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

Combined Financial Statements and
Combining Supplementary Information

December 31, 2024 and 2023

Independent Auditors' Report

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

Opinion

We have audited the combined financial statements of HumanGood National Obligated Group (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 deficit 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 consolidated 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 National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

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

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 3,166	$ 3,283
Resident accounts receivables, less allowance for credit losses of $1,360 at December 31, 2024 and $875 at December 31, 2023	2,981	2,700
Other receivables	373	1,301
Current portion of restricted investments	1,469	1,296
Prepaid expenses, deposits and other assets	475	500
Total current assets	8,464	9,080
Investments	38,536	36,933
Restricted Investments	2,421	2,408
Land, Buildings and Equipment, Net	66,279	67,656
Other Noncurrent Assets	779	749
Total assets	$ 116,479	$ 116,826
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable and accrued expenses	$ 4,019	$ 2,864
Payable to affiliates	22,989	21,593
Deposits	443	1,074
Accrued interest	941	982
Current portion of notes and bonds payable	1,769	1,688
Total current liabilities	30,161	28,201
Notes and Bonds Payable, Net	61,599	63,415
Subordinated Note Payable to HumanGood NorCal	12,000	12,000
Rebatable Entrance Fees Due	39,734	45,063
Entrance Fees Subject to Refund	14,947	13,256
Entrance Fees Nonrefundable	24,151	21,200
Other Liabilities	494	232
Total liabilities	183,086	183,367
Net Deficit Without Donor Restriction	(66,607)	(66,541)
Total liabilities and net deficit	$ 116,479	$ 116,826

See notes to combined financial statements

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

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

	2024	2023
Operating Revenues		
Residential living	$ 21,025	$ 19,457
Assisted living	7,118	6,492
Health center	23,699	22,371
Memory support	4,165	3,857
Other resident services	96	145
Amortization of entrance fees	5,875	5,008
Other operating revenue	916	740
Total operating revenues	62,894	58,070
Operating Expenses		
Salaries and wages	26,744	26,806
Employee benefits	5,975	5,432
Supplies	5,088	4,514
Ancillary services	2,861	2,785
Repairs and maintenance	501	515
Marketing and advertising	780	817
Purchased services	2,958	2,384
Management fees	4,106	3,991
Utilities	2,414	2,287
Travel and related	205	148
Leases and rents	334	340
Insurance	1,185	1,088
Other operating expenses	1,633	1,023
Total operating expenses	54,784	52,130
Income before other operating income (expense)	8,110	5,940
Other Operating Income (Expense)		
Investment income, net	1,842	1,367
Change in unrealized (losses) gains on investments, net	(25)	576
Depreciation and amortization	(6,461)	(6,115)
Interest expense	(3,490)	(3,532)
Loss from operations	(24)	(1,764)
Other Changes in Net Deficit		
Capital contributions	105	142
Change in fair value of interest rate cap	(147)	(167)
Change in net deficit without donor restriction	(66)	(1,789)
Net Deficit, Beginning	(66,541)	(64,752)
Net Deficit, Ending	$ (66,607)	$ (66,541)

See notes to combined financial statements

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

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

	2024	2023
Cash Flows From Operating Activities		
Cash received from resident services	$ 55,028	$ 51,524
Cash received from nonrebatable entrance fees from reoccupancy	12,438	12,964
Cash received from other operating activities	916	740
Cash earnings realized from investments	1,854	1,581
Cash paid for employee salaries	(24,868)	(23,986)
Cash paid for employee benefits	(5,731)	(5,387)
Cash paid for temporary labor	(2,017)	(2,841)
Cash paid to vendors	(20,210)	(19,533)
Cash paid for interest	(3,482)	(3,480)
Net cash provided by operating activities	13,928	11,582
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(5,037)	(5,247)
Net purchases of unrestricted investments	(1,640)	(3,431)
Net cash used in investing activities	(6,677)	(8,678)
Cash Flows From Financing Activities		
Proceeds from rebatable entrance fees	1,321	2,909
Refunds of deposits and entrance fees	(8,233)	(8,738)
Cash received from affiliates	1,396	3,690
Principal payments on notes and bonds payable	(1,771)	(1,590)
Capital contributions	105	142
Net cash used in financing activities	(7,182)	(3,587)
Increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	69	(683)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	6,987	7,670
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 7,056	$ 6,987
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Combined Balance Sheets		
Cash and cash equivalents	$ 3,166	$ 3,283
Restricted cash included in current portion of restricted investments	1,469	1,296
Restricted cash included in restricted investments	2,421	2,408
Total cash, cash equivalents and restricted cash	$ 7,056	$ 6,987

See notes to combined financial statements

1. Business Organization

HumanGood National Obligated Group

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

HumanGood Arizona, Inc.

HumanGood Arizona, Inc. (dba Terraces of Phoenix or TOP) is an Arizona nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Phoenix, Arizona through its Life Plan Community (LPC), Terraces of Phoenix. HumanGood NorCal (NorCal) has managed TOP since 1971 and from 1998 through September 29, 2003, NorCal was the sole corporate member of TOP. Since September 29, 2003, NorCal has continued to manage TOP under a multiyear management agreement which renews automatically annually unless terminated with 60 days prior written notice. The TOP management agreement with NorCal calls for a management fee equal to 8.5% of total budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants. The funds previously advanced by NorCal to support TOP's operating and capital needs were retained in the form of a subordinate note payable from TOP to NorCal.

Terraces of Phoenix is located on a 23-acre campus in Phoenix, Arizona and currently consists of 209 residential living apartments, 49 assisted living apartments, 25 memory support apartments and a 63-bed health center. TOP was founded in 1963 with the mission of providing a full continuum of retirement living services to seniors in the greater Phoenix area.

HumanGood Washington

HumanGood Washington (dba Judson Park or JP) is a Washington nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Washington through its LPC, Judson Park. NorCal has managed JP since 1975. The management agreement with NorCal calls for a management fee of 8.5% of total budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants. This agreement renews automatically annually unless terminated with 60 days prior notice.

Judson Park is located on a 10-acre campus in Des Moines, Washington and consists of 163 residential living apartments, 31 assisted living apartments, 16 memory support apartments and a 95-bed health center. The campus opened in 1963 with the mission of providing a full continuum of retirement living services to seniors in the greater Seattle metro area.

Parent Organization

HumanGood Cornerstone (a Member of HumanGood), a California nonprofit public benefit tax-exempt corporation, is the sole member and exercises its direction and control through the appointment of the Boards of Directors of the Corporations, HumanGood Nevada (dba Las Ventanas), HumanGood Idaho (dba Terraces of Boise), 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. Effective February 1, 2024, HumanGood Cornerstone affiliated with Pleasant Spring Communities, the parent entity of Springhouse, Inc. and Mount Pleasant Home, 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 is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors through its LPCs and affordable housing communities. HumanGood is the sole member of HumanGood Cornerstone, HumanGood Fresno (dba Terraces at San Joaquin Gardens), HumanGood SoCal (SoCal) and NorCal. NorCal is the sole member of HumanGood Foundation West and SoCal is the sole member of HumanGood Foundation South. HumanGood Fresno, HumanGood SoCal and HumanGood NorCal together constitute an obligated group (HumanGood California Obligated Group or COG).

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

Basis of Presentation and Principles of Combination

The Corporations prepare combined financial statements in accordance with the financial reporting provisions specified in the disclosure requirements of the Master Trust Indenture. The Master Trust Indenture specifies the preparation of combined financial statements of the Obligated Group members; accordingly, the accompanying combined financial statements, prepared on the accrual basis of accounting, include only the accounts of the National Obligated Group members, which is in conformity with generally accepted accounting principles (GAAP) in the United States of America. There were no intercompany balances or transactions that required elimination during 2024 and 2023.

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 reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the fair value of interest rate cap; fair values of allowances for credit losses; fair value of investments; future service benefit obligation; rebatable entrance fees due; entrance fees subject to refund and entrance fees nonrefundable. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments

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

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

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

Restricted Investments

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

Resident Accounts Receivable

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.

Land, Buildings and Equipment, Net

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

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

Deferred Debt Issuance Costs

Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the effective interest method, and are presented in the combined balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of interest expense in the accompanying combined statements of operations and changes in net deficit, was $86,000 in 2024 and 2023.

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) and funding of reserves.

Refund Policy on Entrance Fees

The care and residence agreement provides the resident with the right to a refund of the entrance fee, less 2.0% for each month of residency for 43 months after an initial reduction to the original fee of 14% after 30 days, under certain circumstances. In certain cases, upon the move out of a resident, the unamortized balance of the entrance fee on a contractual basis is payable to the resident.

The Corporations have offered contract options whereby 50% to 100% of the entrance fee is rebatable at termination of the contract and subsequent reoccupancy of the apartment. At December 31, 2024 and 2023, $39,734,000 and $45,063,000, 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.

At December 31, 2024 and 2023, the Corporations had nonrefundable entrance fees of $24,151,000 and $21,200,000, respectively, related to entrance fees received that will be recognized as revenues in future years. Additionally, at December 31, 2024 and 2023, the Corporations had entrance fees subject to refund of $14,947,000 and $13,256,000, respectively, which will be recognized as revenues in future years, unless refunded.

Actual refunds and rebates of entrance fees were $8,233,000 and $8,738,000 for the years ended December 31, 2024 and 2023, respectively. Based on historical experience, management expects to pay refunds in future years of approximately $8,200,000 per year.

Interest Rate Cap

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

Net Deficit

Net deficit, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All net deficits as of December 31, 2024 and 2023 are classified as net deficit without donor restrictions as they are not subject to donor or time restrictions and are available for use in general operations. There were no net assets or net deficits with donor-imposed restrictions, temporary or perpetual in nature, as of December 31, 2024 and 2023.

Contributions

The Corporations participate in the HumanGood Foundation West's fundraising activity. Gifts and bequests to the Corporations are credited to the Corporations' funds with Foundation West. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporations' funds with Foundation West. Included in other operating revenue in the accompanying combined statements of operations and changes in net deficit is $319,000 and $338,000 for the years ended December 31, 2024 and 2023, respectively, of distribution income from Foundation West. Additionally, capital contributions in the accompanying combined statements of operations and changes in net deficit include $102,000 and $142,000 of capital contributions from Foundation West for the years ended December 31, 2024 and 2023, respectively. Other contributions of $3,000 were received in 2024. There were no other capital contributions in 2023.

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 billed and collected in advance of move-in.

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

Health Center

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

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

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporations' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, as new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2024 and 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 revenue from entrance fees until performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying combined balance sheets. The Corporations recognized amortization income of $5,875,000 and $5,008,000 in 2024 and 2023, respectively. The Corporations apply the practical expedient in FASB ASC Topic 606, *Revenue Recognition,* and therefore, do not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

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

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' has received consideration (or the amount is due) from the resident. The Corporations' beginning and ending contract assets and liabilities are separately presented on the balance sheets as of December 31, 2024 and 2023. Contracts assets and liabilities as of December 31, 2022 in thousands are as follows:

Accounts receivable, net	$ 2,219
Entrance fees subject to refund	7,016
Entrance fees nonrefundable	19,949

Benevolence

The Corporations provide services under their benevolence policy to residents who meet certain criteria 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 provided was $418,000 and $463,000, respectively.

Contractual Allowances

A portion of the Corporations' health center revenue is subject to explicit price concessions (contractual allowances) under contracts with third-party payors. Explicit price concessions were $4,141,000 and $3,406,000 for the years ended December 31, 2024 and 2023, respectively.

Performance Indicator

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

Tax-Exempt Status

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

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

3. Liquidity and Availability of Resources

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

	2024	2023
Cash and cash equivalents	$ 3,166	$ 3,283
Resident accounts receivable	2,981	2,700
Other receivables	373	1,301
Investments	38,536	36,933
Total	$ 45,056	$ 44,217

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

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

4. Investments and Restricted Investments and Fair Value Measurements

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

	2024	2023
Investments:		
Cash and cash equivalents	$ 7,492	$ 7,080
Mutual funds	10,634	10,177
Exchange-traded funds	5,319	5,054
Municipal bonds	2,928	2,767
Corporate bonds	5,974	5,741
U.S. government securities	6,189	6,114
Total	$ 38,536	$ 36,933
Restricted investments:		
Cash and cash equivalents	$ 3,890	$ 3,704

Investment Returns

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

	2024	2023
Dividend, interest and other investment income, net of expenses	$ 1,854	$ 1,581
Realized losses on investments	(12)	(214)
Total investment income, net	$ 1,842	$ 1,367
Change in unrealized (losses) gains on investments, net	$ (25)	$ 576

Investment income is net of investment expenses of $101,000 and $104,000 for the years ended December 31, 2024, and 2023, respectively.

Fair Value Measurements

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

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

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

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

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

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

- Exchange-traded funds - Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1.

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

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

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

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

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

	Fair Value at December 31, 2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	$ 10,634	$ -	$ -	$ 10,634
Exchange-traded funds	5,319	-	-	5,319
Municipal bonds	-	2,928	-	2,928
Corporate bonds	-	5,974	-	5,974
U.S. government securities	-	6,189	-	6,189
Total investments in fair value hierarchy	$ 15,953	$ 15,091	$ -	$ 31,044
Assets:				
Interest rate cap	$ -	$ 102	$ -	$ 102
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 7,492			
Investments in the fair value hierarchy	31,044			
Total investments	$ 38,536			

	Fair Value at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	$ 10,177	$ -	$ -	$ 10,177
Exchange-traded funds	5,054	-	-	5,054
Municipal bonds	-	2,767	-	2,767
Corporate bonds	-	5,741	-	5,741
U.S. government securities	-	6,114	-	6,114
Total investments in fair value hierarchy	$ 15,231	$ 14,622	$ -	$ 29,853
Assets:				
Interest rate cap	$ -	$ 249	$ -	$ 249
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 7,080			
Investments in the fair value hierarchy	29,853			
Total investments	$ 36,933			

5. Land, Buildings and Equipment, Net

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

	2024	2023
Land	$ 597	$ 597
Land improvements	3,909	3,862
Buildings and improvements	133,304	131,805
Furnishings, equipment and automotive	13,450	11,604
Total	151,260	147,868
Accumulated depreciation	(86,202)	(81,935)
Total	65,058	65,933
Construction in progress	1,221	1,723
Total	$ 66,279	$ 67,656

Depreciation expense for the years ended December 31, 2024 and 2023 was $6,414,000 and $6,071,000, respectively. Fully depreciated assets of $2,147,000 and $1,116,000 were disposed of for the years ended December 31, 2024 and 2023, respectively.

6. Notes and Bonds Payable, Net

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

	2024	2023
Bonds used to refinance existing debt and renovate and redevelop the Corporations, secured by the Corporations' property and equipment and a security interest in gross revenues:		
Series 2018 Tax-Exempt Revenue Bonds issued by the Washington State Housing Finance Commission (dated May 24, 2018), annual principal payments commencing on July 1, 2019, in varying amounts ranging from $285 to $1,045 through July 1, 2048; interest rates ranging from 3.7% to 5.0%, payable semi-annually on each January 1 and July 1.	$ 15,150	$ 15,490
Series 2018A Tax-Exempt Revenue Bonds issued by the Industrial Development Authority of the City of Glendale, Arizona (dated May 24, 2018), annual principal payments commencing on July 1, 2019, in varying amounts ranging from $320 to $1,175 through July 1, 2048; interest rates ranging from 3.6% to 5.0%, payable semi-annually on each January 1 and July 1.	17,029	17,409
Series 2018B Tax-Exempt Revenue Bonds issued by the Industrial Development Authority of the City of Glendale, Arizona (dated May 24, 2018), the bonds mature on June 1, 2043; variable interest at a rate of 79% of one-month LIBOR plus 1.75% through June 30, 2023, and variable interest rate of 79% of one-month SOFR plus 0.1% effective July 1, 2023 with monthly principal and interest payments commencing July 1, 2018, through maturity. Interest rate at December 31, 2024 and 2023 was approximately 5.04% and 5.51%, respectively.	13,968	14,415
Series 2018 Taxable Corporate Loan issued by Washington Federal Bank (dated May 24, 2018), the bonds mature on June 1, 2043; variable interest at a rate of one-month LIBOR plus 1.75% through June 30, 2023, and variable interest rate of one-month SOFR plus 0.1% effective July 1, 23023 with monthly principal and interest payments commencing July 1, 2018, through maturity. Interest rate at December 31, 2024 and 2023 was approximately 6.38% and 7.20%, respectively.	16,939	17,543
Related-party notes payable:		
Subordinated note payable to NorCal due to previously advanced operating and capital needs prior to the transfer of sole membership of TOP from NorCal to Cornerstone in 2003. The note is unsecured and is subordinated to the lien in favor of the Series 2018 Bonds. The note is noninterest bearing and is payable from operating revenues based on the achievement of certain operating and liquidity covenants.	12,000	12,000

	2024	2023
Promissory note:		
Promissory note to American Baptist Service Corporation (ABSCO), secured by deeds of trust. The note is noninterest bearing and is payable on a ratable basis with the NorCal subordinated note, or if not amortized, in a single payment due on January 28, 2028, or upon the sale of TOP.	$ 800	$ 800
Total	75,886	77,657
Less current portion	(1,769)	(1,688)
Plus unamortized premium	727	777
Less unamortized debt issuance cost	(1,245)	(1,331)
Notes and bonds payable, net	$ 73,599	$ 75,415

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

Years ending December 31:	
2025	$ 1,769
2026	1,855
2027	1,939
2028	2,023
2029	2,127
Thereafter	66,173
Total	$ 75,886

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

In December 2023, NorCal purchased $1,750,000 of the outstanding Series 2018 Tax- Exempt Revenue Bonds in the open market at a discount.

7. Interest Rate Cap

In 2016, TOP entered into an interest rate cap agreement with Commonwealth Bank of Australia to manage interest rate risk on $18,700,000 of its Series 2015 Bonds. The agreement establishes that when 70% of the one-month SOFR plus 0.11448% rate exceeds 2.5%, TOP is reimbursed for the excess by the counterparty to the transaction. The ten-year agreement expires in February 2026. The change in the fair value of the interest rate cap for the years ended December 31, 2024 and 2023, was a decrease of $147,000 and $167,000, respectively. The fair value of this instrument was $102,000 and $249,000 as of December 31, 2024 and 2023, respectively, and is included in other noncurrent assets in the accompanying combined balance sheets.

8. Employee Benefit Plans

The Corporations participate in a defined contribution retirement plan covering all eligible employees with a corporate match of employee contributions up to 4% of eligible earnings. Expenses amounted to $471,000 and $490,000 for the years ended December 31, 2024, and 2023, respectively.

9. Net Resident Service Revenues

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

	2024				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 20,543	$ 2,477	$ 2,389	$ 2,468	$ 27,877
Private (noncontract)	482	4,641	2,230	1,697	9,050
Medicare (Part A)	-	-	8,046	-	8,046
Medicare (Part B)	-	-	55	-	55
Medicaid	-	-	6,040	-	6,040
Managed care	-	-	4,939	-	4,939
Subtotal	$ 21,025	$ 7,118	$ 23,699	$ 4,165	56,007
Amortization of entrance fees					5,875
Total					$ 61,882

	2023				
	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	$ 18,899	$ 2,862	$ 2,735	$ 2,431	$ 26,927
Private (noncontract)	558	3,630	1,636	1,426	7,250
Medicare (Part A)	-	-	8,639	-	8,639
Medicare (Part B)	-	-	82	-	82
Medicaid	-	-	5,488	-	5,488
Managed care	-	-	3,791	-	3,791
Subtotal	$ 19,457	$ 6,492	$ 22,371	$ 3,857	52,177
Amortization of entrance fees					5,008
Total					$ 57,185

10. Functional Expenses

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

	2024		
	Residential Services	General and Administrative	Total
Salaries and wages	$ 25,551	$ 1,193	$ 26,744
Employee benefits	5,708	267	5,975
Supplies	4,993	95	5,088
Ancillary services	2,861	-	2,861
Repairs and maintenance	501	-	501
Marketing and advertising	780	-	780
Purchased services	1,915	1,043	2,958
Management fees	-	4,106	4,106
Utilities	2,331	83	2,414
Travel and related	177	28	205
Leases and rents	119	215	334
Insurance	1,185	-	1,185
Other operating expenses	588	1,045	1,633
Depreciation and amortization	6,461	-	6,461
Interest expense	3,490	-	3,490
Total expenses	$ 56,660	$ 8,075	$ 64,735

	2023		
	Residential Services	General and Administrative	Total
Salaries and wages	$ 25,616	$ 1,190	$ 26,806
Employee benefits	5,191	241	5,432
Supplies	4,478	36	4,514
Ancillary services	2,785	-	2,785
Repairs and maintenance	515	-	515
Marketing and advertising	815	2	817
Purchased services	1,706	678	2,384
Management fees	-	3,991	3,991
Utilities	2,180	107	2,287
Travel and related	123	25	148
Leases and rents	146	194	340
Insurance	1,088	-	1,088
Other operating expenses	618	405	1,023
Depreciation and amortization	6,115	-	6,115
Interest expense	3,532	-	3,532
Total expenses	$ 54,908	$ 6,869	$ 61,777

11. Transactions With Affiliates

Amounts payable to affiliates include management fees and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance payable to NorCal. The Corporations recognized expenses of $4,106,000 and $3,991,000 during 2024 and 2023, respectively, which consisted of management fees. The Corporations also received distributions from Foundation West as described in Note 2. The Corporations owed COG $22,989,000 and $21,593,000 as of December 31, 2024 and 2023, respectively. These balances are settled in the normal course of operations with no fixed repayment terms.

12. Insurance Programs

Workers' Compensation Plan

HumanGood Arizona, Inc. maintains a guaranteed cost policy for workers' compensation claims in accordance with applicable state statutes. Management is not aware of any claims outstanding that are not covered by the policy. HumanGood Washington participates in the State of Washington's fully insured workers' compensation program. Both corporations receive safety program support from NorCal. The Corporations' expenses for these coverages are reflected as a component of the benefit burden applied to payroll. Amounts charged to the Corporations for their workers' compensation programs was $499,000 and $338,000 for the years ended December 31, 2024 and 2023, respectively and related liabilities are included in other liabilities in the accompanying combined balance sheets.

Professional Liability Insurance

The Corporations maintain professional liability insurance through a pooled program with HumanGood. HumanGood has secured claims-made policies for malpractice and general liability insurance with certain self-insured retention limits for the years ended December 31, 2024 and 2023. At December 31, 2024 and 2023, the Corporations had a liability of approximately $350,000 and $25,000, respectively, as their best estimate of the cost of known claims and claims incurred but not reported. The liability is included in accounts payable and accrued expenses on the accompanying combined balance sheets. Any related insurance recovery receivables are recorded under other receivables in the accompanying combined balance sheets. There are no receivable amounts recorded at December 31, 2024 and 2023 for these matters.

Health Insurance

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

13. Commitments and Contingencies

Legal

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

Senior Living Services Industry

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

14. Concentrations of Credit Risk

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

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

15. Subsequent Events

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

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

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

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

	Terraces of Phoenix	Judson Park	Total Combined
Assets			
Current Assets			
Cash and cash equivalents	$ 808	$ 2,358	$ 3,166
Resident accounts receivables, net	763	2,218	2,981
Other receivables	373	-	373
Current portion of restricted investments	755	714	1,469
Prepaid expenses, deposits and other assets	220	255	475
Total current assets	2,919	5,545	8,464
Investments	14,664	23,872	38,536
Restricted Investments	1,323	1,098	2,421
Land, Buildings and Equipment, Net	41,692	24,587	66,279
Other Noncurrent Assets	429	350	779
Total assets	$ 61,027	$ 55,452	$ 116,479
Liabilities and Net Deficit			
Current Liabilities			
Accounts payable and accrued expenses	$ 1,858	$ 2,161	$ 4,019
Payable to affiliates	4,751	18,238	22,989
Deposits	212	231	443
Accrued interest	528	413	941
Current portion of notes and bonds payable	1,163	606	1,769
Total current liabilities	8,512	21,649	30,161
Notes and Bonds Payable, Net	39,696	21,903	61,599
Subordinated Note Payable to HumanGood NorCal	12,000	-	12,000
Rebatable Entrance Fees Due	34,771	4,963	39,734
Entrance Fees Subject to Refund	9,438	5,509	14,947
Entrance Fees Nonrefundable	12,629	11,522	24,151
Other Liabilities	179	315	494
Total liabilities	117,225	65,861	183,086
Net Deficit Without Donor Restriction	(56,198)	(10,409)	(66,607)
Total liabilities and net deficit	$ 61,027	$ 55,452	$ 116,479

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

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

	Terraces of Phoenix	Judson Park	Total Combined
Operating Revenues			
Residential living	$ 12,233	$ 8,792	$ 21,025
Assisted living	3,838	3,280	7,118
Health center	8,010	15,689	23,699
Memory support	2,236	1,929	4,165
Other resident services	90	6	96
Amortization of entrance fees	2,819	3,056	5,875
Other operating revenue	373	543	916
Total operating revenues	29,599	33,295	62,894
Operating Expenses			
Salaries and wages	12,140	14,604	26,744
Employee benefits	2,658	3,317	5,975
Supplies	2,648	2,440	5,088
Ancillary services	1,061	1,800	2,861
Repairs and maintenance	166	335	501
Marketing and advertising	469	311	780
Purchased services	1,597	1,361	2,958
Management fees	1,926	2,180	4,106
Utilities	1,413	1,001	2,414
Travel and related	146	59	205
Leases and rents	163	171	334
Insurance	617	568	1,185
Other operating expenses	493	1,140	1,633
Total operating expenses	25,497	29,287	54,784
Income before other operating income (expense)	4,102	4,008	8,110
Other Operating Income (Expense)			
Investment income, net	778	1,064	1,842
Change in unrealized losses on investments, net	(13)	(12)	(25)
Depreciation and amortization	(4,007)	(2,454)	(6,461)
Interest expense	(2,139)	(1,351)	(3,490)
(Loss) income from operations	(1,279)	1,255	(24)
Other Changes in Net Deficit			
Capital contributions	105	-	105
Change in fair value of interest rate cap	(147)	-	(147)
Change in net deficit without donor restriction	(1,321)	1,255	(66)
Net Deficit, Beginning	(54,877)	(11,664)	(66,541)
Net Deficit, Ending	$ (56,198)	$ (10,409)	$ (66,607)

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

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

	Terraces of Phoenix	Judson Park	Total Combined
Cash Flows From Operating Activities			
Cash received from resident services	$ 26,171	$ 28,857	$ 55,028
Cash received from nonrebatable entrance fees from reoccupancy	7,979	4,459	12,438
Cash received from other operating activities	373	543	916
Cash earnings realized from investments	780	1,074	1,854
Cash paid for employee salaries	(11,441)	(13,427)	(24,868)
Cash paid for employee benefits	(2,544)	(3,187)	(5,731)
Cash paid for temporary labor	(806)	(1,211)	(2,017)
Cash paid to vendors	(9,877)	(10,333)	(20,210)
Cash paid for interest	(2,141)	(1,341)	(3,482)
Net cash provided by operating activities	8,494	5,434	13,928
Cash Flows From Investing Activities			
Acquisition of land, buildings and equipment	(2,742)	(2,295)	(5,037)
Net purchases of unrestricted investments	(641)	(999)	(1,640)
Net cash used in investing activities	(3,383)	(3,294)	(6,677)
Cash Flows From Financing Activities			
Proceeds from rebatable entrance fees	1,122	199	1,321
Refunds of deposits and entrance fees	(6,434)	(1,799)	(8,233)
Cash received from affiliates	1,242	154	1,396
Principal payments on notes and bonds payable	(1,159)	(612)	(1,771)
Capital contributions	105	-	105
Net cash used in financing activities	(5,124)	(2,058)	(7,182)
(Decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(13)	82	69
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	2,899	4,088	6,987
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 2,886	$ 4,170	$ 7,056
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Combining Balance Sheet			
Cash and cash equivalents	$ 808	$ 2,358	$ 3,166
Restricted cash included in current portion of restricted investments	755	714	1,469
Restricted cash included in restricted investments	1,323	1,098	2,421
Total cash, cash equivalents and restricted cash and cash equivalents	$ 2,886	$ 4,170	$ 7,056