

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

Combined Financial Statements and
Combining Supplementary Information

December 31, 2021 and 2020

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

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December 31, 2021 and 2020

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Independent Auditors' Report

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

Opinion

We have audited the combined financial statements of the HumanGood California Obligated Group & Foundation Affiliates (the Corporations), which comprise the combined balance sheets as of December 31, 2021 and 2020, and the related combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 45 to 68 is presented for purposes of additional analysis of the combining financial statements rather than to present the financial position, changes in net deficit and cash flows of the individual organizations, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 28, 2022

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

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

	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 52,624	\$ 23,013	Accounts payable and accrued expenses	\$ 37,845	\$ 35,755
Resident accounts receivable, less allowances for doubtful accounts of \$3,853 in 2021 and \$3,769 in 2020	13,017	12,682	Deposits	3,157	2,871
Other receivables	10,594	7,789	Accrued interest	3,509	2,349
Current portion of restricted investments	4,728	3,665	Current portion of notes and bonds payable	9,524	9,149
Intercompany advances due	8,644	7,675	Entrance fee rebates payable	215	431
Prepaid expenses, deposits and other assets	7,495	8,905			
			Total current liabilities	54,250	50,555
Total current assets	97,102	63,729	Notes and Bonds Payable, Net	460,728	338,981
Restricted Cash	5,106	5,105	Rebatable Entrance Fees Due	174,492	178,166
Investments	211,792	226,580	Entrance Fees Subject to Refund	79,974	75,827
Designated Investments	130,957	123,966	Entrance Fees Nonrefundable	199,606	187,787
Investment in HumanGood Nevada Bonds	43,819	4,242	Revocable Trusts	251	275
Restricted Investments	201,330	74,690	Obligations Under Annuity Agreements	3,854	3,399
Subordinated Notes Receivable, Net	15,607	12,572	Retirement Liabilities	4,625	3,991
Land, Buildings and Equipment, Net	466,861	474,624	Workers' Compensation Liability	18,086	16,112
Interest and Management Fees Due From Affiliates	477	2,679	Advances Subject to Refund	21,060	-
Other Noncurrent Assets	10,492	5,766	Other Liabilities	1,915	7,462
			Total liabilities	1,018,841	862,555
			Net Assets		
			Without donor restrictions	123,817	93,789
			With donor restrictions	40,885	37,609
			Total net assets	164,702	131,398
Total assets	<u>\$ 1,183,543</u>	<u>\$ 993,953</u>	Total liabilities and net assets	<u>\$ 1,183,543</u>	<u>\$ 993,953</u>

See notes to combined financial statements

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

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

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Operating revenues:		
Residential living	\$ 109,963	\$ 107,674
Assisted living	34,943	34,053
Health center	92,387	85,293
Memory care	14,557	13,854
Other residential services	3,964	3,757
Amortization of entrance fees	43,034	44,275
COVID relief funding	1,174	8,338
Other operating revenues	10,469	7,692
Net assets released from restrictions	4,408	4,125
Unrestricted contributions	811	1,333
	<u>315,710</u>	<u>310,394</u>
Total operating revenues		
Operating expenses:		
Salaries and wages	137,937	129,105
Employee benefits	35,295	34,592
Supplies	23,340	23,113
Ancillary services	12,907	12,178
Repairs and maintenance	4,777	4,682
Marketing and advertising	4,367	3,916
Purchased services	15,477	15,819
Utilities	13,057	12,313
Travel and related	1,335	1,030
Leases and rents	1,758	1,884
Insurance	4,742	4,072
Other operating expenses	10,396	8,156
	<u>265,388</u>	<u>250,860</u>
Total operating expenses		
Income before other operating income (expense)	50,322	59,534
Other operating income (expense):		
Realized gains (losses) on investments, net	14,198	(2,543)
Realized gain on investment in HumanGood Nevada Bonds	8,834	-
Change in unrealized gains on investments, net	1,895	19,817
Unrealized loss on investment in HumanGood Nevada Bonds	-	(535)
Investment income, net	5,598	6,612
Mortgage interest	(11,288)	(12,946)
Depreciation and amortization	(41,760)	(42,461)
Loss on early retirement of debt	-	(7,620)
Gains on disposal of fixed assets, net	4,927	-
	<u>32,726</u>	<u>19,858</u>
Income from operations		

See notes to combined financial statements

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

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

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions (Continued)		
Other changes in net assets without donor restrictions:		
Change in minimum pension liability	\$ (104)	\$ (875)
Other affiliate distributions and equity transfers	(4,241)	(5,142)
Forgiveness of indebtedness to affiliate	(2,000)	-
Unrealized gains on interest rate swaps and caps	3,647	808
	<u>30,028</u>	<u>14,649</u>
Change in net assets without donor restrictions		
	<u>30,028</u>	<u>14,649</u>
Changes in Net Assets With Donor Restrictions		
Dividend and interest income	909	698
Unrealized gains on investments with donor restrictions, net	1,323	2,039
Restricted equity contributions	-	456
Contributions	5,858	5,875
Net assets released from restrictions for benevolence	(169)	(227)
Contractual payments to beneficiaries	(1,328)	(1,558)
Realized gains (losses) on investments, net	1,205	(688)
Contractual liability adjustments	(283)	498
Net assets released from restrictions for special project funds	(4,239)	(3,898)
	<u>3,276</u>	<u>3,195</u>
Change in net assets with donor restrictions		
	<u>3,276</u>	<u>3,195</u>
Change in net assets	33,304	17,844
Net Assets, Beginning	<u>131,398</u>	<u>113,554</u>
Net Assets, Ending	<u>\$ 164,702</u>	<u>\$ 131,398</u>

See notes to combined financial statements

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

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

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received for resident services	\$ 253,795	\$ 245,689
Cash received from nonrebatable entrance fees from reoccupancy	66,418	43,923
Cash received from advances subject to refund	21,060	-
Cash received from COVID relief funding	1,023	8,489
Cash received from other operating activities	6,403	5,879
Cash received from bequests and trust maturities	811	1,333
Cash earnings realized from investments	5,598	4,011
Cash paid for employee salaries	(126,298)	(118,407)
Cash paid for employee benefits	(33,660)	(32,646)
Cash paid for temporary labor	(11,250)	(9,920)
Cash paid to vendors	(88,070)	(80,369)
Cash paid for interest	(10,872)	(14,622)
	<u>84,958</u>	<u>53,360</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(37,589)	(35,322)
Proceeds from sale of fixed assets	6,216	-
Net purchases of unrestricted investments	(6,639)	(8,968)
Net (purchases) sales of restricted investments	(4,461)	1,351
Cash (paid to) received from intercompany and affiliate transactions	(969)	1,047
	<u>(43,442)</u>	<u>(41,892)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Proceeds from rebatable entrance fees	12,991	16,406
Refunds of deposits and entrance fees	(23,845)	(25,143)
Proceeds from issuance of notes and bonds payable	133,481	2,043
Principal payments on notes and bonds payable	(9,149)	(8,551)
Cash paid for bond issuance costs	(1,464)	(1,633)
Cash paid for interest rate cap	-	(223)
Cash paid for other trust activity	(3,475)	(5,166)
Affiliate cash distributions	(4,241)	(5,142)
Cash received from restricted contributions	5,858	5,864
	<u>110,156</u>	<u>(21,545)</u>
Net cash provided by (used in) financing activities		
Increase (decrease) in cash, cash equivalents and restricted cash	151,672	(10,077)
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>68,501</u>	<u>78,578</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 220,173</u>	<u>\$ 68,501</u>

See notes to combined financial statements

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

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

	<u>2021</u>	<u>2020</u>
Noncash Disclosures		
Long-term debt repaid with proceeds from Series 2020 Bonds	<u>\$ -</u>	<u>\$ 79,470</u>
Forgiveness of indebtedness to affiliate	<u>\$ 2,000</u>	<u>\$ -</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combined Balance Sheets		
Cash and cash equivalents	\$ 52,624	\$ 23,013
Restricted cash included in restricted investments	162,443	40,383
Restricted cash	<u>5,106</u>	<u>5,105</u>
Total cash, cash equivalents and restricted cash	<u>\$ 220,173</u>	<u>\$ 68,501</u>

See notes to combined financial statements

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

1. Business and Organization

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

HumanGood California Obligated Group

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

HumanGood NorCal

NorCal is a California nonprofit public benefit tax-exempt corporation which owns, operates and manages LPCs in which housing, health care and supportive services are provided for seniors. Seven of NorCal's nine directors are HumanGood's directors. The executive officers of HumanGood also serve as executive officers of NorCal. As of December 31, 2021, the following LPCs were owned and operated by NorCal:

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

HumanGood SoCal

SoCal is a California nonprofit public benefit tax-exempt corporation which owns, operates and manages LPCs in which housing, health care and supportive services are provided for seniors. Seven of SoCal's nine directors are HumanGood's directors. The executive officers of HumanGood also serve as executive officers of SoCal. As of December 31, 2021, the following LPCs were owned and operated by SoCal:

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

HumanGood Fresno

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

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

HumanGood Foundation West

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

HumanGood Foundation South

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

HumanGood Cornerstone and Related Enterprises

HumanGood Cornerstone, an affiliate of the Corporations, is a California nonprofit public benefit tax-exempt corporation and, as the sole member, exercises its direction and control through the appointment of the Board of Directors of HumanGood Arizona, Inc. (dba Terraces of Phoenix, TOP), HumanGood Washington (dba Judson Park, JP), HumanGood Nevada (dba Las Ventanas), HumanGood Idaho (dba The Terraces of Boise, Boise), HumanGood Properties (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 and HumanGood Cornerstone's Boards are composed of the same seven directors.

HumanGood Affordable Housing

HumanGood Affordable Housing (HGAH) is a California nonprofit public benefit tax-exempt corporation. HGAH serves as the sole or majority General Partner and controlling organization for 22 tax-credit affordable housing communities, serves as the sole or majority member and controlling organization for 27 additional affordable housing communities and provides management services to ten affordable housing communities.

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

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

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

Beacon Development Group, LLC

Beacon Development Group, LLC (BDG) is a professional services firm that consults primarily in the development and construction of affordable housing communities. BDG provides services to affiliates of the Corporations and other nonprofits and housing authorities. In March 2021, HumanGood Cornerstone approved a resolution to transfer BDG to HumanGood Affordable Housing as its sole member.

HumanGood Arizona, Inc.

HumanGood Arizona, Inc. is an Arizona nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Phoenix, Arizona through its LPC, Terraces of Phoenix. Prior to September 29, 2003, TOP was a controlled affiliate of NorCal. The funds previously advanced by NorCal to support TOP's operating and capital needs were retained in the form of a subordinated note receivable from TOP. The note has been recorded as part of subordinated notes receivable, net in the accompanying combined balance sheets at the estimated net realizable value of \$4,315,000 as of December 31, 2021 and 2020.

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

HumanGood Washington

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

HumanGood Nevada

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

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

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

As a result of the aforementioned restructuring, NorCal received \$16,414,000 (par value) of HumanGood Nevada Bonds, which were classified as investments in HumanGood Nevada Bonds in the accompanying combined balance sheet for the year ended December 31, 2020. Annual revaluations of the investments have resulted in unrealized mark-to-market losses on the Bonds of \$8,834,000 as of December 31, 2020.

On February 19, 2019, HumanGood Nevada filed a voluntary public disclosure announcing its intent to explore various options related to tendering, purchasing, refinancing or restructuring all, or portions, of its Series 2012 Bonds. On February 12, 2021, an additional disclosure was filed detailing that NorCal had refined this exploration to potentially contacting holders of the Series 2012B-1 and C-1 Bonds to purchase all or a portion of those bonds with a current expectation to hold such Series 2012B-1 and C-1 Bonds within its investment portfolio in anticipation of a possible refinancing of the Series 2012 Bonds in the future. On February 18, 2021, NorCal purchased \$4,922,000 par amount of the Series 2012B-1 and \$9,136,000 par amount of the Series 2012C-1 Bonds at a discount of \$7,230,000.

On November 16, 2021, HumanGood Nevada filed a public disclosure informing bondholders that it intended to call for redemption the entirety of its outstanding Series 2012 Bonds. On December 16, 2021, using a combination of \$22,540,000 of NorCal cash, \$11,851,000 of HumanGood Nevada cash and an exchange of \$28,262,000 of Series 2012 Bonds held by NorCal, HumanGood Nevada retired, at a 1.0 percent premium, its Series 2012 Bonds in exchange for the issuance to NorCal of a CUSIP-bearing \$43,819,000 Series 2021 senior secured note bearing interest at a fixed rate of 4.0 percent over 35 years, which is included in investments in HumanGood Nevada Bonds on the accompanying combined balance sheet at December 31, 2021. Concurrent with the issuance of the Series 2021 interfacility note, HumanGood Nevada paid to NorCal \$2,412,000 of outstanding management fees owing, which NorCal recorded as other operating revenue in the accompanying combined statements of operations and changes in net assets.

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

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

HumanGood Idaho

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

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

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

On July 26, 2021, HumanGood Idaho filed an EMMA notice stating that the company had entered into a debt restructuring term sheet agreement with the majority of the holders of its 2014 Bonds. On October 6, 2021, HumanGood Idaho issued \$75,045,000 of Series 2021A Bonds and \$4,170,000 of Series 2021B Bonds in exchange for the outstanding Series 2014 Bonds. NorCal contributed \$6,500,000 in working capital in exchange for subordinated Series 2021C Bonds and forgave previous unsecured amounts owing in exchange for \$2,250,000 of junior subordinated Series 2021 Direct Obligation No. 4, both included in subordinates notes receivable, net in the accompanying combined balance sheet as of December 31, 2021. Amounts forgiven include the \$2,000,000 land purchase subordinated note and \$597,000 of related interest, and \$1,212,000 of intercompany amounts owing. The accrued interest and intercompany amounts owing were fully reserved on NorCal's accompanying combined balance sheet at December 31, 2020, whereas the forgiveness of the subordinated land note gave rise to a forgiveness of indebtedness to affiliate in the accompanying statement of operations and changes in net assets for the year ended December 31, 2021.

HumanGood Properties (formerly known as Seniority Properties)

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

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

HumanGood East

HumanGood East is a Pennsylvania nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors through its three LPCs, 17 owned and managed affordable housing communities and 21 additional affordable housing communities managed for unrelated entities.

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

Basis of Presentation and Principles of Combination

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

All interaffiliate transactions between the Corporations eliminate in combination.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the fair values of interest rate swaps and caps assets and liabilities; allowances for contractual and uncollectible accounts receivable; fair values of notes receivable; fair values of investments; future service benefit obligations; rebatable entrance fees due; entrance fees subject to refund; entrance fees nonrefundable; liabilities for self-insured workers' compensation; self-insured health insurance; liabilities for pension and retirement plans; and valuation of split-interest agreements. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash is defined as cash and cash equivalents, which are restricted in their use by debt agreements.

Resident Accounts Receivable

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

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Investments

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

Investment income or loss (including interest, dividends and fees), realized gains and losses and unrealized gains and losses on investments are included in income from operations and changes in net assets without donor restrictions. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

Restricted Investments

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

Designated Investments

Designated investments of \$130,957,000 and \$123,966,000 as of December 31, 2021 and 2020, respectively, are designated by the Board of Directors primarily for future capital projects, to advance strategic corporate initiatives and for Foundation West Board-designated benevolence funds (see Note 4).

Investments in HumanGood Nevada Bonds

Investments in HumanGood Nevada Bonds as of December 31, 2020 included holdings in three tranches of the Las Ventanas Series 2012 Bonds (see HumanGood Nevada Subsection in Note 1). As of December 31, 2021, as part of the aforementioned HumanGood Nevada Series 2012 debt redemption, investments in HumanGood Nevada Bonds as of December 31, 2021 consist of a \$43,819,000 Series 2021 senior secured note bearing interest at a fixed rate of 4.0 percent over 35 years. These investments are recorded at fair market value as of December 31, 2021 and 2020, in the accompanying combined balance sheets.

Changes in fair market value are included in unrealized loss on investments in HumanGood Nevada Bonds in the accompanying combined statements of operations and changes in net assets.

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Subordinated Notes Receivable, Net

Subordinated notes receivable, net as of December 31, 2021 and 2020 are comprised of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Subordinated note receivable from the Terraces of Phoenix	\$ 4,315	\$ 4,315
Subordinated note receivable from the Terraces of Boise	6,500	4,250
Junior subordinated note receivable from the Terraces of Boise	2,250	-
Notes receivable related to HGAH and BDG acquisition	<u>2,542</u>	<u>4,007</u>
Total	<u>\$ 15,607</u>	<u>\$ 12,572</u>

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

COG Member Subordinated Notes Receivable, Net

Subordinated notes amongst members of the affiliated Corporations included in COG are included in the accompanying supplemental combining balance sheets but eliminated in the accompanying combined financial statements.

Prior to September 26, 2012, TSJG was one of eight LPCs constituting NorCal's Obligated Group. Effective September 26, 2012, by vote of the NorCal Board of Directors, and consistent with the rights and abilities granted in NorCal's Master Trust Indenture, sole corporate membership and control of TSJG was transferred from NorCal to Cornerstone, and subsequently to HumanGood, in conjunction with the issuance of the TSJG Series 2012 Bonds. Furthermore, at this time, the portion of NorCal's Series 2006 Bonds previously allocated to TSJG was replaced with a \$23,336,000 variable rate subordinated note, and a portion of NorCal's Series 2010 Bonds previously allocated to TSJG was replaced with a \$6,438,000 fixed rate subordinated note. Debt service payments on these subordinated notes were contingent upon TSJG being in compliance with certain performance metrics. These subordinated notes receivable from TSJG are included in NorCal's subordinated notes receivable in the accompanying supplemental combining balance sheets as of December 31, 2020. Both subordinated notes payable are included in TSJG's notes and bonds payable, net in the accompanying supplemental combining balance sheet as of December 31, 2020.

Concurrent with the 2012 financing, NorCal and TSJG entered into a ten-year management agreement at a base fee of 8.5 percent of budgeted cash revenues, with half of this fee subject to subordination. The agreement automatically renews at the end of the term unless terminated.

Upon meeting certain performance criteria, interest payments of \$4,150,000 were made to NorCal for the year ended 2020, for interest expense that had been deferred in previous fiscal years, and principal payments of \$1,634,000 were made in 2020. Interest expense of \$804,000 at December 31, 2020, related to these notes was accrued but not fully paid. All amounts related to these notes and their debt service payments eliminate in the accompanying combined financial statements.

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Effective December 31, 2021, the Boards of Directors of TSJG and NorCal approved the retirement of the \$23,336,000 and \$6,438,000 subordinated notes in exchange for a direct allocation of NorCal Series 2015 and COG Series 2019 Bonds to TSJG. Additionally, the Boards of Directors approved the management agreement be amended and restated to remove terms restricting the timely payment of management fees owed from TSJG to NorCal. As a result of these actions, the total debt allocated to TSJG was lowered by \$8,526,000, and previously owed amounts for management fees and interest expense on the aforementioned subordinated notes of \$8,567,000 were released from payment restrictions, giving rise to a subsequent payment from TSJG to NorCal of \$17,093,000 in 2022 to satisfy all amounts formerly owed.

At December 31, 2020, \$6,396,000 of management fees were accrued but not paid and are included in other liabilities in the accompanying supplemental combining balance sheet of TSJG and are eliminated in the accompanying combined financial statement at December 31, 2020. There were no accrued but unpaid management fees at December 31, 2021.

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

Other Noncurrent Assets

Other noncurrent assets are primarily comprised of membership interests in Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), limited partner interests in Ziegler's Longevity Funds and capitalized contract acquisition costs.

Deferred Debt Issuance Costs

Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method. These unamortized amounts are presented in the combined balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of mortgage interest, in the accompanying combined statements of operations and changes in net assets was \$283,000 in 2021 and \$255,000 in 2020.

Revocable Trusts

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

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Obligations Under Annuity Agreements

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

These types of arrangements are summarized as follows:

Gift Annuities Fund

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

Annuity Trusts

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

Unitrusts

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

Obligation to Provide Future Services

If the present value of future outflows to provide future healthcare services to current contracted residents, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. Management engages an actuary to periodically calculate the obligation to provide future health care services to current contracted residents. Based upon the last calculations performed using a discount rate of 5 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 these calculations, 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 Corporations and the residents provide for the payment of an entrance fee. Entrance fees received by the Corporations are categorized into two types: initial entrance fees and entrance fees from reoccupancy, and are recorded as either rebatable entrance fees due, entrance fees subject to refund or entrance fees nonrefundable. Initial entrance fees, which are the initial fees on new or expanded facilities, are used to provide funds for acquisition and construction of physical facilities, debt retirement and to defray anticipated deficits in the operations of new homes for a period of time. Entrance fees from reoccupancy in existing homes are used for general purposes, including capital expenditures, support of operations (including benevolence), new development and funding of reserves.

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Refund Policy on Entrance Fees

The current care and residence agreement provides the resident with the right to a refund of the entrance fee, less 2.0 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 Corporations had nonrefundable entrance fees of \$199,606,000 and \$187,787,000 as of December 31, 2021 and 2020, respectively, related to entrance fees received that will be recognized as revenues in future years. Additionally, the Corporations had entrance fees subject to refund of \$79,974,000 and \$75,827,000 as of December 31, 2021 and 2020, respectively, which will be recognized as revenues in future years unless refunded.

The Corporations have offered contract options whereby a specified percentage between 50 percent and 100 percent of the entrance fee is rebatable at termination of the contract and subsequent reoccupancy of their apartment. As of December 31, 2021, and 2020, respectively, \$174,707,000 and \$178,597,000 of the entrance fees related to these types of contracts are contractually rebatable and are included in rebatable entrance fees due and entrance fee rebates payable in the accompanying combined balance sheets.

Actual refunds and rebates of entrance fees were \$23,845,000 and \$25,143,000 for the years ended December 31, 2021 and 2020, respectively. Based on historical experience, management expects to pay refunds in future years of approximately \$23,000,000 per year.

Interest Rate Swaps and Caps

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

Net Assets

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

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

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

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

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

Net assets with donor restrictions for the years ended December 31, 2021 and 2020 are comprised of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Benevolence	\$ 12,956	\$ 10,550
Purpose restricted	16,452	15,416
Funds held by trustee	5,795	5,971
Restricted in perpetuity	<u>5,682</u>	<u>5,672</u>
Total	<u>\$ 40,885</u>	<u>\$ 37,609</u>

Endowment Funds

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

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

The changes in endowment net assets with donor restriction for the years ended December 31, 2021 and 2020, are as follows (in thousands):

Endowment net assets, December 31, 2019	\$ 8,258
Contributions	6
Net investment returns	373
Disbursements	<u>(332)</u>
Endowment net assets, December 31, 2020	8,305
Contributions	10
Net investment returns	1,039
Disbursements	<u>(644)</u>
Endowment net assets, December 31, 2021	<u>\$ 8,710</u>

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The endowment net assets with donor restrictions were comprised of the following as of December 31, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
Endowment gains with donor restrictions	\$ 3,028	\$ 2,633
Endowment funds held in perpetuity, the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>5,682</u>	<u>5,672</u>
Total	<u>\$ 8,710</u>	<u>\$ 8,305</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Foundation South to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2021 and 2020.

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

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

Net Resident Service Revenues

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

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

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

Health Center

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

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporations' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenues recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2021 or 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 Corporations have determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation for each of these levels of care, which is satisfied over time as services are provided. Therefore, assisted living and memory 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 Corporations have determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, residential living monthly fees are recognized on a month-to-month basis.

Entrance fees collected from residents in advance are recognized as deferred revenues from entrance fees until performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying combined balance sheets. The Corporations recognized amortization income of \$43,034,000 and \$44,275,000 in 2021 and 2020, respectively. The Corporations apply the practical expedient in ASC 606, and therefore, do not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

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For residents with Type B contracts, revenues from entrance fees other than rebatable entrance fees received are recognized through amortization using the straight-line method over annually adjusted estimated life expectancies of the residents, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. Amortization of entrance fees other than rebatable entrance fees is included as amortization of entrance fees in the accompanying combined statements of operations and changes in net assets.

Benevolence

The Corporations provide services to residents who meet certain criteria under their benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporations are entitled from public assistance programs on behalf of residents that meet the Corporations' benevolence criteria are reported as revenues. Because the Corporations do not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the years ended December 31, 2021 and 2020, benevolence recorded was \$1,973,000 and \$1,969,000, respectively.

Contractual Allowances

A portion of the Corporations' health center revenues are subject to explicit price concessions (contractual allowances) under contracts with third-party payors. These price concessions, were \$3,395,000 and \$8,774,000 for the years ended December 31, 2021 and 2020, respectively.

COVID Relief Funding

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

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for healthcare providers. In accordance with the terms and conditions of PRF, the Corporations could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Corporations received PRF funding payments of \$994,000 in 2021 and \$9,089,000 in 2020. The Corporations also received other COVID relief funding of \$29,000 during 2021.

The Corporations incurred lost revenues and eligible expenses sufficient to allow them, in accordance with the terms of the respective funding sources, to recognize PRF revenues and other COVID relief funding revenues of \$1,145,000 and \$29,000 in 2021, respectively (including \$151,000 of deferred revenue from funds received in 2020) and \$8,338,000 in 2020. These amounts were recognized and included in COVID relief funding in the accompanying statement of operations and changes in net assets. During 2020, \$600,000 of CARES Act funding received was transferred to Terraces of Phoenix, an affiliated organization with a common parent, HumanGood, as allowed under the CARES Act Provider Relief Fund terms and conditions.

COVID-19 testing expenses of \$3,277,000 in 2021 and \$2,187,000 in 2020 are included in other operating expenses in the accompanying statements of operations and changes in net assets. Other costs due to the pandemic, such as increased personal protective equipment usage, are included in supplies in the accompanying statements of operations and changes in net assets.

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

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

Paycheck Protection Program

In May 2021, the Corporations received proceeds in the amount of \$21,060,000 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (of eight to 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 Corporations 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 Corporations had expended all of the PPP funds received on qualified expenses but continue 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 assets for the year ended December 31, 2021. The full amount of \$21,060,000 of PPP funds received is included as advances subject to refund in the Corporations' 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 Corporations are required to maintain their PPP loan documentation for six years after the PPP loan is forgiven or repaid in full and to provide that documentation to the SBA upon request. The Corporations do not believe the results of any audits or reviews by the SBA would have a material impact on the combined financial statements.

Performance Indicator

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

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Tax-Exempt Status

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

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

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 Corporations have not elected the optional expedients and exceptions included in ASU No. 2020-04 as of December 31, 2021.

3. Liquidity and Availability of Resources

The Corporations have financial assets available for utilization within one year of the combined balance sheets date, which consist of the following as of December 31, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 52,624	\$ 23,013
Resident accounts receivable	13,017	12,682
Entrance fee notes receivable	1,047	870
Investments	<u>211,792</u>	<u>226,580</u>
Total	<u>\$ 278,480</u>	<u>\$ 263,145</u>

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

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

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

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

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

	<u>2021</u>	<u>2020</u>
Investments (including designated investments and investments in HumanGood Nevada Bonds):		
Cash and cash equivalents	\$ 20,125	\$ 13,783
Mutual funds	104,770	119,506
Equity securities	75,458	68,916
Exchange-traded funds and closed-end funds	43,107	38,509
Domestic corporate debt	43,098	50,270
U.S. government securities	33,398	42,428
Municipal bonds	11,070	13,314
Foreign government securities	3,038	1,496
Alternative investments	8,685	2,324
Investments in HumanGood Nevada Bonds	<u>43,819</u>	<u>4,242</u>
Total investments (including designated investments and investments in HumanGood Nevada Bonds):	<u>386,568</u>	<u>354,788</u>
Restricted investments:		
Cash and cash equivalents	162,443	40,383
Mutual funds	11,290	9,390
Equity securities	1,989	1,672
Exchange-traded funds and closed-end funds	16,850	15,356
Domestic corporate debt	4,774	4,583
U.S. government securities	5,030	4,437
Municipal bonds	1,489	1,667
Foreign government securities	185	116
Alternative investments	<u>2,008</u>	<u>751</u>
Total restricted investments	<u>206,058</u>	<u>78,355</u>
Total investments, designated investments and restricted investments	<u>\$ 592,626</u>	<u>\$ 433,143</u>

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Investments held as of December 31, 2021 and 2020 were comprised of the following (at fair value) (in thousands):

	<u>2021</u>	<u>2020</u>
Restricted investments:		
Principal, interest and other reserves held in trust under bond indenture or mortgage agreements	\$ 7,932	\$ 6,716
Undrawn funds held for LPC construction projects	155,253	31,931
Donor-restricted investments, including investments held in trust under revocable trust, gift annuity, annuity trust or unitrust agreements	<u>42,873</u>	<u>39,708</u>
Total restricted investments	206,058	78,355
Investments in HumanGood Nevada Bonds	43,819	4,242
Investments, unrestricted	211,792	226,580
Investments, designated	<u>130,957</u>	<u>123,966</u>
Total investments, designated investments and restricted investments	<u>\$ 592,626</u>	<u>\$ 433,143</u>

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

	<u>2021</u>	<u>2020</u>
Designated for Benevolence	\$ 65,829	\$ 59,013
Designated for Retirement	5,301	4,953
Designated for Innovation	10,000	10,000
Designated for Capital Projects	<u>49,827</u>	<u>50,000</u>
Total designations	<u>\$ 130,957</u>	<u>\$ 123,966</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>
Total dividend, interest and other investment income, net of expense	\$ 6,507	\$ 7,310
Total realized gains (losses) on investments	15,403	(3,231)
Total net change in unrealized gains on investments	3,218	21,856
Unrealized loss on investment in HumanGood Nevada Bonds	-	(535)
Realized gain from investment in HumanGood Nevada Bonds	<u>8,834</u>	<u>-</u>
Total	<u>\$ 33,962</u>	<u>\$ 25,400</u>

Investment income is net of investment expenses of \$1,307,000 and \$1,123,000 for the years ended December 31, 2021 and 2020, respectively.

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Fair Value Measurements

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

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

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

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

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

- Mutual funds - Mutual funds registered with the U.S. Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the NAV of shares, and are categorized as Level 1.
- Equities, exchange-traded funds and closed-end funds - Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1.
- Corporate debt (domestic and foreign) - Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations and recently executed transactions in securities of the issuer or comparable issuers. To the extent that these inputs are observable and timely, the values are categorized as Level 2.
- Government securities (U.S. and foreign) - Government securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.
- Municipal bonds - Municipal bonds are valued using inputs and techniques which include identification of similar issues and market activity. To the extent that these inputs are observable and timely, values are categorized as Level 2.
- Investments in HumanGood Nevada Bonds - The fair value is estimated by a third-party using a small sample of sales comparables of other nonrelated LPC fixed rate bonds. Due to a lack of available Level 1 and Level 2 inputs, the investments have been classified as Level 3.
- Alternative investments valued at NAV - Primarily hedge funds are valued at NAV per share of the underlying investment fund. In accordance with ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate NAV per Share (or Its Equivalent)*, investments are not categorized within the fair value hierarchy.
- Interest rate swaps and caps agreements - The fair value is estimated by a third-party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified as Level 2.

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The following table presents the fair value measurements of financial instruments recognized in the accompanying combined balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall as of December 31, 2021 and 2020 (in thousands):

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

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	2020			Total
	Level 1	Level 2	Level 3	
Investments, designated investments and restricted investments:				
Mutual funds:				
Equity	\$ 18,879	\$ -	\$ -	\$ 18,879
Fixed income	92,671	-	-	92,671
Open funds	17,346	-	-	17,346
Equity securities	70,588	-	-	70,588
Exchange-traded funds and closed-end funds	53,865	-	-	53,865
Domestic corporate debt	-	54,853	-	54,853
U.S. government securities	-	46,865	-	46,865
Municipal bonds	-	14,981	-	14,981
Foreign government securities	-	1,612	-	1,612
Investments in HumanGood Nevada Bonds	-	-	4,242	4,242
Total investments, designated investments and restricted investments measured at fair value	<u>\$ 253,349</u>	<u>\$ 118,311</u>	<u>\$ 4,242</u>	375,902
Alternative investments valued at NAV				3,075
Cash and cash equivalents				<u>54,166</u>
Total investments, designated investments and restricted investments				<u>\$ 433,143</u>
Interest rate swaps and caps measured at fair value	<u>\$ -</u>	<u>\$ 1,011</u>	<u>\$ -</u>	<u>\$ 1,011</u>

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

Balance, December 31, 2019	\$ 5,018
Purchases, issuances and settlements	(241)
Unrealized loss on investment in HumanGood Nevada Bonds	(535)
Balance, December 31, 2020	4,242
Purchases, issuances and settlements	30,743
Realized gains on investment in HumanGood Nevada Bonds	8,834
Balance, December 31, 2021	<u>\$ 43,819</u>

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5. Land, Buildings and Equipment, Net

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

	<u>2021</u>	<u>2020</u>
Land	\$ 18,108	\$ 19,674
Land improvements	17,978	16,553
Buildings and improvements	764,122	762,074
Furnishings, equipment and automotive	76,506	74,172
Total	876,714	872,473
Accumulated depreciation	<u>(450,194)</u>	<u>(423,882)</u>
Total	426,520	448,591
Construction in progress	<u>40,341</u>	<u>26,033</u>
Land, Buildings and equipment, net	<u>\$ 466,861</u>	<u>\$ 474,624</u>

Depreciation expense for the years ended December 31, 2021 and 2020, respectively, was \$41,629,000 and \$42,461,000.

Fully depreciated assets of \$15,360,000 and \$16,227,000 were disposed of during the years ended 2021 and 2020, respectively.

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

The Corporations have entered into negotiations to sell operating assets to unrelated parties. Management evaluated the accounting treatment of the land and building based on ASC Topic 360, *Property, Plant and Equipment*, and met the criteria for assets held for sale as of December 31, 2021 and is being accounted for at the lower of cost or net realizable value. No impairment loss has been recorded in the accompanying combined statement of operations for the year ended December 31, 2021, as the fair value exceeds the net book value of the property. The carrying amount of the assets held for sale was \$5,949,000 as of December 31, 2021 and is included land, buildings and equipment, net in the accompanying combined balance sheets.

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6. Notes and Bonds Payable, Net

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

	2021	2020
Secured		
Bonds used to refinance existing debt and renovate HumanGood California Obligated Group communities, all secured under a Master Trust Indenture by HumanGood California Obligated Group's gross revenues pledged with certain others secured by the HumanGood California Obligated Group's assets:		
NorCal Series 2015 Tax-Exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated May 28, 2015). Serial certificates in the aggregate amount of \$30,550 maturing annually through 2028 with annual principal payable commencing on October 1, 2016, in varying amounts ranging from \$1,885 to \$3,080 through 2028; interest at fixed rates ranging from 2.0% to 5.0%, payable semiannually on April 1 and October 1. Term bond in the amount of \$21,530 with annual principal payments commencing on October 1, 2037, in varying amounts ranging from \$345 to \$4,780 through 2045; interest at the fixed rate of 5.0%, payable semiannually on April 1 and October 1. Bonds are secured under a Master Trust Indenture on HumanGood California Obligated Group's assets and gross revenues pledge and a Foundation West limited guaranty.	\$ 40,455	\$ 42,710
SoCal Series 2015 Tax-Exempt Revenue Bonds issued by the California Municipal Finance Authority in December 2015 and maturing in December 2036 to refund existing Series 2006 Bonds as well as to support additional construction projects at White Sands La Jolla and Westminster Gardens. Annual principal payable in varying amounts ranging from \$0 to \$990 through 2020, and amounts ranging from \$1,045 to \$5,130 through 2036; interest at variable rate of the current index, 65.1% of the one-month LIBOR, plus 1.5%, which was 1.59% at December 31, 2021.	42,210	43,255
Series 2019A Tax-Exempt Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated August 1, 2019) to refund existing NorCal Series 2010 and SoCal Series 2009 Bonds and as well as to support additional construction projects for COG communities, with annual principal payable commencing on October 1, 2028, in varying amounts ranging from \$2,865 to \$5,370 through 2036, and \$11,810 to \$13,370 through 2044, interest at fixed rate of 4% through 2039 and ranging from 4.00% to 5.00% through 2044, payable annually on October 1.	141,705	141,705

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	<u>2021</u>	<u>2020</u>
Series 2019B Taxable Bonds issued concurrently with Series 2019A in August 2019 and maturing in 2028 with annual principal payable in varying amounts ranging from \$2,995 in 2020 to \$3,415 in 2027 and \$650 in 2028; interest at fixed rate of 3% through 2028, payable annually on October 1.	\$ 19,745	\$ 22,615
Series 2020A Tax-Exempt Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated October 1, 2020) and subsequently sold and delivered to Washington Federal Bank to refund existing NorCal Series 2012A Bonds in a tax-exempt variable rate mode with interest payable monthly based on the sum of one-month LIBOR, plus a bank credit spread multiplied by a factor of 79%. Interest rate at December 31, 2021 was 1.21%. Principal payments are payable annually commencing on October 1, 2021, in varying amounts ranging from \$770 to \$1,125 through 2036. In connection with the issuance of the Series 2020A Bonds, an interest rate cap was purchased with an "all in" strike price of 3.50% and an expiration of November 1, 2035. Bonds are secured under a Master Trust Indenture on HumanGood California Obligated Group's gross revenues pledge.	14,710	15,480
Series 2020B Taxable Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated October 1, 2020) and subsequently sold and delivered to Washington Federal Bank to refund existing NorCal Series 2013A Bonds and TSJG Series 2012A Bonds, initially in a taxable variable rate mode with interest payable monthly based on one-month LIBOR, plus a bank credit spread, convertible to a tax-exempt variable rate mode after August 1, 2022 with interest payable monthly based on the sum of one-Month LIBOR, plus a bank credit spread multiplied by a factor of 79%. Interest rate at December 31, 2021 was 1.50%. Principal payments on the Series 2020B Bonds are payable annually commencing on October 1, 2021, through 2047. In connection with the Series 2020B Bonds, an interest rate cap was purchased with an "all in" strike price of 1.6% and an expiration of August 1, 2022 and a forward starting swap was entered into, beginning August 1, 2022 at a fixed rate of 0.768% and expiring November 1, 2035. Bonds are secured under a Master Trust Indenture on HumanGood California Obligated Group's gross revenues pledge.	63,270	64,765

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	<u>2021</u>	<u>2020</u>
Series 2020 Taxable Bank Loan for \$33,755, with loan draws available over the initial 24 months subsequent to issuance, issued directly to HumanGood California Obligated Group (dated October 1, 2020) by Washington Federal Bank in a taxable variable rate mode with interest payable monthly based on one-month LIBOR plus a bank credit spread. Principal payments are payable monthly, commencing December 1, 2022 in varying amounts ranging from \$90 to \$190 through October 1, 2047. In connection with the Series 2020 Taxable Loan, a forward starting swap for the full loan amount was entered into, beginning November 1, 2022 at a fixed rate of 0.996% and expiring November 1, 2035. Interest rate at December 31, 2021 was 1.51%.	\$ 2,110	\$ 2,110
Series 2021 Tax-Exempt Revenue Bonds issued by the California Municipal Finance Authority (dated September 1, 2021) and maturing in 2049 with annual principal payable in varying amounts ranging from \$85 in 2024 to \$26,610 in 2049; interest at fixed rates ranging from 3% to 5% for the various tranches of the debt, payable annually on October 1.	120,000	-
Other Secured Obligations		
Piedmont Gardens Elevator Construction Loan issued in December 2016 and maturing in December 2023. Monthly principal and interest payments in the amount of \$46 began upon completion of construction; interest at a fixed rate of 2.89%. The Elevator Construction Loan is secured by the respective elevator.	1,070	1,584
Total	445,275	334,224
Unsecured		
Note payable to individual bearing interest at 4.5%	800	1,000
Total	446,075	335,224
Less current portion of notes and bonds payable	(9,524)	(9,149)
Add unamortized bond premium	30,206	17,754
Less unamortized bond issuance costs, net	(6,029)	(4,848)
Notes and bonds payable, net	<u>\$ 460,728</u>	<u>\$ 338,981</u>

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

Years ending December 31:	
2022	\$ 9,524
2023	10,761
2024	11,135
2025	11,520
2026	11,705
Thereafter	391,430
Total	<u>\$ 446,075</u>

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

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

Loss on Early Retirement of Debt

During October 2020, HumanGood California Obligated Group completed a financing transaction and closed \$125,000,000 of bank capital with Washington Federal Bank, which was comprised of:

- \$15,480,000 Series 2020A Tax-Exempt Revenue and Refunding Bonds, refunding the existing Tax-Exempt Series 2012 Private Placement Bonds with PNC Bank;
- \$64,765,000 Series 2020B Taxable Revenue and Refunding Bonds (through a so-called Cinderella Financing), which used taxable proceeds to legally defease the existing Tax-Exempt Series 2012A and 2013A Bonds, and then is convertible to tax-exempt bonds subsequent to the advanced refunding of the defeased bonds.
- \$33,755,000 Taxable Term Loan with the loan draws available over the initial 24 months subsequent to issuance; and
- \$11,000,000 million Taxable Revolving Line of Credit with a five-year term and a taxable variable rate with interest payable monthly based on one-month LIBOR plus a bank credit spread.

The majority of the proceeds were used to refund the NorCal Series 2012 Bonds, and to defease the NorCal Series 2013 and HumanGood Fresno Series 2012 Bonds. In conjunction with this transaction, the HumanGood California Obligated Group recorded a loss on early retirement of debt that is included in the combined statement of operations and changes in net assets.

The loss consists of the following (in thousands):

Deposit to escrow deposit fund	\$	86,476
NorCal Series 2012 Bonds outstanding		(15,275)
NorCal Series 2013 Bonds outstanding		(19,140)
Fresno 2012 Bonds outstanding		(45,055)
Accrued interest		(292)
Subtotal		6,714
Unamortized debt issuance costs		2,233
Unamortized bond issuance premiums		(1,327)
Total	\$	<u>7,620</u>

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7. Interest Rate Caps and Swaps

On December 1, 2015, HumanGood SoCal entered into an interest rate cap agreement with a counterparty to extend the management of interest rate risk on \$25,000,000 of its Series 2015 Tax-Exempt Variable Rate Revenue Bonds from December 1, 2015 to December 1, 2025. The agreement establishes that when 65.1 percent of the one-month LIBOR rate exceeds 2.50 percent, SoCal is reimbursed for the excess by the counterparty to the transaction.

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

For the years ended December 31, 2021 and 2020, the aforementioned floating interest rates for the cap and swap agreements failed to exceed the respective cap and strike rates, and thus none of the aforementioned cap and swap agreements had an impact on interest expense.

The fair value of the interest rate caps and swaps was \$4,658,000 and \$1,011,000 as of December 31, 2021 and 2020, respectively. The unrealized gain from mark-to-market of floating to fixed rate interest rate caps was \$3,647,000 and \$808,000 for the years ended December 31, 2021 and 2020, respectively.

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8. Employee Benefit Plans

Defined Benefit Pension Plan

HumanGood SoCal has a defined benefit retirement plan (the Plan) which, prior to being frozen, provided retirement benefits through a noncontributory defined benefit retirement plan for substantially all full-time SoCal employees. On October 22, 2009, the Board of Directors of SoCal froze the Plan, whereby effective October 31, 2009, further accrual of benefits ceased for participants in the Plan. SoCal has not taken action to terminate the Plan.

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

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

A summary of the components of net periodic pension cost as of the date of the actuarial valuation for the years ended December 31, 2021 and 2020 is as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Changes in projected benefit obligation:		
Projected benefit obligation, January 1	\$ 42,719	\$ 40,083
Service cost	-	-
Interest cost	1,088	1,314
Settlement gain	(511)	-
Benefits paid	(1,221)	(1,173)
Settlement payments	(1,983)	(1,544)
Actuarial loss	2,278	4,039
Projected benefit obligation, December 31	<u>42,370</u>	<u>42,719</u>
Changes in plan assets:		
Fair value of plan assets, January 1	41,719	40,303
Actual return on plan assets	1,463	3,227
Employer contributions	1,083	1,000
Expenses	-	(94)
Settlement payments	(1,983)	(1,544)
Benefits paid	(1,221)	(1,173)
Fair value of plan assets, December 31	<u>41,061</u>	<u>41,719</u>
Funded status	<u>\$ (1,309)</u>	<u>\$ (1,000)</u>
Accumulated benefit obligation	<u>\$ (42,370)</u>	<u>\$ (42,719)</u>
Amounts recognized in retirement liabilities in the accompanying combined balance sheets	<u>\$ (1,309)</u>	<u>\$ (1,000)</u>

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Components of net periodic benefit cost:		
Interest cost	\$ 1,088	\$ 1,314
Expected return on plan assets	(1,610)	(1,561)
Net loss amortization	<u>1,233</u>	<u>1,152</u>
Net periodic benefit cost	711	905
Settlement charge	<u>576</u>	<u>441</u>
Total benefit expense	<u>\$ 1,287</u>	<u>\$ 1,346</u>
Net losses recognized in net assets without donor restrictions	<u>\$ (104)</u>	<u>\$ (875)</u>
Amounts not yet reflected in periodic benefit costs and recognized in accumulated net assets without donor restrictions, net actuarial loss	<u>\$ 12,313</u>	<u>\$ 12,209</u>
Total accumulated charge to net assets without donor restrictions	<u>\$ 12,313</u>	<u>\$ 12,209</u>

In 2021 and 2020, SoCal offered lump sum payouts for certain terminated vested participants. Approximately \$1,983,000 and \$1,544,000 was paid out during the 2021 and 2020 plan years, respectively, under this program.

Weighted-average assumptions used to determine benefit obligations as of December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	2.66 %	2.67 %
Rate of compensation	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	2.67 %	3.43 %
Expected long-term rate of return on plan assets	4.00	4.00
Rate of compensation	N/A	N/A

SoCal determines the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset class returns and advice from external actuarial firms, while incorporating specific asset class risk factors. For the years ended December 31, 2021 and 2020, the expected long-term rate of return used in determining net periodic pension cost was 4.00 percent.

The Plan invests primarily in asset categories to permit conservative investments with minimal risk of loss of principal. The Plan invests in asset categories that provide diversification benefits and are easily measured. Maximum and minimum holding ranges for each of these asset categories are set by the investment committee and defined in an investment policy. The current target allocations for equity and fixed income are 20 percent and 80 percent, respectively, for the years ended December 31, 2021 and 2020. Actual asset allocation within these approved ranges is based on a variety of economic and market conditions and consideration of specific asset category risk. To assess the Plan's investment performance, a long-term asset allocation policy benchmark has been established. The Plan's assets are invested in separate accounts which are considered Level 2 securities and the asset allocation was in line with the target allocations as of December 31, 2021 and 2020.

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

SoCal expects to contribute approximately \$1,000,000 to the Plan during the year ending December 31, 2022. SoCal estimates that benefit payments will be paid over the next ten years as follows (in thousands):

Years ending December 31:		
2022	\$	3,115
2023		2,402
2024		2,857
2025		3,244
2026		2,682
2027 - 2031		<u>12,065</u>
Total	\$	<u>26,365</u>

Actuarial losses of \$789,000 related to the Plan are expected to be recognized as a component of the change in minimum pension liability during the year ending December 31, 2022. Management has included the net periodic pension cost in SoCal's 2022 operating budget.

Supplemental Retirement Income Plan Agreements

Certain NorCal management employees or retirees of NorCal participate in supplemental retirement income plans, and have individually entered into agreements with NorCal whereby the employees will be provided specific amounts of annual retirement income for the balance of their lifetime following retirement. During 2005, accrued benefits for active participants in the supplemental retirement income plan were transferred into a new nonqualified plan under IRC 457(f) that distributes a lump-sum payment at age 65. On October 2, 2015, the plan was frozen to new entrants. On December 1, 2017, the HumanGood Board of Directors elected to terminate the plan and, in 2018, final termination payouts of \$2,143,000 were made. Subsequent to the termination and payout of the IRC 457(f) plan, the remaining NorCal frozen supplemental retirement income plan had a present value of future payments to participants of \$1,485,000 and \$1,680,000 as of December 31, 2021 and 2020, respectively and are included in retirement liabilities in the accompanying combined balance sheets. Assets available for benefits to this remaining pool of participants are subject to the claims of the NorCal's creditors. The assets are included in designated investments in the accompanying combined balance sheets and amounted to \$5,301,000 and \$4,953,000 as of December 31, 2021 and 2020, respectively.

In 2020, a separate IRC 457(f) plan was established for certain key executive leadership whereby the plan will fund based on predetermined annual contributions and earn a return equal to the Consumer Price Index rate plus 2.5 percent with a cap of 6.0 percent, with a present value of future anticipated participant distributions of \$674,000 and \$318,000 as of December 31, 2021 and 2020, respectively, which is included in retirement liabilities in the accompanying combined balance sheets.

Defined Contribution Plan

The Corporations also participate in a defined contribution retirement plan covering all eligible employees. The Corporations' contribution is a match of employee contributions up to 4 percent of eligible earnings in a calendar year. Annual expenses incurred under the plan for the years ended December 31, 2021 and 2020, respectively, were approximately \$3,219,000 and \$3,294,000.

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

9. Self-Insured Programs

Workers' Compensation Plan

The Corporations are self-insured to a stipulated retention amount followed by a commercial policy with a major insurance company providing benefits up to state statutory limits for 2021 and 2020. Claims are accrued under the plan as the incidents that give rise to them occur. The estimate of incurred but not reported claims is based on actuarial projections of the ultimate cost of settlement, including claim settlement expenses, using the Corporations' historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. The Corporations have recorded a total liability for claims payable of \$18,086,000 and \$16,112,000, including an estimate of incurred but not reported claims as of December 31, 2021 and 2020, respectively. The estimated insurance recovery receivables of \$6,034,000 and \$4,948,000 are recorded under other receivables in the accompanying combined balance sheets as of December 31, 2021 and 2020, respectively. As required by the insurer, the Corporations have obtained a letter of credit for \$1,108,000 in connection with this program, subject to annual renewal, with the next scheduled renewal date on September 30, 2022.

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

Health Insurance Plan

Effective in 2019, the Corporations are self-insured for health insurance claims for eligible active employees with certain self-insured retention limits. Based on claims incurred through December 31, an estimated liability for claims incurred, but not paid of \$2,162,000 and \$2,074,000 is included in accounts payable and accrued expenses in the accompanying combined balance sheets as of December 31, 2021 and 2020, respectively. The estimate of incurred but not paid claims is based on actuarial projections using the Corporations' historical claim payment experience and previous patterns of payments. While estimates are based on the information and data available at a point in time, management believes that the recorded liability has been properly accounted for and accrued at December 31, 2021 and 2020.

Professional Liability Insurance

The Corporations have secured claims-made policies for malpractice and general liability insurance with certain self-insured retentions. The Corporations have accrued liabilities of \$709,000 and \$1,375,000 as its best estimate of the cost of known claims incurred prior to December 31, 2021 and 2020, respectively. Related insurance recovery receivables of \$150,000 and \$765,000 as of December 31, 2021 and 2020, respectively, are recorded under other receivables in the accompanying combined balance sheets. In addition, the Corporations have accrued liabilities of \$2,308,000 as of December 31, 2021 and 2020, as its best estimate of the cost of claims incurred but not yet reported. These liabilities are included in accounts payable and accrued expenses in the accompanying combined balance sheets.

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

12. Transactions With Affiliates

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

Management fees for providing these services for the years ended December 31, 2021 and 2020, are included in other operating revenues earned by the Corporations in the accompanying combined statements of operations and changes in net assets and are as follows (in thousands):

	<u>2021</u>	<u>2020</u>
HumanGood LPCs Management Fee:		
Terraces of Phoenix	\$ 1,826	\$ 1,968
Judson Park	1,857	1,888
Las Ventanas	2,952	612
Terraces of Boise	277	-
HumanGood Affordable Housing Cost Allocation	<u>300</u>	<u>300</u>
 Total	 <u>\$ 7,212</u>	 <u>\$ 4,768</u>

During the year ended December 31, 2021, in conjunction with the debt restructuring of Las Ventanas (see Note 1), Las Ventanas paid to NorCal \$2,412,000 in deferred management fees. Interest and management fees due from affiliates in the accompanying combined balance sheets include deferred management fees due from Las Ventanas in the amounts of \$0 and \$2,662,000, deferred management fees due from the Terraces of Boise in the amounts of \$416,000 and \$0, as well as interest income receivable from Beacon Development Group, related to the outstanding purchase note described further in Note 1, in the amounts of \$61,000 and \$17,000 as of December 31, 2021 and 2020, respectively.

Amounts due from affiliates for management fees and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance are included in intercompany advances due as of December 31, 2021 and 2020 in the accompanying combined balance sheets, and are as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Due from HumanGood Affordable Housing and Affiliates	\$ 3,988	\$ 2,600
Due from HumanGood SoCal Affordable Housing Communities	841	873
Due from HumanGood Washington	2,250	3,326
Due from (to) HumanGood Arizona, Inc.	242	(337)
Due from HumanGood Idaho	214	76
Due from HumanGood Nevada	320	755
Due from HumanGood East	901	289
Due (to) from HumanGood Cornerstone and certain affiliates	<u>(112)</u>	<u>93</u>
 Total	 <u>\$ 8,644</u>	 <u>\$ 7,675</u>

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

Other affiliate distributions and equity transfers in the accompanying combined statements of operations and changes in net assets is primarily comprised of cash distributions of \$5,050,000 and \$5,000,000 from NorCal and SoCal to Cornerstone for the years ended December 31, 2021 and 2020, respectively.

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

13. Commitments and Contingencies

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

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

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

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

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 Corporations, 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 Corporations' evaluation of the effects of these events is ongoing as of the date the accompanying combined financial statements were issued. COVID-19 may impact various parts of the Corporations' 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 Corporations have provided up to date information on their COVID-19 response through a dedicated page on the Corporations' website.

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

Notes to Combined Financial Statements
December 31, 2021 and 2020

14. Concentrations of Credit Risk

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

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

15. Subsequent Events

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

The Corporations have evaluated subsequent events through April 28, 2022, which is the date the combined financial statements were issued.

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

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

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

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

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

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

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

Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

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

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

Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

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

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

Combining Statement of Cash Flows Schedule
Year Ended December 31, 2021
(In Thousands)

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

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

Combining Statement of Cash Flows Schedule
Year Ended December 31, 2021
(In Thousands)

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

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

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

HumanGood California Obligated Group & Foundation Affiliates

(Members of HumanGood)

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

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

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2021

(In Thousands)

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

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

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

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

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

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

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

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

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

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

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

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

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Assets										
Current Assets										
Cash and cash equivalents	\$ 17,771	\$ 1,787	\$ 1,884	\$ -	\$ 21,442	\$ 721	\$ 850	\$ 1,571	\$ -	\$ 23,013
Resident accounts receivable, net	7,575	4,580	523	-	12,678	4	-	4	-	12,682
Other receivables	3,033	4,118	5	-	7,156	633	-	633	-	7,789
Current portion of restricted investments	3,661	-	4	-	3,665	-	-	-	-	3,665
Intercompany advances due	10,276	(1,150)	(1,264)	-	7,862	(168)	(19)	(187)	-	7,675
Prepaid expenses, deposits and other assets	6,234	1,350	1,321	-	8,905	-	-	-	-	8,905
Total current assets	48,550	10,685	2,473	-	61,708	1,190	831	2,021	-	63,729
Restricted Cash	-	5,105	-	-	5,105	-	-	-	-	5,105
Investments	102,124	98,966	15,889	-	216,979	-	9,601	9,601	-	226,580
Designated Investments	51,017	13,936	-	-	64,953	59,013	-	59,013	-	123,966
Investments in HumanGood Nevada Bonds	4,242	-	-	-	4,242	-	-	-	-	4,242
Restricted Investments	34,982	-	-	-	34,982	12,839	26,869	39,708	-	74,690
Subordinated Notes Receivable, Net	40,713	-	-	(28,141)	12,572	-	-	-	-	12,572
Land, Buildings and Equipment, Net	230,823	163,754	80,047	-	474,624	-	-	-	-	474,624
Interest and Management Fees Due From Affiliates	9,879	-	-	(7,200)	2,679	-	-	-	-	2,679
Other Noncurrent Assets	2,687	3,079	-	-	5,766	-	-	-	-	5,766
Total assets	\$ 525,017	\$ 295,525	\$ 98,409	\$ (35,341)	\$ 883,610	\$ 73,042	\$ 37,301	\$ 110,343	\$ -	\$ 993,953

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

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

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Liabilities and Net Assets (Deficit)										
Current Liabilities										
Accounts payable and accrued expenses	\$ 26,932	\$ 6,812	\$ 8,295	\$ (6,396)	\$ 35,643	\$ 83	\$ 29	\$ 112	\$ -	\$ 35,755
Deposits	1,983	766	122	-	2,871	-	-	-	-	2,871
Accrued interest	2,225	124	804	(804)	2,349	-	-	-	-	2,349
Current portion of notes and bonds payable	5,894	2,206	1,049	-	9,149	-	-	-	-	9,149
Entrance fee rebates payable	-	233	198	-	431	-	-	-	-	431
Total current liabilities	37,034	10,141	10,468	(7,200)	50,443	83	29	112	-	50,555
Notes and Bonds Payable, Net	183,202	112,285	71,635	(28,141)	338,981	-	-	-	-	338,981
Rebatable Entrance Fees Due	94,877	50,537	32,752	-	178,166	-	-	-	-	178,166
Entrance Fees Subject to Refund	34,265	35,016	6,546	-	75,827	-	-	-	-	75,827
Entrance Fees Nonrefundable	113,160	57,140	17,487	-	187,787	-	-	-	-	187,787
Revocable Trusts	-	-	-	-	-	275	-	275	-	275
Obligations Under Annuity Agreements	-	-	-	-	-	1,770	1,629	3,399	-	3,399
Retirement Liabilities	2,652	1,339	-	-	3,991	-	-	-	-	3,991
Workers' Compensation Liability	7,072	9,040	-	-	16,112	-	-	-	-	16,112
Other Liabilities	14,467	154	41	(7,200)	7,462	-	-	-	-	7,462
Total liabilities	486,729	275,652	138,929	(42,541)	858,769	2,128	1,658	3,786	-	862,555
Net Assets (Deficit)										
Without donor restrictions	38,288	19,873	(40,520)	7,200	24,841	59,168	9,780	68,948	-	93,789
With donor restrictions	-	-	-	-	-	11,746	25,863	37,609	-	37,609
Total net assets (deficit)	38,288	19,873	(40,520)	7,200	24,841	70,914	35,643	106,557	-	131,398
Total liabilities and net assets (deficit)	\$ 525,017	\$ 295,525	\$ 98,409	\$ (35,341)	\$ 883,610	\$ 73,042	\$ 37,301	\$ 110,343	\$ -	\$ 993,953

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

Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2020

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions										
Operating revenues:										
Residential living	\$ 55,956	\$ 40,417	\$ 11,301	\$ -	\$ 107,674	\$ -	\$ -	\$ -	\$ -	\$ 107,674
Assisted living	16,706	13,467	3,880	-	34,053	-	-	-	-	34,053
Health center	51,572	26,429	7,292	-	85,293	-	-	-	-	85,293
Memory care	8,491	3,125	2,238	-	13,854	-	-	-	-	13,854
Other residential services	1,755	1,933	69	-	3,757	-	-	-	-	3,757
Amortization of entrance fees	24,457	15,979	3,839	-	44,275	-	-	-	-	44,275
COVID relief funding	4,529	2,873	936	-	8,338	-	-	-	-	8,338
Other operating revenues	8,424	1,248	182	(2,162)	7,692	-	-	-	-	7,692
Net assets released from restrictions	-	-	-	-	-	2,515	1,610	4,125	-	4,125
Unrestricted contributions	-	-	-	-	-	1,338	(5)	1,333	-	1,333
Foundation community benefit	841	265	255	-	1,361	-	-	-	(1,361)	-
Total operating revenues	172,731	105,736	29,992	(2,162)	306,297	3,853	1,605	5,458	(1,361)	310,394
Operating expenses:										
Salaries and wages	71,955	47,546	9,243	-	128,744	206	155	361	-	129,105
Employee benefits	18,294	13,856	2,347	-	34,497	50	45	95	-	34,592
Supplies	11,789	8,814	2,492	-	23,095	1	17	18	-	23,113
Ancillary services	7,912	2,850	1,416	-	12,178	-	-	-	-	12,178
Repairs and maintenance	2,385	1,910	387	-	4,682	-	-	-	-	4,682
Marketing and advertising	1,831	1,510	575	-	3,916	-	-	-	-	3,916
Purchased services	8,577	6,165	1,023	-	15,765	40	14	54	-	15,819
Corporate allocations	-	-	2,162	(2,162)	-	-	-	-	-	-
Utilities	5,896	4,970	1,445	-	12,311	1	1	2	-	12,313
Travel and related	589	393	35	-	1,017	12	1	13	-	1,030
Leases and rents	1,334	402	148	-	1,884	-	-	-	-	1,884
Insurance	2,290	1,414	368	-	4,072	-	-	-	-	4,072
Foundation community distributions	-	-	-	-	-	1,096	265	1,361	(1,361)	-
Other operating expenses	1,458	2,687	587	-	4,732	2,312	1,112	3,424	-	8,156
Total operating expenses	134,310	92,517	22,228	(2,162)	246,893	3,718	1,610	5,328	(1,361)	250,860
Income (loss) before other operating income (expense)	38,421	13,219	7,764	-	59,404	135	(5)	130	-	59,534
Other operating income (expense):										
Realized (losses) gains on investments, net	(2,434)	1,946	356	-	(132)	(2,072)	(339)	(2,411)	-	(2,543)
Change in unrealized gains (losses) on investments, net	6,561	8,848	(94)	-	15,315	3,876	626	4,502	-	19,817
Unrealized losses on investment in HumanGood Nevada Bonds	(535)	-	-	-	(535)	-	-	-	-	(535)
Investment income, net	6,817	2,433	284	(4,150)	5,384	1,043	185	1,228	-	6,612
Mortgage interest	(6,984)	(3,562)	(3,806)	1,406	(12,946)	-	-	-	-	(12,946)
Depreciation	(20,165)	(17,538)	(4,758)	-	(42,461)	-	-	-	-	(42,461)
Losses on early retirement of debt	(1,774)	-	(5,846)	-	(7,620)	-	-	-	-	(7,620)
Income (loss) from operations	19,907	5,346	(6,100)	(2,744)	16,409	2,982	467	3,449	-	19,858

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

Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2020

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions (Continued)										
Other changes in net assets without donor restrictions:										
Change in minimum pension liability	\$ -	\$ (875)	\$ -	\$ -	\$ (875)	\$ -	\$ -	\$ -	\$ -	\$ (875)
Other affiliate distributions and equity transfers	(3,886)	(806)	6	-	(4,686)	-	(456)	(456)	-	(5,142)
Unrealized gains on interest rate swaps and caps	754	54	-	-	808	-	-	-	-	808
Change in net assets without donor restrictions	16,775	3,719	(6,094)	(2,744)	11,656	2,982	11	2,993	-	14,649
Changes in Net Assets With Donor Restrictions										
Dividend and interest income	-	-	-	-	-	224	474	698	-	698
Unrealized gains on investments with donor restrictions, net	-	-	-	-	-	577	1,462	2,039	-	2,039
Restricted equity contributions	-	-	-	-	-	-	456	456	-	456
Contributions	-	-	-	-	-	2,914	2,961	5,875	-	5,875
Net assets released from restrictions for benevolence	-	-	-	-	-	-	(227)	(227)	-	(227)
Contractual payments to beneficiaries	-	-	-	-	-	(359)	(1,199)	(1,558)	-	(1,558)
Realized losses on investments, net	-	-	-	-	-	(35)	(653)	(688)	-	(688)
Contractual liability adjustments	-	-	-	-	-	151	347	498	-	498
Net assets released from restrictions for special project funds	-	-	-	-	-	(2,515)	(1,383)	(3,898)	-	(3,898)
Change in net assets with donor restrictions	-	-	-	-	-	957	2,238	3,195	-	3,195
Change in net assets	16,775	3,719	(6,094)	(2,744)	11,656	3,939	2,249	6,188	-	17,844
Net Assets (Deficit), Beginning	21,513	16,154	(34,426)	9,944	13,185	66,975	33,394	100,369	-	113,554
Net Assets (Deficit), Ending	\$ 38,288	\$ 19,873	\$ (40,520)	\$ 7,200	\$ 24,841	\$ 70,914	\$ 35,643	\$ 106,557	\$ -	\$ 131,398

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

Combining Statement of Cash Flows Schedule
Year Ended December 31, 2020
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Cash Flows From Operating Activities										
Cash received for resident services	\$ 135,641	\$ 84,810	\$ 25,238	\$ -	\$ 245,689	\$ -	\$ -	\$ -	\$ -	\$ 245,689
Cash received from nonrebatable entrance fees from reoccupancy	25,441	15,866	2,616	-	43,923	-	-	-	-	43,923
Cash received from COVID relief funding	4,680	2,873	936	-	8,489	-	-	-	-	8,489
Cash received from other operating activities	6,314	1,477	602	(1,052)	7,341	(116)	15	(101)	(1,361)	5,879
Cash received from bequests and trust maturities	-	-	-	-	-	1,338	(5)	1,333	-	1,333
Cash earnings realized from investments	4,351	4,352	640	(4,150)	5,193	(1,028)	(154)	(1,182)	-	4,011
Cash paid for employee salaries	(67,102)	(42,181)	(8,599)	-	(117,882)	(317)	(208)	(525)	-	(118,407)
Cash paid for employee benefits	(17,586)	(12,618)	(2,347)	-	(32,551)	(50)	(45)	(95)	-	(32,646)
Cash paid for temporary labor	(4,563)	(4,827)	(530)	-	(9,920)	-	-	-	-	(9,920)
Cash paid to vendors	(42,376)	(29,880)	(10,904)	2,162	(80,998)	(919)	187	(732)	1,361	(80,369)
Cash paid for interest	(5,098)	(3,819)	(7,111)	1,406	(14,622)	-	-	-	-	(14,622)
Net cash provided by (used in) operating activities	39,702	16,053	541	(1,634)	54,662	(1,092)	(210)	(1,302)	-	53,360
Cash Flows From Investing Activities										
Acquisition of land, buildings and equipment	(20,927)	(12,546)	(1,849)	-	(35,322)	-	-	-	-	(35,322)
Net (purchases) sales of unrestricted investments	(5,448)	(4,356)	(499)	-	(10,303)	1,048	287	1,335	-	(8,968)
Net (purchases) sales of restricted investments	(1,423)	258	(734)	-	(1,899)	1,001	2,249	3,250	-	1,351
Cash (paid for) received from intercompany and affiliate transactions	(6,332)	6,747	290	-	705	263	79	342	-	1,047
Net cash (used in) provided by investing activities	(34,130)	(9,897)	(2,792)	-	(46,819)	2,312	2,615	4,927	-	(41,892)
Cash Flows From Financing Activities										
Proceeds from rebatable entrance fees	12,235	3,432	739	-	16,406	-	-	-	-	16,406
Refunds of deposits and entrance fees	(11,096)	(10,421)	(3,626)	-	(25,143)	-	-	-	-	(25,143)
Proceeds from issuance of notes and bonds payable	2,043	-	-	-	2,043	-	-	-	-	2,043
Principal payments on notes and bonds payable	(5,645)	(2,201)	(2,339)	1,634	(8,551)	-	-	-	-	(8,551)
Cash paid for bond issuance costs	(1,633)	-	-	-	(1,633)	-	-	-	-	(1,633)
Cash paid for interest rate cap	(223)	-	-	-	(223)	-	-	-	-	(223)
Cash paid for other trust activity	-	-	-	-	-	(2,696)	(2,470)	(5,166)	-	(5,166)
Affiliate cash distributions	(3,886)	(806)	6	-	(4,686)	-	(456)	(456)	-	(5,142)
Cash received from restricted contributions	-	-	-	-	-	2,904	2,960	5,864	-	5,864
Net cash (used in) provided by financing activities	(8,205)	(9,996)	(5,220)	1,634	(21,787)	208	34	242	-	(21,545)
(Decrease) increase in cash, cash equivalents and restricted cash	(2,633)	(3,840)	(7,471)	-	(13,944)	1,428	2,439	3,867	-	(10,077)
Cash, Cash Equivalents and Restricted Cash, Beginning	56,010	10,732	9,359	-	76,101	859	1,618	2,477	-	78,578
Cash, Cash Equivalents and Restricted Cash, Ending	\$ 53,377	\$ 6,892	\$ 1,888	\$ -	\$ 62,157	\$ 2,287	\$ 4,057	\$ 6,344	\$ -	\$ 68,501

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

Combining Statement of Cash Flows Schedule
Year Ended December 31, 2020
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Noncash Disclosures										
Long-term debt repaid with proceeds from Series 2020 Bonds	\$ 34,415	\$ -	\$ 45,055	\$ -	\$ 79,470	\$ -	\$ -	\$ -	\$ -	\$ 79,470
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combining Balance Sheet										
Cash and cash equivalents	\$ 17,771	\$ 1,787	\$ 1,884	\$ -	\$ 21,442	\$ 721	\$ 850	\$ 1,571	\$ -	\$ 23,013
Restricted cash included in restricted investments	35,606	-	4	-	35,610	1,566	3,207	4,773	-	40,383
Restricted cash	-	5,105	-	-	5,105	-	-	-	-	5,105
Total cash, cash equivalents and restricted cash	\$ 53,377	\$ 6,892	\$ 1,888	\$ -	\$ 62,157	\$ 2,287	\$ 4,057	\$ 6,344	\$ -	\$ 68,501

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2020

(In Thousands)

	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	NorCal Community Support Center	Eliminations	HumanGood NorCal
Changes in Net Assets Without Donor Restrictions										
Operating revenues:										
Residential living	\$ 7,028	\$ 4,037	\$ 8,733	\$ 7,086	\$ 13,875	\$ 4,000	\$ 11,197	\$ -	\$ -	\$ 55,956
Assisted living	2,903	-	4,058	2,207	2,072	1,940	3,526	-	-	16,706
Health center	5,300	-	12,444	4,370	10,348	8,927	10,183	-	-	51,572
Memory care	1,738	-	1,469	445	1,904	1,156	1,779	-	-	8,491
Other residential services	66	139	654	226	233	145	292	-	-	1,755
Amortization of entrance fees	4,522	369	3,498	2,222	6,627	607	6,612	-	-	24,457
COVID relief funding	486	-	844	581	885	763	970	-	-	4,529
Other operating revenues	174	132	113	169	834	140	166	18,573	(11,877)	8,424
Foundation community benefit	111	42	60	187	301	140	-	-	-	841
Total operating revenues	22,328	4,719	31,873	17,493	37,079	17,818	34,725	18,573	(11,877)	172,731
Operating expenses:										
Salaries and wages	7,264	1,964	12,871	6,882	12,142	7,649	11,696	11,487	-	71,955
Employee benefits	1,748	469	3,396	1,746	3,118	1,966	2,754	3,097	-	18,294
Supplies	1,217	506	2,075	1,539	2,754	1,393	1,972	333	-	11,789
Ancillary services	900	6	1,386	757	1,124	1,922	1,817	-	-	7,912
Repairs and maintenance	296	32	477	275	560	253	473	19	-	2,385
Marketing and advertising	257	163	244	454	241	286	182	4	-	1,831
Purchased services	859	258	956	662	862	892	1,248	2,840	-	8,577
Corporate allocations	1,607	372	2,394	1,335	2,354	1,605	2,210	-	(11,877)	-
Utilities	665	408	1,091	852	1,150	585	945	200	-	5,896
Travel and related	21	23	39	74	84	31	51	266	-	589
Leases and rents	86	18	147	159	101	44	83	696	-	1,334
Insurance	245	61	388	259	439	306	381	211	-	2,290
Other operating expenses	534	145	670	535	574	497	713	(2,210)	-	1,458
Total operating expenses	15,699	4,425	26,134	15,529	25,503	17,429	24,525	16,943	(11,877)	134,310
Income (loss) before other operating income (expense)	6,629	294	5,739	1,964	11,576	389	10,200	1,630	-	38,421
Other operating income (expense):										
Realized (losses) gains on investments, net	-	-	-	-	-	-	-	(2,434)	-	(2,434)
Change in unrealized gains (losses) on investments, net	-	-	-	-	-	-	-	6,561	-	6,561
Unrealized losses on investment in HumanGood Nevada Bonds	-	-	-	-	-	-	-	(535)	-	(535)
Investment income, net	-	-	-	-	-	-	-	6,817	-	6,817
Mortgage interest	(845)	(132)	(429)	(310)	(742)	(389)	(1,222)	(2,915)	-	(6,984)
Depreciation	(3,893)	(769)	(2,354)	(2,737)	(4,942)	(1,331)	(3,862)	(277)	-	(20,165)
Losses on early retirement of debt	179	-	-	-	14	-	-	(1,967)	-	(1,774)
Income (loss) from operations	2,070	(607)	2,956	(1,083)	5,906	(1,331)	5,116	6,880	-	19,907

HumanGood California Obligated Group & Foundation Affiliates

(Members of HumanGood)

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2020

(In Thousands)

	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	NorCal Community Support Center	Eliminations	HumanGood NorCal
Changes in Net Assets Without Donor Restrictions (Continued)										
Other changes in net assets without donor restrictions:										
Other affiliate distributions and equity transfers	\$ -	\$ 14	\$ 16	\$ 44	\$ 12	\$ -	\$ -	\$ (3,972)	\$ -	\$ (3,886)
Unrealized gains on interest rate swaps and caps	-	-	-	-	-	-	-	754	-	754
Change in net assets without donor restrictions	2,070	(593)	2,972	(1,039)	5,918	(1,331)	5,116	3,662	-	16,775
Net Assets (Deficit), Beginning	468	(10,155)	37,990	3,958	57,930	(19,574)	46,441	(95,545)	-	21,513
Net Assets (Deficit), Ending	<u>\$ 2,538</u>	<u>\$ (10,748)</u>	<u>\$ 40,962</u>	<u>\$ 2,919</u>	<u>\$ 63,848</u>	<u>\$ (20,905)</u>	<u>\$ 51,557</u>	<u>\$ (91,883)</u>	<u>\$ -</u>	<u>\$ 38,288</u>

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2020

(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
Changes in Net Assets Without Donor Restrictions									
Operating revenues:									
Residential living	\$ 7,185	\$ 10,385	\$ 3,000	\$ 10,817	\$ 4,453	\$ 4,577	\$ -	\$ -	\$ 40,417
Assisted living	1,763	2,856	2,441	3,346	1,456	1,605	-	-	13,467
Health center	5,538	4,650	2,944	5,910	-	7,387	-	-	26,429
Memory care	-	933	-	730	737	725	-	-	3,125
Other residential services	353	164	73	949	217	177	-	-	1,933
Amortization of entrance fees	2,796	5,054	466	4,604	1,391	1,668	-	-	15,979
COVID relief funding	626	285	373	842	113	634	-	-	2,873
Other operating revenues	132	156	60	387	99	95	7,299	(6,980)	1,248
Foundation community benefit	27	47	5	20	77	89	-	-	265
Total operating revenues	18,420	24,530	9,362	27,605	8,543	16,957	7,299	(6,980)	105,736
Operating expenses:									
Salaries and wages	7,931	8,309	5,053	10,320	3,283	7,711	4,939	-	47,546
Employee benefits	2,388	2,485	1,459	3,048	834	2,363	1,279	-	13,856
Supplies	1,600	1,857	978	2,208	639	1,397	135	-	8,814
Ancillary services	495	60	316	637	16	1,326	-	-	2,850
Repairs and maintenance	581	317	229	458	184	133	8	-	1,910
Marketing and advertising	300	306	200	246	222	234	2	-	1,510
Purchased services	1,249	1,073	497	1,213	307	1,125	701	-	6,165
Corporate allocations	1,289	1,473	709	1,748	562	1,199	-	(6,980)	-
Utilities	779	1,084	460	1,134	466	899	148	-	4,970
Travel and related	43	23	64	56	24	75	108	-	393
Leases and rents	39	17	24	35	8	102	177	-	402
Insurance	250	280	150	331	113	253	37	-	1,414
Other operating expenses	361	350	266	684	180	397	449	-	2,687
Total operating expenses	17,305	17,634	10,405	22,118	6,838	17,214	7,983	(6,980)	92,517
Income (loss) before other operating income (expense)	1,115	6,896	(1,043)	5,487	1,705	(257)	(684)	-	13,219
Other operating income (expense):									
Realized (losses) gains on investments, net	4	-	1	-	-	-	1,941	-	1,946
Change in unrealized gains (losses) on investments, net	-	-	-	-	-	-	8,848	-	8,848
Investment income, net	-	16	-	-	1	-	2,416	-	2,433
Mortgage interest	(800)	(1,936)	(59)	(579)	(169)	-	(19)	-	(3,562)
Depreciation	(2,856)	(5,901)	(812)	(3,148)	(1,597)	(2,549)	(675)	-	(17,538)
Income (loss) from operations	(2,537)	(925)	(1,913)	1,760	(60)	(2,806)	11,827	-	5,346

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

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

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
Changes in Net Assets Without Donor Restrictions (Continued)									
Other changes in net assets without donor restrictions:									
Change in minimum pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (875)	\$ -	\$ (875)
Other affiliate distributions and equity transfers	104	327	3	214	80	42	(1,576)	-	(806)
Unrealized gains on interest rate swaps and caps	-	49	-	-	5	-	-	-	54
Change in net assets without donor restrictions	(2,433)	(549)	(1,910)	1,974	25	(2,764)	9,376	-	3,719
Net Assets (Deficit), Beginning	<u>(4,607)</u>	<u>(21,681)</u>	<u>(1,306)</u>	<u>38,245</u>	<u>6,772</u>	<u>(14,510)</u>	<u>13,241</u>	<u>-</u>	<u>16,154</u>
Net Assets (Deficit), Ending	<u><u>\$ (7,040)</u></u>	<u><u>\$ (22,230)</u></u>	<u><u>\$ (3,216)</u></u>	<u><u>\$ 40,219</u></u>	<u><u>\$ 6,797</u></u>	<u><u>\$ (17,274)</u></u>	<u><u>\$ 22,617</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,873</u></u>

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2020

(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions								
Operating revenues:								
Residential living	\$ 11,301	\$ -	\$ 107,674	\$ -	\$ -	\$ -	\$ -	\$ 107,674
Assisted living	3,880	-	34,053	-	-	-	-	34,053
Health center	7,292	-	85,293	-	-	-	-	85,293
Memory care	2,238	-	13,854	-	-	-	-	13,854
Other residential services	69	-	3,757	-	-	-	-	3,757
Amortization of entrance fees	3,839	-	44,275	-	-	-	-	44,275
COVID relief funding	936	-	8,338	-	-	-	-	8,338
Other operating revenues	182	(2,162)	7,692	-	-	-	-	7,692
Net assets released from restrictions	-	-	-	2,515	1,610	4,125	-	4,125
Unrestricted contributions	-	-	-	1,338	(5)	1,333	-	1,333
Foundation community benefit	255	-	1,361	-	-	-	(1,361)	-
Total operating revenues	29,992	(2,162)	306,297	3,853	1,605	5,458	(1,361)	310,394
Operating expenses:								
Salaries and wages	9,243	-	128,744	206	155	361	-	129,105
Employee benefits	2,347	-	34,497	50	45	95	-	34,592
Supplies	2,492	-	23,095	1	17	18	-	23,113
Ancillary services	1,416	-	12,178	-	-	-	-	12,178
Repairs and maintenance	387	-	4,682	-	-	-	-	4,682
Marketing and advertising	575	-	3,916	-	-	-	-	3,916
Purchased services	1,023	-	15,765	40	14	54	-	15,819
Corporate allocations	2,162	(2,162)	-	-	-	-	-	-
Utilities	1,445	-	12,311	1	1	2	-	12,313
Travel and related	35	-	1,017	12	1	13	-	1,030
Leases and rents	148	-	1,884	-	-	-	-	1,884
Insurance	368	-	4,072	-	-	-	-	4,072
Foundation community distributions	-	-	-	1,096	265	1,361	(1,361)	-
Other operating expenses	587	-	4,732	2,312	1,112	3,424	-	8,156
Total operating expenses	22,228	(2,162)	246,893	3,718	1,610	5,328	(1,361)	250,860
Income (loss) before other operating income (expense)	7,764	-	59,404	135	(5)	130	-	59,534
Other operating income (expense):								
Realized (losses) gains on investments, net	356	-	(132)	(2,072)	(339)	(2,411)	-	(2,543)
Change in unrealized gains (losses) on investments, net	(94)	-	15,315	3,876	626	4,502	-	19,817
Unrealized losses on investment in HumanGood Nevada Bonds	-	-	(535)	-	-	-	-	(535)
Investment income, net	284	(4,150)	5,384	1,043	185	1,228	-	6,612
Mortgage interest	(3,806)	1,406	(12,946)	-	-	-	-	(12,946)
Depreciation	(4,758)	-	(42,461)	-	-	-	-	(42,461)
Losses on early retirement of debt	(5,846)	-	(7,620)	-	-	-	-	(7,620)
Income (loss) from operations	(6,100)	(2,744)	16,409	2,982	467	3,449	-	19,858

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2020

(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions (Continued)								
Other changes in net assets without donor restrictions:								
Change in minimum pension liability	\$ -	\$ -	\$ (875)	\$ -	\$ -	\$ -	\$ -	\$ (875)
Other affiliate distributions and equity transfers	6	-	(4,686)	-	(456)	(456)	-	(5,142)
Unrealized gains on interest rate swaps and caps	-	-	808	-	-	-	-	808
Change in net assets without donor restrictions	(6,094)	(2,744)	11,656	2,982	11	2,993	-	14,649
Changes in Net Assets With Donor Restrictions								
Dividend and interest income	-	-	-	224	474	698	-	698
Unrealized gains on investments with donor donor restrictions, net	-	-	-	577	1,462	2,039	-	2,039
Restricted equity contributions	-	-	-	-	456	456	-	456
Contributions	-	-	-	2,914	2,961	5,875	-	5,875
Net assets released from restrictions for benevolence	-	-	-	-	(227)	(227)	-	(227)
Contractual payments to beneficiaries	-	-	-	(359)	(1,199)	(1,558)	-	(1,558)
Realized losses on investments, net	-	-	-	(35)	(653)	(688)	-	(688)
Contractual liability adjustments	-	-	-	151	347	498	-	498
Net assets released from restrictions for special project funds	-	-	-	(2,515)	(1,383)	(3,898)	-	(3,898)
Change in net assets with donor restrictions	-	-	-	957	2,238	3,195	-	3,195
Change in net assets	(6,094)	(2,744)	11,656	3,939	2,249	6,188	-	17,844
Net Assets (Deficit), Beginning	(34,426)	9,944	13,185	66,975	33,394	100,369	-	113,554
Net Assets (Deficit), Ending	\$ (40,520)	\$ 7,200	\$ 24,841	\$ 70,914	\$ 35,643	\$ 106,557	\$ -	\$ 131,398