Amortization of entrance fees	5,809	6,202
COVID relief funding	480	1,843
Affordable housing fees and rents	17,585	17,029
Net assets released from restrictions	1,150	1,217
Unrestricted contributions	455	101
Total operating revenues	<u>73,167</u>	<u>69,008</u>
Operating expenses:		
Salaries and wages	30,081	28,441
Employee benefits	6,135	5,739
Supplies	4,907	5,291
Ancillary services	2,106	1,981
Repairs and maintenance	2,687	1,502
Marketing and advertising	1,291	775
Purchased services	5,573	6,475
Utilities	3,498	3,432
Travel and related	177	82
Leases and rents	266	109
Insurance	1,757	1,571
Other operating expense	4,087	2,207
Total operating expenses	<u>62,565</u>	<u>57,605</u>
Income before other operating income (expense)	10,602	11,403
Other operating income (expense):		
Realized gains on investments, net	10,497	10,275
Change in unrealized gains on investments, net	3,596	4,520
Investment income, net	2,189	1,203
Interest expense	(6,196)	(5,757)
Depreciation and amortization expenses	(17,015)	(16,156)
Other income/expense, net	(419)	(32)
Loss on disposal of fixed assets	(18)	(145)
Income from operations	3,236	5,311
Net assets released from restrictions used for property and equipment	59	279
Capital contributions	<u>1,200</u>	<u>472</u>
Change in net assets without donor restrictions	<u>4,495</u>	<u>6,062</u>
Changes in Net Assets With Donor Restrictions		
Dividend and interest income	403	545
Unrealized gains on investments with donor restrictions, net	1,257	791
Valuation gains, beneficial interest in perpetual trusts	746	699
Realized gains on investments, net	938	881
Contributions	693	616
Net assets released from restrictions, other	-	(14)
Net assets released from restrictions, payment to beneficiaries	(1,209)	(1,482)
Change in net assets with donor restrictions	<u>2,828</u>	<u>2,036</u>
Change in net assets	7,323	8,098
Net Assets, Beginning	<u>113,357</u>	<u>105,259</u>
Net Assets, Ending	<u>\$ 120,680</u>	<u>\$ 113,357</u>

See notes to consolidated financial statements

HumanGood East
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Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received for resident services	\$ 60,730	\$ 57,908
Cash received from nonrebatale entrance fees from reoccupancy	6,595	4,874
Cash received from COVID relief funding	375	1,843
Cash received from PPP loans	3,814	-
Cash received from other operating activities	5,724	3,298
Cash received from bequests and trust maturities	1,290	100
Cash earnings realized from investments	2,189	1,203
Cash paid for employee salaries	(24,955)	(22,736)
Cash paid for employee benefits	(6,735)	(6,250)
Cash paid for temporary labor	(6,552)	(4,832)
Cash paid to vendors	(26,594)	(26,745)
Cash paid for interest, net	(5,796)	(5,773)
	<u>10,085</u>	<u>2,890</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(34,275)	(38,195)
Net sales of unrestricted investments	4,928	5,043
Net purchases of restricted investments	(770)	-
	<u>(30,117)</u>	<u>(33,152)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Cash received from initial entrance fees and deposits	19,470	12,683
Proceeds from rebatable entrance fees	9,663	2,097
Refunds of deposits and entrance fees	(9,287)	(6,909)
Proceeds from construction loans	18,033	30,007
Repayment of construction loans	(27,175)	-
Proceeds from issuance of notes and bonds payable	1,500	-
Principal payments on notes and bonds payable	(1,996)	(2,292)
Cash provided by intercompany and affiliate transactions	612	289
Other affiliate distributions and equity transfers	59	-
Contributions from noncontrolling interest	1,200	472
Cash received from other trust activity, net	141	-
Cash received from restricted contributions	693	616
	<u>12,913</u>	<u>36,963</u>
Net cash provided by financing activities		
(Decrease) increase in cash, cash equivalents and restricted cash	(7,119)	6,701
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>46,158</u>	<u>39,457</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 39,039</u>	<u>\$ 46,158</u>
Noncash Disclosures		
Obligations incurred for the acquisition of land, buildings and equipment	<u>\$ 4,718</u>	<u>\$ 4,288</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Consolidating Balance Sheet Schedule		
Cash and cash equivalents	\$ 12,881	\$ 11,041
Restricted cash	<u>26,158</u>	<u>35,117</u>
Total cash, cash equivalents and restricted cash	<u>\$ 39,039</u>	<u>\$ 46,158</u>

See notes to consolidated financial statements

HumanGood East (a Member of HumanGood Cornerstone)

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

1. Business and Organization

HumanGood East

HumanGood East (HGE), is a nonprofit corporation engaged in establishing, maintaining, supporting and operating communities for the care of seniors.

The following is a listing of HGE's subsidiaries:

- HumanGood Pennsylvania (HGPA), which includes The Mansion at Rosemont (Rosemont), Rydal Park and Spring Mill Pointe (Spring Mill)
- The Presbyterian Home at 58th Street (58th Street)
- Bala Presbyterian Home Foundation (Bala)
- Makemie at Whiteland (Makemie)
- Philadelphia Presbytery Homes WC Trust, Inc.
- Affordable Housing Communities comprised of the following entities:
 - Philadelphia Presbytery Apartments of Morrisville, Inc. (Morrisville)
 - Germantown Interfaith Housing, Inc. (Germantown)
 - Avenue of the Arts - PSC Apartments, Inc. (Reed Street)
 - South Philadelphia Presbytery Apartments, Inc. (Jackson Place)
 - Philadelphia Presbytery Apartments, Inc. (PPA)
 - Mantua Presbyterian Apartments, Inc. (Mantua)
 - Old City Presbyterian Apartments, Inc. (Old City)
 - Tioga Presbyterian Apartments, Inc. (Tioga)
 - Southwest Philadelphia Presbytery Apartments, Inc. (Mary Field)
 - Greenway Presbyterian Apartments, Inc. (Greenway)
 - Philadelphia Apartments at 58th Street, Inc. (Ann Thomas)
 - Grace Court, Inc. (Grace Court)
 - Bensalem Senior Apartments, LP (BSA)
 - PresbyHousing, Inc.
 - Riverside Senior Apartments, LP (RSA)
 - Presby Riverside Housing, Inc. (PRH)
 - Wynnefield Place, LP (Wynnefield)
 - Wynnefield Senior Housing, LLC (WSH)
 - Paschall Senior Housing, Inc. (Paschall)
 - PresbyServices, Inc. d/b/a Presby Affordable Housing
 - Presby's Inspired Life Apartments, LLC (PILA)
 - Cantrell Place, LP (Cantrell)
 - Cantrell Housing, Inc. (CHI)
 - Witherspoon Senior Apartments, LP (Witherspoon)
 - Witherspoon Housing, Inc. (WHI)
 - Makemie Court LP (Makemie Court)
 - HG Makemie Housing Inc. (MHI)
 - Janney Housing, LLC (JH)
 - Janney Street Apartments LP (Janney)

HGE and all of its subsidiaries are nonprofit corporations, except for BSA, RSA, Wynnefield, Cantrell and Witherspoon, which are for-profit limited partnership entities providing affordable housing to seniors, and PresbyHousing, Inc., PRH, WSH, CHI, WHI, MHI, and JH which are the general partners of the preceding entities.

HGPA also provides management services for 21 unrelated entities that provide affordable housing for seniors; ten are nonprofit corporations and eleven are for-profit limited partnership entities.

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Parent Organization

HumanGood Cornerstone (a Member of HumanGood), a California nonprofit public benefit tax-exempt corporation, is the sole member and exercises its direction and control through the appointment of the Boards of Directors of HumanGood East, HumanGood Idaho, HumanGood Arizona, Inc. (dba Terraces of Phoenix), HumanGood Washington (dba Judson Park), HumanGood Nevada (dba Las Ventanas), HumanGood Properties, HumanGood Affordable Housing, Beacon Development Group, LLC (BDG), and in conjunction with an affiliation effective in February 2022, West Valley Nursing Homes, Inc., dba Living Care Retirement Community. In March 2021, HumanGood Cornerstone approved a resolution to transfer BDG to HumanGood Affordable Housing as its sole corporate member. HumanGood Arizona and HumanGood Washington together constitute an obligated group (HumanGood National Obligated Group).

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

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

Principles of Consolidation

The consolidated financial statements include the accounts of HGE and all of HGE's subsidiaries (collectively, the Corporation) listed in the Organization section of this note. All intercompany balances and transactions have been eliminated in consolidation.

Consolidated Financial Statement Disclosures

The disclosures included in the notes to the consolidated financial statements consider both the Corporation's consolidated financial statements, as well as HGPA's basic financial statements.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the; allowances for contractual and uncollectible accounts receivable; fair values of investments; future service benefit obligations; entrance fees nonrefundable; liabilities for self-insured workers' compensation; and valuation of split-interest agreements. Actual results could differ from those estimates.

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include cash and cash equivalents held under bond indenture agreements, assets held under U.S. Department of Housing and Urban Development (HUD) agreements and first-generation entrance fees.

Resident Accounts Receivable and Other Receivables

The Corporation assesses 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 Corporation has exhausted all collection efforts and accounts are deemed uncollectible.

Entrance fee receivables, included in other receivables, net, are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, dividends and capital gain distributions) is included in income from operations unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

Restricted Investments

Certain investments are classified as restricted investments in the accompanying consolidated balance sheets (see Note 4). These include assets set aside in accordance with donor restrictions.

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Notes to Consolidated Financial Statements
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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 3 to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Asset Impairment

The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment was recorded during the years ended December 31, 2021 and 2020.

Other Assets

Other assets are primarily comprised of contract acquisition costs, contributions for membership in Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), Ziegler Link-Age capital contribution, net, tax credit compliance fees, health insurance program capital contribution, noncurrent portion of pledges receivable and capitalized contract acquisition costs.

Beneficial Interest in Split-Interest Agreements and Perpetual Trusts

The Corporation has been designated the beneficiary under several split-interest agreements and perpetual trusts.

Under the split-interest agreements, the Corporation primarily recorded the assets and recognized restricted contributions at the fair value of the estimated present value of the remainder interest in the split-interest agreements. The Corporation revalues its interest in the split-interest agreements annually and reports gains or losses in the net assets with donor restrictions class.

A perpetual trust is held by a third-party and is an arrangement in which the donor establishes and funds a trust to exist in perpetuity that is administered by an individual or organization other than the beneficiary. The Corporation has the irrevocable right to receive the income earned on the trust's assets but will never receive the assets themselves. The Corporation recognizes contribution revenue at the time an irrevocable trust is created, at the fair value of the trust's assets (a proxy for present value of discounted cash flows). The contribution revenue is classified with donor restrictions.

The Corporation revalues its interest in the perpetual trusts annually and reports gains or losses in net assets with donor restrictions class.

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Notes to Consolidated Financial Statements
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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 balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of interest expense, was \$167,000 in 2021 and \$140,000 in 2020 (including amortization specific to HGPA of \$96,000 in 2021 and \$49,000 in 2020).

Resident Deposits

Resident deposits included in prepaid expenses, deposits and other assets on the accompanying consolidated financial statements, represent entrance fees deposits paid to reserve a residence at Rydal Park and Rosemont. These deposits become part of the entrance fees when the resident moves in, or are fully refundable at the residents' discretion. Resident deposits also represent security deposits paid in advance to cover possible costs when residents vacate their apartments. These deposits are taken into income only if earned upon the termination of a rental agreement.

Entrance Fees

The Rydal Park and Rosemont communities charge entrance fees to residents to obtain a nontransferable right to lifetime occupancy at one of the retirement communities. Residents enter into different types of continuing care contracts depending on their move-in date and the community they reside in. Under the terms of the various contracts, entrance fees are recorded as either rebatable entrance fees due, entrance fees subject to refund or entrance fees nonrefundable. Entrance fees may be nonrebatable or, for certain Rydal Park residents, entrance fees may be subject to refund. Under the nonrebatable contracts, entrance fees are generally subject to refund on a decreasing basis for 32 to 50 months, depending on the contract selected, after which no refund is due or payable. The refundable contracts have a guaranteed rebate component, which is 50 percent or 90 percent of the entrance fees paid; the balance of the entrance fees paid under the 90 percent refundable contracts is generally nonrefundable while the balance of the entrance fees paid under the 50 percent contract is generally refundable on a decreasing basis for 25 months.

Nonrefundable entrance fees are recorded as entrance fees nonrefundable upon receipt and amortized to income using the straight-line method over the annually adjusted estimated remaining life expectancy of the resident. Entrance fees subject to refund will be amortized to income in future years unless refunded. The refundable amounts for Rydal Park residents are reported as rebatable entrance fees due and are not amortized to income.

Refunds to residents are generally paid when the residential living unit vacated has been reoccupied by a new resident and the entrance fees have been paid in full by the new resident.

Obligation to Provide Future Services

In accordance with the Rydal Park life care agreements, HGPA is obligated to provide future health care services for life to the residents of Rydal Park at a fixed fee arrangement, subject to normal escalations. Management engages an actuary, on a community rotation basis, to calculate the obligation to provide future health care services to the current contracted residents in excess of related anticipated revenues. Based upon the last calculation performed (as of December 31, 2019), the present value of future outflows to provide future services adjusted for certain noncash items, did not exceed the balance of future cash in-flows, based on a discount rate of 5 percent. As such, no liability for the obligation to provide future services has been recorded at December 31, 2021 and 2020.

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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 revenue 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.

Net Resident Service Revenues

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

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source. Net resident service 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 Corporation has determined that health center services are considered one performance obligation, which is satisfied over time as services are provided. Therefore, health center revenues are recognized on a daily basis as services are rendered.

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

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

The Corporation receive revenues for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Laws and regulations governing the Medicare and Medicaid 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 Medicaid programs. A summary of the principal payment arrangements with major third-party payors follows:

- **Medical Assistance:** Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

The Department of Human Services in the Commonwealth of Pennsylvania has a mandatory Medical Assistance managed care program, Community HealthChoices (CHC), for skilled nursing (SN) facilities across the Commonwealth of Pennsylvania. The primary goals of CHC are to better coordinate health care coverage and improve access to medical care. The services for which Medical Assistance program beneficiaries are eligible have not changed under CHC.

CHC became effective for the Corporation's SN facilities on January 1, 2019. Prior to CHC, the Medical Assistance reimbursement system was a fee-for-service (FFS) system. CHC eliminated the FFS payment methodology. Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). The rates paid to the Corporation's SN facilities by the MCO's were subject to a "floor" through December 31, 2021. The "floor" was equal to the average of each facility's prior four quarters (i.e., January 1, 2019 through December 31, 2019) Medical Assistance rates.

Effective January 1, 2022, the Medical Assistance rates paid to the Corporation's SN facilities may be subject to negotiation with the MCO's.

- **Medicare:** Nursing and ancillary services provided to Medicare Part A 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.

Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on HGPA's clinical assessment of their residents. HGPA is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare program.

- **Other:** HGPA also entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to HGPA under these agreements includes prospectively determined rates per day or discounts from established charges.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative 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 2021 or 2020.

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Personal Care

Personal care revenues are primarily derived from providing housing and personal care services to residents at a stated daily fee. The Corporation has determined that the services included in the daily 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, personal care revenues are recognized on a daily basis as services are rendered.

Residential Living

Residential living revenues are primarily derived from providing housing and services to residents. The Corporation has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, residential living monthly fees are recognized on a month-to-month basis.

Entrance fees collected from residents in advance are recognized as deferred revenues from entrance fees until performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying consolidated balance sheets. The Corporation recognized amortization income of \$5,809,000 and \$6,202,000 in 2021 and 2020, respectively. The Corporation applies the practical expedient in Accounting Standards Codification (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 refundable entrance fees and deposits in the accompanying consolidated balance sheets.

Revenues from nonrefundable entrance fees received are recognized through amortization of entrance fees using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as entrance fees nonrefundable in the consolidated balance sheets.

Affordable Housing Fees and Rents

Affordable housing fees and rents include subsidy receipts from HUD, rental charges from affordable housing units under leases with residents with durations of less than one year and do not represent contracts with customers under ASC 606, and management fees for management services provided to unrelated entities that provide affordable housing for seniors. Subsidy receipts are considered part of the lease and are not considered a contribution under ASC 958. The revenues are recognized monthly using rates established by HUD under ASC 842.

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COVID Relief Funding

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

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Corporation received PRF payments of \$150,000 in 2021 and \$1,524,000 in 2020.

Additionally, the Corporation received \$327,000 of CARES funding on July 1, 2020 that was passed through the State of Pennsylvania Department of Human Services under Act 24 of 2020. In August 2020, the Corporation received an additional \$175,000 in funding from the Provider Relief Fund for COVID-19 testing. During 2021, the Corporation recognized \$262,000 of American Rescue Plan Act (ARPA) funding in September 2021 that was passed through the State of Pennsylvania Department of Human Services under Act 24 of 2020 and \$68,000 of additional other state funding for unemployment credits through the CARES Act.

The Corporation has incurred lost revenues and eligible expenses sufficient enough to allow it, in accordance with terms of the respective funding sources, to recognize revenues of \$480,000 in 2021 and \$1,843,000 in 2020. These amounts were recognized and included in COVID relief funding in the accompanying consolidated statement of operations and changes in net assets.

COVID-19 testing expenses of \$341,000 in 2021 and \$302,000 in 2020 are included in other operating expenses in the accompanying consolidated 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 consolidated statements of operations and changes in net assets.

The Corporation's methodology for calculating lost revenues, considered an alternate reasonable method due to the standard timing of budget approvals for the Corporation, was calculated using the difference between budgeted resident care revenues and actual resident care revenues for quarterly periods in 2021 and 2020. The Corporation's budgeting process is consistent, rigorous and represents the Corporation's 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 Corporation 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 financial statements were issued.

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Paycheck Protection Program

In May 2021, the Corporation received proceeds in the amount of \$3,814,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (of eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. The Corporation initially recorded the funds as an advance subject to refund and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

As of December 31, 2021, the Corporation had expended all of the PPP funds received on qualified expenses. Though written notification of forgiveness was received, the Corporation continues to work with counsel to confirm that there are no barriers to recognition, and as such, no grant revenue is recorded within the accompanying consolidated statement of operations and changes in net deficit for the year ended December 31, 2021. The full amount of \$3,814,000 of PPP funds received are included as advances subject to refund in the Corporation's accompanying December 31, 2021 consolidated balance sheet.

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

Financial Assistance

The Corporation, as part of its ministry to older adults, endeavors to provide financial assistance to eligible persons who meet certain criteria without charge or at amounts less than its established rates. Preference shall be given to meet the needs of current residents in accordance with the contractual agreement, which states, "HGPA will not terminate this agreement solely because of resident's inability to meet resident's financial obligations to HGPA." HGPA maintains records to identify and monitor the level of financial assistance it provides. As resources are available, HGPA will agree to subsidize individual persons for studio units and couples for one-bedroom units and in health care with semi-private accommodations.

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The following is a summary of the estimated value of HGPA's financial assistance during the years ended December 31 (in thousands):

	<u>2021</u>	<u>2020</u>
Medical assistance cost in excess of contractual reimbursement, subsidy	\$ 3,000	\$ 1,700
Financial assistance in support of those in need	<u>1,500</u>	<u>1,300</u>
Total	<u>\$ 4,500</u>	<u>\$ 3,000</u>

The financial assistance amounts above are not materially different than the difference between the cost of providing services to residents that qualified for financial assistance and the amounts these residents were able to pay for services rendered.

Performance Indicator

The consolidated statements of operations and changes in net assets (and HGPA's basic financial statements) includes the determination of income from operations. Changes in net assets without donor restrictions, which are excluded from income from operations consistent with industry practice, include net assets released from restrictions used for property and equipment and capital contributions.

Income Taxes

The Corporation and all of its affiliates, excluding BSA, PresbyHousing, Inc., RSA, PRH, Wynnefield, WSH, PILA, Cantrell, CHI, Witherspoon and WHI are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code and are also exempt from state and local income taxes under similar statutes.

Income taxes are not payable by, or provided for by, BSA, RSA, Wynnefield, Cantrell and Witherspoon, which are limited partnerships. Taxation related to the partners' share of allocable items is determined separately, outside of BSA, RSA, Wynnefield, Cantrell, Witherspoon, Makemie Court and Janney. PresbyHousing, Inc., PRH, CHI, WHI and MHI are for-profit corporations; there were no items that gave rise to deferred income tax provisions in 2021 and 2020 for these entities. WSH, PILA and JH are limited liability companies that have elected not be treated as a separate entity for federal income tax purposes and under applicable Treasury regulations will be disregarded as separate entities for federal income tax purposes.

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2021 and 2020.

Reclassifications

Certain items in the 2020 consolidated financial statements have been reclassified to conform with the 2021 consolidated financial statements presentation.

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Future Accounting Standards

During March 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-04, *Reference Rate Reform (Topic 848): 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 may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The Corporation has not elected the optional expedients and exceptions included in ASU No. 2020-04 as of December 31, 2021.

3. Liquidity and Availability of Resources

As of December 31, the Corporation has financial assets available for general expenditure within one year of the consolidated balance sheets date, consist of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,881	\$ 11,041
Resident accounts receivable	3,617	2,316
Other receivables, net	5,845	2,745
Investments	<u>132,075</u>	<u>122,833</u>
Total	<u>\$ 154,418</u>	<u>\$ 138,935</u>

The Corporation has investments, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Corporation has other restricted cash and cash equivalents and investments for deposits from initial sales contracts, assets held by trustee under trust indenture, assets reserved for and donor-restricted purposes. These restricted cash and investments, which are more fully described in Note 4 are not available for general expenditure within the next year and are not reflected in the amounts above.

As stated in Note 4, the Corporation designated a portion of its investments "reserved" to comply with the requirements of Pennsylvania Act 82, which are excluded from the total financial assets available for general expenditure within one year of the balance sheet date. Although the Corporation does not intend to utilize the Act 82 Reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The Act 82 reserves are included with the restricted investments in Note 4, and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

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4. Investments and Restricted Investments

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

	<u>2021</u>	<u>2020</u>
Investments:		
Cash and cash equivalents	\$ 4,254	\$ 5,461
Mutual funds	110,409	103,623
Alternative investments	<u>22,445</u>	<u>18,939</u>
Total	137,108	128,023
Less amounts available to meet HGPA's statutory minimum liquid reserve requirement	<u>5,033</u>	<u>5,190</u>
Total investments	<u>\$ 132,075</u>	<u>\$ 122,833</u>
Restricted investments:		
Cash and cash equivalents	\$ 715	\$ 274
Mutual funds	17,190	16,177
Alternative investments	<u>3,168</u>	<u>2,597</u>
Total	<u>\$ 21,073</u>	<u>\$ 19,048</u>

Restricted investments are comprised of investments restricted by donors and were \$21,073,000 and \$19,048,000 as of December 31, 2021 and 2020, respectively.

Investments held were comprised of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Without donor restriction	\$ 67,580	\$ 63,923
Community restricted, Board-designated	35,230	31,264
Reserve for replacement, Board-designated	<u>34,298</u>	<u>32,836</u>
Total investments	<u>\$ 137,108</u>	<u>\$ 128,023</u>

HGPA's investments (including statutory minimum liquid reserve) totaled \$84,463,000 and \$79,797,000 at December 31, 2021 and 2020, respectively. HGPA's restricted investments totaled \$20,790,000 and \$18,764,000 at December 31, 2021 and 2020, respectively.

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HGPA's investments and restricted investments are invested 2 percent in cash and cash equivalents, 83 percent in mutual funds, and 15 percent in alternative investments at December 31, 2021; these percentages were 2 percent in cash and cash equivalents, 85 percent in mutual funds and 13 percent in alternative investments at December 31, 2020.

Investment return is comprised of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Investment income (including \$1,616,000 in 2021 and \$721,000 in 2020 specific to HGPA)	\$ 2,525	\$ 1,631
Investment expenses (including \$173,000 in 2021 and \$288,000 in 2020 specific to HGPA)	<u>(336)</u>	<u>(428)</u>
Total investment income, net	2,189	1,203
Net realized gains on sales of investments (including \$5,043,000 in 2021 and \$8,929,000 in 2020 specific to HGPA)	10,497	10,275
Net change in unrealized gains on investments (including \$3,262,000 in 2021 and \$1,012,000 in 2020 specific to HGPA)	<u>3,596</u>	<u>4,520</u>
Total investment return without donor restrictions	<u>16,282</u>	<u>15,998</u>
With donor restrictions (substantially all of which is specific to HGPA):		
Dividend and interest income	403	545
Realized gains on investments, net	938	881
Unrealized gains on investments with donor restrictions, net	<u>1,257</u>	<u>791</u>
Total investment return with donor restrictions	<u>2,598</u>	<u>2,217</u>
Total investment return	<u>\$ 18,880</u>	<u>\$ 18,215</u>

In compliance with Section 9 of the Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act (Act 82), the Board of Directors designated a portion of HGPA's investments "reserved" to meet the requirements of Act 82.

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These designated funds amounted to approximately \$5,033,000 and \$5,190,000 at December 31, 2021 and 2020, respectively. The amounts are based on the allowable calculation methodology. The December 31, 2021 amount was calculated as follows (in thousands):

Budgeted operating expenses for HGPA for the year ending December 31, 2022	\$ 67,726
Less budgeted depreciation and amortization expense	<u>11,363</u>
Expenses subject to minimum liquid reserve requirement	56,363
Percentage of residents subject to entrance fee agreements at December 31, 2021	<u>88%</u>
Subtotal	49,599
Statutory requirement	<u>10%</u>
Statutory minimum liquid reserve requirement	<u>\$ 4,960 (a)</u>
Debt service requirements for the year ending December 31, 2022 on long-term debt allocated for HGPA:	
Principal payments	\$ 1,575
Interest payments	<u>4,144</u>
Total debt service	5,719
Percentage of residents subject to entrance fee agreements at December 31, 2021	<u>88%</u>
Statutory minimum liquid reserve requirement	<u>\$ 5,033 (b)</u>
Greater of (a) or (b) above (rounded)	<u>\$ 5,033</u>

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5. 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 consolidated 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.
- Investments and restricted investments in the accompanying consolidated balance sheet includes \$25,613,000 and \$21,536,000 of an alternative investment fund (the Fund) at December 31, 2021 and 2020, respectively. (HGPA investments and restricted investments in the Fund were \$16,289,000 and \$13,693,000 at December 31, 2021 and 2020, respectively). The Fund is measured using the NAV per share as a practical expedient. The following represents the objectives and redemption restrictions for the Fund:

Hirtle Callaghan Select Equity Fund, LP: The investment objective of the fund is to generate long-term growth in assets by investing primarily in equity and equity-related securities. To realize the objecting, the fund may allocate capital to be managed by third-party investment managers, as well as make directly investments. The fund allocates capital to managers through separate accounts and by subscribing to open and/or closed-end funds sponsored by such managers. While the fund intends that its investments will have a predominately long-bias, the fund will not be limited with respect to the types of investment strategies or structures it may employ or the markets or securities in which it may invest, except as it relates to the use of leverage. A limited partner may withdrawal all or a portion of its capital account as of the last day of each calendar quarter, or at such other times as the General Partner may determine in its sole discretion, provided that the capital account has been in existence for at least 12 months as of the relevant withdrawal date. Withdrawals shall require no less than 90 days' prior written notice to the General Partner. The General Partner, in its sole discretion, may waive the notice requirement for any withdrawal. Withdrawals by investors with more than one capital account will be on a first-in-first out basis. There were no unfunded commitments related to this fund at December 31, 2021.

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The following table presents the fair value measurements of financial instruments recognized in the accompanying consolidated 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, 2021 and 2020 (in thousands):

	2021			Total
	Level 1	Level 2	Level 3	
Investments, statutory minimum liquid reserve and restricted investments:				
Mutual funds:				
Equity	\$ 93,313	\$ -	\$ -	\$ 93,313
Fixed income	34,286	-	-	34,286
Total	<u>\$ 127,599</u>	<u>\$ -</u>	<u>\$ -</u>	127,599
Alternative investments valued at NAV (a)				25,613
Cash and cash equivalents				<u>4,969</u>
Total investments, statutory minimum liquid reserve and restricted investments				<u>\$ 158,181</u>
Beneficial interest in split-interest agreements and perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,865</u>	<u>\$ 9,865</u>

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	2020			Total
	Level 1	Level 2	Level 3	
Investments, statutory minimum liquid reserve and restricted investments:				
Mutual funds:				
Equity	\$ 85,120	\$ -	\$ -	\$ 85,120
Fixed income	34,680	-	-	34,680
Total	<u>\$ 119,800</u>	<u>\$ -</u>	<u>\$ -</u>	119,800
Alternative investments valued at NAV (a)				21,536
Cash and cash equivalents				<u>5,735</u>
Total investments, statutory minimum liquid reserve and restricted investments				<u>\$ 147,071</u>
Beneficial interest in split-interest agreements and perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,119</u>	<u>\$ 9,119</u>

(a) In accordance with accounting principles generally accepted in the United States of America, certain investments that were measured at NAV per share have not been classified in the fair value hierarchy. The fair value is presented to reconcile to total investments, statutory minimum liquid reserve and restricted investments in the consolidated balance sheets.

The Corporation measures its beneficial interest in split-interest agreements and perpetual trusts at fair value based on the fund's underlying investments using unobservable inputs (Level 3) in accordance with accounting principles generally accepted in the United States of America. Changes in the beneficial interest in split-interest agreements and perpetual trusts in 2021 and 2020 were as follows (in thousands):

	2021	2020
Beginning balance	\$ 9,119	\$ 8,420
Investment income	131	311
Distributions	(131)	(311)
Valuation gain	746	699
Ending balance	<u>\$ 9,865</u>	<u>\$ 9,119</u>

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6. Land, Buildings and Equipment, Net

Land, buildings and equipment, net at cost consist of the following at December 31, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
Land	\$ 23,147	\$ 23,147
Buildings and improvements	391,203	371,963
Furnishings, equipment and automotive	40,056	35,618
Investment in leased property	<u>2,046</u>	<u>2,046</u>
Total	456,452	432,774
Less accumulated depreciation	<u>(212,695)</u>	<u>(202,138)</u>
Subtotal	243,757	230,636
Construction in progress	<u>27,578</u>	<u>22,996</u>
Land, buildings and equipment, net	<u>\$ 271,335</u>	<u>\$ 253,632</u>

Depreciation expense was \$16,866,000 in 2021 and \$15,978,000 in 2020 (including \$11,898,000 in 2021 and \$10,903,000 in 2020 specific to HGPA).

HGPA's land, buildings and equipment (net of accumulated depreciation of \$123,027,000 and \$117,416,000 at December 31, 2021 and 2020, respectively) was \$177,524,000 and \$163,664,000 at December 31, 2021 and 2020, respectively. HGPA's land, buildings and equipment balances are categorized in a proportionately consistent manner with the property and equipment categories above.

The Corporation has entered into construction contracts totaling approximately \$51,006,000 primarily related to the Rydal Waters expansion project at Rydal Park (Rydal Waters Project). Costs incurred through December 31, 2021, were \$50,262,000. The Corporation has entered into an irrevocable standby letter of credit with Citizens Bank in the amount of \$4,876,559 for the benefit of the Township of Abington related to the completion of the Rydal Waters Project. There were no amounts drawn as of December 31, 2021 and 2020.

In addition, the Corporation has entered into a construction contract totaling approximately \$11,923,000 related to the Makemie Court development of a 44 unit low income rental housing building for seniors. Cost incurred to date through December 31, 2021 were approximately \$6,446,000.

7. Construction Loans

The Corporation had available funds totaling \$61,567,000 in construction loan with a commercial bank to partially finance the cost to assist with the development of the Rydal Waters Project.

The construction on the Rydal Waters Project started in 2019 and is expected to be completed in 2022. The outstanding construction loan balance for the Rydal Waters Project was \$26,567,000 and \$38,294,000 at December 31, 2021 and 2020, respectively. The construction loan will be paid down to \$20,567,000 in May 2022 and then will be amortized over 30 years and bears interest at a variable rate (1.11 percent at December 31, 2021). The construction loan is secured under the terms of the HGPA Master Trust Indenture dated October 1, 2017 described in Note 8.

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In addition, the Corporation entered in a \$10,000,000 construction loan with a commercial bank during 2021 to partially finance the Makemie Court low income rental housing for seniors project. The construction on the Makemie Court project started in 2021 and is expected to be completed in 2022. The construction loan balance was \$2,585,000 as of December 31, 2021. The loan bears interest at the higher of LIBOR rate or 30 basis points plus 2.5 percent and is due monthly starting July 1, 2021 (2.80 percent as of December 31, 2021). The entire principal balance of loan shall be payable in full on the maturity date, March 31, 2023.

8. Long-Term Debt

Long-term debt consists of the following at December 31, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
HumanGood Pennsylvania		
Montgomery County Industrial Development Authority Revenue Bonds, Philadelphia Presbytery Homes, Inc. Project, Series 2017 Bonds. (a)	\$ 82,208	\$ 83,610
HumanGood East		
Note payable to Federal Home Loan Bank of Pittsburgh to provide funds to construct Witherspoon. Note secured by mortgage on Witherspoon property. Note bears no interest and is payable upon maturity in 2032. Forgiveness provision at 15 years in October 2032.	650	650
Note payable to Federal Home Loan Bank of Atlanta to provide funds to construct Witherspoon. Note secured by mortgage on Witherspoon property. Note bears interest compounding annually at 4% and is payable upon maturity in 2048. Forgiveness provision at 15 years in October 2033.	495	495
Philadelphia Presbytery Apartments of Morrisville, Inc. and Germantown Interfaith Housing, Inc.		
Philadelphia Authority for Industrial Development Senior Living Revenue Bonds, Series 2005A, The PresbyHomes Germantown/Morrisville Project. (b)	9,515	9,910
Affordable Housing Communities		
Mortgage payable to Redevelopment Authority of the City of Philadelphia bearing no interest \$7,322,525 and bearing interest \$2,012,946 with principal payments deferred until 2040 through 2052.	9,782	9,782

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	<u>2021</u>	<u>2020</u>
Affordable Housing Communities and HGE		
Capital advances payable to HUD. The Corporation entered into capital advance agreements with HUD, whereby HUD advanced the Corporation funds for development of various affordable housing projects. The capital advances are due to the Federal Housing Administration and are collateralized by a deed of trust on the rental property of such projects. The capital advances bear no interest and will not be required to be repaid so long as the housing remains available to eligible very low-income persons or persons with disabilities for a period of 40 years in accordance with Section 202 of the National Housing Act of 1959. The maturity dates of the arrangements range from 2033 to 2065.	\$ 68,238	\$ 68,238
Philadelphia Apartments at 58th Street, Inc.		
Mortgage payable insured by HUD in equal monthly installments of \$32,409, including interest at 4.26%, maturing in May 2053, secured by rental property and equipment.	6,729	6,829
Grace Court, Inc.		
Mortgage payable insured by HUD in equal monthly installments of \$33,967, including interest at 3.75%, maturing in February 2052, secured by rental property and equipment.	7,356	7,486
Bensalem Senior Apartments, LP		
Mortgage payable to Pennsylvania Housing Finance Agency (PHFA) in equal monthly installments of \$2,241, including interest at 7.25%, maturing in 2026, secured by all assets and revenues of BSA.	103	122
Mortgage payable to PHFA PennHomes Program, payable only to the extent of excess revenues over expenses as defined and bearing no interest, payable in full at maturity in 2030.	1,171	1,171
Mortgage payable to County of Bucks Board of Commissioners, bearing no interest and payable upon maturity in 2033, or refinancing or sale of mortgaged property.	1,200	1,200
Riverside Senior Apartments, LP		
Philadelphia Authority for Industrial Development Multifamily Housing Revenue Bonds, Series 2008A, The Riverside Senior Apartments Project. (c)	8,025	8,135

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Notes to Consolidated Financial Statements
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	<u>2021</u>	<u>2020</u>
Makemie Court		
Note payable to Inglis House, bearing simple interest at 3% on the outstanding balance. No payment of principal or interest shall be due until maturity of the loan.	\$ 1,500	\$ -
Finance lease obligations (HGPA)	<u>97</u>	<u>178</u>
Total	197,069	197,806
Unamortized premium (HGPA)	4,979	5,165
Less current portion	(2,475)	(2,362)
Less unamortized debt issuance costs	<u>(3,426)</u>	<u>(3,593)</u>
Long-term debt	<u>\$ 196,147</u>	<u>\$ 197,016</u>

- (a) In October 2017, the Montgomery County Higher Education and Health Authority issued \$88,145,000 of Series 2017 Revenue Bonds (the 2017 Bonds) on behalf of HGPA. Proceeds from the 2017 Bonds were primarily used to refund the 2010 Bonds, the 2013 Bonds, finance various capital projects and fund a debt service reserve fund for the 2017 Bonds.

The 2017 Bonds bear interest payable semi-annually at rates ranging from 2 percent to 5 percent. Principal payments on the 2017 Bonds are due in varying annual installments through 2048.

The 2017 Bonds have been issued under a Master Trust Indenture dated October 1, 2017, as supplemented, which secures the obligations of HGPA and includes a security interest on substantially all of the Borrower's property and equipment. HGPA is subject to financial covenants under the terms of the Master Trust Indenture which includes debt service coverage ratio and minimum days cash-on-hand requirements.

- (b) In May 2005, the Philadelphia Authority for Industrial Development issued \$12,075,000 of Series 2005A Senior Living Revenue Bonds (the 2005A Bonds) on behalf of Germantown and Morrisville (collectively, the Borrowers). The proceeds from the 2005A Bonds were primarily used to refinance existing HUD Section 202 Direct Loans, finance various capital projects and fund various reserve accounts for the 2005A Bonds.

The 2005A Bonds bear interest payable semi-annually at rates ranging from 5.125 percent to 5.625 percent. Principal payments on the 2005A Bonds are due in varying semi-annual installments through 2035.

The 2005A Bonds are secured by a pledge of the Borrower's revenues, as defined, and a first mortgage lien on, and security interest in, substantially all of the Borrower's property and equipment.

- (c) In April 2008, the Philadelphia Authority for Industrial Development issued \$9,000,000 of Series 2008A Multifamily Housing Revenue Bonds (the 2008A Bonds) on behalf of RSA. The proceeds from the 2008A Bonds were primarily used to refinance an existing HUD Section 202 Direct Loan and finance various capital projects.

The 2008A Bonds bear interest payable quarterly at a rate of 5.85 percent. Principal payments on the 2008A Bonds are due in varying quarterly installments through 2048.

The 2008A Bonds are secured by a pledge of RSA's revenues, as defined, and a first mortgage lien on, and security interest in, substantially all of RSA's property and equipment.

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Notes to Consolidated Financial Statements
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Scheduled principal repayments required on long-term debt are as follows (in thousands):

	<u>Corporation</u>	<u>HGPA</u>
Years ending December 31:		
2022	\$ 2,475	\$ 1,672
2023	2,497	1,658
2024	2,588	1,708
2025	2,707	1,775
2026	2,835	1,860
Thereafter	<u>183,967</u>	<u>73,632</u>
Total	<u>\$ 197,069</u>	<u>\$ 82,305</u>

9. Retirement Plan

The Corporation sponsors a defined contribution retirement plan. Expenses, net of forfeitures and adjustments, related to the plan were approximately \$624,000 in 2021 and \$496,000 in 2020.

10. Self-Insured Programs

Workers' Compensation Plan

The Corporation maintains a plan of self-insurance for workers' compensation claims in accordance with Pennsylvania Department of Labor and Industry regulations. The estimated liabilities were arrived at using information provided by an outside actuary and include a provision for incurred but not reported claims.

Unemployment Compensation Plan

The Corporation is self-insured for unemployment compensation benefits in accordance with Commonwealth of Pennsylvania regulations. The Corporation has elected to pay actual claims incurred in lieu of the Commonwealth's premium as permitted for nonprofit organizations. The Corporation believes all costs related to this self-insurance program have been properly accounted for and accrued at December 31, 2021 and 2020.

Health Insurance

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

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

11. Professional Liability Insurance

HGPA maintains professional liability coverage on a claims-made basis as a member of CCrRRG. In addition to premiums paid under this policy, a legal reserve of \$129,000 and \$184,000 is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet as of December 31, 2021 and 2020, respectively, to cover estimated self-insurance retentions. The legal reserve was \$184,000 as of December 31, 2020. Management believes no incidents occurred or will be asserted that will exceed HGPA's insurance coverages or will have a material adverse effect on the consolidated financial statements.

12. Net Assets

The Board of the Corporation has several standing board policies that affect the presentation of board designations on net assets. The Board-designated funds are held in the investment portfolio. The purpose restricted assets are those whose use by the Corporation has been limited by donors to a specific purpose and are primarily available for resident support. Funds held by trustee are funds held by a bank in which Corporation has a proportion of the fair market value and from which dividends and interest are paid. Funds restricted in perpetuity have been restricted by donors to be maintained by the Corporation in perpetuity, the investment income from these funds is expendable to support the Corporation.

	<u>2021</u>	<u>2020</u>
Net assets:		
Without donor restrictions:		
Undesignated from operations	\$ 3,482	\$ 3,245
Noncontrolling ownership interest	16,569	17,739
Reserve for replacement, Board-designated	34,298	32,836
Designated by Board	<u>35,230</u>	<u>31,264</u>
	<u>89,579</u>	<u>85,084</u>
With donor restrictions:		
Purpose restricted	20,157	18,097
Funds held by trustee	9,866	9,119
Restricted in perpetuity	<u>1,078</u>	<u>1,057</u>
	<u>31,101</u>	<u>28,273</u>
Total net assets	<u>\$ 120,680</u>	<u>\$ 113,357</u>

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

13. Net Resident Service Revenues

The Corporation disaggregates revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors. Net resident service revenues consist of the following for the years ended December 31, 2021 and 2020 (in thousands):

	2021			
	Residential Living	Personal Care	Health Center	Total
Private (contract)	\$ 20,652	\$ 1,895	\$ 595	\$ 23,142
Private (noncontract)	1,057	9,380	3,564	14,001
Medicare (Part A)	-	-	3,517	3,517
Medicare (Part B)	-	-	765	765
Medicaid	-	-	3,094	3,094
Managed care	-	-	1,355	1,355
Subtotal	<u>\$ 21,709</u>	<u>\$ 11,275</u>	<u>\$ 12,890</u>	45,874
Amortization of entrance fees				<u>5,809</u>
Total				<u>\$ 51,683</u>
	2020			
	Residential Living	Personal Care	Health Center	Total
Private (contract)	\$ 19,115	\$ 2,502	\$ 1,089	\$ 22,706
Private (noncontract)	817	8,206	2,904	11,927
Medicare (Part A)	-	-	2,463	2,463
Medicare (Part B)	-	-	764	764
Medicaid	-	-	2,460	2,460
Managed care	-	-	1,031	1,031
Subtotal	<u>\$ 19,932</u>	<u>\$ 10,708</u>	<u>\$ 10,711</u>	41,351
Amortization of entrance fees				<u>6,202</u>
Total				<u>\$ 47,553</u>

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

14. Functional Expenses

The Corporation provide housing, healthcare and other related services to residents within their geographic location. The consolidated 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, 2021 and 2020 (in thousands):

	2021			
	Residential Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 23,915	\$ 5,752	\$ 414	\$ 30,081
Employee benefits	4,514	1,545	76	6,135
Supplies	4,599	303	5	4,907
Ancillary services	2,106	-	-	2,106
Repairs and maintenance	2,686	1	-	2,687
Marketing and advertising	1,287	3	1	1,291
Purchased services	4,550	985	38	5,573
Utilities	3,320	176	2	3,498
Travel and related	47	128	2	177
Leases and rents	192	74	-	266
Insurance	1,757	-	-	1,757
Other operating expenses	3,747	333	7	4,087
Depreciation and amortization expenses	17,015	-	-	17,015
Interest expense	6,196	-	-	6,196
Total	\$ 75,931	\$ 9,300	\$ 545	\$ 85,776

	2020			
	Residential Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 22,788	\$ 5,454	\$ 199	\$ 28,441
Employee benefits	4,557	1,123	59	5,739
Supplies	4,325	959	7	5,291
Ancillary services	1,981	-	-	1,981
Repairs and maintenance	1,502	-	-	1,502
Marketing and advertising	775	-	-	775
Purchased services	4,641	1,810	24	6,475
Utilities	3,328	104	-	3,432
Travel and related	51	30	1	82
Leases and rents	98	11	-	109
Insurance	1,525	46	-	1,571
Other operating expenses	1,687	416	104	2,207
Depreciation and amortization expenses	16,041	115	-	16,156
Interest expense	5,415	342	-	5,757
Total	\$ 68,714	\$ 10,410	\$ 394	\$ 79,518

HGPA's total expenses were \$67,359,000 in 2021 and \$61,639,000 in 2020 and are categorized in a proportionately consistent manner with the functional expense categories above.

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

15. Related-Party Transactions

HumanGood Pennsylvania

The balance sheets of HGPA as of December 31, 2021 and 2020 and the related statements of operations and changes in net assets and cash flows for the years then ended (the basic financial statements) (discretely presented in the accompanying consolidating schedules on pages 36 through 41 and in the accompanying statements of cash flows on page 42) have been audited. The following amounts represent the material related-party transactions between HGPA and the other Corporation subsidiaries as of and for the years ended December 31, 2021 and 2020.

Intercompany receivables include \$3,313,000 and \$2,176,000 at December 31, 2021 and 2020, respectively, which represent management fees receivable and other operating advances to the Affordable Housing Communities, which there are no fixed repayment terms and are expected to be settled during the normal course of business.

Subordinated notes receivable, affiliate, of \$1,234,000 and \$1,638,000 at December 31, 2021 and 2020, respectively, represent net development fees and related accrued interest receivable from Riverside, Grace Court, Cantrell, Witherspoon, HGE and Ann Thomas. The amounts are evidenced by, and are to be paid in accordance with, the terms of their respective developer agreements. Management believes the balances due from communities listed above are fully collectible.

Notes and bonds payable held by affiliates consists of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Note payable to Bala in semi-annual installments of \$310,724, including interest at 4%, with final payment due in 2030. Proceeds were used to finance Makemie development costs.	\$ 4,658	\$ 5,081
Note payable to Bala, over a 35 year term at 4% annual interest rate with final payment due in 2054. Proceeds were used to acquire land for the Rydal Waters Project.	8,494	8,620
Total notes payable	13,152	13,701
Less current portion	(570)	(548)
Notes payable, affiliate, long-term portion	<u>\$ 12,582</u>	<u>\$ 13,153</u>

Scheduled principal repayments required on the notes and bonds payable held by affiliate are as follows (in thousands):

Years ending December 31:	
2022	\$ 570
2023	593
2024	617
2025	642
2026	668
Thereafter	10,062
Total	<u>\$ 13,152</u>

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Notes to Consolidated Financial Statements
December 31, 2021 and 2020

In April 2008, the Philadelphia Authority for Industrial Development issued \$15,000,000 of Series 2008 Bonds on behalf of RSA. Principal payments on the Series 2008A Bonds are due in quarterly installments ranging from \$10,000 to \$970,000 through April 2048 (Note 8). Principal on the Series 2008B Bonds (the 2008B Bonds) are payable from and to the extent of RSA's available surplus cash. HGPA is a guarantor on the Series 2008 Bonds. In addition to the guaranty agreement, the Bonds are secured by a mortgage agreement on certain property and equipment of RSA. As of December 31, 2021, the outstanding principal amount is \$8,025,000 on the Series 2008A Bonds and \$6,000,000 on the Series 2008B Bonds. The Series 2008B Bonds were executed in conjunction with a ground lease between RSA and PPA and there were no proceeds as a result of Series 2008B Bonds, therefore, there is no net liability for the AFH entities.

Contributions to HGPA from affiliates of \$1,448,000 and \$1,128,000 in 2021 and 2020, respectively, are primarily attributable to amounts received from Bala for resident, chaplain and philanthropy support.

HGPA provides management services and other support services to the Corporation's subsidiaries as well as 19 unrelated corporations under management agreements. Management fees paid to HGPA by related parties were \$1,211,000 in 2021 and \$1,208,000 in 2020.

HGPA also owed HumanGood NorCal \$901,000 and \$289,000 as of December 31, 2021 and 2020, respectively for various costs which are expected to be settled during the normal course of business with no fixed repayment terms.

Other Related-Party Transactions

58th Street entered into a loan agreement with WHI and Witherspoon on October 11, 2017 to provide \$1,200,000 to be used for the acquisition of the property located at 2050 South 58th Street, Philadelphia, Pennsylvania and \$1,500,000 for the cost of development and construction from nonfederal funds. The loan is secured by a Second Mortgage on the property and bears interest at 5 percent compounding annually. The loan matures 30 years from the date the Project is placed in service.

HGE received a note from Federal Home Loan Bank of Pittsburgh on October 11, 2017 for \$650,000 to provide funds for the construction of a 60 unit low-income rental housing development. The note bears no interest and no payment of principal and shall be forgiven in 15 years. The note is secured by a Third Mortgage on the premises located at 2050 South 58th Street, Philadelphia, Pennsylvania.

Witherspoon entered into loan agreement with HGE to provide \$650,000 in funding for the construction of a 60 unit low-income rental housing development. No payments of principal or interest shall be due until the maturity, which is 30 years from the date on which final unconditional certificates of occupancy.

HGE received a note from Federal Home Loan Bank of Atlanta on October 11, 2017 for \$495,025 to provide funds for the construction of a 60 unit low-income rental housing development. The note bears interest at 4 percent compounded annually and is secured by a mortgage. The entire principal balance of the principal sum together with compound interest shall be paid on the date which is 30 years from the date of completion of the construction Project.

Witherspoon Senior Apartments LP entered into loan agreement with Philadelphia Presbytery Homes and Services for the Aging to provide \$495,025 in funding for the construction of a 60 unit low-income rental housing development. The note bears interest at 4 percent compounded annually. No payments of principal or interest shall be due until the maturity, which is 30 years from the date on which final unconditional certificates of occupancy.

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Notes to Consolidated Financial Statements
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Bala entered into a loan agreement with Makemie Court and MHI on July 1, 2021 to provide \$1,500,000 for the cost of development and construction from nonfederal funds. The loan is secured by a Third Mortgage on the property and bears interest at 3 percent compounded annually. The loan matures 42 years from the date of the agreement.

HGE received a note from Federal Home Loan Bank of Pittsburgh on July 1, 2021 for \$250,000 to provide funds for the construction of the Makemie Court project. The note bears no interest and matures 40 years from the date of the agreement. The note is secured by a Fifth Mortgage on Makemie Court.

16. Contingencies

Senior Living Services Industry

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

HUD Compliance Contingencies

The AFH entities are required to comply with certain HUD requirements in accordance with the respective contracts with HUD. Failure to maintain compliance with HUD could result in recapture of HUD rental subsidy.

Low Income Housing Tax Credit Contingencies

58th Street is the guarantor for certain contingent liabilities for operating deficits, tax credits and construction loans at WSH, Cantrell and Witherspoon. The maximum liability that could result is approximately \$6,100,000.

COVID-19

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The Corporation's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were issued. COVID-19 may impact various parts of the Corporation's 2022 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, COVID testing and vaccinations, potential shortages of personnel, supply chain disruption, declines in revenues related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions. Throughout the pandemic, the Corporation has provided up to date information on its COVID-19 response through a dedicated page on the Corporation's website.

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Notes to Consolidated Financial Statements
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17. Concentrations

The Corporation grants credit without collateral to its residents, most of whom are local residents and some of whom are insured under third-party payor agreements, primarily with Medical Assistance, Medicare and various commercial insurance carriers.

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

The Corporation's Affordable Housing Communities' operations are concentrated in the multifamily real estate market. In addition, the Affordable Housing Communities operate in a heavily regulated environment. The operations of the Affordable Housing Communities are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD and PHFA. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and PHFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

18. Subsequent Events

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

The Corporation has evaluated subsequent events through April 29, 2022, which is the date the consolidated financial statements (and HGPA basic financial statements) were issued.

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Consolidating Schedule, Balance Sheet

December 31, 2021

(In Thousands)

	Supplementary Information							Consolidated Total
	HumanGood Pennsylvania (Basic Financial Statements)	The Presbyterian Home at 58 th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	
Assets								
Current Assets								
Cash and cash equivalents	\$ 4,620	\$ 2,769	\$ 4,744	\$ 747	\$ 1	\$ 12,881	\$ -	\$ 12,881
Resident accounts receivable	2,526	-	1,091	-	-	3,617	-	3,617
Other receivables, net	5,845	-	-	-	-	5,845	-	5,845
Prepaid expenses, deposits and other assets	953	13	478	1	-	1,445	-	1,445
Intercompany	3,313	(14)	(3,156)	(164)	-	(21)	21	-
Total current assets	17,257	2,768	3,157	584	1	23,767	21	23,788
Restricted Cash and Cash Equivalents	13,382	-	12,775	-	1	26,158	-	26,158
Investments	79,430	1,921	-	50,724	-	132,075	-	132,075
Statutory Minimum Liquid Reserve	5,033	-	-	-	-	5,033	-	5,033
Restricted Investments	20,790	283	-	-	-	21,073	-	21,073
Subordinated Notes Receivables	1,234	3,797	-	14,653	9,459	29,143	(29,143)	-
Other Noncurrent Assets	2,645	-	131	-	1,000	3,776	(1,000)	2,776
Beneficial Interest in Split-Interest Agreements and Perpetual Trusts	5,057	388	-	4,420	-	9,865	-	9,865
Land, Buildings and Equipment, Net	177,524	-	102,929	-	-	280,453	(9,118)	271,335
Total assets	<u>\$ 322,352</u>	<u>\$ 9,157</u>	<u>\$ 118,992</u>	<u>\$ 70,381</u>	<u>\$ 10,461</u>	<u>\$ 531,343</u>	<u>\$ (39,240)</u>	<u>\$ 492,103</u>

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(a Member of HumanGood Cornerstone)

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

	Supplementary Information							Consolidated Total
	HumanGood Pennsylvania (Basic Financial Statements)	The Presbyterian Home at 58 th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Accounts payable and accrued expenses	\$ 6,624	\$ 25	\$ 1,230	\$ 1	\$ 1	\$ 7,881	\$ 23	\$ 7,904
Construction payable	1,583	-	3,135	-	-	4,718	-	4,718
Deposits	1,160	-	439	-	-	1,599	-	1,599
Accrued interest	311	-	796	-	89	1,196	(109)	1,087
Current portion of long-term debt	2,242	-	803	-	-	3,045	(570)	2,475
Payable to affiliates	901	-	-	-	-	901	-	901
Entrance fee rebates payable	136	-	-	-	-	136	-	136
Total current liabilities	12,957	25	6,403	1	90	19,476	(656)	18,820
Construction Loan	26,567	-	2,585	-	-	29,152	-	29,152
Rebatable Entrance Fees Due	83,931	-	-	-	-	83,931	-	83,931
Entrance Fees Nonrefundable	24,795	-	-	-	-	24,795	-	24,795
Entrance Fees Subject to Refund	13,854	-	-	-	-	13,854	-	13,854
Long-Term Debt	83,646	-	104,732	-	9,284	197,662	(1,515)	196,147
Notes and Bonds Payable Held by Affiliates	12,582	-	12,572	-	-	25,154	(25,154)	-
Retirement Liability	200	-	-	-	-	200	-	200
Workers' Compensation Liability	348	34	-	-	-	382	-	382
Advances Subject to Refund	3,814	-	-	-	-	3,814	-	3,814
Other Liabilities	206	-	1,610	-	-	1,816	(1,488)	328
Total liabilities	262,900	59	127,902	1	9,374	400,236	(28,813)	371,423
Net Assets (Deficit)								
Net assets (deficit) without donor restrictions:								
Controlling ownership interest	33,701	8,426	(25,553)	65,776	1,087	83,437	(10,427)	73,010
Noncontrolling ownership interest in limited partnerships	-	-	16,569	-	-	16,569	-	16,569
Total net assets (deficit) without donor restrictions	33,701	8,426	(8,984)	65,776	1,087	100,006	(10,427)	89,579
Net Assets With Donor Restrictions	25,751	672	74	4,604	-	31,101	-	31,101
Total net assets (deficit)	59,452	9,098	(8,910)	70,380	1,087	131,107	(10,427)	120,680
Total liabilities and net assets (deficit)	\$ 322,352	\$ 9,157	\$ 118,992	\$ 70,381	\$ 10,461	\$ 531,343	\$ (39,240)	\$ 492,103

HumanGood East
(a Member of HumanGood Cornerstone)

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

	HumanGood Pennsylvania (Basic Financial Statements)	Supplementary Information						Consolidated Total
		The Presbyterian Home at 58 th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	
Changes in Net Assets Without Donor Restrictions								
Operating revenues:								
Residential living	\$ 21,709	\$ -	\$ -	\$ -	\$ -	\$ 21,709	\$ -	\$ 21,709
Personal care	11,275	-	-	-	-	11,275	-	11,275
Health center	12,890	-	-	-	-	12,890	-	12,890
Other service income	1,287	-	527	-	-	1,814	-	1,814
Amortization of entry fees	5,809	-	-	-	-	5,809	-	5,809
COVID relief funding	480	-	-	-	-	480	-	480
Other operating revenues	66	-	-	-	-	66	(66)	-
Affordable housing fees and rents	1,916	-	16,814	-	-	18,730	(1,145)	17,585
Net assets released from restrictions	1,141	-	9	-	-	1,150	-	1,150
Unrestricted contributions	1,833	-	69	1	-	1,903	(1,448)	455
Total operating revenues	58,406	-	17,419	1	-	75,826	(2,659)	73,167
Operating expenses:								
Salaries and wages	27,017	-	3,064	-	-	30,081	-	30,081
Employee benefits	5,331	-	804	-	-	6,135	-	6,135
Supplies	4,343	-	564	-	-	4,907	-	4,907
Ancillary services	2,106	-	-	-	-	2,106	-	2,106
Repairs and maintenance	553	-	2,134	-	-	2,687	-	2,687
Marketing and advertising	1,291	-	-	-	-	1,291	-	1,291
Purchased services	3,870	5	1,691	7	-	5,573	-	5,573
Utilities	1,748	-	1,750	-	-	3,498	-	3,498
Travel and related	177	-	-	-	-	177	-	177
Leases and rents	183	-	83	-	-	266	-	266
Insurance	1,038	-	717	2	-	1,757	-	1,757
Other operating expense	3,084	11	2,148	1,503	-	6,746	(2,659)	4,087
Total operating expenses	50,741	16	12,955	1,512	-	65,224	(2,659)	62,565
Income (loss) before other operating income (expense)	7,665	(16)	4,464	(1,511)	-	10,602	-	10,602
Other operating income (expense):								
Realized gains (losses) on investments, net	5,043	69	(6)	5,391	-	10,497	-	10,497
Change in unrealized gains on investments, net	3,262	94	-	240	-	3,596	-	3,596
Investment income, net	1,443	203	3	1,347	44	3,040	(851)	2,189
Interest expense	(4,573)	-	(2,060)	-	(22)	(6,655)	459	(6,196)
Depreciation and amortization expenses	(12,045)	-	(5,246)	-	-	(17,291)	276	(17,015)
Other income/expense, net	(270)	-	-	-	-	(270)	(149)	(419)
Losses on disposal of assets	(18)	-	-	-	-	(18)	-	(18)
Income (loss) from operations	507	350	(2,845)	5,467	22	3,501	(265)	3,236
Net assets released from restrictions used for property and equipment	59	-	-	-	-	59	-	59
Capital contributions	-	-	1,200	-	-	1,200	-	1,200
Change in net assets without donor restrictions	566	350	(1,645)	5,467	22	4,760	(265)	4,495
Changes in Net Assets With Donor Restrictions								
Dividend and interest income	403	-	-	-	-	403	-	403
Unrealized gains on investments with donor restrictions, net	1,257	-	-	-	-	1,257	-	1,257
Valuation gains, beneficial interest in perpetual trusts	367	42	-	337	-	746	-	746
Realized gains on investments, net	938	-	-	-	-	938	-	938
Contributions	682	-	11	-	-	693	-	693
Net assets released from restrictions, other	-	-	-	-	-	-	-	-
Net assets released from restrictions, payment to beneficiaries	(1,200)	-	(9)	-	-	(1,209)	-	(1,209)
Change in net assets with donor restrictions	2,447	42	2	337	-	2,828	-	2,828
Change in net assets	3,013	392	(1,643)	5,804	22	7,588	(265)	7,323
Net Assets (Deficit), Beginning	56,439	8,706	(7,267)	64,576	1,065	123,519	(10,162)	113,357
Net Assets (Deficit), Ending	\$ 59,452	\$ 9,098	\$ (8,910)	\$ 70,380	\$ 1,087	\$ 131,107	\$ (10,427)	\$ 120,680

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidating Schedule, Balance Sheet
December 31, 2020
(In Thousands)

	Supplementary Information							Consolidated Total
	HumanGood Pennsylvania (Basic Financial Statements)	The Presbyterian Home at 58 th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	
Assets								
Current Assets								
Cash and cash equivalents	\$ 5,167	\$ 2,753	\$ 2,631	\$ 489	\$ 1	\$ 11,041	\$ -	\$ 11,041
Resident accounts receivable	2,242	-	74	-	-	2,316	-	2,316
Other receivables, net	2,620	-	125	-	-	2,745	-	2,745
Prepaid expenses, deposits and other assets	698	-	377	1	-	1,076	-	1,076
Intercompany	2,176	(18)	(2,013)	(166)	-	(21)	21	-
Total current assets	12,903	2,735	1,194	324	1	17,157	21	17,178
Restricted Cash and Cash Equivalents	23,124	-	11,992	-	1	35,117	-	35,117
Investments	74,607	1,757	-	46,469	-	122,833	-	122,833
Statutory Minimum Liquid Reserve	5,190	-	-	-	-	5,190	-	5,190
Restricted Investments	18,764	284	-	-	-	19,048	-	19,048
Subordinated Notes Receivables	1,638	3,630	-	13,701	9,415	28,384	(28,384)	-
Other Noncurrent Assets	2,470	13	274	-	1,000	3,757	(1,000)	2,757
Beneficial Interest in Split-Interest Agreements and Perpetual Trusts	4,689	346	-	4,084	-	9,119	-	9,119
Land, Buildings and Equipment, Net	163,664	-	99,130	-	-	262,794	(9,162)	253,632
Total assets	<u>\$ 307,049</u>	<u>\$ 8,765</u>	<u>\$ 112,590</u>	<u>\$ 64,578</u>	<u>\$ 10,417</u>	<u>\$ 503,399</u>	<u>\$ (38,525)</u>	<u>\$ 464,874</u>

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidating Schedule, Balance Sheet
December 31, 2020
(In Thousands)

	Supplementary Information							Consolidated Total
	HumanGood Pennsylvania (Basic Financial Statements)	The Presbyterian Home at 58 th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Accounts payable and accrued expenses	\$ 5,509	\$ 25	\$ 1,169	\$ 2	\$ 2	\$ 6,707	\$ 23	\$ 6,730
Construction payable	4,288	-	-	-	-	4,288	-	4,288
Deposits	331	-	435	-	-	766	-	766
Accrued interest	39	-	660	-	67	766	(211)	555
Current portion of long-term debt	2,159	-	751	-	-	2,910	(548)	2,362
Payable to affiliates	289	-	-	-	-	289	-	289
Entrance fee rebates payable	575	-	-	-	-	575	-	575
Total current liabilities	13,190	25	3,015	2	69	16,301	(736)	15,565
Construction Loan	38,294	-	-	-	-	38,294	-	38,294
Rebatable Entrance Fees Due	66,526	-	-	-	-	66,526	-	66,526
Entrance Fees Nonrefundable	24,427	-	-	-	-	24,427	-	24,427
Entrance Fees Subject to Refund	8,026	-	-	-	-	8,026	-	8,026
Long-Term Debt	85,279	-	102,454	-	9,283	197,016	-	197,016
Notes and Bonds Payable Held by Affiliates	13,153	-	12,572	-	-	25,725	(25,725)	-
Retirement Liability	897	-	-	-	-	897	-	897
Workers Compensation Liability	612	34	-	-	-	646	-	646
Other Liabilities	206	-	1,816	-	-	2,022	(1,902)	120
Total liabilities	250,610	59	119,857	2	9,352	379,880	(28,363)	351,517
Net Assets (Deficit)								
Net assets (deficit) without donor restrictions:								
Controlling ownership interest	33,135	8,076	(25,078)	60,309	1,065	77,507	(10,162)	67,345
Noncontrolling ownership interest in limited partnerships	-	-	17,739	-	-	17,739	-	17,739
Total net assets (deficit) without donor restrictions	33,135	8,076	(7,339)	60,309	1,065	95,246	(10,162)	85,084
Net Assets With Donor Restrictions	23,304	630	72	4,267	-	28,273	-	28,273
Total net assets (deficit)	56,439	8,706	(7,267)	64,576	1,065	123,519	(10,162)	113,357
Total liabilities and net assets (deficit)	\$ 307,049	\$ 8,765	\$ 112,590	\$ 64,578	\$ 10,417	\$ 503,399	\$ (38,525)	\$ 464,874

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidating Schedule, Statement of Operations and Changes in Net Assets
Year Ended December 31, 2020
(In Thousands)

	HumanGood Pennsylvania (Basic Financial Statements)	Supplementary Information					Total	Eliminations	Consolidated Total
		The Presbyterian Home at 56 th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE				
Change in Net Assets Without Donor Restrictions									
Operating revenues:									
Residential living	\$ 19,932	\$ -	\$ -	\$ -	\$ -	\$ 19,932	\$ -	\$ 19,932	
Personal care	10,708	-	-	-	-	10,708	-	10,708	
Health center	10,711	-	-	-	-	10,711	-	10,711	
Other service income	1,067	-	198	-	-	1,265	-	1,265	
Amortization of entrance fees	6,202	-	-	-	-	6,202	-	6,202	
COVID relief funding	1,843	-	-	-	-	1,843	-	1,843	
Other operating revenues	63	-	-	-	-	63	(63)	-	
Affordable housing fees and rents	1,908	-	16,266	-	-	18,174	(1,145)	17,029	
Net assets released from restrictions	1,203	-	14	-	-	1,217	-	1,217	
Unrestricted contributions	1,156	-	63	10	-	1,229	(1,128)	101	
Total operating revenues	54,793	-	16,541	10	-	71,344	(2,336)	69,008	
Operating expenses:									
Salaries and wages	24,579	-	3,862	-	-	28,441	-	28,441	
Employee benefits	4,846	-	893	-	-	5,739	-	5,739	
Supplies	4,545	-	746	-	-	5,291	-	5,291	
Ancillary services	1,981	-	-	-	-	1,981	-	1,981	
Repairs and maintenance	206	-	1,296	-	-	1,502	-	1,502	
Marketing and advertising	773	-	2	-	-	775	-	775	
Purchased services	4,873	8	1,587	7	-	6,475	-	6,475	
Utilities	1,736	-	1,696	-	-	3,432	-	3,432	
Travel and related	67	-	15	-	-	82	-	82	
Leases and rents	109	-	-	-	-	109	-	109	
Insurance	833	-	736	2	-	1,571	-	1,571	
Other operating expense	1,898	11	1,451	1,182	-	4,542	(2,335)	2,207	
Total operating expenses	46,446	19	12,284	1,191	-	59,940	(2,335)	57,605	
Income (loss) before other operating income (expense)	8,347	(19)	4,257	(1,181)	-	11,404	(1)	11,403	
Other operating income (expense):									
Realized gains on investments, net	8,929	37	-	1,309	-	10,275	-	10,275	
Change in unrealized gains on investments, net	1,012	115	-	3,393	-	4,520	-	4,520	
Investment income, net	721	225	12	1,071	43	2,072	(869)	1,203	
Interest expense	(4,165)	-	(2,094)	-	(22)	(6,281)	524	(5,757)	
Depreciation and amortization expenses	(11,060)	-	(5,372)	-	-	(16,432)	276	(16,156)	
Other income/expense, net	-	-	(32)	-	-	(32)	-	(32)	
Losses on disposal of assets	(145)	-	-	-	-	(145)	-	(145)	
Income (loss) from operations	3,639	358	(3,229)	4,592	21	5,381	(70)	5,311	
Net assets released from restrictions used for property and equipment	279	-	-	-	-	279	-	279	
Capital contributions	221	-	376	(125)	-	472	-	472	
Change in net assets without donor restrictions	4,139	358	(2,853)	4,467	21	6,132	(70)	6,062	
Changes in Net Assets With Donor Restrictions									
Dividend and interest income	538	7	-	-	-	545	-	545	
Unrealized gains on investments with donor restrictions, net	789	2	-	-	-	791	-	791	
Valuation gains, beneficial interest in perpetual trusts	378	5	-	316	-	699	-	699	
Realized gains on investments, net	881	-	-	-	-	881	-	881	
Contributions	577	37	2	-	-	616	-	616	
Net assets released from restrictions, other	-	-	(14)	-	-	(14)	-	(14)	
Net assets released from restrictions, payment to beneficiaries	(1,482)	-	-	-	-	(1,482)	-	(1,482)	
Change in net assets with donor restrictions	1,681	51	(12)	316	-	2,036	-	2,036	
Change in net assets	5,820	409	(2,865)	4,783	21	8,168	(70)	8,098	
Net Assets (Deficit), Beginning	50,619	8,297	(4,402)	59,793	1,044	115,351	(10,092)	105,259	
Net Assets (Deficit), Ending	\$ 56,439	\$ 8,706	\$ (7,267)	\$ 64,576	\$ 1,065	\$ 123,519	\$ (10,162)	\$ 113,357	

HumanGood East
(a Member of HumanGood Cornerstone)

HumanGood Pennsylvania (Basic Financial Statements)
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020
 (In Thousands)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received for resident services	\$ 45,834	\$ 41,602
Cash received from nonrebatale entrance fees from reoccupancy	6,591	4,874
Cash received from COVID relief funding	375	1,843
Cash received from PPP loans	3,814	-
Cash received from other operating activities	4,246	3,173
Cash received from bequests and trust maturities	1,210	1,231
Cash earnings realized from investments	1,443	721
Cash paid for employee salaries	(21,891)	(19,035)
Cash paid for employee benefits	(5,931)	(5,357)
Cash paid for temporary labor	(6,552)	(4,832)
Cash paid to vendors	(16,164)	(17,491)
Cash paid for interest, net	(4,370)	(4,394)
	<u>8,605</u>	<u>2,335</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(28,792)	(38,027)
Net sales of unrestricted investments	3,576	5,301
Net purchases sales of restricted investments	(771)	(787)
Decrease in notes and other receivables, affiliates	404	1,091
	<u>(25,583)</u>	<u>(32,422)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Cash received from initial entrance fees and deposits	19,470	12,683
Proceeds from rebatable entrance fees	9,663	2,097
Refunds of deposits and entrance fees	(9,287)	(6,909)
Proceeds from construction loans	15,448	29,924
Repayment of construction loans	(27,175)	-
Repayments of long-term debt	(1,454)	(1,478)
Net repayment of notes payables, affiliates	(577)	(548)
Cash used in intercompany and affiliate transactions	(281)	(221)
Other affiliate distributions and equity transfers	59	500
Cash received (paid) from other trust activity	141	(64)
Cash received from restricted contributions	682	577
	<u>6,689</u>	<u>36,561</u>
Net cash provided by financing activities		
(Decrease) increase in cash, cash equivalents and restricted cash	(10,289)	6,474
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>28,291</u>	<u>21,817</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 18,002</u>	<u>\$ 28,291</u>
Noncash Disclosures		
Obligations incurred for the acquisition of land, buildings and equipment	<u>\$ 1,583</u>	<u>\$ 4,288</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Consolidating Balance Sheet Schedule		
Cash and cash equivalents	\$ 4,620	\$ 5,167
Restricted cash	<u>13,382</u>	<u>23,124</u>
Total cash, cash equivalents and restricted cash	<u>\$ 18,002</u>	<u>\$ 28,291</u>