HumanGood Idaho
(dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Financial Statements

December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors of
HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
March 28, 2022

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

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

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 8,681	$ 616
Resident accounts receivable, less allowance for doubtful accounts of $143 at December 31, 2021 and $400 at December 31, 2020	537	124
Other receivables	-	407
Current portion of restricted investments	1,377	1,183
Prepaid expenses and other assets	104	81
Total current assets	10,699	2,411
Restricted Cash	424	1,089
Restricted Investments	4,904	9,947
Land, Buildings and Equipment, Net	76,186	77,930
Other Noncurrent Assets	84	-
Total assets	$ 92,297	$ 91,377
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,303	$ 1,688
Deferred management fees	416	-
Payable to affiliates	214	1,288
Deposits	387	1,058
Accrued interest	901	2,173
Current portion of notes and bonds payable	-	815
Total current liabilities	3,221	7,022
Senior External Debt, Net	77,769	75,620
Subordinated Affiliate Debt	8,750	4,250
Subordinated External Debt	2,900	2,250
Due to GCI	-	650
Rebatable Entrance Fees Due	34,860	35,146
Entrance Fees Subject to Refund	4,227	2,802
Entrance Fees Nonrefundable	12,214	11,251
Advances Subject to Refund	1,077	-
Future Service Benefit Obligation	-	11,895
Total liabilities	145,018	150,886
Net Deficit	(52,721)	(59,509)
Total liabilities and net deficit	$ 92,297	$ 91,377

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

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

	2021	2020
Operating Revenues		
Residential living	$ 7,283	$ 6,969
Assisted living	2,531	2,401
Health center	4,215	3,085
Memory support	1,344	1,457
Amortization of entrance fees	2,267	2,021
COVID relief funding	89	582
Other operating revenue	111	64
Change in future service benefit obligations	11,895	(2,566)
Total operating revenues	29,735	14,013
Operating Expenses		
Salaries and wages	6,968	7,057
Employee benefits	1,662	1,584
Supplies	1,347	1,217
Chargeable ancillary services	734	471
Repairs and maintenance	198	263
Marketing and advertising	293	345
Purchased services	623	718
Management fees	726	383
Utilities	477	473
Travel and related	35	45
Rentals and leases	20	21
Insurance	199	148
Other operating expenses	1,016	1,068
Total operating expenses	14,298	13,793
Income before other operating income (expense)	15,437	220
Other Operating Income (Expense)		
Investment income, net	138	304
Change in unrealized (losses) gains on investments, net	(129)	48
Bond negotiation expenses	(766)	-
Loss on early retirement of debt	(3,754)	-
Depreciation and amortization	(2,210)	(2,204)
Mortgage interest	(5,737)	(6,511)
Income (loss) from operations	2,979	(8,143)
Other Changes in Net Deficit		
Forgiveness of affiliate indebtedness	3,809	-
Capital contributions	-	43
Change in net deficit	6,788	(8,100)
Net Deficit, Beginning	(59,509)	(51,409)
Net Deficit, Ending	$ (52,721)	$ (59,509)

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

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

	2021	2020
Cash Flows From Operating Activities		
Cash received for resident services	$ 14,950	$ 14,365
Cash received from nonrebatable entrance fees from reoccupancy	4,030	2,657
Cash received from COVID relief funding	89	582
Cash received from advances subject to refund	1,077	-
Cash received for other operating activities	111	64
Cash earnings realized from investments	138	304
Cash paid for employee salaries	(6,198)	(5,569)
Cash paid for employee benefits	(1,662)	(1,584)
Cash paid for temporary labor	(784)	(1,367)
Cash paid to vendors	(6,450)	(4,856)
Cash paid for interest	(6,361)	(6,397)
Net cash used in operating activities	(1,060)	(1,801)
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(527)	(111)
Net sales of investments	-	600
Change in restricted investments	6,912	-
Net cash provided by investing activities	6,385	489
Cash Flows From Financing Activities		
Proceeds from subordinated affiliate debt	6,500	-
Cash paid for deferred debt issuance costs	(1,456)	-
Proceeds from rebatable entrance fees	4,350	1,789
Refunds of deposits and refundable entrance fees	(4,294)	(1,579)
Payments on notes and bonds payable	-	(760)
Affiliate funded liquidity support	-	1,250
Cash received from (paid to) affiliates	138	(201)
Capital contributions	43	-
Net cash provided by financing activities	5,281	499
Increase (decrease) in cash, cash equivalents and restricted cash	10,606	(813)
Cash, Cash Equivalents and Restricted Cash, Beginning	4,780	5,593
Cash, Cash Equivalents and Restricted Cash, Ending	$ 15,386	$ 4,780
Noncash Investing and Financing Activities		
Obligation incurred for the acquisition of land, buildings and equipment	$ -	$ 71
Senior external debt refinanced	$ 79,215	$ -
Forgiveness of affiliate indebtedness	$ 3,809	$ -
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Balance Sheets		
Cash and cash equivalents	$ 8,681	$ 616
Restricted cash included in current portion of restricted investments	1,377	1,183
Restricted cash	424	1,089
Restricted cash included in noncurrent portion of restricted investments	4,904	1,892
Total cash, cash equivalents and restricted cash	$ 15,386	$ 4,780

See notes to financial statements

1. Business Organization and Nature of Operations

HumanGood Idaho (dba Terraces of Boise) (the Corporation), is a California nonprofit public benefit tax-exempt corporation formed on August 3, 2005, and is qualified to do business in the state of Idaho. The Corporation was formed for the purpose of constructing, owning and operating a Life Plan Community (LPC) in Boise, Idaho, known as the Terraces of Boise (the Community), to provide housing, health care and other related services to its residents in Boise, Idaho.

The Community consists of 161 residential living apartments and cottages, 40 assisted living apartments, 24 memory support apartments and 48 skilled nursing beds.

Parent Organization

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

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

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

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash is defined as cash, which is restricted in its use by regulatory or other agreements. These accounts consist of refundable conversion deposits for future residency of the Community.

Restricted Investments

Certain investments are classified as restricted investments in the accompanying balance sheets (see Note 4). Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement. Restricted investments include certain cash and cash equivalents, domestic and foreign corporate debt and U.S. government securities.

Net 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. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

Resident Accounts Receivable

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

Other Receivables

Other receivables at December 31, 2020, primarily include noninterest bearing, unsecured promissory notes from residents to pay entrance fees in the amount of $390,000. No amounts were outstanding as of December 31, 2021. Entrance fee promissory notes receivable are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

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

Land, Buildings and Equipment, Net

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

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

Asset Impairment

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

Deferred Debt Issuance Costs

Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method and are presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of mortgage interest in the accompanying statements of operations and changes in net deficit, was $39,000 in 2021 and $32,000 in 2020.

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. Evaluations of the future service benefit obligation for residents were performed as of December 31, 2021 and 2020 in accordance with Accounting Standards Update (ASU) No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities - Refundable Advance Fees*. As a result, a liability of $11,895,000 was included in the accompanying balance sheet as of December 31, 2020. There was no liability as of December 31, 2021. The change in the future service benefit obligation at December 31, 2021 is primarily the result of a significant reduction in interest expense (see debt restructuring in Note 6) and a residential living rate adjustment resulting in an increase of 17 percent, effective January 1, 2022. The discount rate used to calculate the obligation to provide future services was 5.5 percent for 2021 and 2020.

Types of Entrance Fees

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

Refund Policy on Entrance Fees

The Corporation offers contract options whereby 0 percent to 95 percent of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. At December 31, 2021 and 2020, $34,860,000 and $35,146,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable and are presented as rebatable entrance fees due in the accompanying balance sheets. At December 31, 2021 and 2020, the Corporation had nonrefundable entrance fees of $12,214,000 and $11,251,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2021 and 2020, the Corporation had entrance fees subject to refund of $4,227,000 and $2,802,000, respectively, which will be recognized as revenue in future years, unless refunded.

Actual refunds and rebates of entrance fees were $4,294,000 and $1,579,000 for the years ended December 31, 2021 and 2020, respectively. Management expects to pay refunds in future years of approximately $2,800,000 per year.

Net Deficit

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

Contributions

The Corporation participates in the HumanGood Foundation West fundraising activity. Gifts and bequests to the Corporation are credited to the Corporation's fund with Foundation West. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporation's fund. Included in other changes in net deficit in the accompanying statements of operations and changes in net deficit are $0 and $43,000 for the years ended December 31, 2021 and 2020, respectively, of capital contributions from Foundation West.

Net Resident Service Revenues

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

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, entrance fees are generally collected in advance of move-in.

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

Health Center

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

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

Assisted Living and Memory Support

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

Residential Living

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

Entrance fees collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying balance sheets. The Corporation recognized amortization income of $2,267,000 in 2021 and $2,021,000 in 2020. The Corporation applies the practical expedient in Accounting Standards Codification (ASC) 606, and therefore, does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

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

Contractual Allowances

A portion of the Corporation's health center revenues are subject to explicit price concessions (contractual allowances) under contracts with third-party payors. These price concessions are $631,000 and $683,000 for the years ended December 31, 2021 and 2020, respectively.

Benevolence

The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the years ended December 31, 2021 and 2020, there was no benevolence recorded, as the Corporation had not received any requests for benevolent care.

COVID Relief Funding

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

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Corporation received PRF payments of $89,000 in 2021 and $582,000 in 2020.

The Corporation incurred lost revenues and eligible expenses sufficient to allow it, in accordance with the terms of the respective funding sources, to recognize PRF revenues of $89,000 in 2021 and $582,000 in 2020. These amounts were recognized and included in COVID relief funding in the accompanying statements of operations and changes in net deficit.

COVID-19 testing expenses of $152,000 in 2021 and $72,000 in 2020 are included in other operating expenses in the accompanying statement of operations and changes in net deficit. Other costs due to the pandemic, such as increased personal protective equipment usage, are included in supplies in the accompanying statements of operations and changes in net deficit.

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

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

Paycheck Protection Program

In May 2021, the Corporation received proceeds in the amount of $1,077,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a “covered period” (of eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. The Corporation initially recorded the funds as an advance subject to refund and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

As of December 31, 2021, the Corporation had expended all of the PPP funds received on qualified expenses. Though written notification of forgiveness was received, the Corporation continues to work with counsel to confirm that there are no barriers to recognition, and as such, no grant revenue is recorded within the accompanying statement of operations and changes in net deficit for the year ended December 31, 2021. The full amount of $1,077,000 of PPP funds received is included as advances subject to refund in the Corporation’s accompanying December 31, 2021 balance sheet.

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

Performance Indicator

Income (loss) from operations as reflected in the accompanying statements of operations and changes in net deficit is the performance indicator. Income (loss) from operations includes all changes in net deficit without donor restrictions, other than capital contributions and forgiveness of affiliate indebtedness.

Tax-Exempt Status

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

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

Reclassification

Certain items in the 2020 financial statements have been reclassified to conform with the 2021 financial statement presentation. These reclassifications had no effect on the previously reported loss from operations.

3. Liquidity and Availability of Resources

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

	2021	2020
Cash and cash equivalents	$ 8,681	$ 616
Resident accounts receivable	537	124
Entrance fee notes receivable	-	390
Other receivables	-	17
Total	$ 9,218	$ 1,147

Prior to the debt restructuring in October 2021 (see Note 6), a portion of the Corporation's restricted investments included operating reserves and liquidity support funds to comply with certain requirements. These funds were able to be used for budgeted operating expenses when no other funds were available or would reasonably be available to make such payments.

4. Fair Value Measurements and Investments

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.

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

- Domestic and foreign corporate debt is 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.

- U.S. 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.

The Corporation's restricted investments of $6,281,000 at December 31, 2021, consist of cash and cash equivalents only and as such, are excluded from the fair value hierarchy.

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

	Fair Value at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Restricted investments:				
Domestic corporate debt	$ -	$ 4,252	$ -	$ 4,252
Foreign corporate debt	-	748	-	748
U.S. government securities	-	3,055	-	3,055
Total	$ -	$ 8,055	$ -	$ 8,055

Reconciliation of restricted investments to the balance sheet:	
Cash equivalents	$ 3,075
Investments in the fair value hierarchy	8,055
Total restricted investments	$ 11,130

Investment Return

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

	2021	2020
Net realized gains on investments	$ 70	$ 138
Dividend, interest and other investment income, net of expense	68	166
Total investment income, net	$ 138	$ 304
Change in unrealized (losses) gains on investments, net	$ (129)	$ 48

Investment income is net of investment expenses of $12,000 and $19,000 for the years ended December 31, 2021 and 2020, respectively.

5. Land, Buildings and Equipment, Net

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

	2021	2020
Land	$ 5,138	$ 5,138
Land improvements	70	70
Buildings and improvements	83,745	83,743
Furnishings, equipment and automotive	1,470	1,460
Total	90,423	90,411
Accumulated depreciation	(14,681)	(12,481)
Total	75,742	77,930
Construction in progress	444	-
Land, buildings and equipment, net	$ 76,186	$ 77,930

Depreciation expense for the years ended December 31, 2021 and 2020 was $2,200,000 and $2,204,000, respectively.

6. Senior External Debt and Subordinated Affiliate Debt and Subordinated External Debt

A summary of the Corporation's senior external debt, subordinated affiliate debt, and subordinated external debt at December 31, 2021 and 2020, is as follows (in thousands):

	2021	2020
Senior External Debt:		
Series 2014 Tax Exempt, Fixed Rate Term Revenue Bonds (dated January 28, 2014), secured by deed of trust and gross revenue. Serial certificates, annual principal payable commencing on April 1, 2016, in varying amounts ranging from $710 to $6,565, through 2049. Interest rates are fixed ranging from 7.0% to 8.125% for the various tranches of the debt. The bonds were refunded during the debt restructuring in October 2021 (described below).	$ -	$ 79,215
Series 2021 Revenue Bonds, consisting of $75,045 of Series 2021A Tax Exempt, Fixed Rate Term Revenue Bonds and $4,170 of Series 2021B Taxable Term Revenue Bonds (dated September 1, 2021), secured by deed of trust and gross revenue. Serial certificates, annual principal payable commencing on October 1, 2028, in varying amounts ranging from $335 to $8,905 through 2056 for Series 2021A and, commencing on October 1, 2025, from $925 to $1,165 through 2028 for Series 2021B. Interest rates are fixed ranging from 3.8% to 4.55% for Series 2021A and 8% for Series 2021B.	79,215	-
Subordinated Affiliate Debt		
Subordinated Series 2021 Obligation No. 3 Due to HumanGood NorCal under Liquidity Support Agreement (dated September 1, 2021). Interest rates are fixed ranging from 0% to 2%. Principal payment will be due on October 1, 2060. Additional subordinated liquidity support is available up to $1,500 under the existing series 2021 Obligation No. 3 Note.	6,500	-
HumanGood NorCal Subordinated Promissory Note, secured by a second lien deed of trust, with interest accruing at 4.0% annually and repayment of principal and interest subject to restrictions defined in the Master Trust Indenture. This note was forgiven during the debt restructuring in October 2021 (described below).	-	2,000
Subordinated Series 2021 Obligation No. 4 Due to HumanGood NorCal, noninterest bearing with repayment due in full on October 1, 2060. This obligation converted the HumanGood NorCal Liquidity Support Agreement subordinated obligations dated January 1, 2014 during the debt restructuring in October 2021 (described below).	2,250	2,250

	2021	2020
Subordinated External Debt		
Series 2021 Obligation No. 5 Due to GCI Boise, L.P. (GCI Boise), noninterest bearing with repayment due in full on October 1, 2060. Converted from GCI Boise Liquidity Support Agreement subordinated obligations dated January 1, 2014 during the debt restructuring in October 2021 (described below).	$ 2,250	$ 2,250
Series 2021 Obligation No. 6 Due to Greystone Development Services XX, LLC (GDS), noninterest bearing with repayment due in full on October 1, 2060. This obligation converted amounts previously included in due to GCI in the accompanying balance sheet at December 31, 2020.	650	-
	90,865	85,715
Less current portion, net	-	(815)
Less unamortized bond issuance costs, net	(1,446)	(1,813)
Less unamortized bond discount, net	-	(967)
Total notes and bonds payable	$ 89,419	$ 82,120

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

Years ending December 31:	
2022	$ -
2023	-
2024	-
2025	1,000
2026	1,080
Thereafter	88,785
Total	$ 90,865

The Corporation closed on the Series 2014 Bonds (the 2014 Bonds) which included the Series 2014A, B1, B2, B3 and C issued by the Idaho Health Facilities Authority (the Authority) in the amount of $103,185,000 on January 28, 2014. The 2014 Bonds were issued pursuant to a Bond Indenture of Trust (the Bond Indenture) dated January 1, 2014, by and between the Authority and U.S. Bank National Association, as bond trustee (the Bond Trustee).

Concurrent with issuance of the Series 2014 Bonds, GCI Boise, LP (GCI) entered into a Liquidity Support Agreement with the Corporation, dated January 1, 2014, and contributed $2,250,000 to the Liquidity Support Fund. Additionally, NorCal entered into a separate Liquidity Support Agreement with the Corporation, dated January 1, 2014, with NorCal contributing $1,000,000 and NorCal agreeing to potentially fund $1,250,000 into the fund contingent upon the occurrence of certain funding events defined in the Liquidity Support Agreement, which occurred in March 2020. This fund was held under the Master Trust Indenture to pay costs of the project, operating costs of the Corporation or debt service payments with respect to the 2014 Bonds. Finally, at closing of the Series 2014 Bonds, NorCal accepted a subordinated note of $2,000,000 from the Corporation in conjunction with the sale of the Community's land.

On July 26, 2021, an EMMA notice was filed stating that the Corporation had entered into a debt restructuring term sheet agreement with the majority of the holders of the 2014 Bonds. The Corporation was in violation of certain debt agreement terms in 2020 and 2021 which were waived on July 26, 2021 as part of the restructuring agreement. On October 6, 2021, HumanGood Idaho issued $75,045,000 of Series 2021A Bonds and $4,170,000 of Series 2021B bonds in exchange for the outstanding Series 2014 Bonds. Additionally, HumanGood NorCal contributed $6,500,000 in working capital in exchange for subordinated Series 2021C Bonds, converted the $2,250,000 of Series 2014 liquidity support agreement subordinated obligations into junior subordinated Series 2021 Direct Obligation No. 4 and forgave certain unsecured amounts. Amounts forgiven include intercompany amounts payable and a subordinated promissory note and related accrued interest payable to HumanGood NorCal. The amounts forgiven exceeded bonds received by $3,809,000, giving rise to a gain on the forgiveness of debt which is included in forgiveness of affiliate indebtedness in the accompanying statement of operations and changes in net deficit for the year ended December 31, 2021. In addition, Greystone Development Services XX, LLC and GCI Boise, L.P. (Greystone) exchanged previously unsecured subordinated amounts owing for $2,900,000 of junior subordinated Series 2021 Direct Obligation 5 and 6.

The Corporation incurred $766,000 of non-recurring restructuring expenses prior to the debt refinancing which are included in bond negotiation expenses in the accompanying statement of operations and changes in net deficit for the year ended December 31, 2021. Debt issuance costs incurred directly related to the Series 2021 debt refinancing were $1,456,000 during 2021. Additionally, the Corporation incurred a loss related to the debt refinancing of $3,754,000 which includes the write off of unamortized bond discount and debt issuance costs of $2,740,000 related to the Series 2014 bonds, and a $1,014,000 charge related to the funding of a defeasance escrow for the Series 2014 bonds. These amounts are included in loss on early debt retirement in the accompanying statement of operations and changes in net deficit for the year ended December 31, 2021.

The Series 2021 Bonds are subject to certain financial and occupancy covenants.

7. Net Resident Service Revenues

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

	2021				
	Residential Living	**Assisted Living**	**Health Center**	**Memory Support**	**Total**
Private (contract)	$ 7,283	$ 1,218	$ 368	$ 369	$ 9,238
Private (noncontract)	-	1,313	1,396	975	3,684
Medicare (Part A)	-	-	1,414	-	1,414
Medicare (Part B)	-	-	103	-	103
Managed care	-	-	934	-	934
Subtotal	7,283	2,531	4,215	1,344	15,373
Amortization of entrance fees					2,267
Total					$ 17,640

	2020				
	Residential Living	**Assisted Living**	**Health Center**	**Memory Support**	**Total**
Private (contract)	$ 6,969	$ 492	$ 315	$ 317	$ 8,093
Private (noncontract)	-	1,909	1,460	1,140	4,509
Medicare (Part A)	-	-	798	-	798
Medicare (Part B)	-	-	61	-	61
Managed care	-	-	451	-	451
Subtotal	6,969	2,401	3,085	1,457	13,912
Amortization of entrance fees					2,021
Total					$ 15,933

8. Functional Expenses

The Corporation provides housing, healthcare and other related services to residents within its 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 as follows at December 31, 2021 and 2020 (in thousands):

	2021		
	Residential Services	**General and Administrative**	**Total**
Salaries and wages	$ 6,336	$ 632	$ 6,968
Employee benefits	1,510	152	1,662
Supplies	1,242	105	1,347
Chargeable ancillary services	734	-	734
Repairs and maintenance	189	9	198
Marketing and advertising	293	-	293
Purchased services	436	187	623
Management fees	-	726	726
Utilities	439	38	477
Travel and related	10	25	35
Rentals and leases	10	10	20
Insurance	199	-	199
Other operating expenses	961	55	1,016
Mortgage interest	5,737	-	5,737
Depreciation and amortization	2,210	-	2,210
Bond negotiation expenses	-	766	766
Total	$ 20,306	$ 2,705	$ 23,011

	2020		
	Residential services	General and Administrative	Total
Salaries and wages	$ 6,371	$ 686	$ 7,057
Employee benefits	1,412	172	1,584
Supplies	1,195	22	1,217
Chargeable ancillary services	471	-	471
Repairs and maintenance	233	30	263
Marketing and advertising	343	2	345
Purchased services	404	314	718
Management fees	-	383	383
Utilities	433	40	473
Travel and related	18	27	45
Rentals and leases	17	4	21
Insurance	148	-	148
Other operating expenses	632	436	1,068
Mortgage interest	6,511	-	6,511
Depreciation	2,204	-	2,204
Total	$ 20,392	$ 2,116	$ 22,508

9. Transactions With Affiliates

Amounts payable to affiliates include deferred sales and marketing fees, deferred development administrative support fees and cost recoveries for other services such as payroll, benefits and insurance payable to NorCal. The Corporation owed NorCal $214,000 and $76,000, as of December 31, 2021 and 2020, respectively, for recurring intercompany transactions and cost recoveries in the normal course of business. These balances are settled in the normal course of operations with no fixed repayment terms. The Corporation owed NorCal $1,212,000 as of December 31, 2020 related to development costs such as deferred sales and marketing fees and deferred development administrative support fees. This was forgiven during the debt restructuring in October 2021 (described in Note 6) and is included in forgiveness of affiliate indebtedness in the accompanying statement of operations and changes in net deficit.

10. Insurance Programs

Workers' Compensation Plan

Effective in 2020, the Corporation maintains a guaranteed cost policy for workers' compensation claims in accordance with applicable State statutes. Management of the Corporation is not aware of any claims outstanding that are uninsured by the policy, yet any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. The expense for this coverage is reflected as a component of employee benefits in the accompanying statements of operations and changes in net deficit.

Professional Liability Insurance

The Corporation has professional liability insurance through a pooled program with HumanGood. HumanGood has secured claims-made policies for malpractice and general liability insurance with certain self-insured retention limits for the years ended December 31, 2021 and 2020. Management of the Corporation is not aware of any claims outstanding that are in excess of policy limits, and any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. Any related insurance recovery receivables would be recorded under resident accounts and other receivables in the accompanying balance sheets. There are no amounts recorded at December 31, 2021 and 2020 for these matters.

Health Insurance

Effective in 2020, the employee benefits and payroll processing was transferred to NorCal and the Corporation is self-insured for health insurance claims for eligible active employees with certain self-insured retention limits. The program is managed by COG and estimates of the liability for claims incurred but not reported are included in the combined balance sheets of COG and costs related thereto are allocated to the Corporation through intercompany transactions based on a percentage of payroll.

11. Commitments and Contingencies

Management and Marketing Services Agreement

The Corporation entered into a Management and Marketing Services Agreement, as amended and restated on October 25, 2013, with Greystone Management Services Company Idaho, LLC (GMSC) whereby GMSC assumed pre-opening duties to manage and operate the Community. The Management and Marketing Services Agreement commenced in June 2014 for a term of 84 months.

Effective February 1, 2021, NorCal succeeded GMSC and entered into a management fee agreement with the Corporation at a base fee of 5 percent of budgeted cash revenues. The new contract that went into effect on October 6, 2021 with an effective date of February 1, 2021, defers 3 percent of this fee, making it payable from cash balances greater than 150 days. No such payments have been made in 2021 and deferred amounts of $416,000 are included in deferred management fees in the accompanying balance sheet at December 31, 2021.

The Corporation incurred management fees of $726,000 and $383,000 for the years ended December 31, 2021 and 2020, respectively, included in management fees in the accompanying statements of operations and changes in net deficit.

Senior Living Services Industry

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

COVID-19

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

12. Concentrations of Credit Risk

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

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

13. Subsequent Events

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

The Corporation has evaluated subsequent events through March 28, 2022, which is the date the financial statements were issued.