HumanGood National Obligated Group
(HumanGood Arizona, Inc.,
dba Terraces of Phoenix, and
HumanGood Washington,
dba Judson Park)
(Members of HumanGood Cornerstone)

Combined Financial Statements and
Combining Supplementary Information

December 31, 2020 and 2019

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

Table of Contents
December 31, 2020 and 2019

Independent Auditors' Report

To the Boards of Directors of
HumanGood National Obligated Group (HumanGood Arizona, Inc.,
dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park)
(Members of HumanGood Cornerstone)

Report on the Financial Statements

We have audited the accompanying combined financial statements of the HumanGood National Obligated Group (National Obligated Group or NOG), which comprise the combined balance sheets as of December 31, 2020 and 2019 and the related combined statements of operations and changes in net deficit 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 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 auditor's 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 National Obligated Group as of December 31, 2020 and 2019 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.

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 rather than to present the financial position, results of operations and changes in net deficit and cash flows of the individual companies 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 audits 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 US, LLP

Philadelphia, Pennsylvania
April 30, 2021

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

Combined Balance Sheets
December 31, 2020 and 2019
(In Thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 4,485	$ 6,617
Resident accounts receivables, less allowance for doubtful accounts of $440 in 2020 and $398 in 2019	1,746	2,827
Other receivables	648	367
Current portion of restricted investments	1,163	1,008
Prepaid expenses, deposits and other assets	452	486
Total current assets	8,494	11,305
Investments	21,452	20,655
Restricted Investments	2,398	2,346
Land, Buildings and Equipment, Net	69,572	70,174
Total assets	$ 101,916	$ 104,480
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,252	$ 2,006
Payable to affiliates	2,989	1,857
Deposits	181	179
Accrued interest	892	946
Current portion of notes and bonds payable	1,488	1,415
Entrance fee rebates payable	-	529
Total current liabilities	7,802	6,932
Notes and Bonds Payable, Net	67,943	69,377
Subordinated Note Payable to HumanGood NorCal	12,000	12,000
Rebatable Entrance Fees Due	55,522	57,108
Entrance Fees Subject to Refund	3,176	3,873
Entrance Fees Nonrefundable	17,947	17,786
Other Liabilities	332	369
Total liabilities	164,722	167,445
Net Deficit	(62,806)	(62,965)
Total liabilities and net deficit	$ 101,916	$ 104,480

See notes to combined financial statements

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

Combined Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2020 and 2019
(In Thousands)

	2020	2019
Operating Revenues		
Residential living	$ 16,551	$ 16,538
Assisted living	5,551	5,770
Health center	16,248	18,251
Memory care	3,330	3,185
Other residential services	438	374
Amortization of entrance fees	3,721	3,889
COVID relief funding	2,445	-
Other operating revenue	524	926
Total operating revenues	48,808	48,933
Operating Expenses		
Salaries and wages	19,925	21,060
Employee benefits	4,777	4,821
Supplies	4,117	3,960
Chargeable ancillary services	2,307	3,281
Repairs and maintenance	449	464
Marketing and advertising	713	678
Purchased services	1,995	2,012
Management fees	3,856	3,759
Utilities	1,737	1,750
Travel and related	73	163
Leases and rents	269	290
Insurance	661	562
Other operating expenses	1,038	1,143
Total operating expenses	41,917	43,943
Income before other operating income (expense)	6,891	4,990
Other Operating Income (Expense)		
Investment income, net	530	563
Change in unrealized gains on investments, net	274	431
Mortgage interest	(2,553)	(3,121)
Depreciation	(5,018)	(4,856)
Income (loss) from operations	124	(1,993)
Change in Fair Value of Interest Rate Cap	35	(156)
Change in net deficit	159	(2,149)
Net Deficit, Beginning	(62,965)	(60,816)
Net Deficit, Ending	$ (62,806)	$ (62,965)

See notes to combined financial statements

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

Combined Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(In Thousands)

	2020	2019
Cash Flows From Operating Activities		
Cash received from resident services	$ 42,596	$ 42,842
Cash received from nonrebatable entrance fees from reoccupancy	3,122	5,511
Cash received from COVID relief funding	2,445	-
Cash provided by other operating activities	533	915
Cash earnings realized from investments	530	563
Cash paid for employee salaries	(17,920)	(18,376)
Cash paid for employee benefits	(4,786)	(4,803)
Cash paid for temporary labor	(1,847)	(2,714)
Cash paid to vendors	(16,957)	(17,743)
Cash paid for interest	(2,533)	(3,102)
Net cash provided by operating activities	5,183	3,093
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(4,416)	(2,177)
Net purchases of unrestricted investments	(524)	(501)
Net cash used in investing activities	(4,940)	(2,678)
Cash Flows From Financing Activities		
Proceeds from rebatable entrance fees	3,850	6,860
Refunds of deposits and refundable entrance fees	(5,713)	(7,136)
Cash received from (paid to) affiliates	1,132	(3,040)
Principal payments on notes and bonds payable	(1,437)	(1,350)
Net cash used in financing activities	(2,168)	(4,666)
Decrease in cash, cash equivalents and restricted cash and cash equivalents	(1,925)	(4,251)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	9,971	14,222
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 8,046	$ 9,971
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Combined Balance Sheets		
Cash and cash equivalents	$ 4,485	$ 6,617
Restricted cash included in current portion of restricted investments	1,163	1,008
Restricted cash included in restricted investments	2,398	2,346
Total cash, cash equivalents and restricted cash and cash equivalents	$ 8,046	$ 9,971

See notes to combined financial statements

1. Business Organization

HumanGood National Obligated Group

The HumanGood National Obligated Group (NOG or Corporations) formed in 2018 under the terms of a Master Trust Indenture (Note 6) includes HumanGood Arizona, Inc. and HumanGood Washington.

HumanGood Arizona, Inc.

HumanGood Arizona, Inc. (dba Terraces of Phoenix or TOP) is an Arizona nonprofit tax-exempt corporation providing housing, health care and supportive services for the elderly in Phoenix, Arizona through its Life Plan Community (LPC), Terraces of Phoenix. HumanGood NorCal (NorCal) has managed TOP since 1971 and from 1998 through September 29, 2003, NorCal was the sole corporate member of TOP. Since September 29, 2003, NorCal has continued to manage TOP under a multiyear management agreement. Simultaneous with the 2018 financing discussed in Note 6, 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 total budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants. This amended and restated agreement renews automatically annually unless terminated with 60 days prior written notice. The funds previously advanced by NorCal to support TOP's operating and capital needs were retained in the form of a subordinated note payable from TOP to NorCal.

The Terraces of Phoenix is located on a 21-acre campus in Phoenix, Arizona and currently consists of 209 residential living apartments, 49 assisted living apartments, 25 memory care apartments and a 64-bed health center with 36 private and 28 semi-private beds. TOP was founded in 1963 with the mission of providing a full continuum of retirement living services to the elderly in the greater Phoenix area.

HumanGood Washington

HumanGood Washington (dba Judson Park or JP) 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. NorCal has managed JP since 1975. The management agreement with NorCal calls for a management fee of 8.5 percent of total budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants. This agreement renews automatically annually unless terminated with 60 day prior notice.

Judson Park is located on a 10-acre campus in Des Moines, Washington and consists of 165 residential living apartments, 31 assisted living apartments, 16 memory care apartments and a 96-bed health center with 20 private and 76 semi-private beds. The campus opened in 1963 with the mission of providing a full continuum of retirement living services to the elderly in the greater Seattle metro area.

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 Corporations, HumanGood Nevada (dba Las Ventanas), HumanGood Idaho (dba Terraces of Boise), Seniority Properties (dba 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, HumanGood Cornerstone is the sole member and exercises its direction and control through the appointment of the Board of Directors of HumanGood Affordable Housing and Beacon Development Group (BDG). 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 the elderly through its LPCs and affordable housing communities. HumanGood is the sole member of HumanGood Cornerstone, HumanGood Fresno (dba Terraces at San Joaquin Gardens, TSJG), 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.

Basis of Presentation and Principles of Combination

The Corporations prepare combined financial statements in accordance with the financial reporting provisions specified in the disclosure requirements of the Master Trust Indenture. The Master Trust Indenture specifies the preparation of combined financial statements of the Obligated Group members; accordingly, the accompanying combined financial statements include only the accounts of the National Obligated Group members, which is in conformity with generally accepted accounting principles (U.S.GAAP) in the United States of America.

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 reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the fair value of interest rate cap; allowances for contractual and uncollectible accounts receivable; fair value of investments; future service benefit obligation; 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, money market funds, and overnight investments considered to be cash equivalents. For the purposes of the combined statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Investments

Investments include certain cash equivalents held by investment managers, corporate debt securities, mutual funds, municipal bonds and U.S. government securities. Investments are measured at fair value in the accompanying combined balance sheets.

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

Restricted Investments

Certain investments are classified as restricted investments in the accompanying combined balance sheets (see Note 4). Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement for principal, interest and other reserves.

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.

Land, Buildings and Equipment, Net

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

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

Asset Impairment

The Corporations periodically evaluate the carrying value of their long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No asset impairment was recognized at December 31, 2020 and 2019.

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 effective interest method, and are presented in the combined balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of mortgage interest in the accompanying combined statements of operations and changes in net deficit, was $124,000 in 2020 and 2019.

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 benefit obligation for residents indicated that a liability was not considered necessary at December 31, 2020 and 2019. The discount rate used to calculate the obligation to provide future services was 5 percent for 2020 and 2019.

Types of Entrance Fees

The Care and Residence Agreements between the Corporations and their 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, which are recorded as either rebatable entrance fees due, entrance fees subject to refund or entrance fees nonrefundable in the accompanying combined 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 Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2.0 percent for each month of residency for 44 months after an initial reduction to the original fee, under certain circumstances. In certain cases, upon the move out of a resident, the unamortized balance of the entrance fee on a contractual basis is payable to the resident.

The Corporations have offered contract options whereby 50 percent to 100 percent of the entrance fee is rebatable at termination of the contract and subsequent reoccupancy of the apartment. At December 31, 2020 and 2019, $55,522,000 and $57,637,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable and are presented as rebatable entrance fees due and entrance fee rebates payable in the accompanying combined balance sheets. Included in these amounts are $4,286,000 and $2,234,000 in entrance fee rebates due pending apartment reoccupancy, $3,916,000 and $1,522,000 in entrance fee rebates due pending the move-out of residents in higher levels of care and reoccupancy of their apartment and $3,711,000 and $4,131,000 in entrance fee rebates due pending only the move-out of residents currently residing in higher levels of care at December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, the Corporations had nonrefundable entrance fees of $17,947,000 and $17,786,000, respectively, related to entrance fees received that will be recognized as revenues in future years. Additionally, at December 31, 2020 and 2019, the Corporations had entrance fees subject to refund of $3,176,000 and $3,873,000, respectively, which will be recognized as revenues in future years, unless refunded.

Actual refunds and rebates of entrance fees were $5,713,000 and $7,136,000 for the years ended December 31, 2020 and 2019, respectively. Based on historical experience, management expects to pay refunds in future years of approximately $7,300,000 per year.

Interest Rate Cap

The Corporations have utilized an interest rate cap as part of their overall debt management policy. The Corporations account for the interest rate cap in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 815*, *Derivatives and Hedging*. The topic requires that all derivatives be carried at fair value on the combined balance sheets. Changes in the fair value of derivatives were recorded each period as a change in net deficit (see Note 7).

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, 2020 and 2019 are classified as net deficit without donor restrictions as they are not subject to donor or time restrictions and are available for use in general operations. There were no net assets or net deficits with donor-imposed restrictions, temporary or perpetual in nature, as of December 31, 2020 and 2019.

Contributions

The Corporations participate in the HumanGood Foundation West fundraising activity. Gifts and bequests to the Corporations are credited to the Corporations' funds with Foundation West. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporations' funds. Funds held by Foundation West that the Foundation West board has designated for the Corporations amount to approximately $6,570,000 and $6,163,000 of board-designated funds and $375,000 and $222,000 of donor-restricted project funds at December 31, 2020 and 2019, respectively. Foundation West retains a legal right to redirect the use of these unrestricted funds. Board practice since inception has been to designate earnings distributions on funds for community benevolence needs. The Corporations receive distributions from Foundation West based upon the market value of the 12-quarter rolling average of the Corporations' board-designated funds at a current rate of 3.5 percent. This rate is subject to change based upon the Foundation West board's action. Included in other operating revenue in the accompanying combined statements of operations and changes in net deficit is $149,000 and $177,000 for the years ended December 31, 2020 and 2019, respectively, of distribution income from Foundation West.

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 revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, entrance fees are generally billed and collected in advance of move-in.

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

The Corporations receive revenues for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Nursing and ancillary services provided to Medicare and Medicaid 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 their residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by Medicare. 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. The basis for payment to the Corporations 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 Corporations' 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 2020 and 2019.

Assisted Living and Memory Care

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

Residential Living

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

Entrance fees collected from residents in advance are recognized as deferred revenue 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 $3,721,000 and $3,889,000 in 2020 and 2019, 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, 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. Amortization of entrance fees other than rebatable entrance fees is included as amortization of entrance fees in the combined statements of operations and changes in net deficit.

Contractual Allowances

A portion of the Corporations' health center revenue is subject to explicit price concessions (contractual allowances) under contracts with third-party payors. These price concessions were $4,273,000 and $4,882,000 for the years ended December 31, 2020 and 2019, respectively.

COVID Relief Funding

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

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Corporations received approximately $2,378,000 in the year ended December 31, 2020 related to this funding, including $600,000 of CARES Act funding transferred to TOP from NorCal, an affiliated organization with a common parent, as allowed under the CARES Act Provider Relief Fund terms and conditions. In accordance with the terms and conditions in place at December 31, 2020, the Corporations could apply the funding first against eligible expenses, and then lost revenues, which the Corporations' methodology for calculating lost revenues was the difference between 2020 budgeted and 2020 actual patient care revenue.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Provider Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these combined financial statements were issued. In addition, as of the date these combined financial statements were issued, it is unknown whether there will be further developments in the regulatory guidance.

The Corporations have incurred lost revenues and eligible expenses sufficient to allow it, in accordance with the original terms and conditions of the Provider Relief Fund as of December 31, 2020, to recognize revenues of $2,378,000 in COVID relief funding which are included in the accompanying combined statement of operations and changes in net deficit for the year ended December 31, 2020.

Additionally, $67,000 was received through Washington State Department of Social and Health Services funding which were recognized and included in COVID relief funding in the accompanying combined statement of operations and changes in net deficit for the year ended December 31, 2020 as the funds were used for eligible purposes.

COVID-19 related expenses of $615,000, including personal protective equipment and other equipment or supplies, are included in supplies in the accompanying combined statement of operations and changes in net deficit for the year ended December 31, 2020. COVID-19 testing expenses of $185,000 are included in other operating expenses in the accompanying combined statement of operations and changes in net deficit for the year ended December 31, 2020. COVID-19 direct team member costs of $19,000 and $88,000 are included in salaries and wages and employee benefits, respectively, in the accompanying combined statement of operations and changes in net deficit for the year ended December 31, 2020.

Performance Indicator

Income (loss) from operations as reflected in the accompanying combined statements of operations and changes in net deficit is the performance indicator. Income (loss) from operations includes all changes in net deficit other than changes in the fair value of interest rate cap agreements.

Tax-Exempt Status

HumanGood Arizona, Inc. is an Arizona nonprofit tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and has been granted tax-exempt status by the Internal Revenue Service (IRS) and the Arizona Department of Revenue. HumanGood Washington is a Washington nonprofit public benefit tax-exempt corporation as described in Section 501(c)(3) of the IRC and has been granted tax-exempt status by the IRS and the Washington State Department of Revenue.

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. At December 31, 2020 and 2019, there were no such uncertain tax positions.

3. Liquidity and Availability of Resources

As of December 31, 2020 and 2019, the Corporations have financial assets available for utilization within one year of the combined balance sheet date, which consist of the following (in thousands):

	2020	2019
Cash and cash equivalents	$ 4,485	$ 6,617
Resident accounts receivable	1,746	2,827
Entrance fee notes receivable	647	363
Investments	21,452	20,655
Total	$ 28,330	$ 30,462

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

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

4. Investments and Restricted Investments and Fair Value Measurements

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

	2020	2019
Investments:		
Cash and cash equivalents	$ 675	$ 2,490
Mutual funds	5,613	1,313
Municipal bonds	903	1,127
Corporate bonds	12,548	8,891
U.S. government securities	1,713	6,834
Total	$ 21,452	$ 20,655
Restricted investments:		
Cash and cash equivalents	$ 3,561	$ 3,354

Investment Return

Investment return for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	2020	2019
Dividend, interest and other investment income	$ 333	$ 537
Realized gains on investments	197	26
Total investment income, net	$ 530	$ 563
Change in unrealized gains on investments, net	$ 274	$ 431

Investment income is net of investment expenses of $75,000 and $70,000 for the years ended December 31, 2020 and 2019, respectively.

Fair Value Measurements

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

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

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

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

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

- Mutual funds - Mutual funds registered with the U.S. Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the NAV of shares, and are categorized as Level 1.

- Municipal bonds - Municipal bonds are valued using inputs and techniques which include identification of similar issues and market activity. To the extent that these inputs are observable and timely, values are categorized as Level 2.

- Corporate bonds - Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations and recently executed transactions in securities of the issuer or comparable issuers. To the extent that these inputs are observable and timely, the values are categorized as Level 2.

- U.S. government securities - U.S. Treasury securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.

- Interest rate cap agreement - 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.

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 at December 31, 2020 and 2019 (in thousands):

	Fair Value at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	$ 5,613	$ -	$ -	$ 5,613
Municipal bonds	-	903	-	903
Corporate bonds	-	12,548	-	12,548
U.S. government securities	-	1,713	-	1,713
Total investments in fair value hierarchy	$ 5,613	$ 15,164	$ -	$ 20,777
Liabilities:				
Interest rate cap	$ -	$ 34	$ -	$ 34
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 675			
Investments in the fair value hierarchy	20,777			
Total investments	$ 21,452			

	Fair Value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	$ 1,313	$ -	$ -	$ 1,313
Municipal bonds	-	1,127	-	1,127
Corporate bonds	-	8,891	-	8,891
U.S. government securities	-	6,834	-	6,834
Total investments in fair value hierarchy	$ 1,313	$ 16,852	$ -	$ 18,165
Liabilities:				
Interest rate cap	$ -	$ 40	$ -	$ 40
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 2,490			
Investments in the fair value hierarchy	18,165			
Total investments	$ 20,655			

5. Land, Buildings and Equipment, Net

Land, buildings and equipment, net at cost at December 31, 2020 and 2019 consist of the following (in thousands):

	2020	2019
Land	$ 597	597
Land improvements	3,157	3,054
Buildings and improvements	124,416	121,152
Furnishings, equipment and automotive	9,474	9,061
Total	137,644	133,864
Accumulated depreciation	(69,667)	(64,649)
Total	67,977	69,215
Construction in progress	1,595	959
Total	$ 69,572	$ 70,174

Depreciation expense for the years ended December 31, 2020 and 2019 was $5,018,000 and $4,856,000, respectively.

Fully depreciated assets of $919,000 were disposed of during the year ended December 31, 2019. There were no disposals during 2020.

6. Notes and Bonds Payable, Net

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

	2020	2019
Bonds used to refinance existing debt and renovate and redevelop the Corporations, secured by the Corporations' property and equipment and a security interest in gross revenues:		
Series 2018 Tax-Exempt Revenue Bonds issued by the Washington State Housing Finance Commission (dated May 24, 2018), annual principal payments commencing on July 1, 2019 in varying amounts ranging from $285 to $1,045 through July 1, 2048; interest rates ranging from 3.7% to 5.0%, payable semi-annually on each January 1 and July 1.	$ 16,435	$ 16,730
Series 2018A Tax-Exempt Revenue Bonds issued by the Industrial Development Authority of the City of Glendale, Arizona (dated May 24, 2018), annual principal payments commencing on July 1, 2019 in varying amounts ranging from $320 to $1,175 through July 1, 2048; interest rates ranging from 3.6% to 5.0%, payable semi-annually on each January 1 and July 1.	18,480	18,810

	2020	2019
Series 2018B Tax-Exempt Revenue Bonds issued by the Industrial Development Authority of the City of Glendale, Arizona (dated May 24, 2018), the bonds mature on June 1, 2043; variable interest at a rate of 79% of one-month LIBOR plus 1.75% with monthly principal and interest payments commencing July 1, 2018 through maturity. Interest rate at December 31, 2020 and 2019 was 1.37% and 2.72%, respectively.	$ 15,635	$ 16,001
Series 2018 Taxable Corporate Loan issued by Washington Federal Bank (dated May 24, 2018), the bonds mature on June 1, 2043; variable interest at a rate of one-month LIBOR plus 1.75% with monthly principal and interest payments commencing July 1, 2018 through maturity. Interest rate at December 31, 2020 and 2019 was 1.90% and 3.45%, respectively.	18,950	19,396
Related-party notes payable:		
Subordinated note payable to NorCal due to previously advanced operating and capital needs prior to the transfer of sole membership of TOP from NorCal to Cornerstone in 2003. The note is unsecured and is subordinated to the lien in favor of the Series 2018 Bonds. The note is noninterest bearing and is payable from operating revenues based on the achievement of certain operating and liquidity covenants.	12,000	12,000
Promissory note:		
Promissory note to American Baptist Service Corporation (ABSCO), secured by deeds of trust. The note is noninterest bearing and is payable on a ratable basis with the NorCal subordinated note, or if not amortized, in a single payment due on January 28, 2028, or upon the sale of TOP.	800	800
Total	82,300	83,737
Less current portion	(1,488)	(1,415)
Plus unamortized premium	925	973
Less unamortized debt issuance cost	(1,794)	(1,918)
Notes and bonds payable, net	$ 79,943	$ 81,377

On May 24, 2018, in conjunction with the financing of $72,646,000 of bank and publicly issued notes, TOP refinanced its Series 2015 notes and fully repaid to NorCal $11,000,000 in existing subordinated notes and JP refinanced its Series 2012 notes and borrowed an additional $9,000,000 to fund repayment of existing intercompany operating advances outstanding.

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

Years ending December 31:		
2021	$	1,488
2022		1,552
2023		1,619
2024		1,688
2025		1,769
Thereafter		74,184
Total	$	82,300

The Corporations are subject to financial covenants on debt, which include a debt service coverage ratio and days cash on hand ratio.

7. Interest Rate Cap

In 2016, TOP entered into an interest rate cap agreement with Commonwealth Bank of Australia to manage interest rate risk on $18,700,000 of its Series 2015 Bonds. The agreement establishes that when 70 percent of the one month LIBOR rate exceeds 2.5 percent, TOP is reimbursed for the excess by the counterparty to the transaction. The ten year agreement expires in February 2026. The net effect of this interest rate cap was an increase in interest expense of approximately $41,000 for the years ended December 31, 2020 and 2019. The change in the fair value of the interest rate cap for the years ended December 31, 2020 and 2019 was a decrease of $6,000 and $197,000, respectively. The fair value of this instrument was $34,000 and $40,000 as of December 31, 2020 and 2019, respectively, and is included in other liabilities in the accompanying combined balance sheets.

8. Employee Benefit Plans

Effective January 1, 1999, the Corporations also participate in a defined contribution retirement plan covering all eligible employees with a corporate match of employee contributions up to 4 percent of eligible earnings. Expenses amounted to $450,000 and $425,000 for the years ended December 31, 2020 and 2019, respectively.

9. 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. Net resident service revenues consist of the following for the years ended December 31, 2020 and 2019 (in thousands):

	2020				
	Residential Living	Assisted Living	Health Center	Memory Care	Total
Private (contract)	$ 16,244	$ 2,755	$ 1,294	$ 1,915	$ 22,208
Private (noncontract)	307	2,796	1,691	1,415	6,209
Medicare (Part A)	-	-	5,711	-	5,711
Medicare (Part B)	-	-	194	-	194
Medicaid	-	-	4,844	-	4,844
Managed care	-	-	2,514	-	2,514
Subtotal	16,551	5,551	16,248	3,330	41,680
Amortization of entrance fees	-	-	-	-	3,721
Total	$ 16,551	$ 5,551	$ 16,248	$ 3,330	$ 45,401

	2019				
	Residential Living	Assisted Living	Health Center	Memory Care	Total
Private (contract)	$ 16,389	$ 2,640	$ 1,847	$ 1,672	$ 22,548
Private (noncontract)	149	3,130	2,320	1,513	7,112
Medicare (Part A)	-	-	6,738	-	6,738
Medicare (Part B)	-	-	201	-	201
Medicaid	-	-	4,239	-	4,239
Managed care	-	-	2,906	-	2,906
Subtotal	16,538	5,770	18,251	3,185	43,744
Amortization of entrance fees	-	-	-	-	3,889
Total	$ 16,538	$ 5,770	$ 18,251	$ 3,185	$ 47,633

10. Functional Expenses

The Corporations provide housing, healthcare and other related services to residents within their geographic location. The combined 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 for the years ended December 31, 2020 and 2019 (in thousands):

	2020		
	Residential Services	General and Administrative	Total
Salaries and wages	$ 18,899	$ 1,026	$ 19,925
Employee benefits	4,459	318	4,777
Supplies	3,875	242	4,117
Chargeable ancillary services	2,307	-	2,307
Repairs and maintenance	449	-	449
Marketing and advertising	713	-	713
Purchased services	1,276	719	1,995
Management fees	-	3,856	3,856
Utilities	1,618	119	1,737
Travel and related	62	11	73
Leases and rents	144	125	269
Insurance	661	-	661
Other operating expenses	592	446	1,038
Mortgage interest	2,553	-	2,553
Depreciation	5,018	-	5,018
Total expenses	$ 42,626	$ 6,862	$ 49,488

	2019		
	Residential Services	General and Administrative	Total
Salaries and wages	$ 19,905	$ 1,155	$ 21,060
Employee benefits	4,470	351	4,821
Supplies	3,917	43	3,960
Chargeable ancillary services	3,281	-	3,281
Repairs and maintenance	464	-	464
Marketing and advertising	678	-	678
Purchased services	1,395	617	2,012
Management fees	-	3,759	3,759
Utilities	1,595	155	1,750
Travel and related	131	32	163
Leases and rents	159	131	290
Insurance	562	-	562
Other operating expenses	418	725	1,143
Mortgage interest	3,121	-	3,121
Depreciation	4,856	-	4,856
Total expenses	$ 44,952	$ 6,968	$ 51,920

11. Transactions With Affiliates

Amounts payable to affiliates include management fees and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance payable to NorCal. The Corporations recognized expenses of $3,856,000 and $3,759,000 during 2020 and 2019, respectively, that consisted of management fees, and received distributions from Foundation West as described in Note 2. The Corporations owed NorCal $2,989,000 and $1,857,000 as of December 31, 2020 and 2019, respectively. These balances are settled in the normal course of operations with no fixed repayment terms.

12. Insurance Programs

Workers' Compensation Plan

HumanGood Arizona, Inc. participates in the State of Arizona's fully insured workers' compensation program and HumanGood Washington participates in the State of Washington's fully insured workers' compensation program. Both corporations receive safety program support from NorCal. The Corporations' expenses for these coverages are reflected as a component of the benefit burden applied to payroll. Amounts charged to the Corporations for their workers' compensation programs was $429,000 and $470,000 for the years ended December 31, 2020 and 2019, respectively.

Professional Liability Insurance

The Corporations maintain 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, 2020 and 2019. At December 31, 2020 and 2019, the Corporations had a liability of approximately $100,000 and $50,000, respectively, as their best estimate of the cost of known claims and claims incurred but not reported. The liability is included in accounts payable and accrued expenses on the accompanying combined balance sheets. Any related insurance recovery receivables are recorded under other receivables in the accompanying combined balance sheets. There are no amounts recorded at December 31, 2020 and 2019 for these matters.

Health Insurance

Effective in 2019, the Corporations are 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 Corporations through intercompany transactions based on a percentage of payroll.

13. Commitments and Contingencies

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

Senior Living Services Industry

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

COVID-19

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, and businesses. The Corporations' evaluation of the effects of these events is ongoing as of the date the accompanying combined financial statements were issued. COVID-19 may impact various parts of the Corporations' 2021 operations and financial performance including but not limited to additional costs for emergency preparedness, disease control and containment, COVID testing and vaccinations, potential shortages of personnel, supply chain disruption, declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions. Throughout the pandemic, the Corporations have provided up to date information on their COVID-19 response through a dedicated page on the Corporations' website.

14. Concentrations of Credit Risk

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

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

15. Subsequent Events

Subsequent events are events or transactions that occur after the combined balance sheets 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 sheets, 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 sheets but arose after the combined balance sheets date and before combined financial statements are issued.

In April 2021, the Corporations applied for and were approved for loans pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The Corporations signed agreements with an effective date of April 29, 2021 for HumanGood Arizona, Inc. and HumanGood Washington in the amounts of $1,717,000 and $2,104,000, respectively. The loans carry no collateral or guarantee requirements. Under the terms of the loans, interest and principal payments are deferred for six months from the date of issuance. The loans bear interest at 1 percent per annum and mature five years after issuance. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan amounts may be forgiven; however, the amount and timing of any forgiveness is uncertain.

The Corporations have evaluated subsequent events through April 30, 2021 which is the date the combined financial statements were issued.

HumanGood National Obligated Group (HumanGood Arizona, Inc. dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

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

	Terraces of Phoenix	Judson Park	Total Combined
Assets			
Current Assets			
Cash and cash equivalents	$ 2,142	$ 2,343	$ 4,485
Resident accounts receivables, net	474	1,272	1,746
Other receivables	648	-	648
Current portion of restricted investments	617	546	1,163
Prepaid expenses, deposits and other assets	215	237	452
Total current assets	4,096	4,398	8,494
Investments	13,303	8,149	21,452
Restricted Investments	1,300	1,098	2,398
Land, Buildings and Equipment, Net	43,001	26,571	69,572
Total assets	$ 61,700	$ 40,216	$ 101,916
Liabilities and Net Deficit			
Current Liabilities			
Accounts payable and accrued expenses	$ 1,179	$ 1,073	$ 2,252
Payable (due from) to affiliates	(337)	3,326	2,989
Deposits	94	87	181
Accrued interest	482	410	892
Current portion of notes and bonds payable	976	512	1,488
Total current liabilities	2,394	5,408	7,802
Notes and Bonds Payable	43,833	24,110	67,943
Subordinated Note Payable to HumanGood NorCal	12,000	-	12,000
Rebatable Entrance Fees Due	47,553	7,969	55,522
Entrance Fees Subject to Refund	162	3,014	3,176
Entrance Fees Nonrefundable	7,944	10,003	17,947
Other Liabilities	216	116	332
Total liabilities	114,102	50,620	164,722
Net Deficit	(52,402)	(10,404)	(62,806)
Total liabilities and net deficit	$ 61,700	$ 40,216	$ 101,916

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

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

	Terraces of Phoenix	Judson Park	Total Combined
Operating Revenues			
Residential living	$ 9,700	$ 6,851	$ 16,551
Assisted living	2,861	2,690	5,551
Health center	5,181	11,067	16,248
Memory care	1,793	1,537	3,330
Other residential services	177	261	438
Amortization of entrance fees	1,659	2,062	3,721
COVID relief funding	1,419	1,026	2,445
Other operating revenue	125	399	524
Total operating revenues	22,915	25,893	48,808
Operating Expenses			
Salaries and wages	8,530	11,395	19,925
Employee benefits	1,978	2,799	4,777
Supplies	2,117	2,000	4,117
Chargeable ancillary services	747	1,560	2,307
Repairs and maintenance	182	267	449
Marketing and advertising	407	306	713
Purchased services	1,063	932	1,995
Management fees	1,968	1,888	3,856
Utilities	1,095	642	1,737
Travel and related	50	23	73
Leases and rents	175	94	269
Insurance	340	321	661
Other operating expenses	373	665	1,038
Total operating expenses	19,025	22,892	41,917
Income before other operating income (expense)	3,890	3,001	6,891
Other Operating Income (Expense)			
Investment income, net	254	276	530
Change in unrealized gains on investments, net	265	9	274
Mortgage interest	(1,529)	(1,024)	(2,553)
Depreciation	(2,756)	(2,262)	(5,018)
Income from operations	124	-	124
Change in Fair Value of Interest Rate Cap	35	-	35
Change in net deficit	159	-	159
Net Deficit, Beginning	(52,561)	(10,404)	(62,965)
Net Deficit, Ending	$ (52,402)	$ (10,404)	$ (62,806)

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

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

	Terraces of Phoenix	Judson Park	Total Combined
Cash Flows From Operating Activities			
Cash received from resident services	$ 20,255	$ 22,341	$ 42,596
Cash received from nonrebatable entrance fees from reoccupancy	1,127	1,995	3,122
Cash received from COVID relief funding	1,419	1,026	2,445
Cash provided by other operating activities	134	399	533
Cash earnings realized from investments	254	276	530
Cash paid for employee salaries	(7,765)	(10,155)	(17,920)
Cash paid for employee benefits	(1,978)	(2,808)	(4,786)
Cash paid for temporary labor	(714)	(1,133)	(1,847)
Cash paid to vendors	(8,387)	(8,570)	(16,957)
Cash paid for interest	(1,510)	(1,023)	(2,533)
Net cash provided by operating activities	2,835	2,348	5,183
Cash Flows From Investing Activities			
Acquisition of land, buildings and equipment	(2,618)	(1,798)	(4,416)
Net purchases of unrestricted investments	(242)	(282)	(524)
Net cash used in investing activities	(2,860)	(2,080)	(4,940)
Cash Flows From Financing Activities			
Proceeds from rebatable entrance fees	3,436	414	3,850
Refunds of deposits and refundable entrance fees	(4,502)	(1,211)	(5,713)
Cash (paid to) received from affiliates	(288)	1,420	1,132
Principal payments on notes and bonds payable	(941)	(496)	(1,437)
Net cash (used in) provided by financing activities	(2,295)	127	(2,168)
(Decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(2,320)	395	(1,925)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	6,379	3,592	9,971
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 4,059	$ 3,987	$ 8,046
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Combining Balance Sheet			
Cash and cash equivalents	$ 2,142	$ 2,343	$ 4,485
Restricted cash included in current portion of restricted investments	617	546	1,163
Restricted cash included in restricted investments	1,300	1,098	2,398
Total cash, cash equivalents and restricted cash and cash equivalents	$ 4,059	$ 3,987	$ 8,046

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

Combining Balance Sheet Schedule
December 31, 2019
(In Thousands)

	Terraces of Phoenix	Judson Park	Total Combined
Assets			
Current Assets			
Cash and cash equivalents	$ 4,589	$ 2,028	$ 6,617
Resident accounts receivables, net	1,230	1,597	2,827
Other receivables	7	360	367
Current portion of restricted investments	542	466	1,008
Prepaid expenses, deposits and other assets	216	270	486
Total current assets	6,584	4,721	11,305
Investments	12,796	7,859	20,655
Restricted Investments	1,248	1,098	2,346
Land, Buildings and Equipment, Net	43,140	27,034	70,174
Total assets	$ 63,768	$ 40,712	$ 104,480
Liabilities and Net Deficit			
Current Liabilities			
Accounts payable and accrued expenses	$ 1,045	$ 961	$ 2,006
Payable (due from) to affiliates	(49)	1,906	1,857
Deposits	99	80	179
Accrued interest	519	427	946
Current portion of notes and bonds payable	925	490	1,415
Entrance fee rebates payable	315	214	529
Total current liabilities	2,854	4,078	6,932
Notes and Bonds Payable	44,769	24,608	69,377
Subordinated Note Payable to HumanGood NorCal	12,000	-	12,000
Rebatable Entrance Fees Due	48,374	8,734	57,108
Entrance Fees Subject to Refund	227	3,646	3,873
Entrance Fees Nonrefundable	7,859	9,927	17,786
Other Liabilities	246	123	369
Total liabilities	116,329	51,116	167,445
Net Deficit	(52,561)	(10,404)	(62,965)
Total liabilities and net deficit	$ 63,768	$ 40,712	$ 104,480

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

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

	Terraces of Phoenix	Judson Park	Total Combined
Operating Revenues			
Residential living	$ 9,895	$ 6,643	$ 16,538
Assisted living	3,188	2,582	5,770
Health center	7,721	10,530	18,251
Memory care	1,776	1,409	3,185
Other residential services	94	280	374
Amortization of entrance fees	1,357	2,532	3,889
Other operating revenue	447	479	926
Total operating revenues	24,478	24,455	48,933
Operating Expenses			
Salaries and wages	9,366	11,694	21,060
Employee benefits	2,051	2,770	4,821
Supplies	2,202	1,758	3,960
Chargeable ancillary services	1,456	1,825	3,281
Repairs and maintenance	197	267	464
Marketing and advertising	374	304	678
Purchased services	1,086	926	2,012
Management fees	1,881	1,878	3,759
Utilities	1,067	683	1,750
Travel and related	108	55	163
Leases and rents	170	120	290
Insurance	302	260	562
Other operating expenses	319	824	1,143
Total operating expenses	20,579	23,364	43,943
Income before other operating income (expense)	3,899	1,091	4,990
Other Operating Income (Expense)			
Investment income, net	341	222	563
Change in unrealized gains on investments, net	295	136	431
Mortgage interest	(1,928)	(1,193)	(3,121)
Depreciation	(2,575)	(2,281)	(4,856)
Income (loss) from operations	32	(2,025)	(1,993)
Change in Fair Value of Interest Rate Cap	(156)	-	(156)
Change in net deficit	(124)	(2,025)	(2,149)
Net Deficit, Beginning	(52,437)	(8,379)	(60,816)
Net Deficit, Ending	$ (52,561)	$ (10,404)	$ (62,965)

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

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

	Terraces of Phoenix	Judson Park	Total Combined
Cash Flows From Operating Activities			
Cash received from resident services	$ 22,200	$ 20,642	$ 42,842
Cash received from nonrebatable entrance fees from reoccupancy	3,038	2,473	5,511
Cash provided by other operating activities	439	476	915
Cash earnings realized from investments	341	222	563
Cash paid for employee salaries	(8,386)	(9,990)	(18,376)
Cash paid for employee benefits	(2,053)	(2,750)	(4,803)
Cash paid for temporary labor	(961)	(1,753)	(2,714)
Cash paid to vendors	(9,378)	(8,365)	(17,743)
Cash paid for interest	(1,918)	(1,184)	(3,102)
Net cash provided by (used in) operating activities	3,322	(229)	3,093
Cash Flows From Investing Activities			
Acquisition of land, buildings and equipment	(1,354)	(823)	(2,177)
Net purchases of unrestricted investments	(309)	(192)	(501)
Net cash used in investing activities	(1,663)	(1,015)	(2,678)
Cash Flows From Financing Activities			
Proceeds from rebatable entrance fees	6,051	809	6,860
Refunds of deposits and refundable entrance fees	(5,706)	(1,430)	(7,136)
Cash paid to affiliates	(1,773)	(1,267)	(3,040)
Principal payments on notes and bonds payable	(875)	(475)	(1,350)
Net cash used in financing activities	(2,303)	(2,363)	(4,666)
Decrease in cash, cash equivalents and restricted cash and cash equivalents	(644)	(3,607)	(4,251)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	7,023	7,199	14,222
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 6,379	$ 3,592	$ 9,971
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Combining Balance Sheet			
Cash and cash equivalents	$ 4,589	$ 2,028	$ 6,617
Restricted cash included in current portion of restricted investments	542	466	1,008
Restricted cash included in restricted investments	1,248	1,098	2,346
Total cash, cash equivalents and restricted cash and cash equivalents	$ 6,379	$ 3,592	$ 9,971