bakertilly

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

Combined Financial Statements and
Combining Supplementary Information

December 31, 2024 and 2023

Table of Contents
December 31, 2024 and 2023

	Page
Independent Auditors' Report	1
Combined Financial Statements	
Combined Balance Sheets	3
Combined Statements of Operations and Changes in Net Assets	4
Combined Statements of Cash Flows	6
Notes to Combined Financial Statements	8
Supplementary Information	
2024 Combining Information:	
Combining Balance Sheet Schedule	42
Combining Statement of Operations and Changes in Net Assets Schedule	44
Combining Statement of Cash Flows Schedule	46
Supplemental Combining Statement of Operations and Changes in Net Assets Schedule	48

bakertilly

Independent Auditors' Report

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

Opinion

We have audited the combined financial statements of HumanGood California Obligated Group & Foundation Affiliates (the Corporations), which comprise the combined balance sheets as of December 31, 2024 and 2023 , and the related combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Corporations as of December 31, 2024 and 2023, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Supplementary Information

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 29, 2025

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

Combined Balance Sheets
December 31, 2024 and 2023
(In Thousands)

Assets	2024	2023
Current Assets		
Cash and cash equivalents	$ 15,742	$ 33,481
Resident accounts receivable, less allowance for credit losses of $6,057 in 2024 and $4,300 in 2023	16,327	13,472
Other receivables	15,373	12,156
Current portion of restricted investments	5,877	5,901
Intercompany advances due	33,635	34,311
Prepaid expenses, deposits and other assets	13,513	13,707
Total current assets	100,467	113,028
Restricted Cash	5,459	5,295
Investments	362,192	267,944
Designated Investments	87,271	83,234
Investment in Affiliate Bonds	86,500	86,841
Restricted Investments	125,662	168,122
Subordinated Interaffiliate Notes Receivable, Net	15,837	15,383
Land, Buildings and Equipment, Net	491,948	476,377
Interest and Management Fees Due From Affiliates	814	1,456
Other Noncurrent Assets	25,745	29,388
Total assets	$ 1,301,895	$ 1,247,068

Liabilities and Net Assets	2024	2023
Current Liabilities		
Accounts payable and accrued expenses	$ 52,460	$ 42,844
Deposits	7,852	4,738
Accrued interest	3,694	3,505
Current portion of notes and bonds payable	11,520	11,135
Total current liabilities	75,526	62,222
Notes and Bonds Payable, Net	436,278	448,819
Rebatable Entrance Fees Due	168,342	175,023
Entrance Fees Subject to Refund	104,926	104,076
Entrance Fees Nonrefundable	238,582	221,735
Obligations Under Annuity Agreements	3,276	3,545
Retirement Liabilities	3,662	4,768
Workers' Compensation Liability	17,795	16,867
Other Liabilities	8,345	3,807
Total liabilities	1,056,732	1,040,862
Net Assets		
Without donor restrictions	201,075	165,050
With donor restrictions	44,088	41,156
Total net assets	245,163	206,206
Total liabilities and net assets	$ 1,301,895	$ 1,247,068

See notes to combined financial statements

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

Combined Statements of Operations and Changes in Net Assets
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Changes in Net Assets Without Donor Restrictions		
Operating revenues:		
Residential living	$ 131,273	$ 123,309
Assisted living	42,874	39,952
Health center	108,281	102,684
Memory support	18,646	17,206
Other resident services	6,706	5,285
Amortization of entrance fees	51,867	51,979
COVID relief funding	-	613
Other operating revenues	12,987	10,462
Net assets released from restrictions	3,097	5,184
Unrestricted contributions	1,557	1,176
Total operating revenues	377,288	357,850
Operating expenses:		
Salaries and wages	168,113	160,249
Employee benefits	41,019	37,643
Supplies	25,518	24,525
Ancillary services	12,716	11,597
Repairs and maintenance	4,328	4,356
Marketing and advertising	4,225	4,105
Purchased services	26,388	21,208
Utilities	16,766	15,739
Travel and related	2,546	2,037
Leases and rents	1,180	994
Insurance	7,962	6,316
Other operating expenses	8,113	6,380
Total operating expenses	318,874	295,149
Income before other operating income (expense)	58,414	62,701
Other operating income (expense):		
Realized gains on investments, net	4,236	4,181
Change in unrealized gains on investments, net	3,629	16,254
Realized gain on investment in affiliate bonds	-	14,805
Investment income, net	20,197	20,596
Depreciation and amortization	(45,498)	(44,449)
Interest expense	(16,414)	(16,642)
Gains on disposal of fixed assets, net	10	8,304
Pension settlement expense	(2,816)	-
Nonrecurring operating income (expenses)	3,821	(2,043)
Income from operations	25,579	63,707

See notes to combined financial statements

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

Combined Statements of Operations and Changes in Net Assets
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Changes in Net Assets Without Donor Restrictions		
Other changes in net assets without donor restrictions:		
Change in minimum pension liability	$ 2,816	$ 1,512
Other affiliate distributions and equity transfers	(2,260)	(3,538)
Gain on insurance proceeds for capital	8,009	-
Unrealized gains (losses) on interest rate swaps and caps	1,881	(1,766)
Change in net assets without donor restrictions	36,025	59,915
Changes in Net Assets With Donor Restrictions		
Realized gains on investments, net	960	81
Change in unrealized gains on investments, net	669	2,966
Investment income, net	1,145	988
Contributions	4,530	5,972
Net assets released from restrictions for benevolence	(458)	(512)
Net assets released from restrictions for special project funds	(2,639)	(4,672)
Contractual payments to beneficiaries	(1,915)	(1,133)
Contractual liability adjustments	640	243
Change in net assets with donor restrictions	2,932	3,933
Change in net assets	38,957	63,848
Net Assets, Beginning	206,206	142,358
Net Assets, Ending	$ 245,163	$ 206,206

See notes to combined financial statements

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

Combined Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Cash Flows From Operating Activities		
Cash received for resident services	$ 302,935	$ 287,379
Cash received from nonrebatable entrance fees from reoccupancy	77,099	78,788
Cash received from COVID relief funding	-	613
Cash received from other operating activities	19,764	8,231
Cash received from bequests and trust maturities	1,557	1,176
Cash earnings realized from investments	20,197	20,596
Cash paid for employee salaries	(151,759)	(143,208)
Cash paid for employee benefits	(33,310)	(36,201)
Cash paid for temporary labor	(11,862)	(15,268)
Cash paid to vendors	(99,305)	(98,006)
Cash paid for interest	(17,055)	(18,125)
Net cash provided by operating activities	108,261	85,975
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(60,830)	(53,252)
Proceeds from sale of fixed assets	-	14,457
Net (purchases) sales of unrestricted investments	(89,851)	7,249
Net purchases of restricted investments	(497)	(2,955)
Cash paid for investment in affiliate bonds	-	(43,430)
Cash received from (paid for) intercompany and affiliate transactions	676	(9,674)
Net cash used in investing activities	(150,502)	(87,605)
Cash Flows From Financing Activities		
Proceeds from rebatable entrance fees	12,617	9,415
Refunds of deposits and entrance fees	(28,190)	(17,299)
Principal payments on notes and bonds payable	(11,150)	(10,819)
Cash paid for other trust activity	(3,500)	(4,762)
Affiliate cash distributions	(2,260)	(3,538)
Proceeds from insurance for capital	8,009	-
Cash received from restricted contributions	4,530	5,972
Net cash used in financing activities	(19,944)	(21,031)
Decrease in cash, cash equivalents and restricted cash	(62,185)	(22,661)
Cash, Cash Equivalents and Restricted Cash, Beginning	170,266	192,927
Cash, Cash Equivalents and Restricted Cash, Ending	$ 108,081	$ 170,266

See notes to combined financial statements

Combined Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Noncash Disclosures		
Senior secured interaffiliate note from HumanGood Nevada retired and reissued	$ -	$ (43,411)
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combined Balance Sheets		
Cash and cash equivalents	$ 15,742	$ 33,481
Restricted cash included in restricted investments	86,880	131,490
Restricted cash	5,459	5,295
Total cash, cash equivalents and restricted cash	$ 108,081	$ 170,266

See notes to combined financial statements

1. Business and Organization

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

HumanGood California Obligated Group

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

HumanGood NorCal

NorCal is a California nonprofit public benefit tax-exempt corporation which owns, operates and manages LPCs in which housing, health care and supportive services are provided for seniors. Seven of NorCal's nine directors are HumanGood's directors. The executive officers of HumanGood also serve as executive officers of NorCal. As of December 31, 2024, the following LPCs were owned and operated by NorCal:

- Terraces at Los Altos
- Piedmont Gardens
- Plymouth Village
- Grand Lake Gardens (closed and delicensed in 2023, sold in 2025, Note 5)
- Valle Verde
- Rosewood
- Terraces of Los Gatos

HumanGood SoCal

SoCal is a California nonprofit public benefit tax-exempt corporation which owns, operates and manages LPCs in which housing, health care and supportive services are provided for seniors. Seven of SoCal's nine directors are HumanGood's directors. The executive officers of HumanGood also serve as executive officers of SoCal. As of December 31, 2024, the following LPCs were owned and operated by SoCal:

- Royal Oaks
- White Sands La Jolla
- Regents Point
- Westminster Gardens
- Redwood Terrace
- Windsor (sold in 2023, Note 5)

HumanGood Fresno

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

HumanGood Foundation West

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

HumanGood Foundation South

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

HumanGood Cornerstone and Related Enterprises

HumanGood Cornerstone, an affiliate of the Corporations, is a California nonprofit public benefit tax-exempt corporation and, as the sole member, exercises its direction and control through the appointment of the Board of Directors of HumanGood Arizona, Inc. (dba Terraces of Phoenix, TOP), HumanGood Washington (dba Judson Park, JP), HumanGood Nevada (dba Las Ventanas), HumanGood Idaho (dba The Terraces of Boise, Boise), HumanGood East, HumanGood Affordable Housing, and West Valley Nursing Homes, Inc., (dba The Terraces at Summitview) including, effective May 1, 2023, its subsidiary, HG Hillside LLC (dba Hillside).

Effective February 1, 2024, HumanGood Cornerstone affiliated with Pleasant Spring Communities, the parent entity of Springhouse, Inc. (Springhouse) and Mount Pleasant Home (MPH), both located in Boston, Massachusetts.

During 2024, HumanGood Cornerstone, through its subsidiary entity, HG Perennial LLC, acquired a minority ownership interest in Perennial Advantage, a network of Medicare Advantage plans.

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

HumanGood Affordable Housing

HumanGood Affordable Housing (HGAH) is a California nonprofit public benefit tax-exempt corporation. HGAH serves as the sole or majority General Partner and controlling organization for 30 tax-credit affordable housing communities, serves as the sole or majority member and controlling organization for 23 additional affordable housing communities and provides management services to 11 additional affordable housing communities, including one for whom HGAH serves as the minority General Partner.

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

Simultaneous with this January 1, 2015 purchase, NorCal transferred all operational activities, assets and liabilities associated with NorCal's affordable housing line of business to HGAH in exchange for a noninterest bearing affiliate note with NorCal for $2,242,000, which is included at its current balance of $1,206,000 in subordinated interaffiliate notes receivable, net included in the combining balance sheets and a noninterest bearing contingent note with NorCal for $1,364,000, which was paid in full in 2021. The current value of these notes receivable are included in subordinated interaffliliate notes receivable, net on NorCal's balance sheet included in the combining balance sheets.

HumanGood Arizona, Inc.

HumanGood Arizona, Inc. is an Arizona nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Phoenix, Arizona through its LPC, Terraces of Phoenix. Prior to September 29, 2003, TOP was a controlled affiliate of NorCal. The funds previously advanced by NorCal to support TOP's operating and capital needs were retained in the form of a subordinated note receivable from TOP. The note has been recorded as part of subordinated interaffliliate notes receivable, net in the accompanying combined balance sheets at the estimated net realizable value of $4,315,000 as of December 31, 2024 and 2023.

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

HumanGood Washington

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

HumanGood Nevada

HumanGood Nevada is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors in the Las Vegas, Nevada area, through its LPC, Las Ventanas. On July 1, 2004, NorCal began providing oversight management services to Las Ventanas. On January 1, 2010, NorCal began providing full management services to Las Ventanas. Under the current agreement, management fees accrue at 3.0% of total cash revenues.

On November 16, 2021, HumanGood Nevada filed a public disclosure informing bondholders that it intended to call for redemption its previously outstanding Series 2012 Bonds. On December 16, 2021, using a combination of $22,540,000 of NorCal cash, $11,851,000 of HumanGood Nevada cash and an exchange of $28,262,000 of Series 2012 Bonds held by NorCal, HumanGood Nevada retired, at a 1.0% premium, its Series 2012 Bonds in exchange for the issuance to NorCal of a CUSIP-bearing $43,819,000 Series 2021 senior secured note bearing interest at a fixed rate of 4.0% over 35 years, which is included in investment in affiliate bonds on the accompanying combined balance sheets.

In December 2023, the original Series 2021 senior secured note was retired and a new Series 2021 senior secured note was reissued with identical terms except that the interest rate was converted to the twelve-month SOFR rate (subject to a 1% floor) plus 1.4% in exchange for HumanGood NorCal amending the management agreement to maintain the current 3% management fee until August 31, 2025, then increasing the fee to 5%, with the management agreement renewing thereafter on a monthly basis.

HumanGood Idaho

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

Effective February 2021, NorCal entered into a management agreement with Boise, whereby NorCal receives a base fee of 5% of budgeted cash revenues, with 3% deferred and payable only from cash balances greater than 150 days. In 2024 and 2023, respectively, payments of $1,305,000 and $250,000 were received towards the deferred portion. Deferred amounts of $618,000 and $1,305,000 are included in interest and management fees due from affiliates on the accompanying combined balance sheets at December 31, 2024 and 2023, respectively.

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 previously outstanding Series 2014 Bonds. NorCal provided an unfunded liquidity support agreement of $1,500,000, contributed $6,500,000 in working capital in exchange for subordinated Series 2021C Bonds and forgave previous unsecured amounts owing in exchange for $2,250,000 of junior subordinated Series 2021 Direct Obligation No. 4, both included in subordinated interaffliliate notes receivable, net in the accompanying combined balance sheets.

West Valley Nursing Homes, Inc. and Affiliate

West Valley Nursing Homes, Inc. (dba The Terraces at Summitview) is a Washington nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Washington through its LPC, The Terraces at Summitview. Effective February 1, 2022, NorCal entered into a management agreement with The Terraces at Summitview at a base fee of 3% of budgeted cash revenues, with year-end adjustments allowing for an increase in management fees of 50% of net income available for debt service exceeding $1,572,000, with annual management fee amounts not to exceed 6.5% of budgeted cash revenues. The agreement automatically renews annually unless terminated.

During 2024, NorCal issued a revolving loan agreement to The Terraces at Summitview for a maximum amount of $3,000,000 in the form of an operating liquid reserve. The revolving loan bears interest at the 12-month SOFR rate plus 0.5%. No amounts have been drawn as of December 31, 2024.

On May 1, 2023, West Valley Nursing Homes, Inc., through a newly formed subsidiary, HG Hillside LLC, acquired a life plan community in McMinneville, Oregon (Hillside). HG Hillside LLC was assigned and assumed the purchase and sale agreement of the life plan community from NorCal for $43,430,000 in exchange for a senior secured promissory note. This note is included in investment in affiliate bonds in the accompanying combined balance sheets as of December 31, 2024 and 2023. Effective May 1, 2023, NorCal entered into a consulting and financial services agreement with Hillside at a base fee of 5% of budgeted cash revenues. The agreement automatically renews annually unless terminated. In conjunction with the acquisition, NorCal issued a revolving line of credit to Hillside for a maximum amount of $8,000,000, with $6,500,000 designated to meet statutory reserve requirements and the remaining $1,500,000 designated to support working capital needs. The line of credit bears interest at the twelve-month SOFR rate (subject to a 1% floor) plus 1.4%. No amounts have been drawn as of December 31, 2024 and 2023.

During 2024, NorCal issued a revolving loan agreement to Hillside for a maximum amount of $10,000,000 to fund the construction of eleven additional residential living cottages. The revolving loan bears interest at the 12-month SOFR rate (subject to a 1% floor) plus 1.4%. No amounts have been drawn as of December 31, 2024.

Springhouse

Springhouse Inc. (dba Springhouse) is a nonprofit organization which was formed on April 17, 1992 under the laws of the Commonwealth of Massachusetts. The Corporation was created to construct and operate a community which offers both independent and assisted living (the "community") in Boston, Massachusetts. The community opened and began operations on November 12, 1996. In August 2023, NorCal entered into a management agreement with Springhouse at a fee of 5% of total budgeted revenues. The agreement automatically renews annually unless terminated.

Mount Pleasant Home

Mount Pleasant Home, Inc. (MPH) is a non-profit corporation organized on March 15,1901, pursuant to the laws of the Commonwealth of Massachusetts, to provide a home for aged indigent people of both sexes and currently operates a 60-bed rest home located in Boston, Massachusetts. Effective February 1, 2024, NorCal entered into a management agreement with MPH at a fee of 5% of total budgeted revenues. The agreement automatically renews annually unless terminated.

HG Perennial LLC

HG Perennial LLC is a Delaware limited liability company, which was formed in July 2024 for the purpose of holding HumanGood's minority ownership interest in Perennial Advantage, a network of Medicare Advantage plans.

HumanGood East

HumanGood East is a Pennsylvania nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors through its three LPCs, 19 owned and managed affordable housing communities and 18 additional affordable housing communities managed for unrelated entities.

Basis of Presentation and Principles of Combination

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

All interaffiliate transactions between the Corporations eliminate in combination.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash

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

Resident Accounts Receivable

Accounts receivable are reported net of an allowance for credit losses, which represents the Corporations' estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the Corporations' allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, and expected future economic conditions and market trends. Adjustments are made to the allowance, as necessary.

Investments

Investments include certain cash and cash equivalents held by investment managers, mutual funds, equity securities, exchange-traded funds and closed-end funds, domestic corporate debt, U.S. and foreign government securities, municipal bonds, and alternative investments and are stated at fair value in the accompanying combined balance sheets.

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

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

Restricted Investments

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

Designated Investments

Designated investments of $87,271,000 and $83,234,000 as of December 31, 2024 and 2023, respectively, are designated by the Board of Directors primarily for future capital projects and for Foundation West Board-designated benevolence funds (Note 4).

Investment in Affiliate Bonds

Investment in affiliate bonds consists of the Series 2021 senior secured note due from HumanGood Nevada and the Series 2023 senior secured note due from Hillside both bearing interest at the twelve-month SOFR rate (subject to a 1% floor) plus 1.4% over 35 years. In March 2025, NorCal purchased at par the outstanding Multifamily Housing Revenue Bonds 2008 Series A of Riverside Senior Apartments LP, an affiliate, in the amount of $7,585,000.

These investments are recorded at fair market value as of December 31, 2024 and 2023, in the accompanying combined balance sheets.

Subordinated Interaffiliate Notes Receivable, Net

Subordinated interaffiliate notes receivable, net as of December 31, 2024 and 2023 are comprised of the following (in thousands):

	2024	2023
Subordinated note receivable from the Terraces of Phoenix	$ 4,315	$ 4,315
Subordinated note receivable from the Terraces of Boise	6,500	6,500
Junior subordinated note receivable from the Terraces of Boise	2,250	2,250
Notes receivable related to HGAH and BDG acquisition	2,206	2,318
Other note receivable	566	-
Total	$ 15,837	$ 15,383

All subordinated interaffiliate notes receivable are further described in HumanGood Cornerstone and Related Enterprises subsection in Note 1.

Land, Buildings and Equipment, Net

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

Depreciation of buildings and equipment is computed on the straight-line method using estimated useful lives of 3 to 50 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 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, 2024 and 2023.

Other Noncurrent Assets

Other noncurrent assets are primarily comprised of membership interests in Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), limited partner interests in three Ziegler Link-Age Funds, capitalized contract acquisition costs, the fair market value of interest rate cap and swap agreements and amounts recognized related to funded pension assets.

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 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 interest expense, in the accompanying combined statements of operations and changes in net assets was $309,000 in 2024 and $307,000 in 2023.

Revocable Trusts

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

Obligations Under Annuity Agreements

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

These types of arrangements are summarized as follows:

Gift Annuities Fund

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

Annuity Trusts

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

Unitrusts

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

Obligation to Provide Future Services

If the present value of future outflows to provide future health care services to current contracted residents, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. Management engages an actuary to periodically calculate the obligation to provide future health care services to current contracted residents. Based upon the last calculations performed using a discount rate of 5%, the present value of future outflows to provide future services, adjusted for certain noncash items, did not exceed the present value of future cash in-flows. Based upon these calculations, and analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2024 and 2023.

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), new development and funding of reserves.

Refund Policy on Entrance Fees

The current care and residence agreement provides the resident with the right to a refund of the entrance fee, less 2.0% for each month of residency for 41 months after an initial reduction to the original fee of 18% after 90 days of the contract, under certain circumstances. In certain cases, upon the move out of a resident, the unamortized balance of the entrance fee on a contractual basis is payable to the resident.

The Corporations had nonrefundable entrance fees of $238,582,000 and $221,735,000 as of December 31, 2024 and 2023, respectively, related to entrance fees received that will be recognized as revenues in future years. Additionally, the Corporations had entrance fees subject to refund of $104,926,000 and $104,076,000 as of December 31, 2024 and 2023, respectively, which will be recognized as revenues in future years unless refunded.

The Corporations have offered contract options whereby 50% and 100% of the entrance fee is rebatable at termination of the contract and subsequent reoccupancy of their apartment. As of December 31, 2024 and 2023, $168,342,000 and $175,023,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable and are included in rebatable entrance fees due in the accompanying combined balance sheets.

Actual refunds and rebates of entrance fees were $28,190,000 and $17,299,000 for the years ended December 31, 2024 and 2023, respectively. Based on historical experience, management expects to pay refunds in future years of approximately $22,000,000 per year.

Interest Rate Swaps and Caps

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

Net Assets

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

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

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

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

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

Net assets with donor restrictions for the years ended December 31, 2024 and 2023 are comprised of the following (in thousands):

	2024	2023
Benevolence	$ 15,900	$ 13,719
Purpose restricted	17,543	17,039
Funds held by trustee	4,896	4,704
Restricted in perpetuity	5,749	5,694
Total	$ 44,088	$ 41,156

Endowment Funds

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

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

The changes in endowment net assets with donor restriction for the years ended December 31, 2024 and 2023, are as follows (in thousands):

Endowment net assets, December 31, 2022	$ 7,567
Contributions	530
Disbursements	(60)
Net investment returns	188
Endowment net assets, December 31, 2023	8,225
Contributions	55
Disbursements	(391)
Net investment returns	492
Endowment net assets, December 31, 2024	$ 8,381

The endowment net assets with donor restrictions were comprised of the following as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Endowment gains with donor restrictions	$ 2,632	$ 2,531
Endowment funds held in perpetuity, the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	5,749	5,694
Total	$ 8,381	$ 8,225

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Foundation South to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2024 and 2023.

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

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

Net Resident Service Revenues

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

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

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

Health Center

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

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

The Corporations receive revenues for services under third-party payor programs, including Medicare, MediCal and other third-party payors. Nursing and ancillary services provided to Medicare and MediCal beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The determination of these rates is partially based on the Corporations' clinical assessment of their residents.

The Corporations are required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by Medicare and MediCal. The basis for payment to the Corporations for other payor agreements includes prospectively determined rates per day or discounts from established charges. Laws and regulations governing the Medicare and MediCal programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and MediCal programs.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporations' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenues recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2024 or 2023.

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

Entrance fees collected from residents in advance are recognized as deferred revenues from entrance fees until performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying combined balance sheets. The Corporations recognized amortization income of $51,867,000 and $51,979,000 in 2024 and 2023, respectively. The Corporations apply the practical expedient in FASB ASC 606, *Revenues From Contracts With Customers*, and therefore, do not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

For residents with Type B contracts, revenues from entrance fees other than rebatable entrance fees received are recognized through amortization using the straight-line method over annually adjusted estimated 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 assets.

Contract Balances

Contract assets represent the Corporations' right to consideration in exchange for goods or services that the Corporations has transferred to a resident when that right is conditioned on something other than the passage of time (for example, the Corporations' future performance). Contract liabilities represent the Corporations' obligation to transfer goods or services to a resident for which the Corporations have received consideration (or the amount is due) from the resident. The Corporations' beginning and ending contract assets and liabilities are separately presented on the combined balance sheets as of December 31, 2024 and 2023. Contracts assets and liabilities as of December 31, 2022 are as follows (in thousands):

Resident accounts receivable, net	$	13,642
Entrance fees subject to refund		93,163
Entrance fees nonrefundable		212,725

Benevolence

The Corporations provide services to residents who meet certain criteria under their benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporations are entitled from public assistance programs on behalf of residents that meet the Corporations' benevolence criteria are reported as revenues. Because the Corporations do not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the years ended December 31, 2024 and 2023, benevolence recorded was $2,395,000 and $2,666,000, respectively.

COVID Relief Funding

COVID relief funding in the accompanying combined statements of operations and changes in net assets is comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Corporations account for this funding in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition* 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.

Included in COVID Relief Funding for 2023 were COVID relief funding payments received of $613,000 related to the California COVID-19 worker retention payments for hospital and skilled nursing workers program, all of which were passed through to eligible team members and are included as operating expenses in employee benefits in the accompanying combined statement of operations and changes in net assets for the year ended December 31, 2023. No COVID relief funds were received during 2024.

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

Performance Indicator

Income from operations as reflected in the accompanying combined statements of operations and changes in net assets is the performance indicator. Income from operations includes all changes in net assets without donor restrictions other than changes in minimum pension liability, other affiliate distributions and equity transfers, gain on insurance proceeds for capital, and unrealized gains or losses on interest rate swaps and caps.

Tax-Exempt Status

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

The Corporations assess uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporations recognize the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporations recognize interest and penalties related to income tax matters in operating expenses. As of December 31, 2024 and 2023, and for the year ended December 31, 2024, there were no such uncertain tax positions.

3. Liquidity and Availability of Resources

The Corporations have financial assets available for utilization within one year of the combined balance sheets date, which consist of the following as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Cash and cash equivalents	$ 15,742	$ 33,481
Resident accounts receivable	16,327	13,472
Entrance fee notes receivable, included in other receivable	8,095	3,656
Investments	362,192	267,944
Total	$ 402,356	$ 318,553

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

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

As part of the Corporations' liquidity management plan, cash in excess of daily requirements 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, Designated Investments, Restricted Investments and Fair Value Measurements

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

	2024	2023
Investments (including designated investments and investment in affiliate bonds):		
Cash and cash equivalents	$ 21,231	$ 6,562
Mutual funds	105,256	93,480
Equity securities	43,850	33,264
Exchange-traded funds and closed-end funds	92,070	75,481
Domestic corporate debt	44,399	35,290
U.S. government securities	71,328	52,061
Municipal bonds	18,270	15,279
Foreign government securities	38,942	24,941
Alternative investments	14,117	14,820
Investment in affiliate bonds	86,500	86,841
Total investments (including designated investments and investment in affiliate bonds):	535,963	438,019
Restricted investments:		
Cash and cash equivalents	86,880	131,490
Mutual funds	9,265	10,453
Equity securities	2,553	1,207
Exchange-traded funds and closed-end funds	16,721	17,406
Domestic corporate debt	3,571	3,001
U.S. government securities	6,932	6,250
Municipal bonds	1,124	1,084
Foreign government securities	1,541	218
Alternative investments	2,952	2,914
Total restricted investments	131,539	174,023
Total investments (including designated investments and investment in affiliate bonds) and restricted investments:	$ 667,502	$ 612,042

Investments held as of December 31, 2024 and 2023 are comprised of the following (at fair value) (in thousands):

	2024	2023
Restricted investments:		
Principal, interest and other reserves held in trust under bond indenture or mortgage agreements	$ 7,845	$ 7,769
Undrawn funds held for LPC construction projects	79,499	123,965
Donor-restricted investments, including investments held in trust under revocable trust, gift annuity, annuity trust or unitrust agreements	44,195	42,289
Total restricted investments	131,539	174,023
Investment in affiliate bonds	86,500	86,841
Investments, unrestricted	362,192	267,944
Investments, designated	87,271	83,234
Total investments (including designated investments and investment in affiliate bonds) and restricted investments:	$ 667,502	$ 612,042

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

	2024	2023
Designated for Benevolence	$ 70,209	$ 66,793
Designated for Retirement	5,371	5,091
Designated for Capital Projects	11,691	11,350
Total designations	$ 87,271	$ 83,234

Investment Returns

Investment returns for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Total dividend, interest and other investment income, net of expense	$ 21,342	$ 21,584
Total realized gains on investments	5,196	4,262
Total net change in unrealized gains on investments	4,298	19,220
Realized gain on investment in affiliate bonds	-	14,805
Total	$ 30,836	$ 59,871

Investment income is net of investment expenses of $1,508,000 and $1,122,000 for the years ended December 31, 2024 and 2023, respectively.

Fair Value Measurements

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

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

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

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

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

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

- Equities, exchange-traded funds and closed-end funds - Securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1.

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

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

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

- Investment in affiliate bonds - The fair value is estimated by a third-party using a small sample of sales comparables of other nonrelated LPC fixed rate bonds. Due to a lack of available Level 1 and Level 2 inputs, the investments have been classified as Level 3.

- Alternative investments valued at NAV - Primarily hedge funds are valued at NAV per share of the underlying investment fund. In accordance with ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate NAV per Share (or Its Equivalent)*, investments are not categorized within the fair value hierarchy.

- Interest rate swaps and caps agreements - The fair value is estimated by a third-party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified as Level 2.

The following table presents the fair value measurements of financial instruments recognized in the accompanying combined balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall as of December 31, 2024 and 2023 (in thousands):

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments, designated investments and restricted investments:				
Mutual funds:				
Equity	$ 23,403	$ -	$ -	$ 23,403
Fixed income	56,518	-	-	56,518
Open funds	34,600	-	-	34,600
Equity securities	46,403	-	-	46,403
Exchange-traded funds and closed-end funds	108,791	-	-	108,791
Domestic corporate debt	-	47,970	-	47,970
U.S. government securities	-	78,260	-	78,260
Municipal bonds	-	19,394	-	19,394
Foreign government securities	-	40,483	-	40,483
Investment in affiliate bonds	-	-	86,500	86,500
Total investments, designated investments and restricted investments measured at fair value	$ 269,715	$ 186,107	$ 86,500	542,322
Alternative investments valued at NAV				17,069
Cash and cash equivalents				108,111
Total investments (including designated investments and investment in affiliate bonds) and restricted investments:				$ 667,502
Interest rate swaps and caps measured at fair value	$ -	$ 17,632	$ -	$ 17,632

	2023			
	Level 1	Level 2	Level 3	Total
Investments, designated investments and restricted investments:				
Mutual funds:				
Equity	$ 22,538	$ -	$ -	$ 22,538
Fixed income	42,478	-	-	42,478
Open funds	38,917	-	-	38,917
Equity securities	34,471	-	-	34,471
Exchange-traded funds and closed-end funds	92,887	-	-	92,887
Domestic corporate debt	-	38,291	-	38,291
U.S. government securities	-	58,311	-	58,311
Municipal bonds	-	16,363	-	16,363
Foreign government securities	-	25,159	-	25,159
Investment in affiliate bonds	-	-	86,841	86,841
Total investments, designated investments and restricted investments measured at fair value	$ 231,291	$ 138,124	$ 86,841	456,256
Alternative investments valued at NAV				17,734
Cash and cash equivalents				138,052
Total investments (including designated investments and investment in affiliate bonds) and restricted investments:				$ 612,042
Interest rate swaps and caps measured at fair value	$ -	$ 15,751	$ -	$ 15,751

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

Balance, December 31, 2022	$ 28,814
Purchases, issuances and settlements	43,222
Unrealized loss on investment in affiliate bonds	14,805
Balance, December 31, 2023	86,841
Payments received	(341)
Balance, December 31, 2024	$ 86,500

5. Land, Buildings and Equipment, Net

Land, buildings and equipment, net at cost as of December 31, 2024 and 2023, consist of the following (in thousands):

	2024	2023
Land	$ 17,527	$ 17,527
Land improvements	21,909	20,371
Buildings and improvements	835,253	811,892
Furnishings, equipment and automotive	114,502	98,544
Total	989,191	948,334
Accumulated depreciation	(539,913)	(501,583)
Total	449,278	446,751
Construction in progress	42,670	29,626
Land, buildings and equipment, net	$ 491,948	$ 476,377

Depreciation expense for the years ended December 31, 2024 and 2023, respectively, was $45,259,000 and $44,216,000.

Assets that were primarily fully depreciated of $6,929,000 and $13,049,000 were disposed of during the years ended December 31, 2024 and 2023, respectively.

On October 14, 2022, a fire occurred in a resident's unit and quickly spread across the 5th floor at Grand Lake Gardens, a Life Plan Community in Oakland, California, part of HumanGood NorCal. No residents were injured but the building sustained material damage. All of the residents were permanently relocated into alternate affiliate or third-party senior care facilities. On April 6, 2023, Grand Lake Gardens was decertified as a Residential Care Facility for the Elderly in California. The fire resulted in a loss from disposal of fixed assets of $245,000 and other resident relocation and remediation costs of $1,580,000 in 2022, which were included in nonrecurring operating expenses. During 2024 and 2023, an additional $708,000 and $5,226,000, respectively, was spent mitigating the damage sustained in the building while simultaneously preparing it for sale. Insurance recoveries of $11,349,000 and $3,500,000 were received during 2024 and 2023, respectively, for remaining cost recoveries, inclusive of a 2024 payout of $8,009,000 for anticipated restoration costs as allowed under the insurance policy which is included in gain on insurance proceeds for capital in the accompanying combined statement of operations and changes in net assets.

During 2023, the Corporations engaged a broker and entered into negotiations for the sale of Grand Lake Gardens and its assets to an unrelated party. Management evaluated the accounting treatment of the land and building based on FASB ASC Topic 360, *Property, Plant and Equipment*, and determined that it met the criteria for assets held for sale and thus accounts for these assets at the lower of cost or net realizable value as of December 31, 2023. No impairment loss has been recorded in the accompanying combined statements of operations for the years ended December 31, 2024 and 2023, as the fair value exceeds the net book value of the property. The carrying amount of the assets held for sale was approximately $4,411,000 as of December 31, 2024 and 2023 and is included land, buildings and equipment, net in the accompanying combined balance sheets. On March 10, 2025, the Corporations closed on the sale of Grand Lake Gardens at fair market value for a gain.

During 2021, the Corporations entered into negotiations to sell one of its LPCs, Windsor, to an unrelated party. On March 1, 2023, the Corporations closed on the sale of Windsor for a gain. The transaction, which was approved by California's Attorney General, was made for fair market value pursuant to an agreement between both parties.

The Corporations have entered into construction contracts totaling approximately $60,364,000 at December 31, 2024 with approximately $11,409,000 incurred through December 31, 2024.

6. Notes and Bonds Payable, Net

A summary of the Corporations' notes and bonds payable as of December 31, 2024 and 2023, is as follows (in thousands):

	2024	2023
Secured		
Bonds used to refinance existing debt and renovate HumanGood California Obligated Group communities, all secured under a Master Trust Indenture by HumanGood California Obligated Group's gross revenues pledged and by a deed of trust on certain HumanGood California Obligated Group's assets:		
NorCal Series 2015 Tax-Exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated May 28, 2015). Serial certificates in the aggregate amount of $30,550 maturing annually through 2028 with annual principal payable commencing on October 1, 2016, in varying amounts ranging from $1,885 to $3,080 through 2028; interest at fixed rates ranging from 2.0% to 5.0%, payable semiannually on April 1 and October 1. Term bond in the amount of $21,530 with annual principal payments commencing on October 1, 2037, in varying amounts ranging from $345 to $4,780 through 2045; interest at the fixed rate of 5.0%, payable semiannually on April 1 and October 1. Foundation West provides a limited guaranty on this obligation (Note 1).	$ 33,060	$ 35,635
SoCal Series 2015 Tax-Exempt Revenue Bonds issued by the California Municipal Finance Authority in December 2015 and maturing in December 2036 to refund existing Series 2006 Bonds as well as to support additional construction projects at White Sands La Jolla and Westminster Gardens. Annual principal payable in varying amounts ranging from $0 to $990 through 2020, and amounts ranging from $1,045 to $5,130 through 2036; effective May 1, 2023, interest at a variable rate of 65.1% of a 3-month SOFR rate plus a spread adjustment of 0.26% plus 1.5%, which was 4.65% at December 31, 2024.	38,875	40,025

	2024	2023
Series 2019A Tax-Exempt Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated August 1, 2019) to refund existing NorCal Series 2010 and SoCal Series 2009 Bonds and as well as to support additional construction projects for COG communities, with annual principal payable commencing on October 1, 2028, in varying amounts ranging from \$2,865 to \$5,370 through 2036, and \$11,810 to \$13,370 through 2044, interest at fixed rate of 4% through 2039 and ranging from 4.00% to 5.00% through 2044, payable annually on October 1.	\$ 141,705	\$ 141,705
Series 2019B Taxable Bonds issued concurrently with Series 2019A in August 2019 and maturing in 2028 with annual principal payable in varying amounts ranging from \$2,995 in 2020 to \$3,415 in 2027 and \$650 in 2028; interest at fixed rate of 3% through 2028, payable annually on October 1.	10,605	13,735
Series 2020A Tax-Exempt Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated October 1, 2020) and subsequently sold and delivered to Washington Federal Bank to refund existing NorCal Series 2012A Bonds in a tax-exempt variable rate mode with interest payable monthly based on 79% of the sum of one-month SOFR rate plus 1.5%. Interest rate at December 31, 2024 was 4.76%. Principal payments are payable annually commencing on October 1, 2021, in varying amounts ranging from \$770 to \$1,125 through 2036. In connection with the issuance of the Series 2020A Bonds, an interest rate cap was purchased with an "all in" strike price of 3.50% and an expiration of November 1, 2035.	12,110	12,995
Series 2020B Tax-Exempt Revenue and Refunding Bonds issued by the California Municipal Finance Authority (dated October 1, 2020) and subsequently sold and delivered to Washington Federal Bank to refund existing NorCal Series 2013A Bonds and TSJG Series 2012A Bonds, initially in a taxable variable rate mode with interest payable monthly based on one-month LIBOR, plus a bank credit spread, converted to a tax-exempt variable rate mode in September 2022 with interest payable monthly based on 79% of the sum of one-month SOFR rate plus 1.5%. Interest rate at December 31, 2024 was 4.76%. Principal payments on the Series 2020B Bonds are payable annually commencing on October 1, 2021, through 2047. In connection with the Series 2020B Bonds, an interest rate cap was purchased with an "all in" strike price of 1.6% and an expiration of August 1, 2022 and a forward starting swap was entered into, beginning August 1, 2022 and expiring November 1, 2035 (see Note 7 for details).	58,130	60,205

	2024	2023
Series 2020 Taxable Bank Loan for $33,755, with $2,110 drawn at the date of issuance and the remaining $31,645 drawn in November 2022, issued directly to HumanGood California Obligated Group (dated October 1, 2020) by Washington Federal Bank in a taxable variable rate mode with interest payable monthly based on one-month SOFR rate plus 1.5%, converted to a Term Loan effective December 1, 2022. Principal payments are payable monthly, commencing December 1, 2022 in varying amounts ranging from $90 to $190 through October 1, 2047. In connection with the Series 2020 Taxable Loan, a forward starting swap for the full loan amount was entered into, beginning November 1, 2022 and expiring November 1, 2035 (see Note 7 for details). Interest rate at December 31, 2024 was 6.03%.	$ 31,445	$ 32,495
Series 2021 Tax-Exempt Revenue Bonds issued by the California Municipal Finance Authority (dated September 1, 2021) and maturing in 2049 with annual principal payable in varying amounts ranging from $85 in 2024 to $26,610 in 2049; interest at fixed rates ranging from 3% to 5% for the various tranches of the debt, payable annually on October 1. During 2022, HumanGood California Obligated Group purchased $19,220,000 of its Series 2021 Bonds in the open market at a discount. The repurchased 2021 Bonds are held as treasury bonds reducing the senior external debt amounts in the accompanying combined balance sheets.	100,695	100,780
Unsecured		
Note payable bearing interest at 4.5%.	200	400
Total	426,825	437,975
Less current portion of notes and bonds payable	(11,520)	(11,135)
Add unamortized bond premium	26,271	27,586
Less unamortized bond issuance costs, net	(5,298)	(5,607)
Notes and bonds payable, net	$ 436,278	$ 448,819

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

Years ending December 31:	
2025	$ 11,520
2026	11,705
2027	12,105
2028	12,510
2029	12,975
Thereafter	366,010
Total	$ 426,825

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

On March 24, 2025, the Corporations filed a voluntary public disclosure informing bondholders that management is evaluating the refunding of all or a portion of the outstanding NorCal Series 2015 Tax- Exempt Revenue Bonds with publicly offered tax exempt bonds. The transaction also contemplates refinancing other outstanding COG bank loans and is anticipated to close in 2025.

7. Interest Rate Caps and Swaps

On December 1, 2015, HumanGood SoCal entered into an interest rate cap agreement with a counterparty to extend the management of interest rate risk on $25,000,000 of its Series 2015 Tax-Exempt Variable Rate Revenue Bonds from December 1, 2015 to December 1, 2025. The original agreement established that when 65.1% of the one-month LIBOR rate exceeds 2.5%, SoCal is reimbursed for the excess by the counterparty to the transaction. During 2023, the agreement was amended with modified terms that establish that when 65.1% of the one-month SOFR rate plus a spread of 0.11448% exceed 2.5%, SoCal is reimbursed for the excess by the counterparty to the transaction.

On October 16, 2020, in conjunction with the Series 2020 financing, NorCal, as an Obligated Group representative, entered into the following derivative agreements with two counterparties.

A summary of the interest rate caps and swaps' terms are as follows:

Bonds (in thousands)	Effective Date	Expiration Date	Reimbursement Terms
2020A Tax-Exempt Variable Rate Bonds ($15,480)	October 28, 2020	October 1, 2035	When 79% of the one-month SOFR rate plus a spread of 0.11448% exceed 2.394%
2020B Tax-Exempt Variable Rate Bonds ($63,270)	August 1, 2022	October 1, 2035	The receive leg of the swap to 10-year SOFR on a 6-month forward starting basis such that the $63,270,000 Series 2020B bonds receive 74.779% of 10-year SOFR
2020C Taxable Bank Loan ($33,755)	November 1, 2022	October 1, 2035	The receive leg of the swap to 10-year SOFR on a 6-month forward starting basis such that the $33,755,000 Series 2020 taxable variable rate bank loan receives 95.229% of 10-year SOFR

Interest rate cap and swap payments in the amount of $2,552,000 and $2,550,000 were received to reduce interest expense for the years ended December 31, 2024 and 2023, respectively.

The fair value of the interest rate caps and swaps was $17,632,000 and $15,751,000 as of December 31, 2024 and 2023, respectively, which is included in noncurrent assets on the combined balance sheets. The unrealized gain (loss) from mark-to-market adjustments of floating to fixed rate interest rate caps was a gain of $1,881,000 and a loss of $1,766,000 for the years ended December 31, 2024 and 2023, respectively.

8. Employee Benefit Plans

Defined Benefit Pension Plan

HumanGood SoCal had a defined benefit retirement plan (the Plan) which, prior to being frozen, provided retirement benefits through a noncontributory defined benefit retirement plan for substantially all full-time SoCal employees. On October 22, 2009, the Board of Directors of SoCal froze the Plan, whereby effective October 31, 2009, further accrual of benefits ceased for participants in the Plan. In December 2022, board approval was obtained to terminate the Plan and notification letters were mailed to plan participants. Pursuant to the termination, active and term vested participants were provided the opportunity to elect their accrued benefits be paid in lump sums during a special window election period. In 2023, SoCal offered lump sum payouts for certain terminated vested participants. Approximately $12,200,000 was paid out during the 2023 plan year under this program. All active and term vested participants who did not elect lump sums and current retirees under the Plan were paid their accrued benefits in the form of annuities purchased from an unrelated insurance company. The annuity purchases from the unrelated insurance company occurred in January 2024. As a result of this plan termination, HumanGood SoCal received approximately $6,244,000 in November 2024 as a final distribution.

Remaining accumulated benefit costs of $2,816,000 as of December 31, 2023 was recognized as pension settlement expense in 2024 in the accompanying combined statements of operations and changes in net assets.

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

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

A summary of the components of net periodic pension cost as of the date of the actuarial valuation for the year ended December 31, 2023 is as follows (in thousands):

	2024	2023
Changes in projected benefit obligation:		
Projected benefit obligation, January 1	$ 17,486	$ 28,891
Interest cost	-	1,250
Settlement gain	-	(189)
Benefits paid	-	(1,258)
Settlement payments	(17,486)	(12,200)
Actuarial loss	-	992
Projected benefit obligation, December 31	-	17,486
Changes in plan assets:		
Fair value of plan assets, January 1	23,730	35,586
Actual return on plan assets	-	1,602
Employer contributions	-	-
Settlement payments	(17,486)	(12,200)
Benefits paid	-	(1,258)
Effect of reversion to SoCal	(6,244)	-
Fair value of plan assets, December 31	-	23,730
Funded status	$ -	$ (17,486)
Accumulated benefit obligation	$ -	$ (17,486)
Amounts recognized in other noncurrent assets in the accompanying combined balance sheets	$ -	$ 6,244
Components of net periodic benefit cost:		
Interest cost	$ -	$ 1,250
Expected return on plan assets	-	(1,379)
Net loss amortization	-	126
Net periodic benefit gain	-	(3)
Settlement charge	2,816	1,965
Total benefit expense	$ 2,816	$ 1,962
Net gain recognized in net assets without donor restrictions	$ 2,816	$ 1,512
Amounts not yet reflected in periodic benefit costs and recognized in accumulated net assets without donor restrictions, net actuarial loss	$ -	$ 2,816
Total accumulated charge to net assets without donor restrictions	$ -	$ 2,816

The actuarial loss in 2023 was primarily attributable to changes in the discount rate, experience adjustments, and demographic assumptions.

Weighted-average assumptions used to determine benefit obligations as of December 31, 2023, were as follows:

Discount rate	4.25	%
Rate of compensation	N/A	

Weighted-average assumptions used to determine net periodic pension cost for the years ended December 31, 2023, were as follows:

Discount rate	4.50	%
Expected long-term rate of return on plan assets	4.00	
Rate of compensation	N/A	

SoCal determined the estimates of expected long-term rate of return on assets. These estimates were primarily driven by actual historical asset class returns and advice from external actuarial firms, while incorporating specific asset class risk factors. For the year ended December 31, 2023, the expected long-term rate of return used in determining net periodic pension cost was 4%.

Historically, the Plan invested primarily in asset categories to permit conservative investments with minimal risk of loss of principal. Upon reaching certain milestones in the pension termination process, management, with investment committee approval, departed from previous target allocations of 20% equity and 80% fixed income in November 2022 and moved to a 100% fixed income investment allocation in order to remove interest rate risk exposure prior to plan termination. During 2023, management moved to a liability-driven investment portfolio, also 100% fixed income, to match the liabilities of the plan as a hedge against moving rates. Actual asset allocation within these approved ranges was based on a variety of economic and market conditions and consideration of specific asset category risk. To assess the Plan's investment performance, a long-term asset allocation policy benchmark had been established. The Plan's assets were invested in separate accounts which were considered Level 2 securities and the asset allocation was in line with investment policy guidelines as of December 31, 2023. During 2024, all Plan assets and liabilities were purchased by and transferred to an unrelated insurance company during the final step in the termination process.

Supplemental Retirement Income Plan Agreements

Certain retirees of NorCal participate in a frozen supplemental retirement income plan whereby the retired employees are being provided specific amounts of annual retirement income for the balance of their lifetime. The present value of these future payments to participants of $1,189,000 and $1,345,000 as of December 31, 2024 and 2023, respectively, are included in retirement liabilities in the accompanying combined balance sheets.

In 2020, an IRC 457(f) plan was established for certain key executive leadership whereby the plan will fund based on predetermined annual contributions and earn a return equal to the Consumer Price Index rate plus 2.5% with a cap of 6.0% and a floor of 2.5%. The accrued liability is $2,129,000 and $1,691,000 as of December 31, 2024 and 2023, respectively, which is included in retirement liabilities in the accompanying combined balance sheets.

Assets available for benefits to these two pools of participants are subject to the claims of NorCal's creditors. The assets are included in designated investments in the accompanying combined balance sheets and amounted to $5,371,000 and $5,091,000 as of December 31, 2024 and 2023, respectively.

Defined Contribution Plan

The Corporations also participate in a defined contribution retirement plan covering all eligible employees. The Corporations' contribution is a match of employee contributions up to 4% of eligible earnings in a calendar year. Annual employee contribution matching expenses incurred under the plan for the years ended December 31, 2024 and 2023, respectively, were approximately $3,729,000 and $4,624,000.

9. Self-Insured Programs

Workers' Compensation Plan

The Corporations are self-insured to a stipulated retention amount followed by a commercial policy with a major insurance company providing benefits up to state statutory limits for 2024 and 2023. Claims are accrued under the plan as the incidents that give rise to them occur. The estimate of incurred but not reported claims is based on actuarial projections of the ultimate cost of settlement, including claim settlement expenses, using the Corporations' historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. The Corporations have recorded a total liability for claims payable of $17,795,000 and $16,867,000, including an estimate of incurred but not reported claims as of December 31, 2024 and 2023, respectively. The estimated insurance recovery receivables of $2,872,000 and $3,705,000 are recorded under other receivables in the accompanying combined balance sheets as of December 31, 2024 and 2023, respectively. As required by the insurer, the Corporations hold a letter of credit in connection with the program. The balance of the letter of credit was $1,108,000 and $629,000 for December 31, 2023 and 2024, respectively.

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

Health Insurance Plan

The Corporations are self-insured for health insurance claims for eligible active employees with certain self-insured retention limits. Based on claims incurred through December 31, an estimated liability for claims incurred, but not paid of $3,151,000 and $2,704,000 is included in accounts payable and accrued expenses in the accompanying combined balance sheets as of December 31, 2024 and 2023, respectively. The estimate of incurred but not paid claims is based on actuarial projections using the Corporations' historical claim payment experience and previous patterns of payments. While estimates are based on the information and data available at a point in time, management believes that the recorded liability has been properly accounted for and accrued at December 31, 2024 and 2023.

Professional Liability Insurance

The Corporations have secured claims-made policies for malpractice and general liability insurance with certain self-insured retentions. The Corporations have accrued liabilities of $1,810,000 and $1,879,000 as their best estimate of the cost of known claims incurred prior to December 31, 2024 and 2023, respectively. There were no related insurance recovery receivables as of December 31, 2024 and 2023 in the accompanying combined balance sheets. In addition, the Corporations have accrued liabilities of $5,500,000 and $2,297,000 as of December 31, 2024 and 2023, respectively, as their best estimate of the cost of claims incurred but not yet reported. These liabilities are included in accounts payable and accrued expenses in the accompanying combined balance sheets.

10. Net Resident Service Revenues

The Corporations disaggregate revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of their revenues and cash flows as affected by economic factors. Resident services and patient revenues consist of the following for the years ended December 31, 2024 and 2023 (in thousands):

	2024				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 127,820	$ 29,632	$ 15,688	$ 13,668	$ 186,808
Private (noncontract)	3,453	13,242	10,379	4,978	32,052
Medicare (Part A)	-	-	41,458	-	41,458
Medicare (Part B)	-	-	1,801	-	1,801
MediCal	-	-	23,787	-	23,787
Managed care	-	-	15,168	-	15,168
Subtotal	$ 131,273	$ 42,874	$ 108,281	$ 18,646	301,074
Amortization of entrance fees					51,867
Total					$ 352,941

	2023				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 119,077	$ 27,115	$ 13,879	$ 11,806	$ 171,877
Private (noncontract)	4,232	12,837	10,998	5,400	33,467
Medicare (Part A)	-	-	43,935	-	43,935
Medicare (Part B)	-	-	1,565	-	1,565
MediCal	-	-	21,306	-	21,306
Managed care	-	-	11,001	-	11,001
Subtotal	$ 123,309	$ 39,952	$ 102,684	$ 17,206	283,151
Amortization of entrance fees					51,979
Total					$ 335,130

11. Functional Expenses

The Corporations provide housing, health care and other related services to residents within their geographic location. Financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are approximately as follows at December 31, 2024 and 2023 (in thousands):

	2024		
	Residential Services	**General and Administrative**	**Total**
Salaries and wages	$ 138,688	$ 29,425	$ 168,113
Employee benefits	33,869	7,150	41,019
Supplies	24,956	562	25,518
Ancillary services	12,716	-	12,716
Repairs and maintenance	4,320	8	4,328
Marketing and advertising	4,173	52	4,225
Purchased services	14,607	11,781	26,388
Utilities	15,442	1,324	16,766
Travel and related	1,341	1,205	2,546
Leases and rents	530	650	1,180
Insurance	7,962	-	7,962
Other operating expenses	5,538	2,575	8,113
Depreciation and amortization	45,498	-	45,498
Interest expense	16,414	-	16,414
Total expenses	$ 326,054	$ 54,732	$ 380,786

	2023		
	Residential Services	**General and Administrative**	**Total**
Salaries and wages	$ 132,877	$ 27,372	$ 160,249
Employee benefits	31,244	6,399	37,643
Supplies	23,401	1,124	24,525
Ancillary services	11,597	-	11,597
Repairs and maintenance	4,343	13	4,356
Marketing and advertising	4,052	53	4,105
Purchased services	13,219	7,989	21,208
Utilities	14,411	1,328	15,739
Travel and related	1,101	936	2,037
Leases and rents	446	548	994
Insurance	6,316	-	6,316
Other operating expenses	5,932	448	6,380
Depreciation and amortization	44,449	-	44,449
Interest expense	16,642	-	16,642
Nonrecurring operating expenses	2,043	-	2,043
Total expenses	$ 312,073	$ 46,210	$ 358,283

12. Transactions With Affiliates

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

Management and related fees for providing these services for the years ended December 31, 2024 and 2023, are included in other operating revenues earned by the Corporations in the accompanying combined statements of operations and changes in net assets and are as follows (in thousands):

	2024	2023
HumanGood LPCs Management Fee:		
Terraces of Phoenix	$ 1,926	$ 1,946
Judson Park	2,180	2,045
Las Ventanas	563	561
Terraces of Boise	1,717	644
Terraces at Summitview	290	297
Springhouse Management Fee (owned effective February 1, 2024, see note 1)	439	159
Mount Pleasant Home Management Fee (owned effective February 1, 2024, see note 1)	272	-
Total	$ 7,387	$ 5,652

Other operating revenues in the accompanying statements of operations and changes in net assets include $542,000 and $351,000 for the years ended December 31, 2024 and 2023, respectively, of fees related to a consulting agreement with Hillside.

Interest and management fees due from affiliates in the accompanying combined balance sheets include deferred management fees due from the Terraces of Boise in the amounts of $618,000 and $1,305,000, as well as interest income receivable from Beacon Development Group, related to the outstanding purchase note described further in Note 1, in the amounts of $196,000 and $151,000 as of December 31, 2024 and 2023, respectively. Interest receivable amounts of $3,057,000 related to accrued interest income from the investments in affiliate bonds due from Hillside are included in other receivables as of December 31, 2024. No amounts are outstanding for interest receivable from the investment in affiliate bonds from Las Ventanas as of December 31, 2024. Interest receivable amounts of $1,924,000 and $92,000 related to accrued interest income from the investments in affiliate bonds due from Hillside and Las Ventanas, respectively, are included in other receivables as of December 31, 2023.

Amounts due from affiliates for management fees and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance are included in intercompany advances due as of December 31, 2024 and 2023 in the accompanying combined balance sheets, and are as follows (in thousands):

	2024	2023
Due from HumanGood Affordable Housing and Affiliates	$ 3,091	$ 4,838
Due from HumanGood Washington	18,238	18,084
Due from HumanGood Arizona, Inc.	4,751	3,509
Due from HumanGood Idaho	466	254
Due from HumanGood Nevada	622	264
Due from HumanGood Pennsylvania	4,897	4,814
Due from Terraces at Summitview	1,545	1,131
Due from Hillside	264	107
Due from Springhouse	109	-
Due to Mount Pleasant Home	(20)	-
Due from other affiliates	(328)	1,310
Total	$ 33,635	$ 34,311

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

Other affiliate distributions and equity transfers in the accompanying combined statements of operations and changes in net assets is primarily comprised of cash distributions of $2,882,000 and $4,177,000 from NorCal and SoCal to Cornerstone for the years ended December 31, 2024 and 2023, respectively.

13. Commitments and Contingencies

Legal and Other

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

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

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

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

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by health care 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.

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

15. Subsequent Events

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

The Corporations have evaluated subsequent events through April 29, 2025, which is the date the combined financial statements were issued.

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

Combining Balance Sheet Schedule
December 31, 2024
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Assets										
Current Assets										
Cash and cash equivalents	$ 11,577	$ 2,142	$ 1,437	$ -	$ 15,156	$ 362	$ 224	$ 586	$ -	$ 15,742
Resident accounts receivable, net	9,103	6,273	951	-	16,327	-	-	-	-	16,327
Other receivables	11,215	3,498	(1)	-	14,712	661	-	661	-	15,373
Current portion of restricted investments	5,877	-	-	-	5,877	-	-	-	-	5,877
Intercompany advances due	19,365	11,390	3,402	-	34,157	51	(573)	(522)	-	33,635
Prepaid expenses, deposits and other assets	11,880	1,253	380	-	13,513	-	-	-	-	13,513
Total current assets	69,017	24,556	6,169	-	99,742	1,074	(349)	725	-	100,467
Restricted Cash	-	5,459	-	-	5,459	-	-	-	-	5,459
Investments	211,037	128,719	9,502	-	349,258	-	12,934	12,934	-	362,192
Designated Investments	17,062	-	-	-	17,062	70,209	-	70,209	-	87,271
Investment in Affiliate Bonds	86,500	-	-	-	86,500	-	-	-	-	86,500
Restricted Investments	81,467	-	-	-	81,467	14,749	29,446	44,195	-	125,662
Subordinated Interaffiliate Notes Receivable, Net	15,837	-	-	-	15,837	-	-	-	-	15,837
Land, Buildings and Equipment, Net	238,111	176,836	77,001	-	491,948	-	-	-	-	491,948
Interest and Management Fees Due From Affiliates	814	-	-	-	814	-	-	-	-	814
Other Noncurrent Assets	20,875	4,649	221	-	25,745	-	-	-	-	25,745
Total assets	$ 740,720	$ 340,219	$ 92,893	$ -	$ 1,173,832	$ 86,032	$ 42,031	$ 128,063	$ -	$ 1,301,895

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

Combining Balance Sheet Schedule
December 31, 2024
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Liabilities and Net Assets (Deficit)										
Current Liabilities										
Accounts payable and accrued expenses	$ 41,138	$ 8,825	$ 2,346	$ -	$ 52,309	$ 87	$ 64	$ 151	$ -	$ 52,460
Deposits	5,769	1,669	414	-	7,852	-	-	-	-	7,852
Accrued interest	3,386	308	-	-	3,694	-	-	-	-	3,694
Current portion of notes and bonds payable	4,721	4,425	2,374	-	11,520	-	-	-	-	11,520
Total current liabilities	55,014	15,227	5,134	-	75,375	87	64	151	-	75,526
Notes and Bonds Payable, Net	247,769	123,459	65,050	-	436,278	-	-	-	-	436,278
Rebatable Entrance Fees Due	98,469	42,713	27,160	-	168,342	-	-	-	-	168,342
Entrance Fees Subject to Refund	52,566	42,278	10,082	-	104,926	-	-	-	-	104,926
Entrance Fees Nonrefundable	134,147	82,513	21,922	-	238,582	-	-	-	-	238,582
Obligations Under Annuity Agreements	-	-	-	-	-	2,529	747	3,276	-	3,276
Retirement Liabilities	3,542	120	-	-	3,662	-	-	-	-	3,662
Workers' Compensation Liability	11,672	6,123	-	-	17,795	-	-	-	-	17,795
Other Liabilities	8,087	226	32	-	8,345	-	-	-	-	8,345
Total liabilities	611,266	312,659	129,380	-	1,053,305	2,616	811	3,427	-	1,056,732
Net Assets (Deficit)										
Without donor restrictions	129,454	27,560	(36,487)	-	120,527	68,650	11,898	80,548	-	201,075
With donor restrictions	-	-	-	-	-	14,766	29,322	44,088	-	44,088
Total net assets (deficit)	129,454	27,560	(36,487)	-	120,527	83,416	41,220	124,636	-	245,163
Total liabilities and net assets (deficit)	$ 740,720	$ 340,219	$ 92,893	$ -	$ 1,173,832	$ 86,032	$ 42,031	$ 128,063	$ -	$ 1,301,895

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

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2024
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions										
Operating revenues:										
Residential living	$ 67,167	$ 49,548	$ 14,558	$ -	$ 131,273	$ -	$ -	$ -	$ -	$ 131,273
Assisted living	20,325	17,514	5,035	-	42,874	-	-	-	-	42,874
Health center	65,591	32,707	9,983	-	108,281	-	-	-	-	108,281
Memory support	11,695	4,075	2,876	-	18,646	-	-	-	-	18,646
Other resident services	1,805	4,826	75	-	6,706	-	-	-	-	6,706
Amortization of entrance fees	26,886	19,825	5,156	-	51,867	-	-	-	-	51,867
Other operating revenues	12,767	2,161	423	(2,364)	12,987	-	-	-	-	12,987
Net assets released from restrictions	-	-	-	-	-	1,495	1,602	3,097	-	3,097
Unrestricted contributions	-	-	-	-	-	1,557	-	1,557	-	1,557
Foundation community benefit	1,099	592	407	-	2,098	-	-	-	(2,098)	-
Total operating revenues	207,335	131,248	38,513	(2,364)	374,732	3,052	1,602	4,654	(2,098)	377,288
Operating expenses:										
Salaries and wages	95,556	58,875	13,163	-	167,594	335	184	519	-	168,113
Employee benefits	22,280	15,527	3,121	-	40,928	48	43	91	-	41,019
Supplies	13,644	8,736	3,142	-	25,522	(3)	(1)	(4)	-	25,518
Ancillary services	7,907	3,394	1,415	-	12,716	-	-	-	-	12,716
Repairs and maintenance	2,330	1,618	380	-	4,328	-	-	-	-	4,328
Marketing and advertising	1,727	1,857	626	-	4,210	13	2	15	-	4,225
Purchased services	14,026	10,699	1,620	-	26,345	41	2	43	-	26,388
Corporate allocations	-	-	2,364	(2,364)	-	-	-	-	-	-
Utilities	7,896	6,649	2,218	-	16,763	2	1	3	-	16,766
Travel and related	1,609	821	63	-	2,493	42	11	53	-	2,546
Leases and rents	727	357	96	-	1,180	-	-	-	-	1,180
Insurance	4,101	3,158	703	-	7,962	-	-	-	-	7,962
Foundation community distributions	-	-	-	-	-	1,506	592	2,098	(2,098)	-
Other operating expenses	4,348	1,182	470	-	6,000	1,336	777	2,113	-	8,113
Total operating expenses	176,151	112,873	29,381	(2,364)	316,041	3,320	1,611	4,931	(2,098)	318,874
Income (loss) before other operating income (expense)	31,184	18,375	9,132	-	58,691	(268)	(9)	(277)	-	58,414

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

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2024
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Other operating income (expense):										
Realized gains on investments, net	$ 2,700	$ (201)	$ 19	$ -	$ 2,518	$ 1,374	$ 344	$ 1,718	$ -	$ 4,236
Change in unrealized gains on investments, net	565	1,276	(5)	-	1,836	1,589	204	1,793	-	3,629
Investment income, net	13,608	4,288	563	-	18,459	1,462	276	1,738	-	20,197
Interest expense	(9,770)	(4,223)	(2,421)	-	(16,414)	-	-	-	-	(16,414)
Depreciation and amortization	(22,094)	(17,969)	(5,435)	-	(45,498)	-	-	-	-	(45,498)
Gains on disposal of fixed assets	(1)	11	-	-	10	-	-	-	-	10
Pension settlement expense	-	(2,816)	-	-	(2,816)	-	-	-	-	(2,816)
Nonrecurring operating income (expenses)	3,771	50	-	-	3,821	-	-	-	-	3,821
Income (loss) from operations	19,963	(1,209)	1,853	-	20,607	4,157	815	4,972	-	25,579
Other changes in net assets without donor restrictions:										
Change in minimum pension liability	-	2,816	-	-	2,816	-	-	-	-	2,816
Other affiliate distributions and equity transfers	(1,726)	(580)	46	-	(2,260)	-	-	-	-	(2,260)
Gain on insurance proceeds for capital	8,009	-	-	-	8,009	-	-	-	-	8,009
Unrealized losses on interest rate swaps and caps	2,049	(168)	-	-	1,881	-	-	-	-	1,881
Change in net assets without donor restrictions	28,295	859	1,899	-	31,053	4,157	815	4,972	-	36,025
Changes in Net Assets With Donor Restrictions										
Realized gains on investments, net	-	-	-	-	-	206	754	960	-	960
Change in unrealized gains on investments, net	-	-	-	-	-	221	448	669	-	669
Investment income, net	-	-	-	-	-	484	661	1,145	-	1,145
Contributions	-	-	-	-	-	2,167	2,363	4,530	-	4,530
Net assets released from restrictions for benevolence	-	-	-	-	-	-	(458)	(458)	-	(458)
Net assets released from restrictions for special project funds	-	-	-	-	-	(1,495)	(1,144)	(2,639)	-	(2,639)
Contractual payments to beneficiaries	-	-	-	-	-	(541)	(1,374)	(1,915)	-	(1,915)
Contractual liability adjustments	-	-	-	-	-	116	524	640	-	640
Change in net assets with donor restrictions	-	-	-	-	-	1,158	1,774	2,932	-	2,932
Change in net assets (deficit)	28,295	859	1,899	-	31,053	5,315	2,589	7,904	-	38,957
Net Assets (Deficit), Beginning	101,159	26,701	(38,386)	-	89,474	78,101	38,631	116,732	-	206,206
Net Assets (Deficit), Ending	$ 129,454	$ 27,560	$ (36,487)	$ -	$ 120,527	$ 83,416	$ 41,220	$ 124,636	$ -	$ 245,163

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

Combining Statement of Cash Flows Schedule
Year Ended December 31, 2024
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Cash Flows From Operating Activities										
Cash received for resident services	$ 164,111	$ 106,427	$ 32,397	$ -	$ 302,935	$ -	$ -	$ -	$ -	$ 302,935
Cash received from nonrebatable entrance fees from reoccupancy	39,031	29,548	8,520	-	77,099	-	-	-	-	77,099
Cash received from other operating activities	20,409	3,002	830	(2,382)	21,859	(14)	-	(14)	(2,081)	19,764
Cash received from bequests and trust maturities	-	-	-	-	-	1,557	-	1,557	-	1,557
Cash earnings realized from investments	13,608	4,288	563	-	18,459	1,462	276	1,738	-	20,197
Cash paid for employee salaries	(83,915)	(55,031)	(12,310)	-	(151,256)	(314)	(189)	(503)	-	(151,759)
Cash paid for employee benefits	(21,155)	(8,976)	(3,088)	-	(33,219)	(48)	(43)	(91)	-	(33,310)
Cash paid for temporary labor	(6,896)	(4,129)	(837)	-	(11,862)	-	-	-	-	(11,862)
Cash paid to vendors	(53,928)	(36,104)	(12,496)	2,382	(100,146)	(1,443)	203	(1,240)	2,081	(99,305)
Cash paid for interest	(10,584)	(4,019)	(2,452)	-	(17,055)	-	-	-	-	(17,055)
Net cash provided by operating activities	60,681	35,006	11,127	-	106,814	1,200	247	1,447	-	108,261
Cash Flows From Investing Activities										
Acquisition of land, buildings and equipment	(28,164)	(25,605)	(7,061)	-	(60,830)	-	-	-	-	(60,830)
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	-	-
Net sales (purchases) of unrestricted investments	(68,796)	(12,989)	(7,337)	-	(89,122)	(453)	(276)	(729)	-	(89,851)
Net sales (purchases) of restricted investments	(77)	-	(4)	-	(81)	(446)	30	(416)	-	(497)
Cash (paid for) received from intercompany and affiliate transactions	(9,217)	8,958	2,543	-	2,284	(1,525)	(83)	(1,608)	-	676
Net cash used in investing activities	(106,254)	(29,636)	(11,859)	-	(147,749)	(2,424)	(329)	(2,753)	-	(150,502)
Cash Flows From Financing Activities										
Proceeds from rebatable entrance fees	8,586	3,047	984	-	12,617	-	-	-	-	12,617
Refunds of deposits and entrance fees	(13,640)	(10,640)	(3,910)	-	(28,190)	-	-	-	-	(28,190)
Principal payments on notes and bonds payable	(4,564)	(4,280)	(2,306)	-	(11,150)	-	-	-	-	(11,150)
Cash paid for other trust activity	-	-	-	-	-	(1,185)	(2,315)	(3,500)	-	(3,500)
Affiliate cash distributions	(1,726)	(580)	46	-	(2,260)	-	-	-	-	(2,260)
Proceeds from insurance for capital	8,009	-	-	-	8,009	-	-	-	-	8,009
Cash received from restricted contributions	-	-	-	-	-	2,167	2,363	4,530	-	4,530
Net cash (used in) provided by financing activities	(3,335)	(12,453)	(5,186)	-	(20,974)	982	48	1,030	-	(19,944)
(Decrease) increase in cash, cash equivalents and restricted cash	(48,908)	(7,083)	(5,918)	-	(61,909)	(242)	(34)	(276)	-	(62,185)
Cash, Cash Equivalents and Restricted Cash, Beginning	146,434	14,684	7,355	-	168,473	1,055	738	1,793	-	170,266
Cash, Cash Equivalents and Restricted Cash, Ending	$ 97,526	$ 7,601	$ 1,437	$ -	$ 106,564	$ 813	$ 704	$ 1,517	$ -	$ 108,081

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

Combining Statement of Cash Flows Schedule
Year Ended December 31, 2024
(In Thousands)

	HumanGood NorCal	HumanGood SoCal	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Combining Balance Sheet										
Cash and cash equivalents	$ 11,577	$ 2,142	$ 1,437	$ -	$ 15,156	$ 362	$ 224	$ 586	$ -	$ 15,742
Restricted cash included in restricted investments	85,949	-	-	-	85,949	451	480	931	-	86,880
Restricted cash	-	5,459	-	-	5,459	-	-	-	-	5,459
Total cash, cash equivalents and restricted cash	$ 97,526	$ 7,601	$ 1,437	$ -	$ 106,564	$ 813	$ 704	$ 1,517	$ -	$ 108,081

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2024
(In Thousands)

	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	NorCal Community Support Center	Eliminations	HumanGood NorCal
Changes in Net Assets Without Donor Restrictions										
Operating revenues:										
Residential living	$ 8,907	$ -	$ 12,436	$ 9,756	$ 17,383	$ 4,390	$ 14,295	$ -	$ -	$ 67,167
Assisted living	3,757	-	4,928	2,389	2,762	2,007	4,482	-	-	20,325
Health center	8,681	-	14,338	6,292	12,033	10,937	13,310	-	-	65,591
Memory support	2,531	-	1,694	1,051	2,442	1,495	2,482	-	-	11,695
Other resident services	56	-	717	259	573	114	86	-	-	1,805
Amortization of entrance fees	4,676	-	3,329	3,133	6,906	743	8,099	-	-	26,886
Other operating revenues	89	-	294	278	1,279	282	229	23,014	(12,698)	12,767
Foundation community benefit	5	-	293	354	241	127	79	-	-	1,099
Total operating revenues	28,702	-	38,029	23,512	43,619	20,095	43,062	23,014	(12,698)	207,335
Operating expenses:										
Salaries and wages	11,322	-	16,809	8,970	16,451	9,756	15,789	16,459	-	95,556
Employee benefits	2,218	-	4,123	2,003	3,934	2,341	3,339	4,322	-	22,280
Supplies	1,665	-	2,496	1,685	3,364	1,563	2,684	187	-	13,644
Ancillary services	1,214	-	1,181	513	1,299	1,669	2,031	-	-	7,907
Repairs and maintenance	184	11	545	265	415	277	632	1	-	2,330
Marketing and advertising	200	-	369	413	245	279	201	20	-	1,727
Purchased services	1,273	702	1,632	1,443	1,405	1,436	1,845	4,290	-	14,026
Corporate allocations	1,753	-	2,589	1,355	2,728	1,506	2,767	-	(12,698)	-
Utilities	991	57	1,616	1,012	1,822	887	1,354	157	-	7,896
Travel and related	40	-	87	105	127	79	95	1,076	-	1,609
Leases and rents	87	2	170	104	59	43	86	176	-	727
Insurance	704	188	706	514	779	578	632	-	-	4,101
Other operating expenses	204	78	1,139	1,333	673	758	727	(564)	-	4,348
Total operating expenses	21,855	1,038	33,462	19,715	33,301	21,172	32,182	26,124	(12,698)	176,151
Income (loss) before other operating income (expense)	6,847	(1,038)	4,567	3,797	10,318	(1,077)	10,880	(3,110)	-	31,184
Other operating income (expense):										
Realized gains on investments, net	-	-	-	-	-	-	-	2,700	-	2,700
Change in unrealized gains on investments, net	-	-	-	-	-	-	-	565	-	565
Investment income, net	-	-	-	-	-	-	-	13,608	-	13,608
Depreciation and amortization	(3,996)	-	(2,617)	(2,743)	(4,938)	(1,626)	(4,380)	(1,794)	-	(22,094)
Interest expense	(1,802)	(43)	(507)	(343)	(1,387)	(367)	(1,580)	(3,741)	-	(9,770)
Gain on disposal of fixed assets	8	(35)	-	-	-	-	-	26	-	(1)
Pension settlement expense	-	-	-	-	-	-	-	-	-	-
Nonrecurring operating income (expenses)	-	3,771	-	-	-	-	-	-	-	3,771
Income (loss) from operations	1,057	2,655	1,443	711	3,993	(3,070)	4,920	8,254	-	19,963

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

Supplemental Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2024
(In Thousands)

	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	NorCal Community Support Center	Eliminations	HumanGood NorCal
Changes in Net Assets Without Donor Restrictions (Continued)										
Other changes in net assets without donor restrictions:										
Other affiliate distributions and equity transfers	$ -	$ -	$ 20	$ -	$ 46	$ 73	$ -	$ (1,865)	$ -	$ (1,726)
Gain on insurance proceeds for capital	-	8,009	-	-	-	-	-	-	-	8,009
Unrealized losses on interest rate swaps and caps	-	-	-	-	-	-	-	2,049	-	2,049
Change in net assets without donor restrictions	1,057	10,664	1,463	711	4,039	(2,997)	4,920	8,438	-	28,295
Net Assets (Deficit), Beginning	6,157	(17,989)	48,231	1,703	80,935	(25,273)	67,087	(59,692)	-	101,159
Net Assets (Deficit), Ending	$ 7,214	$ (7,325)	$ 49,694	$ 2,414	$ 84,974	$ (28,270)	$ 72,007	$ (51,254)	$ -	$ 129,454

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

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2024
(In Thousands)

	Royal Oaks	White Sands La Jolla	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
Changes in Net Assets Without Donor Restrictions								
Operating revenues:								
Residential living	$ 9,631	$ 13,772	$ 13,980	$ 6,442	$ 5,723	$ -	$ -	$ 49,548
Assisted living	2,868	4,431	3,993	2,506	3,716	-	-	17,514
Health center	8,485	4,606	8,992	-	10,624	-	-	32,707
Memory support	-	1,285	852	959	979	-	-	4,075
Other resident services	2,385	2,298	139	-	4	-	-	4,826
Amortization of entrance fees	3,726	6,618	5,440	1,633	2,408	-	-	19,825
Other operating revenues	391	394	605	269	440	7,939	(7,877)	2,161
Foundation community benefit	-	101	17	234	240	-	-	592
Total operating revenues	27,486	33,505	34,018	12,043	24,134	7,939	(7,877)	131,248
Operating expenses:								
Salaries and wages	11,412	11,428	12,328	4,410	10,772	8,525	-	58,875
Employee benefits	3,067	3,126	3,440	1,105	2,832	1,957	-	15,527
Supplies	1,903	2,181	2,386	742	1,475	49	-	8,736
Ancillary services	804	54	715	6	1,815	-	-	3,394
Repairs and maintenance	720	515	189	135	59	-	-	1,618
Marketing and advertising	358	426	418	250	395	10	-	1,857
Purchased services	1,175	3,043	2,389	556	1,051	2,485	-	10,699
Corporate allocations	1,674	1,924	2,097	698	1,484	-	(7,877)	-
Utilities	1,168	1,706	1,596	720	1,387	72	-	6,649
Travel and related	78	44	95	31	57	516	-	821
Leases and rents	59	125	40	(84)	72	145	-	357
Insurance	848	872	607	370	451	10	-	3,158
Other operating expenses	698	380	610	174	581	(1,261)	-	1,182
Total operating expenses	23,964	25,824	26,910	9,113	22,431	12,508	(7,877)	112,873
Income (loss) before other operating income (expense)	3,522	7,681	7,108	2,930	1,703	(4,569)	-	18,375
Other operating income (expense):								
Realized gains on investments, net	-	-	-	-	-	(201)	-	(201)
Change in unrealized (losses) gains on investments, net	-	-	-	-	-	1,276	-	1,276
Investment income, net	-	150	-	14	-	4,124	-	4,288
Depreciation and amortization	(3,710)	(5,539)	(4,550)	(1,697)	(2,367)	(106)	-	(17,969)
Interest expense	(306)	(2,679)	(734)	(286)	(167)	(51)	-	(4,223)
Gain on disposal of fixed assets	-	-	2	-	-	9	-	11
Pension settlement expense	-	-	-	-	-	(2,816)	-	(2,816)
Nonrecurring operating income (expenses)	(171)	221	-	-	-	-	-	50
Income (loss) from operations	(665)	(166)	1,826	961	(831)	(2,334)	-	(1,209)

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

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2024
(In Thousands)

	Royal Oaks	White Sands La Jolla	Regents Point	Westminster Gardens	Redwood Terrace	SoCal Community Support Center	Eliminations	HumanGood SoCal
Changes in Net Assets Without Donor Restrictions (Continued)								
Other changes in net assets without donor restrictions:								
Change in minimum pension liability	$ -	$ -	$ -	$ -	$ -	2,816	$ -	$ 2,816
Other affiliate distributions and equity transfers	266	72	4	85	10	(1,017)	-	(580)
Unrealized losses on interest rate swaps and caps	-	(154)	-	(14)	-	-	-	(168)
Change in net assets without donor restrictions	(399)	(248)	1,830	1,032	(821)	(535)	-	859
Net Assets (Deficit), Beginning	(11,024)	(23,330)	43,363	9,768	(22,176)	30,100	-	26,701
Net Assets (Deficit), Ending	$ (11,423)	$ (23,578)	$ 45,193	$ 10,800	$ (22,997)	$ 29,565	$ -	$ 27,560

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

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2024
(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions								
Operating revenues:								
Residential living	$ 14,558	$ -	$ 131,273	$ -	$ -	$ -	$ -	$ 131,273
Assisted living	5,035	-	42,874	-	-	-	-	42,874
Health center	9,983	-	108,281	-	-	-	-	108,281
Memory support	2,876	-	18,646	-	-	-	-	18,646
Other resident services	75	-	6,706	-	-	-	-	6,706
Amortization of entrance fees	5,156	-	51,867	-	-	-	-	51,867
Other operating revenues	423	(2,364)	12,987	-	-	-	-	12,987
Net assets released from restrictions	-	-	-	1,495	1,602	3,097	-	3,097
Unrestricted contributions	-	-	-	1,557	-	1,557	-	1,557
Foundation community benefit	407	-	2,098	-	-	-	(2,098)	-
Total operating revenues	38,513	(2,364)	374,732	3,052	1,602	4,654	(2,098)	377,288
Operating expenses:								
Salaries and wages	13,163	-	167,594	335	184	519	-	168,113
Employee benefits	3,121	-	40,928	48	43	91	-	41,019
Supplies	3,142	-	25,522	(3)	(1)	(4)	-	25,518
Ancillary services	1,415	-	12,716	-	-	-	-	12,716
Repairs and maintenance	380	-	4,328	-	-	-	-	4,328
Marketing and advertising	626	-	4,210	13	2	15	-	4,225
Purchased services	1,620	-	26,345	41	2	43	-	26,388
Corporate allocations	2,364	(2,364)	-	-	-	-	-	-
Utilities	2,218	-	16,763	2	1	3	-	16,766
Travel and related	63	-	2,493	42	11	53	-	2,546
Leases and rents	96	-	1,180	-	-	-	-	1,180
Insurance	703	-	7,962	-	-	-	-	7,962
Foundation community distributions	-	-	-	1,506	592	2,098	(2,098)	-
Other operating expenses	470	-	6,000	1,336	777	2,113	-	8,113
Total operating expenses	29,381	(2,364)	316,041	3,320	1,611	4,931	(2,098)	318,874
Income (loss) before other operating income (expense)	9,132	-	58,691	(268)	(9)	(277)	-	58,414
Other operating income (expense):								
Realized gains on investments, net	19	-	2,518	1,374	344	1,718	-	4,236
Change in unrealized gains on investments, net	(5)	-	1,836	1,589	204	1,793	-	3,629
Investment income, net	563	-	18,459	1,462	276	1,738	-	20,197
Depreciation and amortization	(5,435)	-	(45,498)	-	-	-	-	(45,498)
Interest expense	(2,421)	-	(16,414)	-	-	-	-	(16,414)
Gain on disposal of fixed assets	-	-	10	-	-	-	-	10
Pension settlement expense	-	-	(2,816)	-	-	-	-	(2,816)
Nonrecurring operating income (expenses)	-	-	3,821	-	-	-	-	3,821
Income (loss) from operations	1,853	-	20,607	4,157	815	4,972	-	25,579

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

Combining Statement of Operations and Changes in Net Assets Schedule
Year Ended December 31, 2024
(In Thousands)

	HumanGood Fresno	Eliminations	COG	HumanGood Foundation West	HumanGood Foundation South	Combined Foundations	Eliminations	Total
Changes in Net Assets Without Donor Restrictions (Continued)								
Other changes in net assets without donor restrictions:								
Change in minimum pension liability	$ -	$ -	$ 2,816	$ -	$ -	$ -	$ -	$ 2,816
Other affiliate distributions and equity transfers	46	-	(2,260)	-	-	-	-	(2,260)
Gain on insurance proceeds for capital	-	-	8,009	-	-	-	-	8,009
Unrealized losses on interest rate swaps and caps	-	-	1,881	-	-	-	-	1,881
Change in net assets without donor restrictions	1,899	-	31,053	4,157	815	4,972	-	36,025
Changes in Net Assets With Donor Restrictions								
Realized gains on investments, net	-	-	-	206	754	960	-	960
Change in unrealized gains on investments, net	-	-	-	221	448	669	-	669
Investment income, net	-	-	-	484	661	1,145	-	1,145
Contributions	-	-	-	2,167	2,363	4,530	-	4,530
Net assets released from restrictions for benevolence	-	-	-	-	(458)	(458)	-	(458)
Net assets released from restrictions for special project funds	-	-	-	(1,495)	(1,144)	(2,639)	-	(2,639)
Contractual payments to beneficiaries	-	-	-	(541)	(1,374)	(1,915)	-	(1,915)
Contractual liability adjustments	-	-	-	116	524	640	-	640
Change in net assets with donor restrictions	-	-	-	1,158	1,774	2,932	-	2,932
Change in net (deficit) assets	1,899	-	31,053	5,315	2,589	7,904	-	38,957
Net (Deficit) Assets, Beginning	(38,386)	-	89,474	78,101	38,631	116,732	-	206,206
Net (Deficit) Assets, Ending	$ (36,487)	$ -	$ 120,527	$ 83,416	$ 41,220	$ 124,636	$ -	$ 245,163