

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

Combined Financial Statements  
and Supplementary Information

December 31, 2019 and 2018

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

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of the HumanGood California Obligated Group & Foundation Affiliates (the Corporations) which comprise the combined balance sheets as of December 31, 2019 and 2018, 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.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Corporations as of December 31, 2019 and 2018, and the results of their operations and changes in net deficit, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters, Accounting Changes**

As discussed in Note 2 to the combined financial statements, in 2019, the Corporations changed their accounting policy related to the accounting for investments. Our opinion is not modified with respect to this change.

In addition, as discussed in Note 2 to the combined financial statements, in 2019, the Corporations retrospectively adopted new accounting guidance on the presentation of amounts generally described as restricted cash and restricted cash equivalents in the combined statements of cash flows. Our opinion is not modified with respect to this matter.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information is presented for the purpose of additional analysis and 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 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 the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Philadelphia, Pennsylvania  
April 29, 2020

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

Combined Balance Sheets  
December 31, 2019 and 2018  
(In Thousands)

	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
<b>Assets</b>			<b>Liabilities and Net Assets</b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 33,220	\$ 34,418	Accounts payable and accrued expenses	\$ 33,803	\$ 31,439
Resident accounts receivable, less allowances for doubtful accounts of \$3,897 in 2019 and \$3,505 in 2018	15,026	11,857	Deposits	2,363	3,354
Other receivables	6,155	7,989	Accrued interest	3,385	3,855
Investments	200,927	173,449	Current portion of long-term debt	8,551	7,919
Current portion of restricted investments	4,447	6,324	Entrance fee rebates payable	1,563	-
Intercompany advances due	8,720	12,410			
Prepaid expenses, deposits and other assets	9,469	9,242	Total current liabilities	<u>49,665</u>	<u>46,567</u>
			<b>Noncurrent Liabilities</b>		
Total current assets	<u>277,964</u>	<u>255,689</u>	Notes and bonds payable, net	346,337	333,183
<b>Noncurrent Assets</b>			Rebatable entrance fees due	179,133	175,158
Restricted cash	5,088	5,054	Entrance fees subject to refund	89,811	90,735
Designated investments	121,046	107,506	Entrance fees nonrefundable	181,180	173,739
Investments in HumanGood Nevada Bonds	5,018	4,606	Revocable trusts	315	289
Restricted investments	78,499	57,806	Obligations under annuity agreements	3,362	3,504
Subordinated notes receivable, net	11,785	11,897	Retirement liabilities	2,720	63
Land, building and equipment, net	482,351	490,257	Workers' compensation liability	14,379	15,281
Interest and management fees due from affiliates	2,941	2,835	Other liabilities	4,236	4,484
			Total noncurrent liabilities	<u>821,473</u>	<u>796,436</u>
Total noncurrent assets	<u>706,728</u>	<u>679,961</u>	Total liabilities	<u>871,138</u>	<u>843,003</u>
			<b>Net Assets</b>		
Total assets	<u>\$ 984,692</u>	<u>\$ 935,650</u>	Without donor restrictions	79,140	64,558
			With donor restrictions	34,414	28,089
			Total net assets	<u>113,554</u>	<u>92,647</u>
			Total liabilities and net assets	<u>\$ 984,692</u>	<u>\$ 935,650</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, 2019 and 2018  
(In Thousands)

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>		
Residential living	\$ 106,681	\$ 100,209
Assisted living	33,364	31,712
Health center	93,741	87,688
Memory care	14,089	12,947
Other residential services	1,627	1,912
Amortization of entrance fees	43,129	41,164
Other operating revenue	9,531	11,834
Affordable housing fees	-	1,677
Net assets released from restrictions	4,485	3,960
Unrestricted contributions	2,633	2,110
	<u>309,280</u>	<u>295,213</u>
<b>Operating Expenses</b>		
Salaries and wages	132,661	124,288
Employee benefits	32,017	28,817
Supplies	21,548	21,292
Ancillary services	15,248	13,756
Repairs and maintenance	4,443	4,519
Marketing and advertising	3,352	3,256
Purchased services	14,348	15,750
Utilities	11,905	11,932
Travel and related	2,735	2,900
Leases and rents	1,798	1,819
Insurance	3,677	3,434
Other operating expenses	6,461	7,783
	<u>250,193</u>	<u>239,546</u>
Income before other operating income (expense)	59,087	55,667
<b>Other Operating Income (Expense)</b>		
Realized gains on investments, net	4,751	6,795
Change in unrealized gains (losses) on investments, net	20,583	(24,044)
Unrealized gains on investment in HumanGood Nevada bonds	412	727
Investment income, net	8,512	9,343
Mortgage interest	(17,411)	(19,095)
Depreciation	(41,633)	(38,994)
Loss on early retirement of debt	(7,564)	-
Loss on disposal of fixed assets	(90)	(381)
	<u>26,647</u>	<u>(9,982)</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, 2019 and 2018  
(In Thousands)

	<u>2019</u>	<u>2018</u>
<b>Other Changes in Net Assets Without Donor Restrictions</b>		
Change in minimum pension liability	\$ (2,567)	\$ 3,891
Net equity transfers from SoCal Affordable Housing	-	27,831
Other affiliate distributions and equity transfers	(9,343)	(4,560)
Unrealized (losses) gains on interest rate caps	(157)	172
	<u>14,580</u>	<u>17,352</u>
Change in net assets without donor restrictions		
<b>Net Assets With Donor Restrictions</b>		
Dividend and interest income	1,331	865
Unrealized gains (losses) on investments with donor restrictions, net	2,869	(4,922)
Restricted equity contributions	2,033	1,240
Contributions	5,662	4,640
Net assets released from restrictions for benevolence	(286)	(358)
Contractual payments to beneficiaries	(1,662)	(807)
Realized gains on investments, net	135	2,695
Contractual liability adjustments	444	259
Net assets released from restrictions for special project funds	(4,199)	(3,602)
	<u>6,327</u>	<u>10</u>
Change in net assets with donor restrictions		
Change in net assets	<u>20,907</u>	<u>17,362</u>
<b>Net Assets, Beginning</b>	92,647	87,951
Adjustment for adoption of accounting pronouncement	-	(12,666)
	<u>92,647</u>	<u>75,285</u>
Beginning net assets as adjusted for adoption of accounting pronouncement		
<b>Net Assets, Ending</b>	<u>\$ 113,554</u>	<u>\$ 92,647</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, 2019 and 2018  
(In Thousands)

	<u>2019</u>	<u>2018</u> (As Adjusted)
<b>Cash Flows From Operating Activities</b>		
Cash received for resident services	\$ 244,662	\$ 232,543
Cash received from nonrebatale entrance fees from reoccupancy	54,159	57,341
Cash received from other operating activities	10,415	14,504
Cash received from bequests and trust maturities	2,633	2,110
Cash earnings realized from investments	13,259	15,968
Cash paid for employee salaries	(118,868)	(114,510)
Cash paid for employee benefits	(29,741)	(31,767)
Cash paid for temporary labor	(11,275)	(11,162)
Cash paid to vendors	(82,489)	(83,440)
Cash paid for interest	(17,378)	(18,296)
	<u>65,377</u>	<u>63,291</u>
Net cash provided by operating activities		
<b>Cash Flows From Investing Activities</b>		
Acquisition of land, buildings and equipment	(32,918)	(36,270)
Net purchases of unrestricted investments	(20,569)	(51,684)
Net sales of restricted investments	5,849	29,732
Cash received from intercompany and affiliate transactions	3,687	16,755
	<u>(43,951)</u>	<u>(41,467)</u>
Net cash used in investing activities		
<b>Cash Flows From Financing Activities</b>		
Cash received from initial entrance fees and deposits	-	3,172
Proceeds from rebatable entrance fees	12,684	14,520
Refunds of deposits and refundable entrance fees	(13,187)	(20,194)
Proceeds from issuance of notes and bonds payable	13,408	-
Principal payments on notes and bonds payable	(5,479)	(7,604)
Cash paid for bond issuance costs	(2,211)	-
Cash paid from other trust activity	(4,327)	(1,229)
Affiliate cash distributions	(9,344)	(3,372)
Cash received from restricted contributions	5,635	4,606
	<u>(2,821)</u>	<u>(10,101)</u>
Net cash used in financing activities		
Increase in cash, cash equivalents and restricted cash	18,605	11,723
<b>Cash, Cash Equivalents and Restricted Cash, Beginning</b>	<u>59,973</u>	<u>48,250</u>
<b>Cash, Cash Equivalents and Restricted Cash, Ending</b>	<u>\$ 78,578</u>	<u>\$ 59,973</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, 2019 and 2018  
(In Thousands)

	<u>2019</u>	<u>2018</u> (As Adjusted)
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 20,907	\$ 17,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of entrance fees	(43,129)	(41,164)
Proceeds from nonrebatabable entrance fees from reoccupancy	54,159	57,341
Depreciation	41,633	38,994
Amortization of debt issuance costs and bond discounts	463	640
Amortization of bond premium	(512)	(306)
Unrealized (gains) losses on investments, net	(20,583)	24,044
Unrealized losses (gains) on investments with donor restrictions, net	(2,869)	4,922
Unrealized gains on investments in HumanGood Nevada bonds	(412)	(727)
Change in unrecognized pension obligations	2,567	(3,891)
Loss on early retirement of debt	7,564	-
Unrealized losses (gains) on interest rate caps	157	(172)
Net equity transfers from SoCal Affordable Housing	-	(27,831)
Other affiliate distributions and equity transfers	9,344	4,560
Change in accounts receivable from residents and others	(1,335)	8,130
Change in prepaid expenses, deposits and other assets	(227)	9,869
Other changes in operating assets and liabilities, net	(2,350)	(28,480)
Net cash provided by operating activities	<u>\$ 65,377</u>	<u>\$ 63,291</u>
<b>Noncash Disclosures</b>		
Long-term debt repaid with proceeds from Series 2019 Bonds	<u>\$ 168,110</u>	<u>\$ -</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combined Balance Sheets</b>		
Cash and cash equivalents	\$ 33,220	\$ 34,418
Restricted cash included in restricted investments	40,270	20,501
Restricted cash	<u>5,088</u>	<u>5,054</u>
Total cash, cash equivalents and restricted cash	<u>\$ 78,578</u>	<u>\$ 59,973</u>

See notes to combined financial statements

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

## 1. Business and Organization

HumanGood (Parent Organization) is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for the elderly through Life Plan Communities (LPC, formerly Continuing Care Retirement Community or CCRC) and affordable housing communities owned by its subsidiaries. HumanGood is the sole member of HumanGood NorCal (NorCal, formerly American Baptist Homes of the West), HumanGood SoCal (SoCal, formerly Southern California Presbyterian Homes and its affiliates Westminster Gardens and Redwood Senior Homes and Services), HumanGood Fresno (dba Terraces at San Joaquin Gardens, TSJG), and HumanGood Cornerstone (Cornerstone). NorCal is the sole member of HumanGood Foundation West (Foundation West, formerly American Baptist Homes Foundation of the West, Inc.) and SoCal is the sole member of HumanGood Foundation South (Foundation South, formerly Southern California Presbyterian Homes Foundation). 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 and Foundation Affiliates (collectively, the Corporations).

### HumanGood California Obligated Group

On August 21, 2019, concurrent with the date of issuance of the Series 2019A Revenue and Refunding Bonds and the Series 2019B Taxable Bonds, the HumanGood California Obligated Group (COG) was formed (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 the elderly. 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, 2019, 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 the elderly. 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, 2019, the following LPCs were owned and operated by SoCal:

Royal Oaks	Regents Point
White Sands La Jolla	Westminster Gardens
Windsor	Redwood Senior Homes and Services, now Redwood Terrace

Until 2019, Westminster Gardens and Redwood Senior Homes and Services were affiliates of SoCal and NorCal that also shared HumanGood as their sole corporate member. Westminster Gardens and Redwood Senior Homes and Services, now Redwood Terrace, were legally merged into SoCal during 2019.

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

### **HumanGood Fresno**

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

### **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 the residents of certain owned and managed communities of NorCal and TSJG. 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 certain of the NorCal bond obligations. 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 the SoCal 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 (formerly American Baptist Estates, Inc., dba Terraces of Phoenix, TOP), HumanGood Washington (formerly American Baptist Homes of Washington, dba Judson Park), HumanGood Nevada (formerly Las Ventanas Retirement Community, Las Ventanas), HumanGood Idaho (formerly Boise Retirement Community, dba The Terraces of Boise, Boise), HumanGood Properties, and in conjunction with an affiliation effective June 30, 2019, HumanGood East (formerly Philadelphia Presbytery Homes and Services for the Aging, dba Presby's Inspired Life). In conjunction with finalizing transfer agreements in 2019, Cornerstone is the sole member and exercises its direction and control through the appointment of the Board of Directors of HumanGood Affordable Housing (HGAH, formerly Beacon Communities, Inc.) and the managers of Beacon Development Group (BDG). 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. As described above, during 2019, Cornerstone became the sole member of HGAH, by means of a membership transfer from NorCal.

HGAH serves as the sole or majority General Partner and controlling organization for 19 tax-credit affordable housing communities, serves as the sole or majority member and controlling organization for 29 additional affordable housing communities, and provides management services to 10 affordable housing communities.

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

On January 1, 2015, NorCal purchased for \$350,000 in cash and a \$2,000,000 note (see Note 6) all of the outstanding membership interests in the Beacon Development Group (BDG) 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 affordable housing employees became employees of HGAH. All operational activities, assets and liabilities associated with NorCal's affordable housing line of business were also transferred to HGAH. In late fiscal year 2015, following United States Department of Housing and Urban Development approval, NorCal transferred its sole memberships in all of its owned affordable housing communities as well as the management agreements for all of its owned and managed communities to HGAH.

In exchange for this transfer of affordable housing related assets and liabilities, HGAH entered into a noninterest bearing affiliate note with NorCal for \$2,242,000 as well as a noninterest bearing contingent note with NorCal for \$1,364,000, which is payable upon HGAH's ability to achieve certain levels of cash flow and operating margin. These notes receivable are included in subordinated notes receivable, net on the combined balance sheets of NorCal. The remaining \$1,542,000 of assets transferred was recorded as a capital contribution from NorCal to HGAH.

Prior to December 31, 2018, SoCal provided noninterest-bearing advances to partially finance the construction of its low-income senior housing tax-credit communities. These advances along with other assets and liabilities related to SoCal's affordable housing business line, including the tax-credit communities and its owned and managed affordable housing communities, were all transferred from SoCal to HGAH on December 31, 2018. This gave rise to a \$6,464,000 equity distribution in 2018, recorded in net equity transfers from SoCal Affordable Housing in the accompanying combined statement of operations and changes in net assets. Simultaneous with this transaction SoCal affordable Housing employees became employees of HGAH.

In 2019, United States Department of Housing and Urban Development approval to transfer SoCal's sole memberships and management agreements for all of its seven low-income senior housing tax-credit communities and 20 owned and managed affordable housing communities was finalized.

### **Beacon Development Group**

Beacon Development Group, LLC (BDG) is a professional services firm that consults in the development and construction of affordable housing communities. BDG provides services to affiliates of the Corporations, other nonprofits and housing authorities. In conjunction with transfer agreements finalized in 2019, Cornerstone is the sole member of BDG.

### **HumanGood Arizona**

HumanGood Arizona (TOP) is an Arizona nonprofit tax-exempt corporation providing housing, health care and supportive services for the elderly 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, 2019 and 2018, respectively.

NorCal manages Terraces of Phoenix under a multiyear management agreement. During 2018, the TOP management agreement with NorCal was amended and restated such that the management fee was increased from 6 percent of actual cash revenues to 8.5 percent of budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants.

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

### **HumanGood Washington**

HumanGood Washington (dba Judson Park) is a Washington nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for the elderly in Washington through its LPC, Judson Park. On May 30, 2012, NorCal entered into a 10-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.

### **HumanGood Nevada**

HumanGood Nevada (dba Las Ventanas) is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for the elderly in the Las Vegas, Nevada area, through its LPC. 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.

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. Additionally, NorCal provided an unfunded \$2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to NorCal of an equal amount of the Las Ventanas Series B-4 bonds, comparable in structure to the Las Ventanas Series B-3 bonds.

As a result of the aforementioned restructuring, NorCal received \$16,414,000 (par value) of HumanGood Nevada bonds, which were revalued to \$8,250,000 in the year of receipt and classified as investments in HumanGood Nevada bonds in the accompanying combined balance sheets. Subsequent annual revaluations of the investments have resulted in additional adjustments to the unrealized mark-to-market loss on the bonds, for an aggregate unrealized loss on investments in HumanGood Nevada bonds of \$8,299,000 and \$8,711,000 as of December 31, 2019 and 2018, respectively.

### **HumanGood Idaho**

HumanGood Idaho (dba Terraces of Boise or Boise) is a California nonprofit public benefit tax-exempt corporation, which leased, and subsequently purchased from NorCal, a site in Boise, Idaho, upon which the Terraces of Boise was constructed and began operations in July 2015, with the community fully operational in all levels of care on June 1, 2016. The obligations of Boise are nonrecourse to NorCal.

To support the Boise financing, in 2014 NorCal provided \$3,000,000 in equity at financing 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 \$5,000,000. This purchase price consisted of \$3,000,000 in 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 required NorCal to deposit \$1,250,000 with the Master Trustee by March 31, 2020 in full satisfaction of the previously unfunded liquidity support obligation. The funds were timely deposited consistent with requirements.

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

Boise had a Sales and Marketing Oversight Services Agreement with NorCal. Additionally, under Boise's Development Administration Services Agreement, NorCal was entitled to a Development Administrative Support Services Fee equal to \$17,000 per month for each month that Greystone Development Corporation (GDC) was entitled to a management fee during the term.

On May 31, 2017, the Sales and Marketing Oversight Services and Development Administration Service agreements were terminated, thus ending the accrual of further amounts owing. These fees are subject to subordination under the Boise master indenture, and as such, NorCal has fully reserved the accrual of this revenue.

### **HumanGood Properties**

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

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

### **HumanGood East**

HumanGood East (formerly Philadelphia Presbytery Homes and Services for the Aging dba Presby's Inspired Life) is a Philadelphia nonprofit tax-exempt corporation providing housing, health care and supportive services for the elderly through its three LPCs and 36 affordable housing communities. On June 30, 2019, in conjunction with the HumanGood and Presby's Inspired Life affiliation, Cornerstone became the sole member of Presby's Inspired Life. On June 30, 2019, amendments to the articles of incorporation of Presby's Inspired Life took effect and the Presby's Inspired Life corporation name was changed to HumanGood East.

### **Basis of Presentation and Principles of Combination**

The accompanying combined financial statements combine the accounts of NorCal, SoCal, Foundation West, Foundation South and TSJG (HumanGood California Obligated Group & Foundation Affiliates) in accordance with accounting principles generally accepted in the United States of America (U.S. 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.

The 2018 combined financial statements were prepared in accordance with the financial reporting agreements of the prior master trust indentures and loan agreements after the effect of the Material Event Notice (the Notice) to bond holders, which disclosed the anticipated 2019 refinancing (Note 6), and formation of a new economic reporting entity (COG). The creation of this new reporting entity in 2018 resulted in combining previously separate reporting entities and the exclusion of NorCal and SoCal's affordable housing subsidiaries. The exclusion of certain subsidiaries was not in accordance with U.S. GAAP, and therefore, special-purpose combined financial statements were presented during 2018. During 2019, the affordable housing subsidiaries transfer to HumanGood Affordable Housing was completed in conjunction with the transfer of HumanGood Affordable Housing to HumanGood Cornerstone (as described above) and the refinancing occurred, resulting in the formation of COG. Therefore, the economic reporting entity in these combined financial statements is the same for 2018 and 2019, which are now in accordance with U.S. GAAP.

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

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

#### **Use of Estimates**

The preparation of the combined financial statements in conformity with U.S. 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 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.

#### **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 impaired.

#### **Investments**

Investments include certain cash equivalents held by investment managers, mutual funds, commodities and structure products, equity securities, corporate debt, U.S. 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.

In 2019, the Corporations were required to adopt the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-01, which requires equity investments to be measured at fair value with changes in fair value recognized in the performance indicator. The Corporations manage their investments, restricted investments and designated investments under one investment policy and as one portfolio, and accordingly, elected in 2019 to also change their accounting policy for all securities, by electing to adopt the fair value option for all financial assets included within investments, restricted investments and designated investments. That election requires, including changes in the unrealized gains and losses for those financial assets in the performance indicator. In accordance with U.S. GAAP, this change has been applied retrospectively to the combined financial statements. Prior to this change and the adoption of ASU No. 2016-01, the Corporations had reported the change in unrealized gains and losses on investments, restricted investments and designated investments outside of the performance indicator. There was no effect on net assets of the combined balance sheets as a result of the change.

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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

The following line items on the combined statements of operations and changes in net assets for the year ended December 31, 2018 were affected by the changes in accounting principle (in thousands):

	<u>As Previously Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Other operating income (expense):			
Change in unrealized losses on investments, net	\$ -	\$ (24,044)	\$ (24,044)
Unrealized gains on investment in HumanGood Nevada bonds	-	727	727
Income (loss) from operations	13,335	(9,982)	(23,317)
Other changes in net assets without donor restrictions:			
Change in unrealized losses on investments, net	(24,044)	-	(24,044)
Unrealized gains on investment in HumanGood Nevada bonds	727	-	727

Investment income or loss (including interest, dividends and fees), realized gains and losses and unrealized gains and losses on investments are included in income (loss) from operations and change 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.

### 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

Other investments of \$121,046,000 and \$107,506,000 as of December 31, 2019 and 2018, respectively, are designated by the Board of Directors primarily for future capital projects, to advance major corporate initiatives and for Foundation West board-designated benevolence funds (see Note 4).

### Investments in HumanGood Nevada bonds

Investments include holdings in three tranches of the Las Ventanas Series 2012 bonds (see HumanGood Nevada Subsection in Note 1). These investments are recorded at fair market value as of December 31, 2019 and 2018, in the accompanying combined balance sheets. Changes in fair market value are included in unrealized gains on investments in HumanGood Nevada bonds in the combined statements of operations and changes in net assets.

### Subordinated Notes Receivable, Net

Subordinated notes receivable, net as of December 31, 2019 and 2018 include the interest bearing subordinated note from Boise for \$2,000,000, the \$4,315,000 note receivable from Terraces of Phoenix and the notes related to the BDG purchase and the HGAH assets and liability transfers from NorCal. All subordinated notes receivable are further described in the Cornerstone Related Enterprises Subsection in Note 1.



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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

Subordinated notes amongst members of the affiliated Corporations 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, 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 are 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, 2019 and 2018. The recognition of \$1,584,000 and \$1,333,000, respectively, of interest income for 2019 and 2018 was fully deferred pending collection. Both subordinated notes payable are included in TSJG's notes and bonds payable in the accompanying supplemental combining balance sheets as of December 31, 2019 and 2018, respectively. Interest expense of \$3,548,000 and \$2,864,000 at December 31, 2019 and 2018, respectively, related to these notes was accrued but not fully paid. Upon meeting certain performance criteria, interest payments of \$900,000 were made to NorCal during 2019 for interest expense that had been deferred in previous fiscal years. There were no interest payments made for the year ended December 31, 2018. All amounts related to these notes and their debt service payments eliminate in the accompanying combined financial statements.

Concurrent with the 2012 financing, NorCal and TSJG entered into a 10-year management agreement at a base fee of 8.5 percent of budgeted cash revenues, with half of this fee subject to subordination. During the years ended December 31, 2019 and 2018, the recognition of \$1,020,000 and \$973,000, respectively, of TSJG management fee revenues were deferred by NorCal, with collection pending achievement of certain TSJG operating performance criteria. \$6,396,000 and \$5,376,000 of management fees have been accrued but not paid and are included in other liabilities in the accompanying supplemental combining balance sheets of TSJG and are eliminated in the accompanying combined financial statements.

### **Land, Building and Equipment, Net**

Land, building 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.

### **Leases**

The Corporations adopted a new leasing standard, ASU No. 2016-02, *Leases (Topic 842)* (ASC 842), on January 1, 2019 and elected the option to apply the transition requirements thereof at the effective date. Consequently, financial information has not been updated for periods prior to January 1, 2019. See New Accounting Pronouncements Subsection in Note 2.

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

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Notes to Combined Financial Statements  
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Under ASC 842, the Corporations evaluate at contract inception whether a lease exists and recognizes a lease liability and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. All lease liabilities are measured as the present value of the future lease payments using a discount rate, which is the Corporations' risk free rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

Operating lease expense is recognized on a straight-line basis over the lease term and is included within leases and rents expense in the combined statements of operations and changes in net assets. The lease term is determined based on the date the Corporations acquire control of the leased premises through the end of the lease term. Optional renewal periods are initially not included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

### **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 impairment was recorded during the years ended December 31, 2019 and 2018.

### **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 is included as a component of interest expense. Unamortized deferred debt issuance costs amounted to \$6,042,000 and \$7,415,000 at December 31, 2019 and 2018, respectively. Accumulated amortization of deferred debt issuance costs was \$1,882,000 and \$3,349,000 at December 31, 2019 and 2018, respectively.

### **Revocable Trusts**

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

### **Obligations Under Annuity Agreements**

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

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

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 2000 Group Annuity Mortality Table, with an interest assumption at 5 percent per annum. Assets in excess of liabilities, if any, related to these annuities are available for the use of the Foundation 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, of not less than 6 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 services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. An evaluation of the future service obligation for residents indicated a liability was not considered necessary as of December 31, 2019 or 2018. The discount rate used to calculate the obligation to provide future service is 5 percent for the years ended December 31, 2019 and 2018.

### **Types of Entrance Fees**

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

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

The current Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2 percent for each month of residency for 44 months after an initial reduction to the original fee, under certain circumstances. For a majority of contracts, upon the move out of a resident, the unamortized balance of the entrance fee becomes the property of the Corporations and is included in amortization of entrance fees in the combined statements of operations and changes in net assets.

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

The Corporations had nonrefundable entrance fees of \$181,180,000 and \$173,739,000 as of December 31, 2019 and 2018, 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 \$89,811,000 and \$90,735,000 as of December 31, 2019 and 2018, 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, 2019 and 2018, respectively, \$180,696,000 and \$175,158,000 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 \$13,187,000 and \$20,194,000 for the years ended December 31, 2019 and 2018, respectively. Based on historical experience, management expects to pay refunds in future years of approximately \$18,000,000 per year.

### Interest Rate Caps

The Corporations use interest rate caps as part of its overall debt management policy. The Corporations account for interest rate caps in accordance with the FASB Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*. The topic requires that all derivatives be carried at fair value in the 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.

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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

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.

### 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, 2019 and 2018, are as follows (in thousands):

Endowment net assets, December 31, 2017	\$	7,711
Contributions		187
Net investment returns		81
Disbursements		<u>(279)</u>
Endowment net assets, December 31, 2018		7,700
Contributions		222
Net investment returns		553
Disbursements		<u>(217)</u>
Endowment net assets, December 31, 2019	\$	<u><u>8,258</u></u>

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

Notes to Combined Financial Statements  
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The endowment net assets with donor restrictions were comprised of the following as of December 31, 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Endowment gains with donor restrictions	\$ 2,592	\$ 2,256
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>5,666</u>	<u>5,444</u>
Total	<u>\$ 8,258</u>	<u>\$ 7,700</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, 2019 and 2018.

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, although terms generally include payment to be made within 30 days. Net resident service fee 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.

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

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Notes to Combined Financial Statements  
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Net resident service revenues are primarily comprised of the following revenues streams:

### **Health Center**

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

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

The Corporations receive revenues for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

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 2019 or 2018.

### **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.

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

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Notes to Combined Financial Statements  
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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 \$43,129,000 and \$41,164,000 in 2019 and 2018, respectively. The Corporations apply the practical expedient in ASC 606, and therefore, do not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

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

### **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 \$13,552,000 and \$12,986,000 for the years ended December 31, 2019 and 2018, respectively.

### **Performance Indicator**

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

### **Workers' Compensation Plan**

The Corporations are partially self-insured for the first \$500,000 of each workers' compensation claim under an occurrence form insurance policy for the years ended December 31, 2019 and 2018. 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. 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 is of the opinion that the recorded liability is adequate (see Note 9). Any related insurance recovery receivables are recorded in other receivables in the accompanying combined balance sheets.

### **Health Insurance Plan**

The Corporations are self-insured for health insurance claims for eligible active employees up to an annual maximum of \$200,000 for each claimant. Claims above this amount are insured by a third-party for an unlimited amount for each claimant. Additionally, in the event that aggregate claims exceed 120 percent of anticipated claims totals, a separate aggregate stop loss policy will provide reimbursement for up to the first \$1,000,000 of amounts in excess of the 120 percent. 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 is of the opinion that the recorded liability has been properly accounted for and accrued at December 31, 2019.



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

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Notes to Combined Financial Statements  
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### Professional Liability Insurance

The Corporations have secured claims-made policies for malpractice and general liability insurance with self-insured retentions of \$100,000 for each claim as of December 31, 2019 and 2018. The Corporations have accrued liabilities of \$341,000 and \$2,804,000 as its best estimate of the cost of known claims incurred prior to December 31, 2019 and 2018, respectively. In addition, the Corporations have accrued liabilities of \$2,308,000 and \$2,585,000 as of December 31, 2019 and 2018, respectively, 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. Related insurance recovery receivables of \$245,000 and \$760,000 as of December 31, 2019 and 2018, respectively, are recorded under other receivables in the accompanying combined balance sheets.

### Tax-Exempt Status

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

Due to a failure to timely file an annual report with the Attorney General, NorCal received notice in August 2019 that the California Franchise Tax Board revoked the State income tax exemption of NorCal. NorCal reapplied for exempt status on October 2019 and, at the time of issuance of this report, is awaiting the Franchise Tax Board's approval of that application. In the unlikely event that its exempt status is not retroactively granted, the state of California may require NorCal to file California income tax returns. No associated California income taxes have been levied or paid to date.

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, 2019 and 2018, and for the year ended December 31, 2019, there were no such uncertain tax positions.

### New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheets and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use (ROU) asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Corporations' leasing activities.

The Corporations adopted the new standard on January 1, 2019. The Corporations elected the option to apply the transition requirements in Topic 842 at the effective date of January 1, 2019. Consequently, financial information has not been updated and the disclosures required under the new standard have not been provided for dates and periods before January 1, 2019.

The Corporations make certain assumptions and judgements in determining the discount rate. As most of the Corporations' leases do not provide an implicit rate, the Corporations use the risk free rate in determining the present value of lease payments.

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

Notes to Combined Financial Statements  
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The new standard provides a number of optional practical expedients in transition. The Corporations elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Corporations do not recognize ROU assets or lease liabilities and includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition.

In 2019, the Corporations retrospectively adopted FASB's ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the combined statements of cash flows. Net cash used in investing activities on the combined statement of cash flows for the year ended December 31, 2018 was increased by \$9,925,000 as a result of this change in accounting principles. Cash and cash equivalents and restricted cash and cash equivalents on the combined statement of cash flows for the year ended December 31, 2018 was increased by \$25,555,000.

### Reclassifications

Certain items in the 2018 combined financial statements have been reclassified to conform with the 2019 combined financial statement presentation.

### 3. Liquidity and Availability of Resources

The Corporations have financial assets available for general expenditure within one year of the combined balance sheet date, which consist of the following as of December 31, 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 33,220	\$ 34,418
Resident accounts receivable	15,026	11,857
Entrance fee notes receivable	368	560
Investments	<u>200,927</u>	<u>173,449</u>
Total	<u>\$ 249,541</u>	<u>\$ 220,284</u>

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

The Corporations have other assets held by trustee under trust indenture, assets reserved for future gift annuity payments and donor-restricted purposes. Additionally, certain other board-designated assets are designed for long-term purposes and an operating reserve. These investments, which are more fully described in Note 4 are not available for general expenditure within the next year and are not reflected in the amounts above. 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.

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

Notes to Combined Financial Statements  
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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>2019</u>	<u>2018</u>
Investments (including designated investments and investments in HumanGood Nevada bonds):		
Cash and cash equivalents	\$ 21,276	\$ 13,109
Mutual funds	96,313	70,680
Equities	57,497	48,848
Exchange-traded funds and closed-end funds	31,272	23,638
Domestic corporate debt securities	43,508	53,150
International corporate debt securities	-	866
U.S. government securities	56,617	55,480
Municipal bonds	14,183	14,800
Foreign issues	474	384
Alternative investments	833	-
Investments in HumanGood Nevada bonds	<u>5,018</u>	<u>4,606</u>
Total investments (including designated investments and investments in HumanGood Nevada bonds):	<u>326,991</u>	<u>285,561</u>
Restricted investments:		
Cash and cash equivalents	40,270	20,501
Mutual funds	7,515	3,151
Equities	2,397	2,887
Exchange-traded funds and closed-end funds	18,983	13,426
Domestic corporate debt securities	5,092	9,587
U.S. government securities	6,498	12,877
Municipal bonds	848	938
Foreign issues	872	763
Alternative investments	<u>471</u>	<u>-</u>
Total restricted investments	<u>82,946</u>	<u>64,130</u>
Total investments, designated investments and restricted investments	<u>\$ 409,937</u>	<u>\$ 349,691</u>

Investments held as of December 31, 2019 and 2018 were comprised of the following (at fair value) (in thousands):

	<u>2019</u>	<u>2018</u>
Investments:		
Principal, interest and other reserves held in trust under bond indenture or mortgage agreements	\$ 12,783	\$ 29,358
Undrawn funds held for LPC Construction projects	32,805	4,270
Investments held in trust under revocable trust, gift annuity, annuity trust or unitrust agreements	<u>37,358</u>	<u>30,502</u>
Total restricted investments	82,946	64,130
Investments in HumanGood Nevada bonds	5,018	4,606
Investments, unrestricted	200,927	173,449
Investments, designated	<u>121,046</u>	<u>107,506</u>
Total investments, designated investments and restricted investments	<u>\$ 409,937</u>	<u>\$ 349,691</u>

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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 assets 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>2019</u>	<u>2018</u>
Designated for Endowment	\$ 56,185	\$ 44,504
Designated for Retirement	4,460	3,825
Designated for Innovation	10,000	13,500
Designated for Capital Projects	50,401	33,877
Designated for Foundation	-	6,200
Designated for Growth and Liability Reduction	-	5,600
	<u>          </u>	<u>          </u>
Total designations	<u>\$ 121,046</u>	<u>\$ 107,506</u>

### Investment Return

Investment return for the years ended December 31, 2019 and 2018 is as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Total dividend, interest and other investment income, net of expense	\$ 9,843	\$ 10,208
Total realized gains on investments	4,886	9,490
Total net change in unrealized gains (losses) on investments	23,452	(28,966)
Unrealized gains on investment in HumanGood Nevada bonds	412	727
	<u>          </u>	<u>          </u>
Total	<u>\$ 38,593</u>	<u>\$ (8,541)</u>

Investment income is net of investment expenses of \$1,113,000 and \$907,000 for the years ended December 31, 2019 and 2018, respectively.

### Fair Value Measurements

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

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

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value 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.

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

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

- Mutual Funds - Mutual funds registered with the Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the net asset value 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 net asset value (NAV) - Primarily hedge funds are valued at NAV per share of the underlying investment fund. In accordance with ASU 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 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.

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

Notes to Combined Financial Statements  
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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, 2019 and 2018 (in thousands):

	2019			Total
	Level 1	Level 2	Level 3	
Investments, designated investments and restricted investments:				
Mutual funds	\$ 103,828	\$ -	\$ -	\$ 103,828
Equities	59,894	-	-	59,894
Exchange-traded funds and closed-end funds	50,255	-	-	50,255
Domestic corporate debt	-	48,600	-	48,600
U.S. government securities	-	63,115	-	63,115
Municipal bonds	-	15,031	-	15,031
Foreign government securities	-	1,346	-	1,346
Investments in HumanGood Nevada bonds	-	-	5,018	5,018
Total investments, designated investments and restricted investments measured at fair value	<u>\$ 213,977</u>	<u>\$ 128,092</u>	<u>\$ 5,018</u>	347,087
Alternative Investments valued at NAV				1,304
Cash and cash equivalents				<u>61,546</u>
Total investments, designated investments and restricted investments				<u>\$ 409,937</u>
Interest rate cap measured at fair value	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ 36</u>

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

Notes to Combined Financial Statements  
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	2018			
	Level 1	Level 2	Level 3	Total
Investments, designated investments and restricted investments:				
Mutual funds	\$ 73,831	\$ -	\$ -	\$ 73,831
Equities	51,735	-	-	51,735
Exchange-traded funds and closed-end funds	37,064	-	-	37,064
Domestic corporate debt	-	62,737	-	62,737
Foreign corporate debt	-	866	-	866
U.S. government securities	-	68,357	-	68,357
Municipal bonds	-	15,738	-	15,738
Foreign government securities	-	1,147	-	1,147
Investments in HumanGood Nevada bonds	-	-	4,606	4,606
 Total investments, designated investments and restricted investments measured at fair value	<u>\$ 162,630</u>	<u>\$ 148,845</u>	<u>\$ 50,666</u>	316,081
 Cash and cash equivalents				<u>33,610</u>
 Total investments, designated investments and restricted investments				<u>\$ 349,691</u>
 Interest rate cap measured at fair value	<u>\$ -</u>	<u>\$ 246</u>	<u>\$ -</u>	<u>\$ 246</u>

There were no significant transfers between Levels 1, 2 and 3 for the years ended December 31, 2019 and 2018.

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, 2017	\$ 5,788
Purchases, issuances, and settlements	(1,909)
Unrealized gain on investment in HumanGood Nevada bonds	<u>727</u>
Balance, December 31, 2018	4,606
Unrealized gain on investment in HumanGood Nevada bonds	<u>412</u>
Balance, December 31, 2019	<u>\$ 5,018</u>

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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

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

Land, buildings and equipment, net at cost as of December 31, 2019 and 2018, consisted of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Land	\$ 19,674	\$ 19,674
Land improvements	16,200	15,864
Buildings and improvements	753,881	734,768
Furnishings, equipment and automotive	<u>74,904</u>	<u>75,550</u>
Total	864,659	845,856
Accumulated depreciation	<u>(397,654)</u>	<u>(377,325)</u>
Total	467,005	468,531
Construction in progress	<u>15,346</u>	<u>21,726</u>
Total	<u>\$ 482,351</u>	<u>\$ 490,257</u>

Depreciation expense for the years ended December 31, 2019 and 2018, respectively, were \$41,633,000 and \$38,994,000.

Fully depreciated assets of \$20,983,000 and \$12,641,000 were disposed of during the years ended 2019 and 2018, respectively.



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

Notes to Combined Financial Statements  
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### 6. Notes and Bonds Payable

A summary of the Corporations' notes and bonds payable as of December 31, 2019 and 2018, is as follows (in thousands):

	<u>2019</u>	<u>2018</u>
<b>Secured</b>		
Bonds used to refinance existing debt and renovate HumanGood California Obligated Group communities, all secured under a Master Trust Indenture on HumanGood California Obligated Group's assets and gross revenues pledge:		
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 Foundation limited guaranty.	\$ 44,680	\$ 46,310
NorCal Series 2010 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 16, 2010). Serial certificates, annual principal was payable commencing on October 1, 2011, in varying amounts ranging from \$690 to \$1,045 through 2020, amounts ranging from \$1,100 to \$6,105 through 2030, and amounts ranging from \$6,490 to \$10,560 through 2039; interest at fixed rates ranging from 4.25% to 6.25%, was payable semi-annually on April 1 and October 1. The bonds were refunded during the refinancing in August 2019.	-	100,130
NorCal Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority and subsequently sold and delivered to PNC Bank. The loan matures on October 1, 2036; interest accrues at tax-exempt LIBOR plus 1.19% (2.38% at December 31, 2019). PNC Bank has the option to tender the bonds to NorCal for purchase option upon the 5 <sup>th</sup> , 10 <sup>th</sup> , 15 <sup>th</sup> and 20 <sup>th</sup> anniversary of issuance.	15,950	16,595

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

Notes to Combined Financial Statements  
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	2019	2018
NorCal Series 2013 Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 1, 2013) to finance the costs of acquiring, constructing, expanding, remodeling, renovating, furnishing and equipping Terraces at Los Altos. Annual principal payable in varying amounts ranging from \$420 to \$1,350 through 2043; interest at fixed rates ranging from 2.1% to 5.0%. Bonds are secured under a Master Trust Indenture on HumanGood California Obligated Group's assets and gross revenues pledge and Foundation limited guaranty.	\$ 19,580	\$ 20,000
SoCal Series 2009 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority in August 2009 and originally maturing in November 2041 to refund existing Series 1998 and 2006B bonds as well as to support additional construction projects. Annual principal was payable in varying amounts ranging from \$0 to \$1,455 through 2019, and amounts ranging from \$1,545 to \$9,370 through 2041; interest was at fixed rates ranging from 5.25% to 7.25%. The bonds were refunded during the refinancing in August 2019.	-	67,980
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 and Westminster Gardens. Annual principal payable in varying amounts ranging from \$0 to \$970 through 2019, and amounts ranging from \$990 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 2.74% at December 31, 2019.	44,245	45,215
Fresno Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated September 26, 2012), Serial certificates, to fund redevelopment spending at TSJG, with annual principal payable commencing on April 1, 2014, in varying amounts depending on initial entrance fee collections through 2016; interest at fixed rates ranging from 4.00% to 6.00%, payable annually on October 1.	45,760	46,435

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	<u>2019</u>	<u>2018</u>
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	\$ -
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.	25,610	-
<b>Other Secured Obligations</b>		
Terraces of Los Altos Equipment Loan issued in February 2013 and maturing in February 2020. Monthly principal and interest payments in the amount of \$38 began March 2013; interest at a fixed rate of 2.07%. The Equipment Loan is secured by the respective equipment.	74	528
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.	<u>2,083</u>	<u>2,568</u>
	339,687	345,761
<b>Unsecured</b>		
Note payable to individual bearing interest at 4.5%	<u>1,200</u>	<u>1,400</u>
Total secured notes and bonds payable	340,887	347,161
Less current portion of long-term debt	(8,551)	(7,919)
Add unamortized bond premium	20,043	4,521
Less unamortized bond issuance costs, net	(6,042)	(7,415)
Less unamortized bond discount	<u>-</u>	<u>(3,165)</u>
Total	<u>\$ 346,337</u>	<u>\$ 333,183</u>

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

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

Years ending December 31:		
2020	\$	8,551
2021		8,784
2022		9,114
2023		9,451
2024		9,242
Thereafter		<u>295,745</u>
Total	\$	<u>340,887</u>

The Corporations maintain a standby letter of credit with a bank for workers' compensation as discussed in Note 9.

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

### Loss on Early Retirement of Debt

During August 2019, the HumanGood California Obligated Group completed a financing transaction through the issuance of the Series 2019A and Series 2019B bonds to provide for overall debt service savings and to join the previously separated Obligated Groups into one combined HumanGood California Obligated Group under a common master trust indenture. The majority of the proceeds were used to refund the HumanGood NorCal Series 2010 bonds and the HumanGood SoCal Series 2009 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	\$	173,103
NorCal Series 2010 bonds outstanding		(100,130)
SoCal Series 2009 bonds outstanding		(67,980)
Accrued interest		<u>(3,659)</u>
Subtotal		1,334
Unamortized debt issuance costs		3,157
Unamortized bond issuance discounts		<u>3,073</u>
Total	\$	<u>7,564</u>

### 7. Interest Rate Caps

On June 20, 2012, HumanGood NorCal entered into a forward starting interest rate cap agreement with a counterparty to extend the management of interest rate risk on \$19,000,000 of its now retired Series 2006 tax-exempt variable rate demand revenue bonds from December 1, 2015 to December 1, 2018. The agreement established that when 70 percent of the one-month LIBOR rate exceeds 2.50 percent, NorCal was reimbursed for the excess by the counterparty to the transaction. With the refunding of the Series 2006 bonds with fixed rate obligations, the interest rate cap agreement was utilized to manage interest rate risk on the Series 2012 Revenue Bonds with PNC Bank. On December 1, 2018, this cap agreement matured.

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.

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For the years ended December 31, 2019 and 2018, the aforementioned floating interest rates for the cap agreements failed to exceed the respective cap strike rates, and thus none of the cap agreements had an impact on interest expense.

The fair value of the interest rate caps was \$36,000 and \$246,000 as of December 31, 2019 and 2018, respectively. The unrealized (loss) gain from mark-to-market of floating to fixed rate interest rate caps was (\$157,000) and \$172,000 for the years ended December 31, 2019 and 2018, respectively.

### 8. Employee Benefit Plans

#### Defined Benefit Pension Plan

HumanGood SoCal has a defined benefit retirement plan (the Plan) which, prior to being frozen, provided retirement benefits through a noncontributory defined benefit retirement plan for substantially all full-time SoCal employees. On October 22, 2009, the Board of Directors of SoCal froze the Plan, whereby effective October 31, 2009, further accrual of benefits ceased for participants in the Plan. 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, 2019 and 2018 are as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Changes in projected benefit obligation:		
Projected benefit obligation, January 1	\$ 35,301	\$ 40,065
Service cost	-	-
Interest cost	1,473	1,557
Benefits paid	(2,499)	(1,981)
Actuarial loss (gain)	5,808	(4,340)
	<u>40,083</u>	<u>35,301</u>
Changes in plan assets:		
Fair value of plan assets, January 1	37,718	37,930
Actual return on plan assets	4,219	865
Employer contributions	1,000	1,000
Expenses	(135)	(96)
Benefits paid	(2,499)	(1,981)
	<u>40,303</u>	<u>37,718</u>
Fair value of plan assets, December 31	<u>40,303</u>	<u>37,718</u>
Funded status	<u>\$ 220</u>	<u>\$ 2,417</u>
Accumulated benefit obligation	<u>\$ (40,083)</u>	<u>\$ (35,301)</u>
Amounts overfunded recognized in the combined balance sheets, netted in retirement liabilities	<u>\$ 220</u>	<u>\$ 2,417</u>

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

Notes to Combined Financial Statements  
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	<u>2019</u>	<u>2018</u>
Components of net periodic benefit cost:		
Interest cost	\$ 1,473	\$ 1,557
Expected return on plan assets	(1,500)	(2,510)
Net loss amortization	<u>656</u>	<u>1,292</u>
Net benefit cost	<u>\$ 629</u>	<u>\$ 339</u>
Net (gains) losses recognized in net assets without donor restrictions	<u>\$ (2,567)</u>	<u>\$ 3,891</u>
Amounts not yet reflected in periodic benefit costs and recognized in accumulated net assets without donor restrictions, net actuarial loss	<u>\$ 11,334</u>	<u>\$ 8,767</u>
Total accumulated charge to net assets without donor restrictions	<u>\$ 11,334</u>	<u>\$ 8,767</u>

Weighted-average assumptions used to determine benefit obligations as of December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	3.43 %	4.26 %
Rate of compensation	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	4.26 %	3.98 %
Expected long-term rate of return on plan assets	4.00 %	6.75 %
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, 2019 and 2018, the expected long-term rate of return used in determining net periodic pension cost was 4.00 percent and 6.75 percent, respectively.

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, 2019 and 2018. 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, 2019.

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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

SoCal expects to contribute approximately \$1,000,000 to the Plan during the year ending December 31, 2020. SoCal estimates that benefit payments will be paid over the next 10 years as follows (in thousands):

Years ending December 31:		
2020	\$	3,557
2021		3,598
2022		2,838
2022		2,228
2023		2,630
2024 - 2028		12,480
Total	\$	<u>27,331</u>

Actuarial losses of \$905,000 related to the Plan are expected to be recognized as a component of the net periodic pension cost during the year ending December 31, 2020. Management has included the net periodic pension cost in SoCal's 2020 operating budget.

### Supplemental Retirement Income Plan Agreements

Certain HumanGood 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 \$1,680,000 and \$1,467,000 as of December 31, 2019 and 2018, respectively.

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 and amounted to \$4,460,000 and \$3,825,000 as of December 31, 2019 and 2018, respectively. Actual payments made to retirees under the remaining plan agreement were \$191,000 and \$196,000 for the years ended December 31, 2019 and 2018, respectively, in addition to the aforementioned IRC 457(f) termination payment.

### Defined Contribution Plan

The Corporations also participate in a defined contribution retirement plan covering all eligible employees. The Corporations' contribution was a match of employee contributions up to 4 percent of eligible earnings in calendar year 2019. Annual expenses incurred under the Plan for the years ended December 31, 2019 and 2018, respectively, were approximately \$2,934,000 and \$2,800,000.

## 9. Self-Insured Programs

The Corporations are partially self-insured for the first \$500,000 of each workers' compensation claim under an occurrence form insurance policy for 2019 and 2018. The Corporations have recorded a total liability for claims payable of \$14,379,000 and \$15,281,000, including an estimate of incurred but not reported claims as of December 31, 2019 and 2018, respectively. The estimated insurance recovery receivables of \$4,503,000 and \$5,018,000 are recorded under other receivables in the accompanying combined balance sheets as of December 31, 2019 and 2018, respectively. As required by the insurer, the Corporations have obtained a letter of credit for \$2,311,000 in connection with this program, subject to annual renewal, with the next scheduled renewal date on September 30, 2020.

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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

Effective in 2019, the Corporations are self-insured for health insurance claims for eligible active employees up to an annual maximum of \$200,000 for each claimant. Claims above this amount are insured by a third-party for an unlimited amount for each claimant. Additionally, in the event that aggregate claims exceed 120 percent of anticipated claims totals, a separate aggregate stop loss policy will provide reimbursement for up to the first \$1,000,000 of amounts in excess of 120 percent. Based on claims incurred through December 31, an estimated liability for claims incurred, but not paid of \$2,048,000 is included in accounts payable and accrued expenses in the accompanying combined balance sheets as of December 31, 2019.

### 10. Net Resident Service Revenues

The Corporations disaggregate revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of their revenues and cash flows as affected by economic factors. Resident services and patient revenues consist of the following for the years ended December 31, 2019 and 2018 (in thousands):

	2019				
	Residential Living	Assisted Living	Health Center	Memory Care	Total
Private (contract)	\$ 100,270	\$ 22,654	\$ 15,609	\$ 9,611	\$ 148,144
Private (noncontract)	6,411	10,710	12,832	4,478	34,431
Medicare (Part A)	-	-	37,263	-	37,263
Medicare (Part B)	-	-	1,591	-	1,591
Medicaid	-	-	14,541	-	14,541
Managed care	-	-	11,905	-	11,905
Subtotal	106,681	33,364	93,741	14,089	247,875
Amortization of nonrebatable entrance fees	-	-	-	-	43,129
Total	<u>\$ 106,681</u>	<u>\$ 33,364</u>	<u>\$ 93,741</u>	<u>\$ 14,089</u>	<u>\$ 291,004</u>
	2018				
	Residential Living	Assisted Living	Health Center	Memory Care	Total
Private (contract)	\$ 94,584	\$ 20,645	\$ 17,386	\$ 8,484	\$ 141,099
Private (noncontract)	5,625	11,067	12,284	4,463	33,439
Medicare (Part A)	-	-	33,160	-	33,160
Medicare (Part B)	-	-	1,550	-	1,550
Medicaid	-	-	13,562	-	13,562
Managed care	-	-	9,746	-	9,746
Subtotal	100,209	31,712	87,688	12,947	232,556
Amortization of nonrebatable entrance fees	-	-	-	-	41,164
Total	<u>\$ 100,209</u>	<u>\$ 31,712</u>	<u>\$ 87,688</u>	<u>\$ 12,947</u>	<u>\$ 273,720</u>



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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

Approximately 74 percent and 75 percent of the Corporations' resident services and patient revenues are derived from private pay in 2019 and 2018, respectively. The Corporations also have agreements with third-party payors. The Medicare Part A program makes up approximately 15 percent and 14 percent of the Corporations' resident services and patient revenues in 2019 and 2018, respectively. Nursing and ancillary services provided to Medicare beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The determination of these rates is partially based on the 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. The basis for payment to the Corporations for other payer agreements includes prospectively determined rates per day or discounts from established charges.

### 11. Functional Expenses

The Corporations provide housing, healthcare and other related services to residents within their geographic location. Financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are approximately as follows at December 31, 2019 and 2018 (in thousands):

	<b>2019</b>		
	<b>Residential services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 107,628	\$ 25,033	\$ 132,661
Employee benefits	25,009	7,008	32,017
Supplies	20,646	902	21,548
Ancillary services	15,248	-	15,248
Repairs and maintenance	4,435	8	4,443
Marketing and advertising	3,262	90	3,352
Purchased services	10,264	4,084	14,348
Utilities	10,639	1,266	11,905
Travel and related	1,169	1,566	2,735
Leases and rents	864	934	1,798
Insurance	3,677	-	3,677
Other operating expenses	4,331	2,130	6,461
Depreciation	41,633	-	41,633
Mortgage interest	17,411	-	17,411
	<u>\$ 266,216</u>	<u>\$ 43,021</u>	<u>\$ 309,237</u>
Total expenses	<u>\$ 266,216</u>	<u>\$ 43,021</u>	<u>\$ 309,237</u>

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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

	2018		
	Residential services	General and Administrative	Total
Salaries and wages	\$ 100,223	\$ 24,065	\$ 124,288
Employee benefits	21,278	7,539	28,817
Supplies	20,392	900	21,292
Ancillary services	13,756	-	13,756
Repairs and maintenance	4,509	10	4,519
Marketing and advertising	3,214	42	3,256
Purchased services	10,127	5,623	15,750
Utilities	10,701	1,231	11,932
Travel and related	1,311	1,589	2,900
Leases and rents	928	891	1,819
Insurance	3,408	26	3,434
Other operating expenses	3,878	3,905	7,783
Depreciation	38,994	-	38,994
Mortgage interest	19,095	-	19,095
Total expenses	<u>\$ 251,814</u>	<u>\$ 45,821</u>	<u>\$ 297,635</u>

### 12. Transactions With Affiliates

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

Management fees for providing these services for the years ended December 31, 2019 and 2018, 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):

	2019	2018
HumanGood LPCs		
Terraces of Phoenix	\$ 1,881	\$ 1,539
Judson Park	1,878	1,851
Las Ventanas	592	1,047
Affordable Housing Communities	-	2,169
HumanGood Affordable Housing	520	-
Total	<u>\$ 4,871</u>	<u>\$ 6,606</u>

Interest and management fees due from affiliates in the accompanying combined balance sheets includes deferred management fees due from Las Ventanas in the amounts of \$2,412,000 as of December 31, 2019 and 2018, as well as interest income receivable from Beacon Development Group in the amounts of \$529,000 and \$423,000 as of December 31, 2019 and 2018, respectively, related to the outstanding purchase note described further in Note 1.

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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

Amounts due from affiliates for management fees and cost recoveries for other services such as dining, purchase cards, payroll, and insurance as of December 31, 2019 and 2018, are included intercompany advances due in the accompanying combined balance sheets, and are as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Due from HumanGood Affordable Housing and Affiliates	\$ 4,000	\$ 4,203
Due from HumanGood SoCal Affordable Housing Communities	2,193	2,739
Due from HumanGood Washington	1,906	3,173
Due (to) from HumanGood Arizona	(49)	1,724
Due from HumanGood Idaho	276	126
Due from HumanGood Nevada	239	16
Due from HumanGood Cornerstone and certain affiliates	155	429
	<u>\$ 8,720</u>	<u>\$ 12,410</u>
Total		

During the year ended December 31, 2019, affiliate distributions and transfers in the accompanying combined statements of operations and changes in net assets is primarily comprised of cash distributions of \$8,151,000 from NorCal and SoCal to Cornerstone, and benevolence match distributions of \$2,980,000 from NorCal and \$520,000 from SoCal to Foundation West and Foundation South, respectively.

During the year ended December 31, 2018, Net equity transfers from SoCal Affordable Housing in the accompanying combined statements of operations and changes in net assets includes noncash contributions of \$34,296,000 to SoCal from certain of its owned affordable housing communities and noncash distributions of \$6,464,000 related to the SoCal to HGAH asset and liability transfer further described in Note 1.

Also for the year ended December 31, 2018, other affiliate distributions and transfers in the accompanying combined statements of operations and changes in net assets is primarily comprised of the following: cash distributions of \$3,480,000 from NorCal and SoCal to Cornerstone, cash distributions of \$5,000,000 to HGAH and \$1,000,000 to BDG to fund working capital, cash contributions of \$2,230,000 from HumanGood Properties to NorCal and a cash contribution of \$3,600,000 from an affordable housing community to SoCal subsequent to its conversion to tax-credit financing.

### 13. Leases and Rents

The Corporations lease office space for one of their community support centers which is recorded as an operating lease. The current lease term expires on December 31, 2021 and there are no options to extend. Lease expense under the office space lease was \$374,000 and \$363,000 for the years ended December 31, 2019 and 2018, respectively, and is included in leases and rents in the accompanying combined statements of operations and changes in net assets. After adoption of ASC 842, right of use asset and lease liability for the community support center operating lease of \$866,000 was recorded within land, building and equipment and other liabilities, respectively, in the accompanying combined balance sheets as of December 31, 2019. The maturity and future minimum commitments of total operating lease obligations at December 31, 2019 is expected to approximate \$433,000 for the next two years.

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

Notes to Combined Financial Statements  
December 31, 2019 and 2018

The following tables include supplemental lease information as of and for the year ended December 31, 2019:

<u>Lease Term and Discount Rate</u>	<u>December 31, 2019</u>
Weighted-average remaining lease term (years):	
Community support center operating lease	2 years
Weighted-average discount rate:	
Community support center operating lease	1.58%

### 14. 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.

On September 12, 2012, Las Ventanas closed on the restructuring of its indebtedness. As discussed in Note 1, NorCal provided an unfunded \$2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to NorCal of an equal amount of Las Ventanas Series B-4 bonds.

For all 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.

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

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Notes to Combined Financial Statements  
December 31, 2019 and 2018

### 15. 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.

### 16. 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.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in 2020 has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The Corporations' evaluation of the effects of these events is ongoing as of the date the accompanying combined financial statements were available to be issued. COVID-19 may impact various parts of the Corporations' 2020 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of residential living units or declines in revenues related to decreases in occupancy or volumes of certain revenues 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.

The Corporations have evaluated subsequent events through April 29, 2020, 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, 2019

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Assets</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$ 18,428	\$ 5,644	\$ 8,338	\$ -	\$ 32,410	\$ 229	\$ 581	\$ 810	\$ -	\$ 33,220
Resident accounts receivable, net	9,349	4,539	1,138	-	15,026	-	-	-	-	15,026
Other receivables	2,357	3,098	164	-	5,619	521	15	536	-	6,155
Investments	88,433	87,748	15,484	-	191,665	-	9,262	9,262	-	200,927
Current portion of restricted investments	3,593	-	854	-	4,447	-	-	-	-	4,447
Intercompany advances due	8,269	369	(72)	-	8,566	95	59	154	-	8,720
Prepaid expenses, deposits and and other assets	6,869	2,316	284	-	9,469	-	-	-	-	9,469
Total current assets	137,298	103,714	26,190	-	267,202	845	9,917	10,762	-	277,964
<b>Noncurrent Assets</b>										
Restricted cash	-	5,088	-	-	5,088	-	-	-	-	5,088
Designated investments	50,925	13,936	-	-	64,861	56,185	-	56,185	-	121,046
Investments in HumanGood Nevada Bonds	5,018	-	-	-	5,018	-	-	-	-	5,018
Restricted investments	37,388	-	3,753	-	41,141	12,327	25,031	37,358	-	78,499
Subordinated notes receivable, net	41,560	-	-	(29,775)	11,785	-	-	-	-	11,785
Land, building and equipment, net	230,655	168,740	82,956	-	482,351	-	-	-	-	482,351
Interest and management fees due from affiliates	12,885	-	-	(9,944)	2,941	-	-	-	-	2,941
Total noncurrent assets	378,431	187,764	86,709	(39,719)	613,185	68,512	25,031	93,543	-	706,728
Total assets	\$ 515,729	\$ 291,478	\$ 112,899	\$ (39,719)	\$ 880,387	\$ 69,357	\$ 34,948	\$ 104,305	\$ -	\$ 984,692

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

Combining Balance Sheet Schedule

December 31, 2019

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Liabilities and Net Assets</b>										
<b>Current Liabilities</b>										
Accounts payable and accrued expenses	\$ 27,030	\$ 5,230	\$ 7,680	\$ (6,396)	\$ 33,544	\$ 164	\$ 95	\$ 259	\$ -	\$ 33,803
Deposits	1,530	723	110	-	2,363	-	-	-	-	2,363
Accrued interest	2,594	193	4,146	(3,548)	3,385	-	-	-	-	3,385
Current portion of long-term debt	5,645	2,201	705	-	8,551	-	-	-	-	8,551
Entrance fee rebates payable	184	1,366	13	-	1,563	-	-	-	-	1,563
Total current liabilities	36,983	9,713	12,654	(9,944)	49,406	164	95	259	-	49,665
<b>Noncurrent Liabilities</b>										
Notes and bonds payable, net	193,519	108,934	73,659	(29,775)	346,337	-	-	-	-	346,337
Rebatable entrance fees due	91,082	52,712	35,339	-	179,133	-	-	-	-	179,133
Entrance fees subject to refund	38,793	42,194	8,824	-	89,811	-	-	-	-	89,811
Entrance fees nonrefundable	110,649	53,721	16,810	-	181,180	-	-	-	-	181,180
Revocable trusts	-	-	-	-	-	315	-	315	-	315
Obligations under annuity agreements	-	-	-	-	-	1,903	1,459	3,362	-	3,362
Retirement liabilities	2,506	214	-	-	2,720	-	-	-	-	2,720
Workers' compensation liability	6,811	7,568	-	-	14,379	-	-	-	-	14,379
Other liabilities	13,873	268	39	(9,944)	4,236	-	-	-	-	4,236
Total noncurrent liabilities	457,233	265,611	134,671	(39,719)	817,796	2,218	1,459	3,677	-	821,473
Total liabilities	494,216	275,324	147,325	(49,663)	867,202	2,382	1,554	3,936	-	871,138
<b>Net Assets</b>										
Without donor restrictions	21,513	16,154	(34,426)	9,944	13,185	56,186	9,769	65,955	-	79,140
With donor restrictions	-	-	-	-	-	10,789	23,625	34,414	-	34,414
Total net assets (deficit)	21,513	16,154	(34,426)	9,944	13,185	66,975	33,394	100,369	-	113,554
Total liabilities and net assets (deficit)	\$ 515,729	\$ 291,478	\$ 112,899	\$ (39,719)	\$ 880,387	\$ 69,357	\$ 34,948	\$ 104,305	\$ -	\$ 984,692

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

Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2019  
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Operating Revenues</b>										
Residential living	\$ 55,438	\$ 40,227	\$ 11,016	\$ -	\$ 106,681	\$ -	\$ -	\$ -	\$ -	\$ 106,681
Assisted living	16,210	13,219	3,935	-	33,364	-	-	-	-	33,364
Health center	59,356	26,311	8,074	-	93,741	-	-	-	-	93,741
Memory care	9,307	2,874	1,908	-	14,089	-	-	-	-	14,089
Other residential services	1,487	129	11	-	1,627	-	-	-	-	1,627
Amortization of entrance fees	22,729	16,589	3,811	-	43,129	-	-	-	-	43,129
Other operating revenue	7,795	2,292	464	(1,020)	9,531	-	-	-	-	9,531
Net assets released from restrictions	-	-	-	-	-	2,905	1,580	4,485	-	4,485
Unrestricted contributions	-	-	-	-	-	2,633	-	2,633	-	2,633
Foundation community benefit	702	286	196	-	1,184	-	-	-	(1,184)	-
Total operating revenues	173,024	101,927	29,415	(1,020)	303,346	5,538	1,580	7,118	(1,184)	309,280
<b>Operating Expenses</b>										
Salaries and wages	73,880	48,285	9,761	-	131,926	473	262	735	-	132,661
Employee benefits	17,498	12,038	2,348	-	31,884	72	61	133	-	32,017
Supplies	11,080	8,008	2,457	-	21,545	1	2	3	-	21,548
Ancillary services	10,300	3,067	1,881	-	15,248	-	-	-	-	15,248
Repairs and maintenance	2,260	1,800	380	-	4,440	3	-	3	-	4,443
Marketing and advertising	1,485	1,292	575	-	3,352	-	-	-	-	3,352
Purchased services	7,099	6,359	842	-	14,300	35	13	48	-	14,348
Corporate allocations	-	-	2,040	(2,040)	-	-	-	-	-	-
Utilities	5,585	5,049	1,267	-	11,901	2	2	4	-	11,905
Travel and related	1,631	962	91	-	2,684	28	23	51	-	2,735
Leases and rents	1,239	401	148	-	1,788	10	-	10	-	1,798
Insurance	1,959	1,398	320	-	3,677	-	-	-	-	3,677
Foundation community distribution	-	-	-	-	-	898	286	1,184	(1,184)	-
Other operating expenses	696	1,815	309	-	2,820	2,709	932	3,641	-	6,461
Total operating expenses	134,712	90,474	22,419	(2,040)	245,565	4,231	1,581	5,812	(1,184)	250,193
Income (loss) before other operating income (expense)	38,312	11,453	6,996	1,020	57,781	1,307	(1)	1,306	-	59,087
<b>Other Operating Income (Expense)</b>										
Realized gains (losses) on investments, net	1,172	3,000	86	-	4,258	501	(8)	493	-	4,751
Change in unrealized gains on investments, net	7,374	6,234	143	-	13,751	5,577	1,255	6,832	-	20,583
Unrealized gains on investment in HumanGood Nevada Bonds	412	-	-	-	412	-	-	-	-	412
Investment income, net	3,491	3,236	340	-	7,067	1,182	263	1,445	-	8,512
Mortgage interest	(8,155)	(5,557)	(4,383)	684	(17,411)	-	-	-	-	(17,411)
Depreciation	(20,377)	(16,755)	(4,501)	-	(41,633)	-	-	-	-	(41,633)
Loss on early retirement of debt	(4,155)	(3,409)	-	-	(7,564)	-	-	-	-	(7,564)
Gain (loss) on disposal of fixed assets	480	(570)	-	-	(90)	-	-	-	-	(90)
Income (loss) from operations	18,554	(2,368)	(1,319)	1,704	16,571	8,567	1,509	10,076	-	26,647



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

Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2019  
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Other Changes in Net Assets Without Donor Restrictions</b>										
Change in minimum pension liability	\$ -	\$ (2,567)	\$ -	\$ -	\$ (2,567)	\$ -	\$ -	\$ -	\$ -	\$ (2,567)
Other affiliate distributions and equity transfers	(7,309)	(3,107)	12	-	(10,404)	2,980	(1,919)	1,061	-	(9,343)
Unrealized losses on interest rate caps	-	(157)	-	-	(157)	-	-	-	-	(157)
Change in net assets without donor restrictions	11,245	(8,199)	(1,307)	1,704	3,443	11,547	(410)	11,137	-	14,580
<b>Net Assets With Donor Restrictions</b>										
Dividend and interest income	-	-	-	-	-	779	552	1,331	-	1,331
Unrealized gains on investments with donor restrictions, net	-	-	-	-	-	574	2,295	2,869	-	2,869
Restricted equity contributions	-	-	-	-	-	-	2,033	2,033	-	2,033
Contributions	-	-	-	-	-	2,479	3,183	5,662	-	5,662
Net assets released from restrictions for benevolence	-	-	-	-	-	-	(286)	(286)	-	(286)
Contractual payments to beneficiaries	-	-	-	-	-	(364)	(1,298)	(1,662)	-	(1,662)
Realized losses on investments, net	-	-	-	-	-	16	119	135	-	135
Contractual liability adjustments	-	-	-	-	-	209	235	444	-	444
Net assets released from restrictions for special project funds	-	-	-	-	-	(2,905)	(1,294)	(4,199)	-	(4,199)
Change in net assets with donor restrictions	-	-	-	-	-	788	5,539	6,327	-	6,327
Change in net assets	11,245	(8,199)	(1,307)	1,704	3,443	12,335	5,129	17,464	-	20,907
<b>Net Assets (Deficit), Beginning</b>	10,268	24,353	(33,119)	8,240	9,742	54,640	28,265	82,905	-	92,647
<b>Net Assets (Deficit), Ending</b>	\$ 21,513	\$ 16,154	\$ (34,426)	\$ 9,944	\$ 13,185	\$ 66,975	\$ 33,394	\$ 100,369	\$ -	\$ 113,554

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

Combining Statement of Cash Flows Schedule  
Year Ended December 31, 2019  
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Cash Flows From Operating Activities</b>										
Cash received for resident services	\$ 138,662	\$ 81,367	\$ 24,633	\$ -	\$ 244,662	\$ -	\$ -	\$ -	\$ -	\$ 244,662
Cash received from nonrebatable entrance fees from reoccupancy	23,527	22,781	7,851	-	54,159	-	-	-	-	54,159
Cash received from other operating activities	9,251	2,591	659	(1,019)	11,482	119	-	119	(1,186)	10,415
Cash received from bequests and trust maturities	-	-	-	-	-	2,633	-	2,633	-	2,633
Cash earnings realized from investments	4,663	6,234	425	-	11,322	1,683	254	1,937	-	13,259
Cash paid for employee salaries	(63,421)	(45,650)	(9,239)	-	(118,310)	(355)	(203)	(558)	-	(118,868)
Cash paid for employee benefits	(14,492)	(12,768)	(2,348)	-	(29,608)	(72)	(61)	(133)	-	(29,741)
Cash paid for temporary labor	(5,914)	(4,811)	(550)	-	(11,275)	-	-	-	-	(11,275)
Cash paid to vendors	(42,801)	(31,591)	(9,870)	1,019	(83,243)	(756)	324	(432)	1,186	(82,489)
Cash paid for interest	(7,713)	(6,041)	(3,624)	-	(17,378)	-	-	-	-	(17,378)
Net cash provided by operating activities	41,762	12,112	7,937	-	61,811	3,252	314	3,566	-	65,377
<b>Cash Flows From Investing Activities</b>										
Acquisition of land, buildings and equipment	(15,988)	(13,235)	(3,695)	-	(32,918)	-	-	-	-	(32,918)
Net purchases (sales) of unrestricted investments	(16,193)	2,850	(3,286)	-	(16,629)	(6,104)	2,164	(3,940)	-	(20,569)
Net sales (purchases) of restricted investments	3,532	4,606	(87)	-	8,051	(1,302)	(900)	(2,202)	-	5,849
Cash received from intercompany and affiliate transactions	1,930	2,092	(220)	-	3,802	(34)	(81)	(115)	-	3,687
Net cash (used in) provided by investing activities	(26,719)	(3,687)	(7,288)	-	(37,694)	(7,440)	1,183	(6,257)	-	(43,951)
<b>Cash Flows From Financing Activities</b>										
Proceeds from rebatable entrance fees	6,295	3,329	3,060	-	12,684	-	-	-	-	12,684
Refunds of deposits and refundable entrance fees	(4,013)	(6,709)	(2,465)	-	(13,187)	-	-	-	-	(13,187)
Proceeds from issuance of notes and bonds payable	14,577	(1,169)	-	-	13,408	-	-	-	-	13,408
Principal payments on notes and bonds payable	(3,834)	(970)	(675)	-	(5,479)	-	-	-	-	(5,479)
Cash paid for bond issuance costs	(2,211)	-	-	-	(2,211)	-	-	-	-	(2,211)
Cash paid from other trust activity	-	-	-	-	-	(2,154)	(2,173)	(4,327)	-	(4,327)
Affiliate cash distributions	(7,309)	(3,108)	12	-	(10,405)	2,980	(1,919)	1,061	-	(9,344)
Cash received from restricted contributions	-	-	-	-	-	2,452	3,183	5,635	-	5,635
Net cash provided by (used in) financing activities	3,505	(8,627)	(68)	-	(5,190)	3,278	(909)	2,369	-	(2,821)
Increase (decrease) in cash, cash equivalents and restricted cash	18,548	(202)	581	-	18,927	(910)	588	(322)	-	18,605
<b>Cash, Cash Equivalents and Restricted Cash, Beginning</b>	37,462	10,934	8,778	-	57,174	1,769	1,030	2,799	-	59,973
<b>Cash, Cash Equivalents, and Restricted Cash, Ending</b>	\$ 56,010	\$ 10,732	\$ 9,359	\$ -	\$ 76,101	\$ 859	\$ 1,618	\$ 2,477	\$ -	\$ 78,578

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

Combining Statement of Cash Flows Schedule  
Year Ended December 31, 2019  
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Cash Flows From Operating Activities</b>										
Change in net assets	\$ 11,245	\$ (8,199)	\$ (1,307)	\$ 1,704	\$ 3,443	\$ 12,335	\$ 5,129	\$ 17,464	\$ -	\$ 20,907
Adjustments to reconcile change in net assets to net cash provided by operating activities:										
Amortization of entrance fees	(22,729)	(16,589)	(3,811)	-	(43,129)	-	-	-	-	(43,129)
Proceeds from nonrebatable entrance fees from reoccupancy	23,527	22,781	7,851	-	54,159	-	-	-	-	54,159
Depreciation	20,377	16,755	4,501	-	41,633	-	-	-	-	41,633
Amortization of debt issuance costs and bond discounts	239	166	58	-	463	-	-	-	-	463
Amortization of bond premium	(497)	-	(15)	-	(512)	-	-	-	-	(512)
Unrealized gains on investments, net	(7,374)	(6,234)	(143)	-	(13,751)	(5,577)	(1,255)	(6,832)	-	(20,583)
Unrealized gains on investments with donor restrictions, net	-	-	-	-	-	(574)	(2,295)	(2,869)	-	(2,869)
Unrealized gains on investments in HumanGood Nevada bonds	(412)	-	-	-	(412)	-	-	-	-	(412)
Change in unrecognized pension obligations	-	2,567	-	-	2,567	-	-	-	-	2,567
Loss on early retirement of debt	4,155	3,409	-	-	7,564	-	-	-	-	7,564
Unrealized loss on interest rate caps	-	157	-	-	157	-	-	-	-	157
Other affiliate distributions and equity transfers	7,309	3,108	(12)	-	10,405	(2,980)	1,919	(1,061)	-	9,344
Change in accounts receivable from residents and others	(1,152)	(271)	(30)	-	(1,453)	118	-	118	-	(1,335)
Change in prepaid expenses, deposits and other assets	(170)	223	(280)	-	(227)	-	-	-	-	(227)
Other changes in operating assets and liabilities, net	7,244	(5,761)	1,125	(1,704)	904	(70)	(3,184)	(3,254)	-	(2,350)
Net cash provided by operating activities	\$ 41,762	\$ 12,112	\$ 7,937	\$ -	\$ 61,811	\$ 3,252	\$ 314	\$ 3,566	\$ -	\$ 65,377
<b>Noncash Disclosures</b>										
Long-term debt repaid with proceeds from Series 2019 Bonds	\$ 100,130	\$ 67,980	\$ -	\$ -	\$ 168,110	\$ -	\$ -	\$ -	\$ -	\$ 168,110
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combining Balance Sheets</b>										
Cash and cash equivalents	\$ 18,428	\$ 5,644	\$ 8,338	\$ -	\$ 32,410	\$ 229	\$ 581	\$ 810	\$ -	\$ 33,220
Restricted cash included in restricted investments	37,582	-	1,021	-	38,603	630	1,037	1,667	-	40,270
Restricted cash	-	5,088	-	-	5,088	-	-	-	-	5,088
Total cash, cash equivalents and restricted cash	\$ 56,010	\$ 10,732	\$ 9,359	\$ -	\$ 76,101	\$ 859	\$ 1,618	\$ 2,477	\$ -	\$ 78,578

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2019  
(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
<b>Operating Revenues</b>										
Residential living	\$ 6,888	\$ 4,112	\$ 8,708	\$ 7,085	\$ 13,483	\$ 4,191	\$ 10,971	\$ -	\$ -	\$ 55,438
Assisted living	2,821	-	3,847	2,024	2,089	1,891	3,538	-	-	16,210
Health center	6,976	-	12,731	4,838	10,767	10,891	13,153	-	-	59,356
Memory care	2,034	-	1,473	688	1,834	1,368	1,910	-	-	9,307
Other residential services	81	101	627	96	232	229	121	-	-	1,487
Amortization of entrance fees	3,025	397	3,080	2,433	6,882	710	6,202	-	-	22,729
Other operating revenue	165	138	273	262	990	237	333	16,530	(11,133)	7,795
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-
Unrestricted contributions	-	-	-	-	-	-	-	-	-	-
Foundation community benefit	66	18	88	178	250	97	5	-	-	702
<b>Total operating revenues</b>	<b>22,056</b>	<b>4,766</b>	<b>30,827</b>	<b>17,604</b>	<b>36,527</b>	<b>19,614</b>	<b>36,233</b>	<b>16,530</b>	<b>(11,133)</b>	<b>173,024</b>
<b>Operating Expenses</b>										
Salaries and wages	8,389	1,953	13,158	7,381	11,643	7,988	11,704	11,664	-	73,880
Employee benefits	1,800	444	3,264	1,581	2,835	1,976	2,644	2,954	-	17,498
Supplies	1,249	482	1,853	1,255	2,605	1,420	1,918	298	-	11,080
Ancillary services	1,392	1	1,594	989	1,398	2,514	2,412	-	-	10,300
Repairs and maintenance	173	24	423	500	558	206	375	1	-	2,260
Marketing and advertising	234	130	220	339	201	203	124	34	-	1,485
Purchased services	860	275	1,009	805	976	970	1,239	965	-	7,099
Corporate allocations	1,493	325	2,270	1,273	2,166	1,559	2,047	-	(11,133)	-
Utilities	414	404	1,004	744	1,200	578	1,040	201	-	5,585
Travel and related	54	39	89	84	191	65	117	992	-	1,631
Leases and rents	57	22	116	151	101	55	56	681	-	1,239
Insurance	202	65	344	257	358	272	328	133	-	1,959
Foundation community distribution	-	-	-	-	-	-	-	-	-	-
Other operating expenses	217	118	429	855	519	270	591	(2,303)	-	696
<b>Total operating expenses</b>	<b>16,534</b>	<b>4,282</b>	<b>25,773</b>	<b>16,214</b>	<b>24,751</b>	<b>18,076</b>	<b>24,595</b>	<b>15,620</b>	<b>(11,133)</b>	<b>134,712</b>
<b>Income before other operating income (expense)</b>	<b>5,522</b>	<b>484</b>	<b>5,054</b>	<b>1,390</b>	<b>11,776</b>	<b>1,538</b>	<b>11,638</b>	<b>910</b>	<b>-</b>	<b>38,312</b>
<b>Other Operating Income (Expense)</b>										
Realized gains on investments, net	-	-	-	-	-	-	-	1,172	-	1,172
Change in unrealized gains on investments, net	-	-	-	-	-	-	-	7,374	-	7,374
Unrealized gains on investment in HumanGood Nevada bonds	-	-	-	-	-	-	-	412	-	412
Investment income, net	-	-	-	-	-	-	-	3,491	-	3,491
Mortgage interest	(1,228)	(176)	(573)	(354)	(1,038)	(520)	(1,754)	(2,512)	-	(8,155)
Depreciation	(3,892)	(828)	(2,234)	(2,795)	(5,087)	(1,392)	(3,786)	(363)	-	(20,377)
Loss on early retirement of debt	-	-	-	-	-	-	-	(4,155)	-	(4,155)
Gain on disposal of fixed assets	-	-	-	-	-	-	-	480	-	480
<b>Income (loss) from operations</b>	<b>402</b>	<b>(520)</b>	<b>2,247</b>	<b>(1,759)</b>	<b>5,651</b>	<b>(374)</b>	<b>6,098</b>	<b>6,809</b>	<b>-</b>	<b>18,554</b>

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2019  
(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
<b>Other Changes in Net Assets Without Donor Restrictions</b>										
Change in minimum pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net equity transfers from SoCal Affordable Housing	-	-	-	-	-	-	-	-	-	-
Other affiliate distributions and equity transfers	-	-	99	12	-	21	-	(7,441)	-	(7,309)
Unrealized gains on interest rate caps	-	-	-	-	-	-	-	-	-	-
Change in net assets without donor restrictions	402	(520)	2,346	(1,747)	5,651	(353)	6,098	(632)	-	11,245
<b>Net Assets With Donor Restrictions</b>										
Dividend and interest income	-	-	-	-	-	-	-	-	-	-
Unrealized gains on investments with donor restrictions, net	-	-	-	-	-	-	-	-	-	-
Restricted equity contributions	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for benevolence	-	-	-	-	-	-	-	-	-	-
Contractual payments to beneficiaries	-	-	-	-	-	-	-	-	-	-
Realized losses on investments, net	-	-	-	-	-	-	-	-	-	-
Contractual liability adjustments	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for special project funds	-	-	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-
Change in net assets	402	(520)	2,346	(1,747)	5,651	(353)	6,098	(632)	-	11,245
<b>Net Assets (Deficit), Beginning</b>	66	(9,635)	35,644	5,705	52,279	(19,221)	40,343	(94,913)	-	10,268
<b>Net Assets (Deficit), Ending</b>	\$ 468	\$ (10,155)	\$ 37,990	\$ 3,958	\$ 57,930	\$ (19,574)	\$ 46,441	\$ (95,545)	\$ -	\$ 21,513

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2019  
(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
<b>Operating Revenues</b>									
Residential living	\$ 7,207	\$ 10,291	\$ 2,845	\$ 10,860	\$ 4,497	\$ 4,527	\$ -	\$ -	\$ 40,227
Assisted living	1,906	2,547	2,604	3,184	1,531	1,447	-	-	13,219
Health center	5,893	3,986	2,588	6,417	-	7,427	-	-	26,311
Memory care	-	860	-	690	565	759	-	-	2,874
Other residential services	54	29	-	46	-	-	-	-	129
Amortization of entrance fees	2,840	4,893	718	4,755	1,561	1,822	-	-	16,589
Other operating revenue	298	489	100	316	160	327	6,853	(6,251)	2,292
Net assets released from restrictions	-	-	-	-	-	-	-	-	-
Unrestricted contributions	-	-	-	-	-	-	-	-	-
Foundation community benefit	24	32	12	30	33	155	-	-	286
Total operating revenues	18,222	23,127	8,867	26,298	8,347	16,464	6,853	(6,251)	101,927
<b>Operating Expenses</b>									
Salaries and wages	7,646	8,316	4,587	10,262	3,192	8,116	6,166	-	48,285
Employee benefits	2,044	2,118	1,154	2,533	711	2,109	1,369	-	12,038
Supplies	1,499	1,693	835	2,081	554	1,180	166	-	8,008
Ancillary services	430	61	200	822	12	1,542	-	-	3,067
Repairs and maintenance	477	537	248	282	151	90	15	-	1,800
Marketing and advertising	245	311	153	158	242	166	17	-	1,292
Purchased services	1,448	1,196	530	1,220	333	1,078	554	-	6,359
Corporate allocations	1,192	1,604	610	1,472	393	980	-	(6,251)	-
Utilities	955	1,108	398	1,088	389	938	173	-	5,049
Travel and related	103	42	74	91	28	135	489	-	962
Leases and rents	39	10	19	28	7	77	221	-	401
Insurance	233	317	140	305	146	238	19	-	1,398
Foundation community distribution	-	-	-	-	-	-	-	-	-
Other operating expenses	(309)	164	454	420	210	413	463	-	1,815
Total operating expenses	16,002	17,477	9,402	20,762	6,368	17,062	9,652	(6,251)	90,474
Income (loss) before other operating income (expense)	2,220	5,650	(535)	5,536	1,979	(598)	(2,799)	-	11,453
<b>Other Operating Income (Expense)</b>									
Realized gains on investments, net	-	-	-	-	-	-	3,000	-	3,000
Change in unrealized gains on investments	-	-	-	-	-	-	6,234	-	6,234
Unrealized gains on investment in HumanGood Nevada bonds	-	-	-	-	-	-	-	-	-
Investment income, net	-	25	1	-	2	1	3,207	-	3,236
Mortgage interest	(1,296)	(2,960)	(96)	(938)	(257)	-	(10)	-	(5,557)
Depreciation	(2,610)	(5,759)	(769)	(3,005)	(1,450)	(2,326)	(836)	-	(16,755)
Loss on early retirement of debt	-	-	-	-	-	-	(3,409)	-	(3,409)
Loss on disposal of fixed assets	-	-	-	-	(34)	-	(536)	-	(570)
(Loss) income from operations	(1,686)	(3,044)	(1,399)	1,593	240	(2,923)	4,851	-	(2,368)

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2019  
(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
<b>Other Changes in Net Assets Without Donor Restrictions</b>									
Change in minimum pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,567)	\$ -	\$ (2,567)
Net equity transfers from SoCal Affordable Housing	-	-	-	-	-	-	-	-	-
Other affiliate distributions and equity transfers	111	682	3	19	111	81	(4,114)	-	(3,107)
Unrealized losses on interest rate caps	-	(144)	-	-	(13)	-	-	-	(157)
Change in net assets without donor restrictions	(1,575)	(2,506)	(1,396)	1,612	338	(2,842)	(1,830)	-	(8,199)
<b>Net Assets With Donor Restrictions</b>									
Dividend and interest income	-	-	-	-	-	-	-	-	-
Unrealized gains on investment with donor restrictions, net	-	-	-	-	-	-	-	-	-
Restricted equity contributions	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for benevolence	-	-	-	-	-	-	-	-	-
Contractual payments to beneficiaries	-	-	-	-	-	-	-	-	-
Realized losses on investments, net	-	-	-	-	-	-	-	-	-
Contractual liability adjustments	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for special project funds	-	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	-
Change in net assets	(1,575)	(2,506)	(1,396)	1,612	338	(2,842)	(1,830)	-	(8,199)
<b>Net Assets (Deficit), Beginning</b>	(3,032)	(19,175)	90	36,633	6,434	(11,668)	15,071	-	24,353
<b>Net Assets (Deficit), Ending</b>	\$ (4,607)	\$ (21,681)	\$ (1,306)	\$ 38,245	\$ 6,772	\$ (14,510)	\$ 13,241	\$ -	\$ 16,154

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2019

(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Operating Revenues</b>								
Residential living	\$ 11,016	\$ -	\$ 106,681	\$ -	\$ -	\$ -	\$ -	\$ 106,681
Assisted living	3,935	-	33,364	-	-	-	-	33,364
Health center	8,074	-	93,741	-	-	-	-	93,741
Memory care	1,908	-	14,089	-	-	-	-	14,089
Other residential services	11	-	1,627	-	-	-	-	1,627
Amortization of entrance fees	3,811	-	43,129	-	-	-	-	43,129
Other operating revenue	464	(1,020)	9,531	-	-	-	-	9,531
Net assets released from restrictions	-	-	-	2,905	1,580	4,485	-	4,485
Unrestricted contributions	-	-	-	2,633	-	2,633	-	2,633
Foundation community benefit	196	-	1,184	-	-	-	(1,184)	-
Total operating revenues	29,415	(1,020)	303,346	5,538	1,580	7,118	(1,184)	309,280
<b>Operating Expenses</b>								
Salaries and wages	9,761	-	131,926	473	262	735	-	132,661
Employee benefits	2,348	-	31,884	72	61	133	-	32,017
Supplies	2,457	-	21,545	1	2	3	-	21,548
Ancillary services	1,881	-	15,248	-	-	-	-	15,248
Repairs and maintenance	380	-	4,440	3	-	3	-	4,443
Marketing and advertising	575	-	3,352	-	-	-	-	3,352
Purchased services	842	-	14,300	35	13	48	-	14,348
Corporate allocations	2,040	(2,040)	-	-	-	-	-	-
Utilities	1,267	-	11,901	2	2	4	-	11,905
Travel and related	91	-	2,684	28	23	51	-	2,735
Leases and rents	148	-	1,788	10	-	10	-	1,798
Insurance	320	-	3,677	-	-	-	-	3,677
Foundation community distribution	-	-	-	898	286	1,184	(1,184)	-
Other operating expenses	309	-	2,820	2,709	932	3,641	-	6,461
Total operating expenses	22,419	(2,040)	245,565	4,231	1,581	5,812	(1,184)	250,193
Income (loss) before other operating income (expense)	6,996	1,020	57,781	1,307	(1)	1,306	-	59,087
<b>Other Operating Income (Expense)</b>								
Realized gains (losses) on investments, net	86	-	4,258	501	(8)	493	-	4,751
Change in unrealized gains on investments, net	143	-	13,751	5,577	1,255	6,832	-	20,583
Unrealized gains on investment in HumanGood Nevada bonds	-	-	412	-	-	-	-	412
Investment income, net	340	-	7,067	1,182	263	1,445	-	8,512
Mortgage interest	(4,383)	684	(17,411)	-	-	-	-	(17,411)
Depreciation	(4,501)	-	(41,633)	-	-	-	-	(41,633)
Loss on early retirement of debt	-	-	(7,564)	-	-	-	-	(7,564)
Loss on disposal of fixed assets	-	-	(90)	-	-	-	-	(90)
(Loss) income from operations	(1,319)	1,704	16,571	8,567	1,509	10,076	-	26,647



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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2019  
(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Other Changes in Net Assets Without Donor Restrictions</b>								
Change in minimum pension liability	\$ -	\$ -	\$ (2,567)	\$ -	\$ -	\$ -	\$ -	\$ (2,567)
Other affiliate distributions and equity transfers	12	-	(10,404)	2,980	(1,919)	1,061	-	(9,343)
Unrealized losses on interest rate caps	-	-	(157)	-	-	-	-	(157)
Change in net assets without donor restrictions	(1,307)	1,704	3,443	11,547	(410)	11,137	-	14,580
<b>Net Assets With Donor Restrictions</b>								
Dividend and interest income	-	-	-	779	552	1,331	-	1,331
Unrealized gains on investments with donor restrictions, net	-	-	-	574	2,295	2,869	-	2,869
Restricted equity contributions	-	-	-	-	2,033	2,033	-	2,033
Contributions	-	-	-	2,479	3,183	5,662	-	5,662
Net assets released from restrictions for benevolence	-	-	-	-	(286)	(286)	-	(286)
Contractual payments to beneficiaries	-	-	-	(364)	(1,298)	(1,662)	-	(1,662)
Realized gains on investments, net	-	-	-	16	119	135	-	135
Contractual liability adjustments	-	-	-	209	235	444	-	444
Net assets released from restrictions for special project funds	-	-	-	(2,905)	(1,294)	(4,199)	-	(4,199)
Change in net assets without donor restrictions	-	-	-	788	5,539	6,327	-	6,327
Change in net assets	(1,307)	1,704	3,443	12,335	5,129	17,464	-	20,907
<b>Net Assets (Deficit), Beginning</b>	(33,119)	8,240	9,742	54,640	28,265	82,905	-	92,647
<b>Net Assets (Deficit), Ending</b>	<u>\$ (34,426)</u>	<u>\$ 9,944</u>	<u>\$ 13,185</u>	<u>\$ 66,975</u>	<u>\$ 33,394</u>	<u>\$ 100,369</u>	<u>\$ -</u>	<u>\$ 113,554</u>

**HumanGood California Obligated Group & Foundation Affiliates**

**(Members of HumanGood)**

Combining Balance Sheet Schedule

December 31, 2018

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Assets</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$ 21,439	\$ 4,281	\$ 7,815	\$ -	\$ 33,535	\$ 421	\$ 462	\$ 883	\$ -	\$ 34,418
Resident accounts receivable, net	7,280	3,671	906	-	11,857	-	-	-	-	11,857
Other receivables	3,274	3,695	366	-	7,335	639	15	654	-	7,989
Investments	66,790	84,432	12,055	-	163,277	-	10,172	10,172	-	173,449
Current portion of restricted investments	4,407	1,064	853	-	6,324	-	-	-	-	6,324
Intercompany advances due	10,200	2,462	(292)	-	12,370	62	(22)	40	-	12,410
Prepaid expenses, deposits and and other assets	6,699	2,539	4	-	9,242	-	-	-	-	9,242
Total current assets	120,089	102,144	21,707	-	243,940	1,122	10,627	11,749	-	255,689
<b>Noncurrent Assets</b>										
Restricted cash	-	5,054	-	-	5,054	-	-	-	-	5,054
Designated investments	49,066	13,936	-	-	63,002	44,504	-	44,504	-	107,506
Investments in HumanGood Nevada Bonds	4,606	-	-	-	4,606	-	-	-	-	4,606
Restricted investments	18,547	5,147	3,610	-	27,304	11,169	19,333	30,502	-	57,806
Subordinated notes receivable, net	41,672	-	-	(29,775)	11,897	-	-	-	-	11,897
Land, building and equipment, net	234,220	172,275	83,762	-	490,257	-	-	-	-	490,257
Interest and management fees due from affiliates	11,075	-	-	(8,240)	2,835	-	-	-	-	2,835
Total noncurrent assets	359,186	196,412	87,372	(38,015)	604,955	55,673	19,333	75,006	-	679,961
Total assets	\$ 479,275	\$ 298,556	\$ 109,079	\$ (38,015)	\$ 848,895	\$ 56,795	\$ 29,960	\$ 86,755	\$ -	\$ 935,650

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

Combining Balance Sheet Schedule  
December 31, 2018  
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Liabilities and Net Assets</b>										
<b>Current Liabilities</b>										
Accounts payable and accrued expenses	\$ 20,240	\$ 9,425	\$ 7,094	\$ (5,376)	\$ 31,383	\$ 21	\$ 35	\$ 56	\$ -	\$ 31,439
Deposits	2,348	810	196	-	3,354	-	-	-	-	3,354
Accrued interest	2,445	845	3,429	(2,864)	3,855	-	-	-	-	3,855
Current portion of long-term debt	4,829	2,415	675	-	7,919	-	-	-	-	7,919
Total current liabilities	29,862	13,495	11,394	(8,240)	46,511	21	35	56	-	46,567
<b>Noncurrent Liabilities</b>										
Notes and bonds payable, net	181,354	107,283	74,321	(29,775)	333,183	-	-	-	-	333,183
Rebatable entrance fees due	87,610	53,366	34,182	-	175,158	-	-	-	-	175,158
Entrance fees subject to refund	42,868	39,895	7,972	-	90,735	-	-	-	-	90,735
Entrance fees nonrefundable	106,364	53,075	14,300	-	173,739	-	-	-	-	173,739
Revocable trusts	-	-	-	-	-	289	-	289	-	289
Obligations under annuity agreements	-	-	-	-	-	1,844	1,660	3,504	-	3,504
Retirement liabilities	2,028	(1,965)	-	-	63	-	-	-	-	63
Workers' compensation liability	6,794	8,487	-	-	15,281	-	-	-	-	15,281
Other liabilities	12,127	567	29	(8,240)	4,483	1	-	1	-	4,484
Total noncurrent liabilities	439,145	260,708	130,804	(38,015)	792,642	2,134	1,660	3,794	-	796,436
Total liabilities	469,007	274,203	142,198	(46,255)	839,153	2,155	1,695	3,850	-	843,003
<b>Net Assets</b>										
Without donor restrictions	10,268	24,353	(33,119)	8,240	9,742	44,638	10,178	54,816	-	64,558
With donor restrictions	-	-	-	-	-	10,002	18,087	28,089	-	28,089
Total net assets (deficit)	10,268	24,353	(33,119)	8,240	9,742	54,640	28,265	82,905	-	92,647
Total liabilities and net assets (deficit)	\$ 479,275	\$ 298,556	\$ 109,079	\$ (38,015)	\$ 848,895	\$ 56,795	\$ 29,960	\$ 86,755	\$ -	\$ 935,650

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

Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2018  
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Operating Revenues</b>										
Residential living	\$ 51,547	\$ 38,625	\$ 10,037	\$ -	\$ 100,209	\$ -	\$ -	\$ -	\$ -	\$ 100,209
Assisted living	15,372	12,650	3,690	-	31,712	-	-	-	-	31,712
Health center	54,772	25,129	7,787	-	87,688	-	-	-	-	87,688
Memory care	8,233	2,800	1,914	-	12,947	-	-	-	-	12,947
Other residential services	1,623	103	186	-	1,912	-	-	-	-	1,912
Amortization of entrance fees	21,980	15,718	3,466	-	41,164	-	-	-	-	41,164
Other operating revenue	7,838	4,447	522	(973)	11,834	-	-	-	-	11,834
Affordable housing fees	-	1,677	-	-	1,677	-	-	-	-	1,677
Net assets released from restrictions	-	-	-	-	-	2,285	1,675	3,960	-	3,960
Unrestricted contributions	-	-	-	-	-	2,110	-	2,110	-	2,110
Foundation community benefit	825	358	178	-	1,361	-	-	-	(1,361)	-
<b>Total operating revenues</b>	<b>162,190</b>	<b>101,507</b>	<b>27,780</b>	<b>(973)</b>	<b>290,504</b>	<b>4,395</b>	<b>1,675</b>	<b>6,070</b>	<b>(1,361)</b>	<b>295,213</b>
<b>Operating Expenses</b>										
Salaries and wages	69,885	44,681	9,007	-	123,573	467	248	715	-	124,288
Employee benefits	15,859	10,691	2,128	-	28,678	72	67	139	-	28,817
Supplies	11,059	7,875	2,355	-	21,289	3	-	3	-	21,292
Ancillary services	9,302	2,797	1,657	-	13,756	-	-	-	-	13,756
Repairs and maintenance	2,737	1,311	467	-	4,515	4	-	4	-	4,519
Marketing and advertising	1,567	1,118	563	-	3,248	7	1	8	-	3,256
Purchased services	7,048	7,719	903	-	15,670	65	15	80	-	15,750
Corporate allocations	-	-	1,946	(1,946)	-	-	-	-	-	-
Utilities	5,776	4,768	1,384	-	11,928	2	2	4	-	11,932
Travel and related	1,752	999	104	-	2,855	32	13	45	-	2,900
Leases and rents	1,318	399	77	-	1,794	25	-	25	-	1,819
Insurance	1,465	1,668	275	-	3,408	26	-	26	-	3,434
Foundation community distribution	-	-	-	-	-	1,003	358	1,361	(1,361)	-
Other operating expenses	1,692	2,581	400	-	4,673	2,139	971	3,110	-	7,783
<b>Total operating expenses</b>	<b>129,460</b>	<b>86,607</b>	<b>21,266</b>	<b>(1,946)</b>	<b>235,387</b>	<b>3,845</b>	<b>1,675</b>	<b>5,520</b>	<b>(1,361)</b>	<b>239,546</b>
<b>Income before other operating income (expense)</b>	<b>32,730</b>	<b>14,900</b>	<b>6,514</b>	<b>973</b>	<b>55,117</b>	<b>550</b>	<b>-</b>	<b>550</b>	<b>-</b>	<b>55,667</b>
<b>Other Operating Income (Expense)</b>										
Realized gains (losses) on investments, net	318	317	(50)	-	585	5,041	1,169	6,210	-	6,795
Change in unrealized gains (losses) on investments, net	(5,730)	(6,802)	73	-	(12,459)	(9,635)	(1,950)	(11,585)	-	(24,044)
Unrealized gains on investment in HumanGood Nevada bonds	727	-	-	-	727	-	-	-	-	727
Investment income, net	3,355	4,331	252	-	7,938	1,105	300	1,405	-	9,343
Mortgage interest	(9,897)	(6,389)	(4,142)	1,333	(19,095)	-	-	-	-	(19,095)
Depreciation	(18,982)	(15,422)	(4,590)	-	(38,994)	-	-	-	-	(38,994)
Losses on disposal of fixed assets	(73)	(308)	-	-	(381)	-	-	-	-	(381)
<b>Income (loss) from operations</b>	<b>2,448</b>	<b>(9,373)</b>	<b>(1,943)</b>	<b>2,306</b>	<b>(6,562)</b>	<b>(2,939)</b>	<b>(481)</b>	<b>(3,420)</b>	<b>-</b>	<b>(9,982)</b>

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

Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2018  
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Other Changes in Net Assets Without Donor Restrictions</b>										
Change in minimum pension liability	\$ -	\$ 3,891	\$ -	\$ -	\$ 3,891	\$ -	\$ -	\$ -	\$ -	\$ 3,891
Net equity transfers from SoCal Affordable Housing	-	27,831	-	-	27,831	-	-	-	-	27,831
Other affiliate distributions and equity transfers	(4,255)	(1,390)	27	-	(5,618)	1,635	(577)	1,058	-	(4,560)
Unrealized gains on interest rate caps	56	116	-	-	172	-	-	-	-	172
Change in net assets without donor restrictions	(1,751)	21,075	(1,916)	2,306	19,714	(1,304)	(1,058)	(2,362)	-	17,352
<b>Net Assets With Donor Restrictions</b>										
Dividend and interest income	-	-	-	-	-	298	567	865	-	865
Unrealized losses on investments with donor restrictions, net	-	-	-	-	-	(1,155)	(3,767)	(4,922)	-	(4,922)
Restricted equity contributions	-	-	-	-	-	-	1,240	1,240	-	1,240
Contributions	-	-	-	-	-	3,435	1,205	4,640	-	4,640
Net assets released from restrictions for benevolence	-	-	-	-	-	-	(358)	(358)	-	(358)
Contractual payments to beneficiaries	-	-	-	-	-	(426)	(381)	(807)	-	(807)
Realized gains on investments, net	-	-	-	-	-	450	2,245	2,695	-	2,695
Contractual liability adjustments	-	-	-	-	-	73	186	259	-	259
Net assets released from restrictions for special project funds	-	-	-	-	-	(2,285)	(1,317)	(3,602)	-	(3,602)
Change in net assets with donor restrictions	-	-	-	-	-	390	(380)	10	-	10
Change in net assets	(1,751)	21,075	(1,916)	2,306	19,714	(914)	(1,438)	(2,352)	-	17,362
<b>Net Assets (Deficit), Beginning</b>	18,745	3,278	(25,263)	5,934	2,694	55,554	29,703	85,257	-	87,951
Adjustment for adoption of accounting pronouncement	(6,726)	-	(5,940)	-	(12,666)	-	-	-	-	(12,666)
Beginning net assets as adjusted for adoption of accounting pronouncement	12,019	3,278	(31,203)	5,934	(9,972)	55,554	29,703	85,257	-	75,285
<b>Net Assets (Deficit), Ending</b>	\$ 10,268	\$ 24,353	\$ (33,119)	\$ 8,240	\$ 9,742	\$ 54,640	\$ 28,265	\$ 82,905	\$ -	\$ 92,647

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

Combining Statement of Cash Flows Schedule (As Adjusted)

Year Ended December 31, 2018

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Cash Flows From Operating Activities</b>										
Cash received for resident services	\$ 130,030	\$ 78,786	\$ 23,727	\$ -	\$ 232,543	\$ -	\$ -	\$ -	\$ -	\$ 232,543
Cash received from nonrebatable entrance fees from reoccupancy	29,775	20,782	6,784	-	57,341	-	-	-	-	57,341
Cash received from other operating activities	9,993	6,148	703	(973)	15,871	(11)	-	(11)	(1,356)	14,504
Cash received from bequests and trust maturities	-	-	-	-	-	2,110	-	2,110	-	2,110
Cash earnings realized from investments	3,674	4,477	202	-	8,353	6,146	1,469	7,615	-	15,968
Cash paid for employee salaries	(62,134)	(43,095)	(8,591)	-	(113,820)	(458)	(232)	(690)	-	(114,510)
Cash paid for employee benefits	(17,744)	(11,786)	(2,098)	-	(31,628)	(72)	(67)	(139)	-	(31,767)
Cash paid for temporary labor	(6,647)	(4,030)	(485)	-	(11,162)	-	-	-	-	(11,162)
Cash paid to vendors	(41,682)	(34,515)	(8,770)	973	(83,994)	(1,106)	304	(802)	1,356	(83,440)
Cash paid for interest	(9,343)	(6,213)	(2,740)	-	(18,296)	-	-	-	-	(18,296)
Net cash provided by operating activities	35,922	10,554	8,732	-	55,208	6,609	1,474	8,083	-	63,291
<b>Cash Flows From Investing Activities</b>										
Acquisition of land, buildings and equipment	(19,715)	(15,045)	(1,510)	-	(36,270)	-	-	-	-	(36,270)
Net (purchases) sales of unrestricted investments	(46,237)	2,800	(223)	-	(43,660)	(8,415)	391	(8,024)	-	(51,684)
Net sales (purchases) of restricted investments	33,251	1,173	(100)	-	34,324	(590)	(4,002)	(4,592)	-	29,732
Cash received from intercompany and affiliate transactions	16,664	711	80	-	17,455	(519)	(181)	(700)	-	16,755
Net cash used in investing activities	(16,037)	(10,361)	(1,753)	-	(28,151)	(9,524)	(3,792)	(13,316)	-	(41,467)
<b>Cash Flows From Financing Activities</b>										
Cash received from initial entrance fees and deposits	3,172	-	-	-	3,172	-	-	-	-	3,172
Proceeds from rebatable entrance fees	5,989	7,211	1,320	-	14,520	-	-	-	-	14,520
Refunds of deposits and refundable entrance fees	(8,310)	(6,465)	(5,419)	-	(20,194)	-	-	-	-	(20,194)
Principal payments on notes and bonds payable	(4,664)	(2,300)	(640)	-	(7,604)	-	-	-	-	(7,604)
Cash paid from other trust activity	-	-	-	-	-	(2,028)	799	(1,229)	-	(1,229)
Affiliate cash distributions	(4,255)	(1,443)	27	-	(5,671)	1,635	664	2,299	-	(3,372)
Cash received from restricted contributions	-	-	-	-	-	3,401	1,205	4,606	-	4,606
Net cash provided by (used in) financing activities	(8,068)	(2,997)	(4,712)	-	(15,777)	3,008	2,668	5,676	-	(10,101)
Increase (decrease) in cash, cash equivalents and restricted cash	11,817	(2,804)	2,267	-	11,280	93	350	443	-	11,723
<b>Cash, Cash Equivalents and Restricted Cash, Beginning</b>	25,645	13,738	6,511	-	45,894	1,676	680	2,356	-	48,250
<b>Cash, Cash Equivalents, and Restricted Cash, Ending</b>	\$ 37,462	\$ 10,934	\$ 8,778	\$ -	\$ 57,174	\$ 1,769	\$ 1,030	\$ 2,799	\$ -	\$ 59,973

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

Combining Statement of Cash Flows Schedule (As Adjusted)

Year Ended December 31, 2018

(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Cash Flows From Operating Activities</b>										
Change in net assets	\$ (1,751)	\$ 21,075	\$ (1,916)	\$ 2,306	\$ 19,714	\$ (914)	\$ (1,438)	\$ (2,352)	\$ -	\$ 17,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:										
Amortization of entrance fees	(21,980)	(15,718)	(3,466)	-	(41,164)	-	-	-	-	(41,164)
Proceeds from nonrebatable entrance fees from reoccupancy	29,775	20,782	6,784	-	57,341	-	-	-	-	57,341
Depreciation	18,982	15,422	4,590	-	38,994	-	-	-	-	38,994
Amortization of debt issuance costs and bond discounts	319	259	62	-	640	-	-	-	-	640
Amortization of bond premium	(291)	-	(15)	-	(306)	-	-	-	-	(306)
Unrealized (gains) losses on investments, net	5,730	6,802	(73)	-	12,459	9,635	1,950	11,585	-	24,044
Unrealized losses on investments with donor restrictions, net	-	-	-	-	-	1,155	3,767	4,922	-	4,922
Unrealized gains on investments in HumanGood Nevada bonds	(727)	-	-	-	(727)	-	-	-	-	(727)
Change in unrecognized pension obligations	-	(3,891)	-	-	(3,891)	-	-	-	-	(3,891)
Unrealized gains on interest rate caps	(56)	(116)	-	-	(172)	-	-	-	-	(172)
Net equity transfers from SoCal Affordable Housing	-	(27,831)	-	-	(27,831)	-	-	-	-	(27,831)
Other affiliate distributions and equity transfers	4,255	1,390	(27)	-	5,618	(1,635)	577	(1,058)	-	4,560
Change in accounts receivable from residents and others	1,633	6,323	130	-	8,086	15	29	44	-	8,130
Change in prepaid expenses, deposits and other assets	5,992	3,775	86	-	9,853	5	11	16	-	9,869
Other changes in operating assets and liabilities, net	(5,959)	(17,718)	2,577	(2,306)	(23,406)	(1,652)	(3,422)	(5,074)	-	(28,480)
Net cash provided by operating activities	\$ 35,922	\$ 10,554	\$ 8,732	\$ -	\$ 55,208	\$ 6,609	\$ 1,474	\$ 8,083	\$ -	\$ 63,291
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combining Balance Sheets</b>										
Cash and cash equivalents	\$ 21,439	\$ 4,281	\$ 7,815	\$ -	\$ 33,535	\$ 421	\$ 462	\$ 883	\$ -	\$ 34,418
Restricted cash included in restricted investments	16,023	1,599	963	-	18,585	1,348	568	1,916	-	20,501
Restricted cash	-	5,054	-	-	5,054	-	-	-	-	5,054
Total cash, cash equivalents and restricted cash	\$ 37,462	\$ 10,934	\$ 8,778	\$ -	\$ 57,174	\$ 1,769	\$ 1,030	\$ 2,799	\$ -	\$ 59,973

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2018  
(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
<b>Operating Revenues</b>										
Residential living	\$ 6,475	\$ 3,532	\$ 7,942	\$ 6,708	\$ 12,508	\$ 3,929	\$ 10,453	\$ -	\$ -	\$ 51,547
Assisted living	2,466	-	3,719	1,930	2,056	1,898	3,303	-	-	15,372
Health center	6,763	-	11,415	4,293	9,717	10,494	12,090	-	-	54,772
Memory care	1,770	-	1,242	425	1,715	1,258	1,823	-	-	8,233
Other residential services	105	111	629	106	356	178	138	-	-	1,623
Amortization of entrance fees	3,145	433	2,746	2,395	7,562	598	5,101	-	-	21,980
Other operating revenue	213	159	319	240	997	297	399	15,945	(10,731)	7,838
Affordable housing fees	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-
Unrestricted contributions	-	-	-	-	-	-	-	-	-	-
Foundation community benefit	66	27	143	177	300	92	20	-	-	825
Total operating revenues	21,003	4,262	28,155	16,274	35,211	18,744	33,327	15,945	(10,731)	162,190
<b>Operating Expenses</b>										
Salaries and wages	8,152	1,846	12,364	6,650	11,227	7,716	10,771	11,159	-	69,885
Employee benefits	1,687	387	3,033	1,408	2,651	1,857	2,346	2,490	-	15,859
Supplies	1,287	496	1,937	1,253	2,517	1,437	1,874	258	-	11,059
Ancillary services	1,255	-	1,435	719	1,106	2,595	2,192	-	-	9,302
Repairs and maintenance	384	14	516	450	509	261	601	2	-	2,737
Marketing and advertising	310	129	202	345	225	222	115	19	-	1,567
Purchased services	648	328	1,097	656	839	825	1,319	1,336	-	7,048
Corporate allocations	1,416	316	2,255	1,230	2,081	1,501	1,932	-	(10,731)	-
Utilities	845	400	981	707	1,168	514	890	271	-	5,776
Travel and related	93	46	73	88	240	83	148	981	-	1,752
Leases and rents	73	32	225	126	113	80	40	629	-	1,318
Insurance	132	43	295	202	281	229	243	40	-	1,465
Foundation community distribution	-	-	-	-	-	-	-	-	-	-
Other operating expenses	400	94	562	372	432	370	388	(926)	-	1,692
Total operating expenses	16,682	4,131	24,975	14,206	23,389	17,690	22,859	16,259	(10,731)	129,460
Income (loss) before other operating income (expense)	4,321	131	3,180	2,068	11,822	1,054	10,468	(314)	-	32,730
<b>Other Operating Income (Expense)</b>										
Realized gains (losses) on investments, net	(37)	-	-	-	-	-	-	355	-	318
Change in unrealized losses on investments, net	(50)	-	-	-	-	-	-	(5,680)	-	(5,730)
Unrealized gains on investment in HumanGood Nevada bonds	-	-	-	-	-	-	-	727	-	727
Investment income, net	279	-	-	-	-	-	-	3,076	-	3,355
Mortgage interest	(2,392)	(207)	(626)	(395)	(1,220)	(592)	(2,082)	(2,383)	-	(9,897)
Depreciation	(3,729)	(759)	(1,839)	(2,364)	(4,936)	(1,320)	(3,678)	(357)	-	(18,982)
Gains (losses) on disposal of fixed assets	(21)	-	(42)	8	-	-	(6)	(12)	-	(73)
(Loss) income from operations	(1,629)	(835)	673	(683)	5,666	(858)	4,702	(4,588)	-	2,448



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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2018  
(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
<b>Other Changes in Net Assets Without Donor Restrictions</b>										
Change in minimum pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net equity transfers from SoCal Affordable Housing	-	-	-	-	-	-	-	-	-	-
Other affiliate distributions and equity transfers	-	-	-	-	-	-	-	(4,255)	-	(4,255)
Unrealized gains on interest rate caps	-	-	-	-	-	-	-	56	-	56
Change in net assets without donor restrictions	(1,629)	(835)	673	(683)	5,666	(858)	4,702	(8,787)	-	(1,751)
<b>Net Assets With Donor Restrictions</b>										
Dividend and interest income	-	-	-	-	-	-	-	-	-	-
Unrealized gains on investments with donor restrictions, net	-	-	-	-	-	-	-	-	-	-
Restricted equity contributions	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for benevolence	-	-	-	-	-	-	-	-	-	-
Contractual payments to beneficiaries	-	-	-	-	-	-	-	-	-	-
Realized losses on investments, net	-	-	-	-	-	-	-	-	-	-
Contractual liability adjustments	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for special project funds	-	-	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-
Change in net assets	(1,629)	(835)	673	(683)	5,666	(858)	4,702	(8,787)	-	(1,751)
<b>Net Assets (Deficit), Beginning</b>	7,298	(8,800)	34,971	6,388	47,736	(18,363)	35,641	(86,126)	-	18,745
Adjustment for adoption of accounting pronouncement	(5,603)	-	-	-	(1,123)	-	-	-	-	(6,726)
Beginning net assets as adjusted for adoption of accounting pronouncement	1,695	(8,800)	34,971	6,388	46,613	(18,363)	35,641	(86,126)	-	12,019
<b>Net Assets (Deficit), Ending</b>	\$ 66	\$ (9,635)	\$ 35,644	\$ 5,705	\$ 52,279	\$ (19,221)	\$ 40,343	\$ (94,913)	\$ -	\$ 10,268

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2018

(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
<b>Operating Revenues</b>									
Residential living	\$ 6,925	\$ 9,823	\$ 2,908	\$ 10,237	\$ 4,409	\$ 4,323	\$ -	\$ -	\$ 38,625
Assisted living	1,836	2,190	2,695	2,902	1,483	1,544	-	-	12,650
Health center	5,558	3,458	2,654	6,336	-	7,123	-	-	25,129
Memory care	-	893	-	469	665	773	-	-	2,800
Other residential services	10	38	-	55	-	-	-	-	103
Amortization of entrance fees	2,337	5,027	685	4,666	1,424	1,579	-	-	15,718
Other operating revenue	310	522	115	361	199	359	8,434	(5,853)	4,447
Affordable housing fees	-	-	-	-	-	-	1,677	-	1,677
Net assets released from restrictions	-	-	-	-	-	-	-	-	-
Unrestricted contributions	-	-	-	-	-	-	-	-	-
Foundation community benefit	36	55	19	56	57	135	-	-	358
Total operating revenues	17,012	22,006	9,076	25,082	8,237	15,836	10,111	(5,853)	101,507
<b>Operating Expenses</b>									
Salaries and wages	7,284	7,557	4,304	9,713	2,941	6,971	5,911	-	44,681
Employee benefits	1,748	1,823	1,018	2,259	627	1,809	1,407	-	10,691
Supplies	1,439	1,788	828	1,983	532	1,146	159	-	7,875
Ancillary services	267	64	174	649	13	1,630	-	-	2,797
Repairs and maintenance	446	324	170	168	101	76	26	-	1,311
Marketing and advertising	194	198	164	178	195	180	9	-	1,118
Purchased services	1,475	1,503	507	1,104	390	1,005	1,735	-	7,719
Corporate allocations	1,122	1,561	550	1,396	361	863	-	(5,853)	-
Utilities	870	1,175	403	936	312	862	210	-	4,768
Travel and related	107	73	69	90	44	166	450	-	999
Leases and rents	40	50	13	25	6	77	188	-	399
Insurance	214	456	109	260	218	165	246	-	1,668
Foundation community distribution	-	-	-	-	-	-	-	-	-
Other operating expenses	(246)	225	258	502	208	352	1,282	-	2,581
Total operating expenses	14,960	16,797	8,567	19,263	5,948	15,302	11,623	(5,853)	86,607
Income (loss) before other operating income (expense)	2,052	5,209	509	5,819	2,289	534	(1,512)	-	14,900
<b>Other Operating Income (Expense)</b>									
Realized gains (losses) on investments, net	120	240	51	335	25	-	(454)	-	317
Change in unrealized losses on investments, net	(57)	(113)	(24)	(158)	(12)	-	(6,438)	-	(6,802)
Unrealized gains on investment in HumanGood Nevada bonds	-	-	-	-	-	-	-	-	-
Investment income, net	88	194	31	201	19	-	3,798	-	4,331
Mortgage interest	(1,600)	(3,231)	(118)	(1,158)	(282)	-	-	-	(6,389)
Depreciation	(2,339)	(5,375)	(704)	(2,870)	(1,322)	(1,927)	(885)	-	(15,422)
Gains (losses) on disposal of fixed assets	(14)	(131)	3	(44)	(66)	(60)	4	-	(308)
(Loss) income from operations	(1,750)	(3,207)	(252)	2,125	651	(1,453)	(5,487)	-	(9,373)

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule

Year Ended December 31, 2018

(In Thousands)

	Royal Oaks	White Sands La Jolla	Windsor	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
<b>Other Changes in Net Assets Without Donor Restrictions</b>									
Change in minimum pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,891	\$ -	\$ 3,891
Net equity transfers from SoCal Affordable Housing	-	-	-	-	-	-	27,831	-	27,831
Other affiliate distributions and equity transfers	7	168	-	44	83	2	(1,694)	-	(1,390)
Unrealized gains on interest rate caps	-	106	-	-	10	-	-	-	116
Change in net assets without donor restrictions	(1,743)	(2,933)	(252)	2,169	744	(1,451)	24,541	-	21,075
<b>Net Assets With Donor Restrictions</b>									
Dividend and interest income	-	-	-	-	-	-	-	-	-
Unrealized gains on investments with donor restrictions, net	-	-	-	-	-	-	-	-	-
Restricted equity contributions	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for benevolence	-	-	-	-	-	-	-	-	-
Contractual payments to beneficiaries	-	-	-	-	-	-	-	-	-
Realized losses on investments, net	-	-	-	-	-	-	-	-	-
Contractual liability adjustments	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for special project funds	-	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	-
Change in net assets	(1,743)	(2,933)	(252)	2,169	744	(1,451)	24,541	-	21,075
<b>Net Assets (Deficit), Beginning</b>	(1,289)	(16,242)	342	34,464	5,690	(10,217)	(9,470)	-	3,278
Adjustment for adoption of accounting pronouncement	-	-	-	-	-	-	-	-	-
Beginning net assets as adjusted for adoption of accounting pronouncement	(1,289)	(16,242)	342	34,464	5,690	(10,217)	(9,470)	-	3,278
<b>Net Assets (Deficit), Ending</b>	<u>\$ (3,032)</u>	<u>\$ (19,175)</u>	<u>\$ 90</u>	<u>\$ 36,633</u>	<u>\$ 6,434</u>	<u>\$ (11,668)</u>	<u>\$ 15,071</u>	<u>\$ -</u>	<u>\$ 24,353</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, 2018  
(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Operating Revenues</b>								
Residential living	\$ 10,037	\$ -	\$ 100,209	\$ -	\$ -	\$ -	\$ -	\$ 100,209
Assisted living	3,690	-	31,712	-	-	-	-	31,712
Health center	7,787	-	87,688	-	-	-	-	87,688
Memory care	1,914	-	12,947	-	-	-	-	12,947
Other residential services	186	-	1,912	-	-	-	-	1,912
Amortization of entrance fees	3,466	-	41,164	-	-	-	-	41,164
Other operating revenue	522	(973)	11,834	-	-	-	-	11,834
Affordable housing fees	-	-	1,677	-	-	-	-	1,677
Net assets released from restrictions	-	-	-	2,285	1,675	3,960	-	3,960
Unrestricted contributions	-	-	-	2,110	-	2,110	-	2,110
Foundation community benefit	178	-	1,361	-	-	-	(1,361)	-
Total operating revenues	27,780	(973)	290,504	4,395	1,675	6,070	(1,361)	295,213
<b>Operating Expenses</b>								
Salaries and wages	9,007	-	123,573	467	248	715	-	124,288
Employee benefits	2,128	-	28,678	72	67	139	-	28,817
Supplies	2,355	-	21,289	3	-	3	-	21,292
Ancillary services	1,657	-	13,756	-	-	-	-	13,756
Repairs and maintenance	467	-	4,515	4	-	4	-	4,519
Marketing and advertising	563	-	3,248	7	1	8	-	3,256
Purchased services	903	-	15,670	65	15	80	-	15,750
Corporate allocations	1,946	(1,946)	-	-	-	-	-	-
Utilities	1,384	-	11,928	2	2	4	-	11,932
Travel and related	104	-	2,855	32	13	45	-	2,900
Leases and rents	77	-	1,794	25	-	25	-	1,819
Insurance	275	-	3,408	26	-	26	-	3,434
Foundation community distribution	-	-	-	1,003	358	1,361	(1,361)	-
Other operating expenses	400	-	4,673	2,139	971	3,110	-	7,783
Total operating expenses	21,266	(1,946)	235,387	3,845	1,675	5,520	(1,361)	239,546
Income before other operating income (expense)	6,514	973	55,117	550	-	550	-	55,667
<b>Other Operating Income (Expense)</b>								
Realized gains (losses) on investments, net	(50)	-	585	5,041	1,169	6,210	-	6,795
Change in unrealized gains (losses) on investments, net	73	-	(12,459)	(9,635)	(1,950)	(11,585)	-	(24,044)
Unrealized gains on investment in HumanGood Nevada bonds	-	-	727	-	-	-	-	727
Investment income, net	252	-	7,938	1,105	300	1,405	-	9,343
Mortgage interest	(4,142)	1,333	(19,095)	-	-	-	-	(19,095)
Depreciation	(4,590)	-	(38,994)	-	-	-	-	(38,994)
Losses on disposal of fixed assets	-	-	(381)	-	-	-	-	(381)
(Loss) income from operations	(1,943)	2,306	(6,562)	(2,939)	(481)	(3,420)	-	(9,982)

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule  
Year Ended December 31, 2018  
(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
<b>Other Changes in Net Assets Without Donor Restrictions</b>								
Change in minimum pension liability	\$ -	\$ -	\$ 3,891	\$ -	\$ -	\$ -	\$ -	\$ 3,891
Net equity transfers from SoCal Affordable Housing	-	-	27,831	-	-	-	-	27,831
Other affiliate distributions and equity transfers	27	-	(5,618)	1,635	(577)	1,058	-	(4,560)
Unrealized gains on interest rate caps	-	-	172	-	-	-	-	172
Change in net assets without donor restrictions	(1,916)	2,306	19,714	(1,304)	(1,058)	(2,362)	-	17,352
<b>Net Assets With Donor Restrictions</b>								
Dividend and interest income	-	-	-	298	567	865	-	865
Unrealized losses on investments with donor restrictions, net	-	-	-	(1,155)	(3,767)	(4,922)	-	(4,922)
Restricted equity contributions	-	-	-	-	1,240	1,240	-	1,240
Contributions	-	-	-	3,435	1,205	4,640	-	4,640
Net assets released from restrictions for benevolence	-	-	-	-	(358)	(358)	-	(358)
Contractual payments to beneficiaries	-	-	-	(426)	(381)	(807)	-	(807)
Realized gains on investments, net	-	-	-	450	2,245	2,695	-	2,695
Contractual liability adjustments	-	-	-	73	186	259	-	259
Net assets released from restrictions for special project funds	-	-	-	(2,285)	(1,317)	(3,602)	-	(3,602)
Change in net assets with donor restrictions	-	-	-	390	(380)	10	-	10
Change in net assets	(1,916)	2,306	19,714	(914)	(1,438)	(2,352)	-	17,362
<b>Net Assets (Deficit), Beginning</b>								
Adjustment for adoption of accounting pronouncement	(25,263)	5,934	2,694	55,554	29,703	85,257	-	87,951
	(5,940)	-	(12,666)	-	-	-	-	(12,666)
Beginning net assets as adjusted for adoption of accounting pronouncement	(31,203)	5,934	(9,972)	55,554	29,703	85,257	-	75,285
<b>Net Assets (Deficit), Ending</b>								
	\$ (33,119)	\$ 8,240	\$ 9,742	\$ 54,640	\$ 28,265	\$ 82,905	\$ -	\$ 92,647