FitchRatings

05 JUN 2025

Fitch Rates HumanGood California Obligated Group's 2025 Revs 'A'; Affirms IDR; Outlook Stable

Fitch Ratings - Austin - 05 Jun 2025: Fitch Ratings has assigned an 'A' rating to the following California Municipal Finance Authority bonds that are expected to be issued on behalf of HumanGood California Obligated Group (HGCOG):

--$127,500,000 revenue and refunding bonds series 2025A

--$24,410,000 taxable revenue and refunding bonds series 2025B

Fitch has affirmed HGCOG's Issuer Default Rating (IDR) at 'A'. Fitch has also affirmed the series 2021 revenue bonds and series 2019A revenue and refunding bonds issued by the California Municipal Finance Authority on behalf of HGCOG and HGCOG's series 2019B taxable bonds at 'A'.

Fitch has also affirmed the series 2015 revenue bonds issued by the California Statewide Communities Development Authority (CSCDA) on behalf of American Baptist Homes of the West (ABHOW), which is now known as HumanGood NorCal (NorCal) at 'A'.

The Rating Outlook is Stable.

The bonds are expected to be issued as fixed rate. Bond proceeds will be used to refinance various existing debt outstanding and pay the costs of issuance. Though maximum annual debt service (MADS) is expected to rise to about $31 million from about $28 million, actual annual debt service is around $26 million from 2027 to 2035. MADS does not occur until 2048. Bonds are expected to price via negotiation the week of June 16.

HGCOG's 'A' IDR and bond ratings reflect its diverse operating platform, comprised of 12 life plan communities (LPCs) throughout California. Fitch believes that this diversity reduces overall operating risk relative to a single-site borrower, enabling the system to weather occupancy variations at individual communities. The rating also takes into account HGCOG's consistent pro forma MADS coverage—averaging 3.2x over the last three years—and significant liquidity growth, with cash to adjusted debt rising to 114% as of March 31, 2025.

Fitch expects HGCOG to continue leveraging its economies of scale and centralized strategic resources to navigate industry-wide operating pressures. Strong management practices have positioned the organization to effectively control costs, maintain a robust sales pipeline and sustain high occupancy levels. Additionally, targeted increases in entrance and monthly service fees are set to drive enhanced cash flow generation, ensuring consistently solid debt service coverage and further strengthening of balance sheet metrics, which support the organization's rating at the middle of the 'A' category.

SECURITY

The bonds are secured by HGCOG's gross revenues. The NorCal series 2015 bonds (to be refunded with the current offering) are also guaranteed by the income earned on HumanGood Foundation West's unrestricted net assets.

KEY RATING DRIVERS

Revenue Defensibility - 'a'

Diverse Operating Platform; Solid Occupancy

HGCOG's robust operating platform across 12 locations in California supports its strong revenue defensibility, with over 3,200 units enhancing resilience against localized downturns. The organization has achieved significant occupancy gains, notably in independent living (rising from 87.6% in 2021 to 93.3% as of 1Q25) and skilled nursing (increasing from 74.7% in 2021 to 85.5% as of 1Q25). Active move-in strategies and proactive waitlist management ensure a steady demand base. In addition, a flexible fee structure—with targeted increases in both entrance and monthly service fees—helps align pricing with local market conditions and resident affordability while supporting margin improvements.

Operating Risk - 'bbb'

Consistent Operations; Manageable Debt Burden

HGCOG's midrange operating risk assessment reflects the organization's Type-B contracts and stable core operating profitability. Effective expense management initiatives and labor efficiency measures have helped the organization to counteract rising costs over the past few years. Continual capital spending—averaging nearly 98.7% of depreciation from 2020 to 2024—and prudent debt management, as evidenced by solidly midrange revenue-only pro forma MADS coverage (1.2x in 2024), debt to net available (below 5x in 2024) and pro forma MADS as a percent of revenue (7.8% in 2024), reinforce Fitch's view that HGCOG will effectively manage its debt within its current operations without negatively affecting its financial position.

Financial Profile - 'a'

Improved Financial Profile

Fitch's assessment rates HGCOG's financial profile as strong, driven by a marked increase in liquidity and robust coverage levels. As of March 31, 2025, unrestricted cash and investments grew to $512 million, translating into days cash on hand over 500 days and cash to adjusted debt of 114%. In Fitch's base case, HGCOG is expected to maintain operating ratios just below 100% and achieve NOM-adjusted margins near 20% through sustained organic growth and disciplined expense management. Even under stress scenarios—cash-to-adjusted debt and MADS coverage remain solid indicating that the organization is well-positioned to manage potential challenges while preserving its strong financial standing.

Asymmetric Additional Risk Considerations

No asymmetric risk factors were applied in this rating.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/ Downgrade

--Unexpected deterioration in census or cash flow that consistently results in MADS coverage below 2.5x and/or Cash-to-adjusted debt consistently below 85%;

--Any unexpected transfers, advances, or other financial support to non-OG entities that deteriorates HGCOG's key leverage metrics.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

---Maintenance of HGCOG's strong operations and coverage levels, coupled with growth in its unrestricted reserves that result in cash-to-adjusted debt approaching 150% throughout Fitch's stress case scenario.

PROFILE

Effective May 1, 2016, ABHOW (now known as HumanGood NorCal) and Southern California Presbyterian Homes (SCPH; now known as HumanGood SoCal) affiliated and the organizations created a common governance and management structure known as HumanGood. Prior to the affiliation, ABHOW's sole corporate parent was Cornerstone Affiliates.

Also prior to the affiliation, SCPH was doing business as be.group and served as the controlling member of its senior living and care system. With the affiliation, the sole member of NorCal and SoCal is HumanGood. Cornerstone Affiliates, now known as HumanGood Cornerstone, became a subsidiary to HumanGood and is the sole corporate member of the HumanGood affiliates that are not members of HGCOG.

HumanGood's integration activities since its inception include one executive management team and consolidated corporate services, common payroll and benefits, group purchasing, a single financial data platform and a combined affordable housing business.

The California Obligated Group, HGCOG, which was formed in August 2019 concurrent with the date of the issuance of the series 2019 bonds, includes HumanGood's California retirement communities operating within NorCal, SoCal and HumanGood Fresno, with NorCal serving as the obligated group representative. Additionally, HGCOG includes the corporate office of HumanGood. The HumanGood corporate office provides management services and shares overhead expenses with HGCOG members and HumanGood Cornerstone's other retirement communities.

The corporate office also provides certain functions through annual cost recoveries from other affiliates. HumanGood Fresno was a member of NorCal's obligated group prior to 2012 but was removed in order to accommodate a repositioning project that included a substantial increase in debt. The campus stabilized in 2016 and is performing well.

NorCal consists of six LPCs that include Terraces at Los Altos in Los Altos, CA, Piedmont Gardens in Oakland, CA, Plymouth Village in Redlands, CA, Valle Verde in Santa Barbara, CA, Rosewood in Bakersfield, CA, and Terraces of Los Gatos in Los Gatos, CA. SoCal includes five LPCs in southern California. Two of the LPCs are located in north central Los Angeles County (Westminster Gardens and Royal Oaks in Duarte), one in Orange County (Regents Points in Irvine), and two in San Diego County (White Sands in La Jolla and Redwood Terrace in Escondido). HumanGood Fresno consists of The Terraces at San Joaquin Gardens.

Fitch's analysis is based upon the obligated group financial statements. In FY24, HGCOG reported total operating revenues of $391 million.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
HumanGood California Obligated Group (CA)	LT IDR	A	Affirmed		A
• American Baptist Homes of the West (CA) /General Revenues/ 1 LT	LT	A	Affirmed		A
• HumanGood California Obligated Group (CA) /General Revenues/	LT	A	Affirmed		A

ENTITY/DEBT	RATING	RECOVERY	PRIOR
1 LT			

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	⭘	◆
STABLE	⭘	

Applicable Criteria

U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria (pub.21 Feb 2025) (including rating assumption sensitivity)

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub.10 Jan 2025) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v2.0.1 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

HumanGood California Obligated Group (CA)	EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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