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

Financial Statements

December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021 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, 2023

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

Balance Sheets
December 31, 2022 and 2021
(In Thousands)

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 679	$ 8,681
Resident accounts receivable, less allowance for doubtful accounts of $208 at December 31, 2022 and $143 at December 31, 2021	322	537
Insurance receivables	439	-
Current portion of restricted investments	917	1,377
Prepaid expenses and other assets	108	104
Total current assets	2,465	10,699
Restricted Cash	670	424
Investments	7,838	-
Restricted Investments	4,947	4,904
Land, Buildings and Equipment, Net	74,563	76,186
Other Noncurrent Assets	149	84
Total assets	$ 90,632	$ 92,297
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,389	$ 1,303
Payable to affiliates	473	214
Deposits	636	387
Accrued interest	910	901
Total current liabilities	3,408	2,805
Deferred Management Fees	963	416
Senior External Debt, Net	77,800	77,769
Subordinated Affiliate Debt	8,750	8,750
Subordinated External Debt	2,900	2,900
Rebatable Entrance Fees Due	34,049	34,860
Entrance Fees Subject to Refund	4,890	4,227
Entrance Fees Nonrefundable	12,328	12,214
Advances Subject to Refund	-	1,077
Total liabilities	145,088	145,018
Net Deficit	(54,456)	(52,721)
Total liabilities and net deficit	$ 90,632	$ 92,297

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, 2022 and 2021
(In Thousands)

	2022	2021
Operating Revenues		
Residential living	$ 8,158	$ 7,283
Assisted living	2,913	2,531
Health center	4,017	4,215
Memory support	1,760	1,344
Amortization of entrance fees	2,409	2,267
COVID relief funding	1,077	89
Other operating revenue	158	111
Change in future service benefit obligations	-	11,895
Total operating revenues	20,492	29,735
Operating Expenses		
Salaries and wages	8,114	6,968
Employee benefits	2,052	1,662
Supplies	1,448	1,347
Chargeable ancillary services	557	734
Repairs and maintenance	310	198
Marketing and advertising	229	293
Purchased services	818	623
Management fees	913	726
Utilities	569	477
Travel and related	53	35
Rentals and leases	12	20
Insurance	213	199
Other operating expenses	881	1,016
Total operating expenses	16,169	14,298
Income before other operating income (expense)	4,323	15,437
Other Operating Income (Expense)		
Investment income, net	105	138
Change in unrealized (losses) on investments, net	-	(129)
Bond negotiation expenses	-	(766)
Loss on early retirement of debt	-	(3,754)
Depreciation and amortization	(2,223)	(2,210)
Mortgage interest	(3,715)	(5,737)
Nonrecurring operating expenses	(229)	-
(Loss) income from operations	(1,739)	2,979
Other Changes in Net Deficit		
Forgiveness of affiliate indebtedness	-	3,809
Capital contributions	4	-
Change in net deficit	(1,735)	6,788
Net Deficit, Beginning	(52,721)	(59,509)
Net Deficit, Ending	$ (54,456)	$ (52,721)

See notes to financial statements

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

Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Cash Flows From Operating Activities		
Cash received for resident services	$ 16,894	$ 14,950
Cash received from nonrebatable entrance fees from reoccupancy	4,043	4,030
Cash received from COVID relief funding	-	89
Cash received from advances subject to refund	-	1,077
Cash received for other operating activities	158	111
Cash earnings realized from investments	105	138
Cash paid for employee salaries	(7,995)	(6,198)
Cash paid for employee benefits	(2,052)	(1,662)
Cash paid for temporary labor	(220)	(784)
Cash paid to vendors	(5,918)	(6,450)
Cash paid for interest	(3,603)	(6,361)
Net cash provided by (used in) operating activities	1,412	(1,060)
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(581)	(527)
Net purchases of investments	(7,838)	-
Change in restricted investments	-	6,912
Net cash (used in) provided by investing activities	(8,419)	6,385
Cash Flows From Financing Activities		
Proceeds from subordinated affiliate debt	-	6,500
Cash paid for deferred debt issuance costs	(10)	(1,456)
Proceeds from rebatable entrance fees	1,775	4,350
Refunds of deposits and entrance fees	(3,194)	(4,294)
Cash received from affiliates	259	138
Capital contributions	4	43
Net cash (used in) provided by financing activities	(1,166)	5,281
(Decrease) increase in cash, cash equivalents and restricted cash	(8,173)	10,606
Cash, Cash Equivalents and Restricted Cash, Beginning	15,386	4,780
Cash, Cash Equivalents and Restricted Cash, Ending	$ 7,213	$ 15,386
Noncash Investing and Financing Activities		
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	$ 679	$ 8,681
Restricted cash included in current portion of restricted investments	917	1,377
Restricted cash	670	424
Restricted cash included in noncurrent portion of restricted investments	4,947	4,904
Total cash, cash equivalents and restricted cash	$ 7,213	$ 15,386

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 in conjunction with an affiliation effective in February 2022, West Valley Nursing Homes, Inc., dba Terraces at Summitview (formerly known as Living Care Retirement Community). HumanGood Arizona, Inc. and HumanGood Washington together constitute an obligated group (HumanGood National Obligated Group).

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

Basis of Accounting

The financial statements of the Corporation were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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; 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 and Investments

Certain investments are classified as restricted investments in the accompanying balance sheets. Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement. Restricted investments and investments consist of certain cash and cash equivalents at December 31, 2022 and 2021.

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

Investment return for the years ended December 31, 2022 and 2021, is as follows (in thousands):

	2022	2021
Net realized gains on investments	$ -	$ 70
Dividend, interest and other investment income, net of expense	105	68
Total investment income, net	$ 105	$ 138
Change in unrealized losses on investments, net	$ -	$ (129)

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.

Insurance Receivables and Recoveries

During 2022, the Corporation experienced a water pipe burst that resulted in water damage to the Community and created the need for temporary relocation of certain residents. The Corporation filed part of an insurance claim to recover costs incurred related to the incident of $1,891,000 through December 31, 2022. During 2022, $1,334,000 in insurance recoveries were received and $439,000 of anticipated additional recoveries were recorded as a receivable and are included in insurance receivables as of December 31, 2022 in the accompanying balance sheets. Nonrecurring operating expenses for the year ended December 31, 2022 include $162,000 of repair costs that were below the Corporation's insurance policy deductible and certain resident relocation expenses for which reimbursement will be sought in 2023. The community is planning to file a business interruption insurance claim in 2023. The Corporation has only recorded recoveries deemed to be probable of receiving for costs incurred as of December 31, 2022.

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, 2022 or 2021.

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 $41,000 in 2022 and $39,000 in 2021.

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, 2022 and 2021 in accordance with Accounting Standards Update (ASU) No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities - Refundable Advance Fees*. There was no liability as of December 31, 2022 and 2021. The discount rate used to calculate the obligation to provide future services was 5% for 2022 and 5.5% for 2021.

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% to 95% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. At December 31, 2022 and 2021, $34,049,000 and $34,860,000, 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, 2022 and 2021, the Corporation had nonrefundable entrance fees of $12,328,000 and $12,214,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2022 and 2021, the Corporation had entrance fees subject to refund of $4,890,000 and $4,227,000, respectively, which will be recognized as revenue in future years, unless refunded.

Actual refunds and rebates of entrance fees were $3,194,000 and $4,294,000 for the years ended December 31, 2022 and 2021, respectively. Management expects to pay refunds in future years of approximately $3,000,000 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, 2022 and 2021 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, 2022 and 2021.

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 $4,000 and $0 for the years ended December 31, 2022 and 2021, 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.

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 2022 or 2021.

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 $2,409,000 in 2022 and $2,267,000 in 2021. 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 were $536,000 and $631,000 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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 $0 in 2022 and $89,000 in 2021.

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 $0 in 2022 and $89,000 in 2021. These amounts were recognized and included in COVID relief funding in the accompanying statements of operations and changes in net deficit.

COVID testing expenses and other costs due to the pandemic, such as increased personal protective equipment usage, are included in other operating expenses and supplies, respectively, 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 CARES Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (of eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Corporation initially recorded the funds as an advance subject to refund for the year ended December 31, 2021. During 2022, after written notification of forgiveness had been received, and 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, the full balance of the PPP loan was recognized and included in COVID relief funding in the accompanying statement of operations and changes in net deficit for the year ended December 31, 2022.

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

(Loss) income from operations as reflected in the accompanying statements of operations and changes in net deficit is the performance indicator. (Loss) income 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% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2022, there were no such uncertain tax positions.

3. Liquidity and Availability of Resources

As of December 31, 2022 and 2021, the Corporation has financial assets available for utilization within one year of the balance sheet date, which consist of the following (in thousands):

	2022	2021
Cash and cash equivalents	$ 679	$ 8,681
Investments	7,838	-
Resident accounts receivable	322	537
Insurance receivables	439	-
Total	$ 9,278	$ 9,218

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

4. Land, Buildings and Equipment, Net

Land, buildings and equipment at cost as of December 31, 2022 and 2021, consist of the following (in thousands):

	2022	2021
Land	$ 5,138	$ 5,138
Land improvements	91	70
Buildings and improvements	83,991	83,745
Furnishings, equipment and automotive	2,074	1,470
Total	91,294	90,423
Accumulated depreciation	(16,885)	(14,681)
Total	74,409	75,742
Construction in progress	154	444
Land, buildings and equipment, net	$ 74,563	$ 76,186

Depreciation expense for the years ended December 31, 2022 and 2021 was $2,204,000 and $2,200,000, respectively.

5. 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, 2022 and 2021, is as follows (in thousands):

	2022	2021
Senior External Debt		
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	$ 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	6,500
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
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.	650	650
	90,865	90,865
Less unamortized bond issuance costs, net	(1,415)	(1,446)
Total notes and bonds payable	$ 89,450	$ 89,419

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

Years ending December 31:	
2023	$ -
2024	-
2025	1,000
2026	1,080
2027	1,165
Thereafter	87,620
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). The 2014 Bonds were refunded during the debt restructuring in October 2021 (described below).

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. This note was forgiven during the debt restructuring in October 2021 (described below).

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 nonrecurring 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. The Corporation failed to achieve its Health Center occupancy requirement at December 31, 2022. Pursuant to the Master Trust Indenture, this does not constitute an event of default but does trigger the requirement of an independent consultant upon notice of the failure by the Master Trustee or at least 25% of bondholders. As of March 28, 2023, no notice of such failure has been given. Management is currently seeking a waiver for the independent consultant requirement.

6. 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, 2022 and 2021 (in thousands):

	2022				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 8,158	$ 1,458	$ 621	$ 708	$ 10,945
Private (noncontract)	-	1,455	1,629	1,052	4,136
Medicare (Part A)	-	-	1,023	-	1,023
Medicare (Part B)	-	-	64	-	64
Managed care	-	-	680	-	680
Subtotal	$ 8,158	$ 2,913	$ 4,017	$ 1,760	16,848
Amortization of entrance fees					2,409
Total					$ 19,257

	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

7. 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, 2022 and 2021 (in thousands):

	2022		
	Residential Services	General and Administrative	Total
Salaries and wages	$ 7,405	$ 709	$ 8,114
Employee benefits	1,873	179	2,052
Supplies	1,402	46	1,448
Chargeable ancillary services	557	-	557
Repairs and maintenance	307	3	310
Marketing and advertising	229	-	229
Purchased services	591	227	818
Management fees	-	913	913
Utilities	523	46	569
Travel and related	32	21	53
Rentals and leases	3	9	12
Insurance	213	-	213
Other operating expenses	692	189	881
Mortgage interest	3,715	-	3,715
Depreciation and amortization	2,223	-	2,223
Nonrecurring operating expenses	229	-	229
Total	$ 19,994	$ 2,342	$ 22,336

	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

8. Transactions With Affiliates

Amounts payable to affiliates include a portion of management fees (Note 10) and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance payable to COG. The Corporation owed COG $473,000 and $214,000, as of December 31, 2022 and 2021, 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 5) and 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.

9. Insurance Programs

Workers' Compensation Plan

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

Professional Liability Insurance

The Corporation 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, 2022 and 2021. 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 in insurance receivables in the accompanying balance sheets. There are no amounts recorded at December 31, 2022 and 2021 related to professional liability insurance.

Health Insurance

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

10. 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% 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% of this fee, making it payable from cash balances greater than 150 days. No such payments have been made in 2022 and 2021 related to the deferred portion. The deferred amounts owed of $963,000 and $416,000 are included in deferred management fees in the accompanying balance sheets at December 31, 2022 and 2021, respectively.

The Corporation incurred management fees of $913,000 and $726,000 for the years ended December 31, 2022 and 2021, 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.

11. 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.

12. 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, 2023, which is the date the financial statements were issued.