

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

Financial Statements

December 31, 2021 and 2020

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

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## **Independent Auditors' Report**

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

### **Opinion**

We have audited the financial statements of HumanGood Nevada (dba Las Ventanas) (the Corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020 and the results of its operations, changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation' 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' ability to continue as a going concern for a reasonable period of time.

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

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
April 28, 2022

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

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

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,886	\$ 2,289
Resident accounts receivable, less allowance for doubtful accounts of \$928 in 2021 and \$705 in 2020	1,502	1,159
Other receivables	276	288
Prepaid expenses and other assets	357	360
Total current assets	5,021	4,096
<b>Restricted Cash</b>	-	2,610
<b>Investments</b>	797	3,239
<b>Restricted Investments</b>	-	3,888
<b>Land, Buildings and Equipment, Net</b>	64,219	64,530
<b>Other Noncurrent Assets</b>	102	-
Total assets	<u>\$ 70,139</u>	<u>\$ 78,363</u>
<b>Liabilities and Net Deficit</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,496	\$ 1,522
Payable to affiliates	320	755
Deposits	88	66
Accrued interest	77	530
Current portion of notes and bonds payable, held by affiliates	200	-
Entrance fee rebates payable	312	-
Total current liabilities	2,493	2,873
<b>Notes and Bonds Payable, Net</b>	-	45,501
<b>Notes and Bonds Payable Held by Affiliates</b>	43,619	13,136
<b>Subordinated Management Fees</b>	-	2,662
<b>Rebatable Entrance Fees Due</b>	20,915	20,419
<b>Entrance Fees Subject to Refund</b>	3,566	3,081
<b>Entrance Fees Nonrefundable</b>	13,132	12,521
<b>Advances Subject to Refund</b>	1,708	-
<b>Other Liabilities</b>	64	75
Total liabilities	85,497	100,268
<b>Net Deficit</b>	<u>(15,358)</u>	<u>(21,905)</u>
Total liabilities and net deficit	<u>\$ 70,139</u>	<u>\$ 78,363</u>

See notes to financial statements

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

Statements of Operations and Changes in Net Deficit  
Years Ended December 31, 2021 and 2020  
(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Residential living	\$ 9,526	\$ 9,408
Assisted living	3,204	3,321
Health center	9,731	8,263
Memory care	1,098	1,097
Amortization of entrance fees	3,323	2,452
COVID relief funding	20	883
Other operating revenue	100	137
	<u>27,002</u>	<u>25,561</u>
<b>Operating Expenses</b>		
Salaries and wages	9,416	8,853
Employee benefits	2,123	2,197
Supplies	2,226	2,231
Ancillary services	1,788	1,408
Repairs and maintenance	468	467
Marketing and advertising	419	430
Purchased services	1,399	1,754
Management fees	540	612
Utilities	912	946
Travel and related	92	54
Leases and rents	77	84
Insurance	331	255
Other operating expenses	1,465	1,539
	<u>21,256</u>	<u>20,830</u>
Income before other operating income (expense)	5,746	4,731
<b>Other Operating Income (Expense)</b>		
Investment income, net	20	142
Change in unrealized losses on investments, net	(14)	(19)
Gain on early retirement of debt, net	6,049	-
Depreciation and amortization	(2,889)	(2,735)
Mortgage interest	(2,365)	(2,414)
	<u>6,547</u>	<u>(295)</u>
Income (loss) from operations	6,547	(295)
<b>Other Changes in Net Deficit</b>		
Capital contributions	-	31
	<u>6,547</u>	<u>(264)</u>
Change in net deficit	6,547	(264)
<b>Net Deficit, Beginning</b>	<u>(21,905)</u>	<u>(21,641)</u>
<b>Net Deficit, Ending</b>	<u>\$ (15,358)</u>	<u>\$ (21,905)</u>

See notes to financial statements

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

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from resident services	\$ 22,805	\$ 21,799
Cash received from nonrebatable entrance fees from reoccupancy	4,502	2,298
Cash received from advances subject to refund	1,708	-
Cash received from COVID relief funding	20	883
Cash received from other operating activities	116	102
Cash earnings realized from investments	20	142
Cash paid for employee salaries	(8,596)	(8,000)
Cash paid for employee benefits	(2,123)	(2,197)
Cash paid for temporary labor	(888)	(759)
Cash paid to vendors	(11,515)	(10,191)
Cash paid for interest	(2,949)	(2,149)
	<u>3,100</u>	<u>1,928</u>
Net cash provided by operating activities		
<b>Cash Flows From Investing Activities</b>		
Acquisition of land, buildings and equipment	(2,566)	(1,651)
Net sales (purchases) of unrestricted investments	2,428	(90)
	<u>(138)</u>	<u>(1,741)</u>
Net cash used in investing activities		
<b>Cash Flows From Financing Activities</b>		
Payments of notes and bonds payable	(8,637)	(982)
Proceeds from rebatable entrance fees	3,842	1,066
Refunds of deposits and entrance fees	(3,633)	(3,475)
Cash (paid to) received from affiliates	(435)	516
Capital contributions	-	31
	<u>(8,863)</u>	<u>(2,844)</u>
Net cash used in financing activities		
Decrease in cash, cash equivalents and restricted cash and cash equivalents	(5,901)	(2,657)
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	<u>8,787</u>	<u>11,444</u>
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	<u>\$ 2,886</u>	<u>\$ 8,787</u>
<b>Noncash Disclosures</b>		
Compounding of accrued interest on Series 2012 B Bonds to Series 2012 B Bonds principal	<u>\$ 371</u>	<u>\$ 231</u>
Gain on early retirement of debt	<u>\$ 7,230</u>	<u>\$ -</u>
Long-term debt repaid with proceeds from Series 2021 affiliate bonds	<u>\$ 43,819</u>	<u>\$ -</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Balance Sheets</b>		
Cash and cash equivalents	\$ 2,886	\$ 2,289
Restricted cash	-	2,610
Restricted cash included in restricted investments	-	3,888
	<u>\$ 2,886</u>	<u>\$ 8,787</u>
Total cash, cash equivalents and restricted cash and cash equivalents		

See notes to financial statements

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

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Notes to Financial Statements  
December 31, 2021 and 2020

## **1. Business Organization**

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

### **Parent Organization**

HumanGood Cornerstone (a Member of HumanGood), a California nonprofit public benefit tax-exempt corporation, is the sole member and exercises its direction and control through the appointment of the Boards of Directors of the Corporation, HumanGood Arizona, Inc. (dba Terraces of Phoenix), HumanGood Washington (dba Judson Park), HumanGood Idaho (dba Terraces of Boise), HumanGood Properties (formerly known as Seniority Properties), HumanGood East, HumanGood Affordable Housing and 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. HumanGood Arizona, Inc. and HumanGood Washington together constitute an obligated group (HumanGood National Obligated Group). In March 2021, HumanGood Cornerstone approved a resolution to transfer BDG to HumanGood Affordable Housing as its sole member.

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

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

## **2. Summary of Significant Accounting Policies**

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

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

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

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Restricted Cash**

Restricted cash is defined as cash and cash equivalents, which are restricted in their use by regulatory or other agreements. These include assets held by trustees in accordance with the indentures relating to debt agreements to support payments of entrance fee refunds to residents in higher levels of care that have had their previous apartment reoccupied. In conjunction with the redemption of its Series 2012 bonds (see Note 6), no further assets were required to be held by trustees and, as such, there is no restricted cash in the accompanying balance sheet at December 31, 2021.

### **Investments**

Investments include certain cash and cash equivalents and fixed income securities. Investments are measured at fair value in the accompanying balance sheets.

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

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

### **Restricted Investments**

Certain investments are classified as restricted investments in the accompanying balance sheets (see Note 4). Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement for principal, interest and other reserves. In conjunction with the redemption of its Series 2012 bonds (see Note 6), no further assets were required to be held by trustees and, as such, there are no restricted investments in the accompanying balance sheet at December 31, 2021.

### **Resident Accounts Receivable**

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.

### **Other Receivables**

Other receivables at December 31, 2021, include noninterest bearing, unsecured promissory notes from residents to pay entrance fees in the amount of \$262,000. There were no unsecured promissory notes from residents to pay entrance fees at December 31, 2020. Entrance fee promissory notes receivable are evaluated for collectability prior to residents being admitted to the community based on each resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed. All amounts are contractually due within 90 days. Also included in other receivables are \$275,000 of litigation insurance recovery receivables at December 31, 2020 (see professional liability insurance section of Note 11). There were no litigation insurance recovery receivables at December 31, 2021.

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

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Notes to Financial Statements  
December 31, 2021 and 2020

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

### **Land, Buildings and Equipment, Net**

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

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

### **Asset Impairment**

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

### **Deferred Debt Issuance Costs**

Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method and are presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of mortgage interest in the accompanying statement of operations and changes in net deficit, was \$29,000 in 2021 and \$32,000 in 2020.

### **Obligation to Provide Future Services**

If the present value of future outflows to provide future health care services to current contracted residents, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. Management engages an actuary to periodically calculate the obligation to provide future health care services to current contracted residents. Based upon the last calculation performed using a discount rate of 5 percent, the present value of future outflows to provide future services, adjusted for certain noncash items, did not exceed the present value of future cash in-flows. Based upon this calculation, and analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2021 and 2020.

### **Types of Entrance Fees**

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

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

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Refund Policy on Entrance Fees**

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

The Corporation has offered contract options whereby 50 percent to 100 percent of the entrance fee is rebatable at termination of the contract and subsequent reoccupancy of the apartment. Prior to fiscal year ended September 30, 2013, the predominant contract type outstanding was a 90 percent rebatable contract. Effective for fiscal year 2013 and beyond, primarily modified Type A contracts and 75 percent rebatable entrance fee contracts have been offered by the Corporation.

At December 31, 2021 and 2020, the Corporation had nonrefundable entrance fees of \$13,132,000 and \$12,521,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2021 and 2020, the Corporation had entrance fees subject to refund of \$3,566,000 and \$3,081,000, respectively, which will be recognized as revenue in future years, unless refunded.

At December 31, 2021 and 2020, \$21,227,000 and \$20,419,000, respectively, of the entrance fees are contractually rebatable and are presented as rebatable entrance fees due and entrance fee rebates payable in the accompanying balance sheets.

Actual refunds and rebates of entrance fees were \$3,633,000 and \$3,475,000 for the years ended December 31, 2021 and 2020, respectively. Based on historical experience, management expects to pay refunds in future years of approximately \$3,600,000 per year.

### **Net Deficit**

Net deficit, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All net deficits as of December 31, 2021 and 2020 are classified as net deficit without donor restrictions as they are not subject to donor or time restrictions and are available for use in general operations. There were no net assets or net deficits with donor-imposed restrictions, temporary or perpetual in nature, as of December 31, 2021 and 2020.

### **Contributions**

The Corporation participates in the HumanGood Foundation West fundraising activity. Gifts and bequests to the Corporation are credited to the Corporation's funds with Foundation West. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporation's fund. Included in other operating income in the accompanying statements of operations and changes in net deficit are \$31,000 and \$28,000 of distribution income from Foundation West for the years ended December 31, 2021 and 2020, respectively. Additionally, for the year ended December 31, 2020, capital contributions from Foundation West of \$31,000 were included in other changes in net deficit in the accompanying statement of operations and changes in net deficit. No capital contributions were received by the Corporation in 2021.

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

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Net Resident Service Revenues**

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

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

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

#### **Health Center**

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

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, as new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2021 or 2020.

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

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Notes to Financial Statements  
December 31, 2021 and 2020

### **Assisted Living and Memory Care**

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

### **Residential Living**

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

Entrance fees collected from residents in advance are recognized as deferred revenue from entrance fees until performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying balance sheets. The Corporation recognized amortization income of \$3,323,000 in 2021 and \$2,452,000 in 2020. The Corporation applies the practical expedient in Accounting Standards Codification (ASC) Topic 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

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

### **Benevolence**

The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the years ended December 31, 2021 and 2020, the Corporation incurred \$158,000 and \$139,000 in benevolence, respectively.

### **COVID Relief Funding**

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

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

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Notes to Financial Statements  
December 31, 2021 and 2020

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 \$20,000 in 2021 and \$883,000 in 2020.

The Corporation incurred lost revenues and eligible expenses sufficient to allow it, in accordance with the terms of the respective funding sources, to recognize revenues of \$20,000 in 2021 and \$883,000 in 2020. These amounts were recognized and included in COVID relief funding in the accompanying statements of operations and changes in net deficit.

COVID-19 testing expenses of \$77,000 in 2020 are included in other operating expenses in the accompanying statement of operations and changes in net deficit. There were no COVID-19 testing expenses incurred in 2021. Other costs due to the pandemic, such as increased personal protective equipment usage, are included in supplies in the accompanying statements of operations and changes in net deficit.

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 available to be issued.

### **Paycheck Protection Program**

In May 2021, the Corporation received proceeds in the amount of \$1,708,000 under the Paycheck Protection Program (PPP) which was established as part of the 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.

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As of December 31, 2021, the Corporation had expended all of the PPP funds received on qualified expenses but continues to work with counsel to confirm that there are no barriers to recognition. As such, no grant revenue is recorded within the accompanying statement of operations and changes in net deficit for the year ended December 31, 2021. The full amount of \$1,708,000 of PPP funds received is included as advances subject to refund in the Corporation's accompanying balance sheet at December 31, 2021.

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

## Performance Indicator

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

## Tax-Exempt Status

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

The Corporation assesses uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2021 and 2020, there were no such uncertain tax positions.

## 3. Liquidity and Availability of Resources

As of December 31, 2021 and 2020, the Corporation has financial assets available for utilization within one year of the balance sheet date, consisting of the following (in thousands):

	2021	2020
Cash and cash equivalents	\$ 2,886	\$ 2,289
Resident accounts receivable	1,502	1,159
Entrance fee notes receivable	262	-
Investments	797	3,239
Total	<u>\$ 5,447</u>	<u>\$ 6,687</u>

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

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

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### 4. Investments and Restricted Investments and Fair Value Measurements

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

	<u>2021</u>	<u>2020</u>
Investments:		
Cash and cash equivalents	\$ 797	\$ 9
Mutual funds, fixed income	-	2,447
Municipal bonds	-	148
Corporate bonds	-	323
U.S. government securities	-	312
Total	<u>\$ 797</u>	<u>\$ 3,239</u>
Restricted investments:		
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 3,888</u>

### Investment Return

Investment return for the years ended December 31, 2021 and 2020, is as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Realized (losses) gains on investments, net of expense	\$ (10)	\$ 50
Dividend, interest and other investment income	30	92
Total investment income, net	<u>\$ 20</u>	<u>\$ 142</u>
Change in unrealized losses on investments, net	<u>\$ (14)</u>	<u>\$ (19)</u>

Investment income is net of investment expenses of \$2,000 and \$4,000 for the years ended December 31, 2021 and 2020, respectively.

### Fair Value Measurements

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

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

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

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

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

- Mutual funds - Mutual funds registered with the U.S. Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the NAV of shares, and are categorized as Level 1.
- Municipal bonds - Municipal bonds are valued using inputs and techniques which include identification of similar issues and market activity. To the extent that these inputs are observable and timely, values are categorized as Level 2.
- Corporate bonds - Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations and recently executed transactions in securities of the issuer or comparable issuers. To the extent that these inputs are observable and timely, the values are categorized as Level 2.
- U.S. government securities - U.S. Treasury securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.

The Corporation's investments of \$797,000 at December 31, 2021, consist of cash and cash equivalents only and as such, are excluded from the fair value hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2020 (in thousands):

	Fair Value at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 2,447	\$ -	\$ -	\$ 2,447
Municipal bonds	-	148	-	148
Corporate bonds	-	323	-	323
U.S. government securities	-	312	-	312
Total investments in the fair value hierarchy	\$ 2,447	\$ 783	\$ -	\$ 3,230
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	\$ 9			
Investments in the fair value hierarchy	3,230			
Total investments	\$ 3,239			

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**5. Land, Buildings and Equipment, Net**

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

	<u>2021</u>	<u>2020</u>
Land	\$ 8,900	\$ 8,900
Land improvements	415	415
Buildings and improvements	86,928	87,054
Furnishings, equipment and automotive	3,200	3,160
	<u>99,443</u>	<u>99,529</u>
Accumulated depreciation	<u>(37,792)</u>	<u>(35,213)</u>
	61,651	64,316
Construction in progress	<u>2,568</u>	<u>214</u>
Total	<u>\$ 64,219</u>	<u>\$ 64,530</u>

Depreciation expense for the years ended December 31, 2021 and 2020, was \$2,877,000 and \$2,735,000, respectively. Fully depreciated assets of \$298,000 were disposed of during the year ended December 31, 2021. There were no disposals during 2020.

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

A summary of the Corporation's notes and bonds payable at December 31, 2021 and 2020, is as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Series 2012 A-1 Tax-Exempt, Fixed Rate Term Revenue Bonds (dated September 12, 2012 and due October 1, 2042), with interest at 7.0%, funded monthly, and paid on October 1 and April 1. The bonds were retired in December 2021 (described below).	\$ -	\$ 27,237
Series 2012 A-2 Tax-Exempt, Fixed Rate Term Revenue Bonds (dated September 12, 2012 and due October 1, 2042), with interest at 5.0%, with a projected step up to 7.0% upon paydown of the Series B Bonds, with interest that accrued but did not compound. The Series A-2 Bonds were at parity with the Series 2012 A-1 Bonds in collateral but subordinate in cash flow and did not have voting rights. The bonds were retired in December 2021 (described below).	-	4,250

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	<u>2021</u>	<u>2020</u>
Series 2012 B-1 Tax-Exempt, Fixed Rate Term Revenue Bonds (dated September 12, 2012 and due October 1, 2042), with interest at 2.0%, that accrued and compounded. Payments on the Series 2012 B Bonds were to be made from available cash flow as detailed in the Master Trust Indenture. All Series 2012 B Bonds were at parity in collateral and cash flow. The bonds were retired in December 2021 (described below).	\$ -	\$ 7,263
Series 2012 B-2 Tax-Exempt, Fixed Rate Term Revenue Bonds (dated September 12, 2012 and due October 1, 2042), with interest at 2.0%, that accrued and compounded. Payments on the Series 2012 B Bonds were to be made from available cash flow as detailed in the Master Trust Indenture. All Series 2012 B Bonds were at parity in collateral and cash flow, however the Series 2012 B-2 Bonds did not have voting rights. The bonds were retired in December 2021 (described below).	-	996
Series 2012 B-3 Taxable, Fixed Rate Term Revenue Bonds (dated September 12, 2012 and due October 1, 2042), with interest at 2.0%, that accrued and compounded. Payments on the Series 2012 B Bonds were to be made from available cash flow as detailed in the Master Trust Indenture. All Series 2012 B Bonds were at parity in collateral and cash flow, however the Series 2012 B-3 Bonds did not have voting rights. The bonds were retired in December 2021 (described below).	-	3,336
Series 2012 C-1 Tax-Exempt, Noninterest Bearing Bonds (dated September 12, 2012 and due October 1, 2042). Payments on the Series 2012 C Bonds were to be made from available cash flow as detailed in the Master Trust Indenture only after the Series A and B Bonds were paid in full. All Series 2012 C Bonds were at parity in collateral and cash flow. The bonds were retired in December 2021 (described below).	-	11,695
Series 2012 C-2 Taxable, Noninterest Bearing Bonds (dated September 12, 2012 and due October 1, 2042). Payments on the Series 2012 C Bonds were to be made from available cash flow as detailed in the Master Trust Indenture only after the Series A and B Bonds were paid in full. All Series 2012 C Bonds were at parity in collateral and cash flow, however the Series C-2 Bonds did not have voting rights. The bonds were retired in December 2021 (described below).	-	4,554

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	<u>2021</u>	<u>2020</u>
Series 2021, Senior Secured Related Party Note bearing interest at a fixed rate of 4.0% over 35 years, payable to HumanGood NorCal. Secured by the Corporation's property and equipment and a security interest in the gross revenues of the Corporation. Annual principal payments commencing on December 31, 2022 in varying amounts ranging from \$200 to \$730 through 12/31/55, with a balloon payment due December 31, 2056 in the amount of \$29,847.	\$ 43,819	\$ -
Total	43,819	59,331
Less current maturities	(200)	-
Less unamortized bond issuance costs, net	-	(694)
Notes and bonds payable, net	<u>\$ 43,619</u>	<u>\$ 58,637</u>

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

Years ending December 31:	
2022	\$ 200
2023	208
2024	216
2025	225
2026	234
Thereafter	<u>42,736</u>
Total	<u>\$ 43,819</u>

**History of Obligations**

On June 22, 2012, the bondholders, the Corporation, NorCal as manager and construction loan and ground lease holder, executed a letter of agreement for the restructuring of Las Ventanas' previous debt and lease obligations. On September 12, 2012, the restructuring was finalized, which involved the exchanging of existing bonded indebtedness for three new series of tax-exempt bonds: Series A-1, Series B-1 and Series C-1. In exchange for contributed capital and the relinquishment of its interests in the ground lease and construction loan, NorCal received interests in the Series A-2, Series B-2, Series B-3 and Series C-2 Bonds which are classified as notes and bonds payable held by affiliates in the accompanying balance sheet at December 31, 2020. The restructuring allowed for an entrance fee escrow, whereby entrance fee funds received from turnover occupancy of an apartment wherein the previous occupant had moved into a higher level of care are deposited into a restricted account and may only be utilized to aid in funding entrance fee refunds of the residents in higher levels of care. At December 31, 2020, this account contained a balance of \$2,610,000, which is reported as restricted cash on the accompanying balance sheet. There was no restricted cash at December 31, 2021 as a result of the Series 2012 debt redemption described below.

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Prior to the Series 2012 debt redemption described below, the Series 2012 Bonds were subject to financial and occupancy covenants, which included a days cash on hand ratio and a debt service coverage ratio. The Series 2012 Bonds were secured by the Corporation's property and equipment and a security interest in the gross revenues of the Corporation. In addition, cash in excess of 100 days was deposited in the debt service reserve fund and subsequently swept with 10 percent of the distribution deposited into a Repair and Replacement Fund, 10 percent into a Series A Principal Sinking Fund and the remaining 80 percent allocated on a pro-rata basis to pay down Series B Bonds. The table below lists all such distributions made through December 31, 2020 prior to the 2012 debt redemption described below.

	<b>Series B-1 Principal</b>	<b>Series B-2 Principal</b>	<b>Series B-3 Principal</b>	<b>Repair and Replacement Fund</b>	<b>Series A Principal Sinking Fund</b>	<b>Total Distribution</b>
January 2016	\$ 860,000	\$ 121,000	\$ 407,000	\$ 173,000	\$ 173,000	\$ 1,734,000
January 2017	1,116,000	155,000	517,000	224,000	224,000	2,236,000
February 2018	1,936,000	267,000	893,000	387,000	387,000	3,870,000
December 2018	1,632,000	224,000	750,000	326,000	326,000	3,258,000
May 2020	612,000	85,000	285,000	124,000	124,000	1,230,000
	<u>\$ 6,156,000</u>	<u>\$ 852,000</u>	<u>\$ 2,852,000</u>	<u>\$ 1,234,000</u>	<u>\$ 1,234,000</u>	<u>\$ 12,328,000</u>

On February 19, 2019, the Corporation filed a voluntary public disclosure announcing its intent to explore various options related to tendering, purchasing, refinancing or restructuring all, or portions, of its Series 2012 Bonds. On February 12, 2021, an additional disclosure was filed detailing that NorCal had refined this exploration to potentially contacting holders of the Series 2012B-1 and C-1 Bonds to purchase all or a portion of those bonds with a current expectation to hold such Series 2012B-1 and C-1 Bonds within its investment portfolio in anticipation of a possible refinancing of the Series 2012 Bonds in the future. On February 18, 2021 NorCal purchased \$4,922,000 par amount of the Series 2012B-1 and \$9,136,000 par amount of the Series 2012C-1 Bonds at a discount.

On November 16, 2021, HumanGood Nevada filed a public disclosure informing bondholders that it intended to call for redemption the entirety of its outstanding Series 2012 bonds. On December 16, 2021, using a combination of \$22,540,000 of HumanGood NorCal cash, \$11,851,000 of HumanGood Nevada funds and an exchange of \$28,262,000 of Series 2012 bonds held by HumanGood NorCal, HumanGood Nevada retired, at a 1.0 percent premium of \$516,000, its Series 2012 bonds in exchange for the issuance to HumanGood NorCal of a \$43,819,000 Series 2021 senior secured note bearing interest at a fixed rate of 4.0 percent over 35 years. Concurrent with the issuance of the Series 2021 inter affiliate note, HumanGood Nevada paid to HumanGood NorCal \$2,412,000 of outstanding management fees owed.

In connection with this financing transaction, the Corporation exchanged its Series 2021 notes with HumanGood NorCal for their holdings of Series 2012 B-1 and C-1 bonds at their discounted value, as described above, which resulted in a gain of \$7,230,000. In addition, as part of the transaction, a \$1,181,000 loss was recognized related to unamortized bond issuance costs of \$665,000 and the 1 percent early redemption premium of \$516,000. These amounts are included in gain on early retirement of debt, net in the accompanying statement of operations and changes in net deficit for the year ended December 31, 2021.

**7. Employee Benefit Plans**

Effective January 1, 2018, the Corporation joined the HumanGood defined contribution retirement plan covering all eligible employees with a corporate match of employee contributions up to 4 percent of eligible earnings. Expenses amounted to \$168,000 and \$202,000 as of December 31, 2021 and 2020, respectively.





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### **10. Transactions With Affiliates**

Payables to affiliates include management fees and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance payable to NorCal. The Corporation recognized expenses of \$540,000 and \$612,000 during 2021 and 2020, respectively, that consisted of management fees and received distributions from Foundation West as described in Note 2. The Corporation owed NorCal \$320,000 and \$755,000 as of December 31, 2021 and 2020, respectively. These balances are settled in the normal course of operations with no fixed repayment terms.

### **11. Insurance Programs**

#### **Workers' Compensation Plan**

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

#### **Professional Liability Insurance**

The Corporation maintains professional liability coverage through a pooled program with HumanGood. HumanGood has secured claims-made policies for malpractice and general liability insurance with certain self-insured retention limits. The Corporation has accrued a liability of \$250,000 and \$375,000 as its best estimate of the cost of known claims incurred prior to December 31, 2021 and 2020, respectively. These liabilities are included in accounts payable and accrued expenses in the accompanying balance sheets. Related insurance recovery receivables of \$275,000 at December 31, 2020 are recorded under other receivables in the accompanying balance sheet. There were no insurance recovery receivables at December 31, 2021.

#### **Health Insurance**

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

### **12. Commitments and Contingencies**

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

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### **Senior Living Services Industry**

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

### **COVID-19**

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains and businesses. The Corporation's evaluation of the effects of these events is ongoing as of the date the accompanying 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 revenue 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.

### **13. Concentrations of Credit Risk**

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

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

### **14. Subsequent Events**

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

The Corporation has evaluated subsequent events through April 28, 2022, which is the date the financial statements were available to be issued.