Mercy Retirement & CARE CENTER An Elder Care Alliance Community

October 3, 2023

By Federal Express

Heidi L. Lehrman, Esq. Deputy Attorney General 1300 I Street, Suite 125 Sacramento, CA 94244-2550 <u>Heidi.Lehrman@doj.ca.gov</u>

Re: Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

Dear Ms. Lehrman:

This letter provides additional information concerning our written notice of a transaction involving the proposed change in control of Mercy Retirement and Care Center (MRCC) by Elder Care Alliance (ECA), a California nonprofit public benefit corporation, to Transforming Age (TA), a Washington nonprofit corporation. The information is provided in response to your letter of September 27 to our legal counsel. We enclose a CD-ROM with a copy of this letter and the enclosures. The CD-ROM also includes the financial statements, Exhibits 30-B, 37-A, 37-B and 37-C for public posting. Please let us or our counsel know if you need any further information.

Title 11, California Code of Regulations, § 999.5(d)(2)(A): The estimated value of all cash, property, stock, notes, assumption or forgiveness of debt, and any other thing of value that the applicant would receive for each health facility or facility that provides similar health care covered by the proposed agreement or transaction (#5).

The affiliation will effect only a change in governance – i.e., a change in the identity of the individuals on the Board of Directors of Applicant. The Applicant will retain all of its facilities and assets, none of which will be transferred to TA. Accordingly, the Applicant will not receive anything of value for its health facility. However (while this is not consideration for any transfer of assets), in Section 6(c)(i)(4)(j) of the Affiliation Agreement TA has agreed to support the charitable mission of the Applicant by providing funding to meet the Applicant's continuing operational expenses, including payroll, debt service and liabilities, and to make any necessary repairs or improvements to maintain the Applicant's facilities.

The financial statements show that the Applicant sustained net operating income losses of \$2,167,074 for the year ended June 30, 2023; \$1,990,580 for the year ended June 30, 2022; and \$583,707 for the year ended June 30, 2021. These

operating losses were due to taking 23 assisted living apartments out of service during the repositioning project as well as the impacts of the pandemic. Assisted living has started to regain census, putting Mercy on track to meet FY24 Budget.

Operating losses of this magnitude are not sustainable. While the Applicant is making progress towards regaining census, a principal goal of the Affiliation is to bolster the Applicant's charitable mission by—

- Increasing operational efficiencies and reducing overhead costs through an affiliation with a larger organization that can provide management, technology and other support services; and
- Providing a source of funding, if necessary, to help the Applicant meet operational costs and reduce or eliminate historical operating losses. In Section 6(c)(i)(4)(j) of the Affiliation Agreement TA has agreed to support the charitable mission of the Applicant by providing funding to meet the Applicant's continuing operational expenses, including payroll, debt service and liabilities, and to make any necessary repairs or improvements to maintain the Applicant's facilities.

These undertakings represent a commitment by TA to support the Applicant's operations; they are not consideration for any sale or transfer of assets.

Title 11, California Code of Regulations, § 999.5(d)(2)(B): The estimated market value of each health facility, facility that provides similar health care or other asset to be sold or transferred by the applicant under the proposed agreement or transaction (#6).

The Applicant will retain all of its facilities and assets, and no facilities or assets are being sold or transferred by the Applicant. However, an appraisal of the Applicant's facilities was conducted in December of 2022 as part of efforts to refinance a construction loan. A copy of the appraisal is submitted separately with a request for confidential treatment as <u>Exhibit 6</u>. The value expressed in the appraisal was As-Is of \$42,470,000 and Prospective Stabilized of \$47,910,000. Please note the appraisal contemplates the entire campus operations, including the 107-bed assisted living/memory care, which is not the subject of this application. If using the financial statements of the Applicant's total net assets for financial reporting purposes was \$30,932,269 as of June 30, 2023. This is the book value of the assets.

Title 11, California Code of Regulations, § 999.5(d)(2)(C). A description of the methods used by the applicant to determine the market value of any assets involved in the proposed agreement or transaction. This description shall include a description of the efforts made by the applicant to sell or transfer each health facility or facility that provides similar health care that is the subject of the proposed agreement or transaction (#7).

Heidi L. Lehrman, Esq. October 3, 2023 Page 3

The proposed affiliation does not involve the sale or transfer of the Applicant's health facility, and the Applicant has not attempted to sell or transfer its facilities. For this reason, the Applicant has not undertaken any effort to determine the market value of its assets for purposes of the affiliation. However, an appraisal was conducted in December of 2022 as part of a refinance process. A copy of the appraisal is submitted separately with a request for confidential treatment as <u>Exhibit 6</u>. The value expressed in the appraisal was As-Is of \$42,470,000 and Prospective Stabilized of \$47,910,000. Please note the appraisal contemplates the entire campus operations, including the 107-bed assisted living/memory care. Additionally, the audited financial statements of the Applicant included as <u>Exhibit 30</u> to the original application value the Applicant's total net assets for financial reporting purposes at \$30,932,269 as of June 30, 2023.

While the Applicant has not made efforts to sell or transfer its health facility, it has made deliberate and extensive efforts to find a suitable affiliation partner as part of a larger strategy as well as to help it overcome its operating deficits and sustain its mission for the long term. We refer you to Sections 999.5(d)(11)(A) through 999.5(d)(11)(E) of the application for a description of these efforts.

Title 11, California Code of Regulations, § 999.5(d)(2)(D). Reports, analysis, Requests for Proposal, and any other documents that refer or relate to the valuation of any asset involved in the agreement or transaction (#8).

We refer you to the Appraisal submitted as <u>Exhibit 6</u> and to the financial statements attached to the application as <u>Exhibit 30</u> for the valuation of the Applicant's assets for financial reporting purposes.

Title 11, California Code of Regulations, § 999.5(d)(4)(B). Applicant's plan for use of the net proceeds after the close of the proposed transaction together with a statement explaining how the proposed plan is as consistent as possible with existing charitable purposes and complies with all applicable charitable trusts that govern use of applicant's assets. The plan must include any proposed amendments to the articles of incorporation or bylaws of the applicant or any entity related to the applicant that will control any of the proceeds from the proposed transfer (#14).

Because the affiliation does not involve the transfer of any assets, the Applicant will not receive any proceeds relating to a transfer. However, TA is agreeing in the Affiliation Agreement to support the existing charitable purposes of the Applicant. For example:

• Section 6(c)(i)(1) of the Affiliation Agreement provides that TA will support ECA in ensuring that the MRCC supports the religious and charitable mission of its Facility and Program Sponsor and conducts its activities in a manner consistent with and supportive of the mission and philosophy stated in the MRCC Statement of Catholic Identity of the Facility and Program Sponsor Heidi L. Lehrman, Esq. October 3, 2023 Page 4

and in adherence to and in compliance with the Ethical and Religious Directives for Catholic Healthcare Facilities;

- Section 6(c)(i)(4) of the Affiliation Agreement provides that TA will Maintain and support the corporate existence, charitable mission and taxexempt status of the Applicant, including (among other commitments):
- Providing services at the Applicant's facilities to a broad cross-section of the communities served by the Applicant, including Medicare and Medi-Cal beneficiaries, without unlawful discrimination in services or programs;
- Complying with the Applicant's charity care policy, or with charity care policies no less favorable than the Applicant's charity care policy;
- Maintaining and operating the Applicant's skilled nursing facility with the same licensure, types, and levels of services currently being provided;
- Not placing any of the facility's licensed bed capacity or services in voluntary suspension, or surrendering its license for any beds or services;
- Maintaining the certification of the Applicant's skilled nursing facility to participate in the Medicare and Medi-Cal programs;
- Abiding by all resident admission agreements relating to the occupancy of the Applicant's facilities;
- Continuing to operate the Applicant's facilities in a condition that is safe and inviting for its existing and future residents;
- Maintain resident representation on the Applicant's board of directors; and
- Providing funding necessary to meet the Applicant's operating expenses.

This plan does not involve any amendments to the articles of incorporation or bylaws of the Applicant or to the articles of incorporation of ECA. The bylaws of ECA, the Applicant's parent, will be amended to make TA the sole corporate member of ECA, with power to elect the directors of ECA. The planned amendments are attached as Exhibit 3-B to Section 999.5(d)(l)(B) of the application.

A description of all services provided by each facility that is the subject of the agreement or transaction in the past five years to Medi-Cal patients, county indigent patients, and any other class of patients (#17).

MRCC is a licensed skilled nursing facility located in Oakland, California. MRCC's skilled nursing facility offers skilled nursing services, physical therapy, occupational therapy, and speech therapy.

For further information, please see the table below that details services provided by MRCC's skilled nursing facility by payor for the last five years, fiscal year ending June 30.

		Medi-			
	HMO	Cal	Medicare	Private	Total
FY19	7%	46%	17%	30%	100%
FY20	7%	50%	17%	26%	100%
FY21	7%	52%	20%	21%	100%
FY22	6%	62%	16%	16%	100%
FY23	8%	59%	21%	12%	100%

Additionally, please see the Mercy 2022 Cost Report, which provides additional detail about the skilled nursing facility, attached as <u>Exhibit 17</u>.

The written notice of any proposed agreement or transaction set forth in 999.5(a)(1) shall include a resolution of the board of directors of the applicant authorizing the filing of the written notice and a statement by the chair of the board that the contents of the written notice are true, accurate, and complete (#29).

The Chair's statement regarding the notice and its contents is included with this response as Exhibit 29-B.

Copies of each Proposal received by the applicant from any potential transferee suggesting the terms of a potential transfer of applicant's health facilities or facilities that provide similar health care, and any analysis of each such Proposal. Copies of only two proposals were provided. Please provide copies of each proposal received from any potential transferee as required (#36).

In October 2022, CLA presented an initial list of 15 prospects. The list was refined to seven prospects, and CLA then made blind outreach with each organization to gather initial information regarding such topics as leadership, program excellence, financial stability, growth strategy, and affiliation experience. Through CLA in January of 2023, ECA approached the seven Interested Parties to gauge their level of interest in a potential affiliation with ECA. Nondisclosure agreements were executed with the Interested Parties, and a Request for Information ("<u>RFI</u>") and solicitation materials were sent.

Five Interested Parties did not respond to the RFI, citing either a lack of strategic fit or other internal rebuilding priorities that precluded consideration of a strategic affiliation at that time. Preliminary due diligence information was exchanged and confidential discussions were held with the remaining two Interested Parties, which included ECA's CEO and two ECA board members. CLA also prepared a financial analysis of both remaining Interested Parties. The Strategic Planning Taskforce received all RFI and due diligence materials. Therefore, only two proposals were received. These were included in the original Application. Heidi L. Lehrman, Esq. October 3, 2023 Page 6

The applicant's business projection data and current capital asset valuation data (#37).

Attached here as <u>Exhibit 37-D</u> is the FY24 Budget for the Applicant, which projects the financial performance of the entire operations of the Applicant, which include the skilled nursing facility.

For the capital asset valuation, see page 158 of the Appraisal (<u>Exhibit 6</u>) for the Insurable Value of the improvements. Using the Marshall Valuation method, the skilled nursing facility improvements are valued at \$19,956,868 and skilled nursing equipment at \$270,000.

For each surviving or successor corporation identified pursuant to title 11, section 999.5, subdivision (d)(1)(A) of the California Code of Regulations, a pro forma post-transaction balance sheet for the corporation (#39).

The Transaction provides for ECA to continue as the sole corporate member of the Applicant following the Transaction, without any transfer of assets or receipt of consideration. Therefore, there is no anticipated change to the balance sheet of the Applicant as a result of the Affiliation. However, attached as <u>Exhibit 39</u> is a proforma Balance Sheet for the Applicant reflecting changes to the balance sheet from June 30, 2023 (provided as Exhibit 37-C) to the present. No material additional changes are anticipated through the closing.

We thank you for your prompt consideration of this application. Please let us know if you need any further information.

Yours truly,

Adriene Iverson, President & CEO

Enclosures

# Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

# Exhibit 17

Health Financial Systems		In Lieu of I	Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

# INTEGRATED DISCLOSURE AND MEDI-CAL COST REPORT

1

#### GENERAL INFORMATION AND CERTIFICATION

			_	
1. Legal Name of Facility:		2. State License Number:	3. Medi-Cal	Provider Number:
MERCY RETIREMENT AND CARE CENTER		020000237		ZZR55189F
4. D.B.A. (Doing Business As):			5. Facility Bu	isiness Phone:
MERCY RETIREMENT AND CARE CENTER				(510)534-8540
6. Facility Street Address:	7. City:		8. Zip Code:	
3431 FOOTHILL BLVD	OAKLAND		94601	
9. Mailing Address - Street or P.O. Box (if different):	10. City:		11. Zip Code	2:
1301 MARINA PKWY, 210	ALAMEDA		94501	
12. Administrator:	-			
TAMRA TSANOS				
13. Report Contact Person:		14. Phone Number:		Ext:
BILL AZEVEDO		9492214000		N/A
15. Mailing Address - Street or P.O. Box:	16. City:	·	17. State:	18. Zip Code:
2040 MAIN STREET, SUITE 900	IRVINE		CA	92614
19. Previous Name of Facility if Changed Since Previous Report:				20. Date of Change:
21. Previous State License Number:	22. Date of Change:	23. Previous Medi-Cal Provi	der No.:	24. Date of Change:
	0			0
25. Reporting Period Begin: 2	6. Reporting Period End:	ł		
07/01/2021	F O	06/30/2022		
	ATTON	00/ 50/ 2022		
CERTIFIC.	ATION			
I,ROBIN EVITTS, certify under penalty of perjury as follows: That I am an	r official of	MERCY RETIREMENT AND	CARE CENTE	CR
(Name of Individual)		Name of Facility (D.1	/	
and am duly authorized to sign this certification; that the Department of Health Care Access and Information's	accounting and reporting system	a as set forth in HCAI's "Accounting	and Reporting M	anual for
California Long-Term Care Facilities" has been implemented by this institution; that as applicable, the data in	the accompanying reports are h	ased on that system and that to the be	t of my knowledge	and information I
Caugornia Long-10rm Care 1 actures "has been implemented by this institution, that as applicable, the data in	ine accompanying reports are of	isca on that system, and that to the bes	i oj mj knowieuge	una information 1
believe each statement and amount in the accompanying report to be true and correct, and in compliance with Sect	tion 51511.2, Title 22, Califor	rnia Code of Regulations.		
	, , ,	2 0		
Dated:	١	IERCY RETIREMENT AND (	ADE CENTEI	0
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	Ву:	<i>(</i> <b>)</b>		
		(Signatur	?)	
	Title:	CFO		
	A	1201 MADINIA D	ZWAZ 210	
	Address:	1301 MARINA P	KWY, 210	
		ALAMEDA	94501	
NOTI	CE		74501	
Please be advised that submission of cost reports for items or services which were not provided; are not reimbursab		; or are claimed in violation of an agre	ement with the sta	te, may subject
your organization to civil money penalty assessment in accordance with Welfare and Institution Code, Section 14	123.2.			
All Facilities, mail original and two copies to:		DO NOT MAIL ANY REP	ORT	
Department of Health Care Access and Information		TO DEPARTMENT OF HI		CES
Accounting and Reporting Systems Section				
2020 West El Camino Avenue, Suite 1100				
Sacramento, CA 95833 Telephone: (916)	) 326-3854			

#### LONG-TERM CARE FACILITY INTEGRATED DISCLOSURE & MEDI-CAL COST REPORT TRANSMITTAL AND CERTIFICATION FORM

А.	A. FACILITY NAME (DBA): MERCY RETIREMENT AND CARE CENTER						
В.	FACILITY STREET ADDRESS:	3431 FOOTHILL BLVD					
	CITY:	OAKLAND					
C.	FACILITY ADMINISTRATOR:	TAMRA TSANOS					
D.	HCAI FACILITY NO.:	206013696					
E.	CONTACT PERSON:	BILL AZEVEDO					
F.	PHONE NO.:	9492214000					
G.	REPORT PERIOD: FROM:	07/01/2021 TO: 06/30/2022					
Н.	FILENAME:	Mercy 2022 OSHPD.cltx					
I.	SOFTWARE VERSION:	45.8.175.1					
J.	TOTAL NUMBER OF RECORDS IN THE FILE:	0					
K.	REPORT SUMMARY TOTALS:						
		567,811         2.         ROUTINE SERVICES GROSS REVENUE:         6,682,79           62,610         4.         NET INCOME:         -2,426,21           6.         TOTAL PATIENT DAYS:         15,517					
L.	NAME AND ADDRESS OF VENDOR OF APPRO	OVED SOFTWARE: Health Financial Systems 8109 Laguna Blvd, Elk Grove, CA 95758					
CERTIFICATION							

Ι, .	ROBIN EVITTS (Name of Individual)	certify under penalty of perjury as follows: That I am an official
of _	MERCY RETIREME	NT AND CARE CENTER
5	Name of	Eacility (DBA))

(Name of Facility (DBA))

and am duly authorized to sign this certification; that the Department of Health Care Access and Information's accounting and reporting system as set forth in HCAI's "Accounting and Reporting Manual for California Long-Term Care Facilities" has been implemented by this institution; that as applicable, the data in the accompanying reports are based on that system; and that to the best of my knowledge and information I believe each statement and amount in the accompanying report to be true and correct, and in compliance with Section 51511.2, Title 22, California Administrative Code.

I understand that a printed facsimile report will be produced from the data submitted to HCAI electronically. The printed facsimile report will be the official report of this facility's Long-Term Care Facility Integrated Disclosure and Medi-Cal cost report for all purposes. Further, I understand that this printed report will be forwarded to the California Department of Health Services by HCAI as the basis for audit of Medi-Cal costs reported by this facility. No other electronic file or facsimile in the possession of the provider, its vendor or other parties can be utilized or substituted for the official electronic file or facsimile for the purposes of Medi-Cal cost reporting and disclosure without the written bermission of the Department of Health Services and HCAI.

Dated:	BY:	
		(Signature)
	TITLE:	CFO
	STREET ADDRESS:	1301 MARINA PKWY, 210
	CITY, STATE, ZIP:	ALAMEDA 94501

Health Financial Systems			In Lieu of F	orm HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	P

## FACILITY DESCRIPTION AND OTHER GENERAL INFORMATION

	License Category (Check Only One)	(X)	Third Party Payor Programs (Complete all that apply)	Date Certified	(X)	
		1.00	1.01	2.00	3.00	
1.00	SKILLED NURSING FACILITY		MEDICARE	01/17/1985	Х	1.00
2.00	INTERMEDIATE CARE FACILITY		MEDI-CAL/SNF	01/17/1985	Х	2.00
3.00	SNF/RESIDENTIAL	Х	MEDI-CAL/ICF			3.00
4.00	ICF/RESIDENTIAL		MEDI-CAL/MD			4.00
5.00	CONGREGATE LIVING HEALTH FACILITY		MEDI-CAL/DD			5.00
6.00			SHORT-DOYLE			6.00
7.00			VA			7.00
8.00			CHAMPUS			8.00
9.00			OTHER (DESCRIBE)			9.00
	Type of Control (Check Only One)	(X)	Legal Organization (Check Only One)		(X)	
		1.00	1.01		3.00	
10.00	CHURCH RELATED		CORPORATION			10.00
11.00	NOT-FOR-PROFIT	X	DIVISION OF A CORPORATION			11.00
12.00	INVESTOR OWNED		PARTNERSHIP			12.00
13.00	GOVERNMENT:		PROPRIETORSHIP			13.00
14.00	STATE		PUBLIC BENEFIT CORP		Х	14.00
15.00	COUNTY					
16.00	CITY/COUNTY					
17.00	CITY					
18.00	DISTRICT					
Descri	ibe any items which management believes may have a significant e	ffect on the da	ta in this report:			
25.00	PG5.2 LINE 115=ABANDON PROP + INT RATE SWAP					
26.00	PG10.1 BENEFIT TO WAGE RATIO IS LOW DUE TO NOT ALL	. STAFF				
27.00	CHOSE HLTH COVERAGE, 403B & HAD VACATION TRUE UF	AT YE.				
28.00	PG 12.1, LINE 60 = CENTRAL SUPPLY CLERK					
29.00	CHG IN 5.1 A/D NOT = EXP DUE TO ASSET DISPOSALS.					
30.00						

Health Financial Systems			In Lieu o	f Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### SERVICES INVENTORY

	Health Services	Code*	
		1.00	
1.00	Pharmacy	2	1.00
2.00	Patient Supplies	2	2.00
3.00	Laboratory	2	3.00
4.00	RADIOLOGY	2	4.00
5.00	Physical Therapy	2	5.00
6.00	INHALATION THERAPY	4	6.00
7.00	Speech Therapy	2	7.00
8.00	Occupational Therapy	2	8.00
9.00	AUDIOLOGY	4	9.00
10.00	PROSTHETIC DEVICES	4	10.00
11.00	SOCIAL SERVICES	1	11.00
12.00	PHYSICIAN CARE	4	12.00
13.00	DENTAL CARE	4	13.00
14.00	PODIATRIC CARE	4	14.00
15.00	CHIROPRACTIC CARE	4	15.00
16.00	OPTOMETRIC CARE	4	16.00
17.00	PSYCHIATRIC CARE	3	17.00
18.00	RECREATION/ACTIVITY	1	18.00
19.00	ALCOHOLISM/SUBSTANCE ABUSE TREATMENT AND RECOVERY	4	19.00
20.00	HOME HEALTH	4	20.00
21.00	HOSPICE	4	21.00
22.00	LONG-TERM REHABILITATION	4	22.00
23.00	PATIENT EDUCATION	4	23.00
24.00	ADULT DAY HEALTH CARE	4	24.00
25.00	OTHER (DESCRIBE)		25.00
26.00	OTHER (DESCRIBE)		26.00
27.00	OTHER (DESCRIBE)		27.00

\* CODE EXPLANATION: Enter appropriate code in column 1 for every item. 1 - Service MAINTAINED in facility and staffed by facility personnel. Related expenses reported on Page 10.1, columns 1, 2, and 3.

2 - Service MAINTAINED in facility and purchased by the facility under contract arrangement with an outside provider. Related expenses reported on Page 10.1, column 3.

- 3 Service NOT MAINTAINED in facility but available from an outside provider under contract arrangement whereby facility is billed directly by the provider. Related expenses reported on Page 10.1, column 3.
- 4 Service NOT MAINTAINED in facility but available from an outside provider under contract arrangement whereby patients or third party payors are billed directly by the outside provider.
- 5 Service NOT MAINTAINED in facility and no formal referral agreement exists with an outside provider. Patients or responsible third party payors who independently purchase services are billed directly by the provider.
- 6 Service MAINTAINED, but not used during reporting cycle.

Health	Financial Systems				1		In Lieu of Form HCAI	-LTCIR
	ty D.B.A. Name: CY RETIREMENT AND CAR	RE CENTER		Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:3 <b>LTCIR</b> 45.8.175.1	1 am	
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A. Ist	his facility part of an organization with			•		for this form?		
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10.00	Parent	Subsidiary Division	X O	ther (If Sub	sidiary or Division, com	plete item C)		
15.00	me and address of parent organization Name:							
20.00	Address:							-
25.00	City:			30	). State:	35. ZIP:		-
	ME, ADDRESS AND PERCENT OF	F OWNERSHIP OF HEALTH FACI	LITIES UND					-
	Name	Street Name & Number		City	State	Zip-Code	% of Ownership	
	1.00	2.00		3.00	4.00	5.00	6.00	
40.00	ALMA VIA OF CAMARILLO	2500 N PONDEROSA DR	CAMARILL			93010	0	
41.00	ALMA VIA OF SAN FRANCISCO	1 THOMAS MORE WAY	SAN FRAN			94132	0	
42.00	ALMA VIA OF SAN RAFAEL	515 NORTHGATE DRIVE	SAN RAFA			94903	0	
43.00 44.00	THE VILLA AT SAN MATEO	4000 S EL CAMINO REAL	SAN MATE	0	CA	94403	0	43.00
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Health Financial Systems			In Lieu o	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	Ŷ

FACILITY ORGANIZATION AND OTHER INFORMATION

## E. NAMES OF OWNERS HAVING A 5% OR MORE EQUITY INTEREST

	1
106.00	106.00
107.00	107.00
108.00	108.00
109.00	109.00
110.00	110.00
111.00	111.00
112.00	112.00
113.00	113.00
114.00	114.00
115.00	115.00

Health Finan	cial Systems			In Lieu	of Form HCAI-LTCIR
5	B.A. Name: RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

### FACILITY ORGANIZATION AND OTHER INFORMATION

#### F. GOVERNING BOARD OFFICERS AND MEMBERS

	Name	Occupatio	a	
	1.00	2.00		
130.00 CHR	0 CHRISTINE WHELAN EDUCATION & NON-PROFIT EXECUTI			
131.00 GER	ALDINE MCGRATH	CORPORATE ATTORNEY		131.00
132.00 JOY	MOORE	HUMAN RESOURCES EXECUTIVE		132.00
133.00 J. TH	IOMAS BRIODY	SENIOR LIVING & NON-PROFIT EXE		133.00
134.00 ERIC	CKA RYAN	MARKETING EXECUTIVE		134.00
135.00 JACk	KIE EJUWA	HEALTH CARE EXECUTIVE		135.00
136.00 SIST	ER PHYLLIS HUGHES	PUBLIC HEALTY EXECUTIVE		136.00
137.00 STEV	VEN KIM	HEALTH CARE INVEST BANKER		137.00
138.00 SR. F	PAULINE BORGHELLO	EDUCATION ADMINISTRATOR, RETIR		138.00
139.00 LYN	NE KATZMANN	SENIOR LIVING EXECUTIVE		139.00
140.00 RAJA	A SEKARAN	HEALTH CARE ATTORNEY		140.00
141.00 SUSA	AN MALLEY	RESIDENT REPRESENTATIVE		141.00
142.00				142.00
143.00				143.00
-				
144.00				144.00
144.00 145.00				144.00 145.00
145.00 G. Does the	e facility use a management company?			
145.00 G. Does the 200.00	X Yes No (If "Yes", pr	rovide the following information. If "No", proceed to item "M").		
145.00           G. Does the           200.00           205.00	X Yes No (If "Yes", pr Name of Management Company: ELDER CARE ALLIANC			
145.00           G. Does the           200.00           205.00           210.00	X     Yes       No     (If "Yes", pr       Name of Management Company:     ELDER CARE ALLIANCE       Address:     1301 MARINA VILLAGE PKWY #210	E	205 77	
145.00           G. Does the           200.00           205.00           210.00           215.00	X       Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANCE         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA		225. Zip: 94501	
145.00           G. Does the           200.00           205.00           210.00           215.00           230.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	
145.00           G. Does the           200.00           205.00           210.00           215.00           230.00           NAMES OF	X       Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANCE         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA	E 220. State: CA	225. Zip: 94501	
145.00         G. Does the           200.00         205.00           210.00         215.00           230.00         NAMES OF           240.00         240.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	240.00
145.00         G. Does the           200.00         205.00           210.00         215.00           230.00         NAMES OF           240.00         245.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	240.00 245.00
145.00         G. Does the           200.00         205.00           210.00         215.00           230.00         240.00           245.00         250.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	240.00 245.00 250.00
145.00         G. Does the           200.00         205.00           210.00         215.00           230.00         NAMES OF           240.00         245.00           255.00         255.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	240.00 245.00 255.00
145.00         G. Does the           200.00         205.00           210.00         215.00           230.00         NAMES OF           240.00         245.00           255.00         255.00           260.00         260.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	240.00 245.00 255.00 260.00
145.00         G. Does the           200.00         205.00           210.00         215.00           230.00         NAMES OF           240.00         245.00           255.00         255.00           260.00         260.00           265.00         265.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	240.00 245.00 255.00 260.00 265.00
145.00         G. Does the           200.00         205.00           210.00         215.00           230.00         NAMES OF           240.00         245.00           255.00         255.00           260.00         265.00           265.00         265.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	240.00 245.00 255.00 260.00 265.00 260.00
145.00         G. Does the           200.00         205.00           210.00         215.00           230.00         NAMES OF           240.00         245.00           255.00         255.00           260.00         260.00           265.00         265.00	X Yes       No       (If "Yes", pr         Name of Management Company:       ELDER CARE ALLIANC         Address:       1301 MARINA VILLAGE PKWY #210         City:       ALAMEDA         Phone No.:       510-769-2758	E 220. State: CA	225. Zip: 94501	240.00 245.00 255.00 260.00 265.00

Health Financial Systems		In Lieu	1 of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### RELATED PERSONS AND ORGANIZATIONS AND OTHER INFORMATION

#### FOR MEDI-CAL PROVIDERS, ONLY

			Statements available for the reporting po	eriod?	
325	.00	X Yes	(If "YES", please enclose a copy)	No	(If "

"No", enclose a copy of your working trial balance)

3.3

0 374.00

0 375.00

N. Is this report being filed as a result of a change in ownership? 335.00 Yes

X No (IF "YES" ATTACH A COPY OF THE SALES AGREEMENT SHOWING THE ALLOCATION OF THE SALES PRICE TO THE ASSETS)

O. STATEMENT OF HOME OFFICE (PARENT) COSTS

O. STATEMENT OF HOME OFFICE (PARENT) COSTS					
	Account Description	Account Number	Amount	Explanation of Allocations	
	1.00	2.00	3.00	4.00	
INTERIM PERIOD HOME OFFICE COST ALLOCATIONS:					
340.00			0		340.00
341.00			0		341.00
342.00			0		342.00
343.00 Subtotal Interim Period (Sum of lines 340 through 342)			0		343.00
YEAR END HOME OFFICE COST ALLOCATIONS:	-			·	
344.00	MANAGEMENT FEE	9080	1,221,631	PER BOOKS 90800	344.00
345.00	ECA EXPENSE ALLOCATION	3290	684,100	PER BOOKS 32900	345.00
346.00			0		346.00
347.00 Subtotal Year End (Sum of lines 344 through 346)			1,905,731		347.00
348.00 TOTAL HOME OFFICE COST ALLOCATIONS (Sum of lines 343 and 347)			1,905,731		348.00
HOME OFFICE EQUITY ALLOCATIONS:				·	
ASSET					
349.00			0		349.00
350.00			0		350.00
LIABILITY					
351.00			0		351.00
352.00			0		352.00
353.00 TOTAL EQUITY ALLOCATIONS (Sum lines 349 through 352)			0		353.00

#### P. Were any assets disposed of during the reporting period? No

355.00 X Yes

If "Yes" attach a schedule showing: (a) description of asset, (b) date of sale, (c) date asset(s) acquired, (d) proceeds of disposition, (e) method of depreciation, (f) how gain or loss was computed, (g) where gain or loss is reflected in the report, (h) if asset(s) was transferred to a related party, give book value of asset(s) on transfer date and party to whom asset(s) was transferred.

Q. Does your facility handle patient monies either through a patient trust fund or a savings and loan association or other financial institution? X No

360.00 Yes

(If "Yes" and through a savings and loan, include the name and address on lines 365 through 369 below.)

(If "Yes" and through a standard trust system, complete lines 370 through 375)

365.00	Name:		
366.00	Address:		-
367.00	City: 368. State: 369. Zip:		-
	PATIENT TRUST ACTIVITY ACCOUNT		_
		1.00	
370.00	Balance of Trust Account at beginning of the reporting period	(	0 370.00
371.00	Total Deposits to the Trust Account during the reporting period, not including interest	(	0 371.00
372.00	Interest Added / Earned	(	0 372.00
373.00	Total Deposits and Interest (Sum of lines 371 and 372)	(	0 373.00

374.00 Total Trust Account Expenditures

375.00 Balance of Trust Account at the end of the reporting period (Lines (370+373) - 374)

Health Financial Systems		In Lieu of	f Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### FACILITY PATIENT DAYS BY PAYER

	PATIENT (Census) DAYS	Account Number	Medicare	Medi-Cal	Self-Pay	Managed Care	Other Payers	Total (Cols. 1-5)	
			1.00	2.00	3.00	4.00	5.00	6.00	1
ROUT	TINE SERVICES								
5.00	Skilled Nursing Care	3100	2,464	8,481	2,437	2,135	0	15,517	5.00
10.00	Intermediate Care	3200	0	0	0	0	0	0	10.00
15.00	Mentally Disordered Care	3300	0	0	0	0	0	0	15.00
20.00	Developmentally Disabled Care	3400	0	0	0	0	0	0	20.00
25.00	Sub-Acute Care	3500	0	0	0	0	0	0	25.00
30.00	Sub-Acute Care-Pediatric	3600	0	0	0	0	0	0	30.00
35.00	Transitional Inpat Care	3700	0	0	0	0	0	0	35.00
40.00	Hospice Inpatient Care	3800	0	0	0	0	0	0	40.00
45.00	Other Routine Services	3900	0	0	0	0	0	0	45.00
70.00	Subtotal (Lines 5 through 45)		2,464	8,481	2,437	2,135	0	15,517	70.00

Health Financial Systems			In Lieu of F	Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am LTCIR 45.8.175.1	

#### FACILITY REVENUE INFORMATION

			Mec	licare	Mec	i-Cal	Self	-Pay	Manag	ed Care	
	GROSS REVENUE	Account									
		Number	-	-	-	-	-	Outpatient .40	-	-	
DOUT			1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	
	'INE SERVICES Skilled Nursing Care	3100	1,067,237		2 (15 4(7		1.04( 272		052.917		5.00
5.00	Intermediate Care	3200	1,007,237		3,615,467		1,046,272	-	953,816		10.00
15.00	Mentally Disordered Care	3200	0		0		0		0		15.00
20.00	Developmentally Disabled Care	3400	0		0		0		0		20.00
25.00	Sub-Acute Care	3400	0		0		0		0		25.00
30.00	Sub-Acute Care-Pediatric	3600	0		0		0		0		30.00
35.00		3700	0		0		0		0		35.00
40.00	Transitional Inpat Care Hospice Inpatient Care	3700	0		0		0		0		40.00
45.00	Other Routine Services	3900	0		0		0		0		40.00
70.00	Subtotal (Lines 5 through 45)	3900					1,046,272		953,816		70.00
			1,067,237		3,615,467		1,040,272		955,810		70.00
	LLARY SERVICES	4100	16562	0	05 107	0	24.520	0	42.050		105.00
	Patient Supplies	4100	16,563		85,187	0			43,958	0	105.00
110.00	Specialized Support Surf	4150	007.555	÷	-			· · · · ·	0	0	110.00
	Physical Therapy	4200	967,555		-	0		0	197,750	0	115.00
	Respiratory Therapy	4220	500.005				~	0	0	0	120.00
	Occupational Therapy	4250	509,905		-		.,	0	143,465	0	125.00
130.00	Speech Therapy	4280	97,570					-	13,285	0	130.00
135.00	Pharmacy	4300	82,617	0	~	~	~	, , , , , , , , , , , , , , , , , , ,	v	0	135.00
140.00	Laboratory	4400	14,710		. ,	0		0	1,205	0	140.00
	Home Health Services	4800	10.480	0		0		0		0	145.00
155.00	Other Ancillary Services	4900	12,678		- ,	0	,		3,065	0	155.00
170.00	Subtotal (Lines 105 through 155)		1,701,598		,		,		,		170.00
175.00	Total (Lines 70 and 170)		2,768,835	0		0	1,123,063	0	1,356,544	0	175.00
			Other Payers		Total						
	GROSS REVENUE			Inpatient	(cs. Outpatier	nt (cs.					
		-	.09 Outpatier								
DOUT		9.00	10.00	) 11.00	) 12.00	)					
5.00	TINE SERVICES		0	( ( )	702						5.00
	Skilled Nursing Care		0	6,682							
10.00	Intermediate Care Mentally Disordered Care		0		0						10.00
15.00	,		0		0						15.00
20.00	Developmentally Disabled Care		0		0						20.00
25.00	Sub-Acute Care		~								25.00
30.00	Sub-Acute Care-Pediatric	-	0		0						30.00
35.00	Transitional Inpat Care	-	0		0						35.00
40.00	Hospice Inpatient Care		0		0						40.00
45.00	Other Routine Services		0		0						45.00
70.00	Subtotal (Lines 5 through 45)		0	6,682	2,792						70.00
	LLARY SERVICES				aud						105.00
	Patient Supplies		0	0 18	0,246	0					105.00
-	Specialized Support Surf		0	0	0	0					110.00
	Physical Therapy		0		1,465	0					115.00
	Respiratory Therapy		0	0	0	0					120.00
	Occupational Therapy		0		7,450	0					125.00
	Speech Therapy		0		1,080	0					130.00
	Pharmacy		0		2,617	0					135.00
	Laboratory		0		8,878	0					140.00
	Home Health Services			0		0					145.00
155.00	Other Ancillary Services		0		2,557	0					155.00
170.00	Subtotal (Lines 105 through 155)		0	0 2,274		0					170.00
175.00	Total (Lines 70 and 170)		0	0 8,95	7,085	0					175.00
	DEDUCTIONS FROM REVENUE	Account									
		Number	Amount								
			1.00								
205.00	Charity Adjustments	5100	0								205.00
210.00	Administrative Adjustments	5200	0								210.00

Health Financial Systems			In Lieu of Form	HCAI-LTCIR
Facility D.B.A. Name:	Report Period	Run Date Time:	1/11/2023 8:31 am	
MERCY RETIREMENT AND CARE CENTER	End: 06/30/2022	MCRIF32:	LTCIR	
		Version:	45.8.175.1	

#### FACILITY REVENUE INFORMATION

	DEDUCTIONS FROM REVENUE	Account Number	Amount	
			1.00	
215.00	Contractual Adjustments - Medicare	5310	190,542	215.00
220.00	Contractual Adjustments - Medi-Cal	5320	515,556	220.00
222.00	Contractual Adjustments - Managed Care	5330	220,250	222.00
225.00	Contractual Adjustments - Other	5340	0	225.00
230.00	Other Deductions from Revenue	5400	0	230.00
240.00	Total (Lines 205 through 230)		926,348	240.00



Health Financial Systems			In Lieu o	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45 8 175 1	

#### OTHER CENSUS AND REVENUE INFORMATION

	OTHER CENSUS INFORMATION		Number			
			1.00			
Licen	sed Beds:					
5.00	End of Period		59	5.00		
10.00	Average (Monthly average)		59	10.00		
Availa	ble Beds:					
20.00	End of Period		59	20.00		
25.00	0 Average (Monthly average)					
40.00	00 Admissions (Excluding transfers)					
45.00	Discharges (Excluding transfers)		98	45.00		
60.00	Occupancy Rate (Page 4.1, line 70, column 6 / (Line 10 X days in reporting period) X 100)		72.05	60.00		
	PATIENT (CENSUS) DAYS DETAIL FOR SPECIAL CARE PROGRAMS	Total	Medi-Cal			
		1.00	2.00			
100.00	Sub-Acute Care (Ventilator-Dependent)	0	0	100.00		
115.00	Other Sub-Acute Care	0	0	115.00		
100.00			-			

115.00	Other Sub-Acute Care 0						
120.00	Total Sub-Acute Care Patient Days (Sum of lines 100 and 115)	0	0	120.00			
130.00	Sub-Acute Care - Pediatric (Ventilator-Dependent) 0						
145.00	Other Sub-Acute Care - Pediatric 0						
150.00	Total Sub-Acute Care - Pediatric Patient (Census) Days (Sum of lines 130 and 145)	0	0	150.00			
165.00	Transitional Inpatient Care - Medical	0	0	165.00			
170.00	Transitional Inpatient Care - Rehabilitation 0						
175.00	Total Transitional Inpatient Care Patient (Census) Days (Sum of lines 160 and 165)     0						
	RECAP OF MEDI-CAL BENEFITS RECEIVED FROM FISCAL INTERMEDIARY						
			1.00				
FOR M	AEDI-CAL PROVIDERS, ONLY						
200.00	Total Billed Charges - Medi-Cal (Net of Contractual Adjustments)		3,193,087	200.00			
205.00	Less: Patient Liability		0	205.00			
210.00	Less: Third Party and Other Liability		0	210.00			
215.00	00 Less: Noncovered Charges						
240.00	Less: Other		0	240.00			
250.00	Net Medi-Cal Received/Receivable from Fiscal Intermediary (Combine lines 200 through 240)		3,193,087	250.00			

Health Financial Systems			In Lieu	of Form HCAI-LTCIR
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BALANCE SHEET - GENERAL FUND Medi-Cal Adjustments and Reclassifications Worksheet (Medi-Cal Proprietary Facilities, Only)

ASSETS	Account Numbers	Current Reporting Period	Prior Reporting Period	Adjustments and Reclassificatio ns *	Adjusted Balance Current Period **	Adjusted Balance Prior Period	
	- I vuinbers	1.00	2.00	3.00	4.00	5.00	
CURRENT ASSETS		1.00	2.00	5.00	4.00	5.00	
5.00 Cash	1000	5,427,119	5,914,769	0	5,427,119	5,914,769	5.00
10.00 Marketable securities - at cost	1010	0,127,119	0,011,00	0	0	0	10.00
15.00 Assets whose use is limited - required for current liabilities (must agree with line 85)		0	0	0	0	0	15.00
20.00 Accounts and notes receivable	1020	2,555,905	1,945,949	0	2,555,905	1,945,949	20.00
25.00 Less estimated allowances for uncollectibles and contractual adjustments	1040	-572,801	-335,795	0	-572,801	-335,795	25.00
30.00 Receivables from third party payors for contract settlement	1050	0	0	0	0	0	30.00
35.00 Pledges and other receivables	1060	300,846	83,000	0	300,846	83,000	35.00
40.00 Due from restricted funds	1070	0	0	0	0	0	40.00
45.00 Inventories - at lower of cost or market	1080	0	0	0	0	0	45.00
50.00 Receivables from related parties, current	1090	0	0	0	0	0	50.00
55.00 Prepaid expenses and other current assets	1100	157,978	1,465,336	0	157,978	1,465,336	55.00
60.00 TOTAL CURRENT ASSETS (Sum of lines 5 through 55)		7,869,047	9,073,259	0	7,869,047	9,073,259	60.00
ASSETS WHOSE USE IS LIMITED		1,007,017	3,010,203	0	1,007,011	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	00.00
65.00 Cash	1160	0	0	0	0	0	65.00
70.00 Marketable securities	1170	0	0	0	0	0	70.00
75.00 Other assets	1180	0	0	0	0	0	75.00
80.00 TOTAL ASSETS WHOSE USE IS LIMITED (Sum of lines 65 through 75)	1100	0		0	0		80.00
85.00 Less assets whose use is limited and that are required for current liabilities		0	0	0	0	0	85.00
90.00 TOTAL NONCURRENT ASSETS WHOSE USE IS LIMITED (Line 80 less line 85)		0		0	0	~	
PROPERTY, PLANT, AND EQUIPMENT		Ū	<u> </u>	0	•		20100
95.00 Land	1200	201,489	201,489	0	201,489	201,489	95.00
100.00 Land improvements	1210	2,757,943	2,057,755	0	2,757,943	2,057,755	
105.00 Buildings and improvements	1220	39,798,079	32,706,177	0	39,798,079	32,706,177	
110.00 Less accumulated depreciation - buildings and improvements, land improvements	1270	-4,583,350	-4,776,071	0	-4,583,350	-4,776,071	
115.00 Leasehold improvements	1230	0	0	0	0		115.00
120.00 Less accumulated depreciation - leasehold improvements	1280	0	0	0	0	0	120.00
125.00 Equipment	1240	4,126,631	3,501,597	0	4,126,631	3,501,597	125.00
130.00 Less accumulated depreciation - equipment	1290	-2,097,348	-1,645,923	0	-2,097,348	-1,645,923	130.00
135.00 NET PROPERTY, PLANT, AND EQUIPMENT (Sum of lines 95 through 130)	1270	40,203,444	32,045,024	0	40,203,444	32,045,024	
140.00 Construction-in-progress	1250	0	0	0	0		140.00
INVESTMENT'S AND OTHER ASSET'S	1200	,	, v	0	·		1 10100
145.00 Investments in property, plant, and equipment	1310	0	0	0	0	0	145.00
150.00 Less accumulated depreciation - investments in property, plant, and equipment	1320	0	0	0	0		150.00
155.00 Other investments - at cost	1320	10,269,972	15,019,266	0	10,269,972		155.00
160.00 Receivables from related parties, noncurrent	1340	0	0	0	0		160.00
165.00 Deposits and other assets	1350	2,225,348	420,919	0	2,225,348	420,919	
170.00 TOTAL INVESTMENTS AND OTHER ASSETS (Sum of lines 145 through 165)	1550	12,495,320	15,440,185	0	12,495,320	420,919	
INTANGIBLE ASSETS		12,170,020	10,110,100	0	12,170,020		170.00
175.00 Goodwill	1360	0	0	0	0	0	175.00
180.00 Unamortized loan costs	1370	0		0	0		180.00
185.00 Organizational costs	1380	0	0	0	0		185.00
190.00 Other intangible assets	1390	0	0	0	0		190.00
195.00 TOTAL INTANGIBLE ASSETS (Sum of lines 175 through 190)		0	0	0	0		195.00
200.00 TOTAL ASSETS (Sum of lines 60, 90, 135, 140, 170, and 195) (must agree with Page 5.2, line 185)		60,567,811	56,558,468	0	60,567,811	41,539,202	
* From Page 5.4 ** Combine Columns 1 and 3				-			
OTHER INFORMATION							
205.00 Current market value - current asset marketable securities (Line 10)		0	0				205.00
210.00 Current market value - other investments (Line 155)		10,269,972	15,019,266				210.00
215.00 Cost to complete construction in progress (Line 140)		0	0				215.00

Health Financial Systems			In Lieu o	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am LTCIR 45.8.175.1	Ŷ

#### BALANCE SHEET - GENERAL FUND

	LIABILITIES AND EQUITY	Account Numbers	Current Reporting Period	Prior Reporting Period	Adjustments and Reclassificatio ns *	Adjusted Balance Current Period **	Adjusted Balance Prior Period	
OUDD			1.00	2.00	3.00	4.00	5.00	
	ENT LIABILITIES	2000	0	0	0	0	0	E 00
5.00	Notes and loans payable	2000	0	0	0			
10.00	Accounts payable	2010	2,431,531	1,788,562	0	- , - ,	1,788,562	
15.00	Accrued compensation and related liabilities	2020	854,653	1,308,833	0	, · · · ·	1,308,833	15.00
20.00	Other accrued liabilities	2030	110,000	83,000	0	, · · · ·	83,000	20.00
25.00	Advances from third party payors	2040	0	0	0		-	25.00
30.00	Payable to third party payors for contract settlement	2050	0	2,102,210	0			
35.00	Due to restricted funds	2060	0	0	0	-	-	
40.00	Income taxes payable	2070	0	0	0		-	
45.00	Payables to related parties, current	2080	0	0	0			
50.00	Current maturities of long term debt (Must agree with line 125)		804,554	90,534	0	, · · · ·	90,534	
55.00	Other current liabilities	2090	1,217,102	94,344	0	,,	94,344	
60.00	TOTAL CURRENT LIABILITIES (Sum of lines 5 through 55)		5,417,840	5,467,483	0	5,417,840	5,467,483	60.00
DEFE	RRED CREDITS					1		
65.00	Deferred income taxes	2110	0	0	0	-		65.00
70.00	Deferred third-party income	2120	0	0	0	0	0	70.00
75.00	Other deferred credits	2130	0	0	0	0	0	75.00
80.00	TOTAL DEFERRED CREDITS (Sum of lines 65 through 75)		0	0	0	0	0	80.00
LONG	-TERM DEBT							
85.00	Mortgages payable	2210	22,014,234	14,950,795	0	22,014,234	14,950,795	85.00
90.00	Construction loans	2220	0	0	0	0	0	90.00
95.00	Notes under revolving credit	2230	0	0	0	0	0	95.00
100.00	Capitalized lease obligations	2240	0	0	0	0	0	100.00
105.00	Bonds payable	2250	0	0	0	0	0	105.00
110.00	Payable to related parties, noncurrent	2260	2,029,167	0	0	2,029,167	0	110.00
115.00	Other noncurrent liabilities	2270	21,123	1,914,508	0	21,123	1,914,508	115.00
120.00	(Sum of ls. 85 thru 115)(Must include current maturities)		24,064,524	16,865,303	0	24,064,524	16,865,303	120.00
125.00	Less amount shown as current maturities (Must agree with line 50)		-804,554	-90,534	0	-804,554	-90,534	125.00
	NET LONG-TERM DEBT (Line 120 minus 125)		23,259,970	16,774,769	0	23,259,970	16,774,769	130.00
	TOTAL LIABILITIES (Sum of lines 60, 80, and 130)		28,677,810	22,242,252	0	, ,		
	EQUITY (not-for-profit)		-,,	, , , , ,		-,,-	, , , , ,	
	General fund balance	2410 & 2430	31,890,001	34,316,216	0	31,890,001	34,316,216	140.00
145.00	Divisional fund balance	2460	0	0	0	0	0	145.00
EOUľ	TY (investor-owned)	1 1		I		1		
	Preferred stock	2410	0	0	0	0	0	150.00
155.00	Common stock	2420	0	0	0	0	0	155.00
160.00	Additional paid-in capital	2430	0	0	0	0	0	160.00
	Retained earnings / Capital account for partnership or sole proprietorship	2440 / 2410	0	0	0	0	0	
170.00	Less treasury stock	2450	0	0	0	0	0	170.00
	Divisional equity	2460	0	0	0		-	
	TOTAL EQUITY (Sum of lines 140 through 175) (Column 1 must agree with Page 7, col. 1, line 32)		31,890,001	34,316,216	0	-	34,316,216	
	TOTAL LIABILITIES AND EQUITY (sum of lines 135 and 180) (Must agree with Page 5.1, line 200) 200)		60,567,811	56,558,468	0		56,558,468	

\*\* Combine Columns 1 and 3

Health Financial Systems			In Lieu of	Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

## SUPPLEMENTAL LONG-TERM DEBT INFORMATION

	Detail for Page 5.2 Column 1, Line No.	Date Obligation Incurred (Year Only)	Principal Amount at Date of Obligation	Due Date (*) (Year Only)	Interest Rate (*)	Unpaid Principal (**)	
	1.00	2.00	3.00	4.00	5.00	6.00	
.00	85	2020	2,923,000	2032	4.51	22,014,234	1.00
2.00	115	2021	1,914,507		0.00	21,123	2.00
6.00	110	2021	2,000,000	2025	2.50	2,029,167	3.00
.00			0		0.00	0	4.00
5.00			0		0.00	0	5.00
5.00			0		0.00	0	6.00
.00			0		0.00	0	7.00
3.00			0		0.00	0	8.00
0.00			0		0.00	0	9.00
0.00			0		0.00	0	10.00
1.00			0		0.00	0	11.00
2.00			0		0.00	0	12.00
3.00			0		0.00	0	13.00
4.00			0		0.00	0	14.00
5.00			0		0.00	0	15.00
6.00			0		0.00	0	16.00
7.00			0		0.00	0	17.00
.8.00			0		0.00	0	18.00
9.00			0		0.00	0	19.00
20.00			0		0.00	0	20.00

(\*) If more than one due date or interest rate, list each with unpaid amount. Report interest rates to two decimal places.

(\*\*) Sum of all lines must agree with Page 5.2, column 1, line 120.

Health Financial Systems		In Lieu	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	 1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

# ADJUSTMENTS & RECLASSIFICATIONS TO BALANCE SHEET FOR COMPUTATION OF RETURN ON EQUITY CAPITAL

	DESCRIPTION	Page 5.1 = A Page 5.2 = L	PAGE 5.1/5.2 LINE NO.	AMOUNT INCREASE (DECREASE)	EXPLANATION OF ADJUSTMENT	NAME OF RELATED PARTY, if applicable (*)	
	1.00	1.01	2.00	3.00	4.00	5.00	
1.00				0			1.00
2.00				0			2.00
3.00				0			3.00
4.00				0			4.00
5.00				0			5.00
6.00				0			6.00
7.00				0			7.00
8.00				0			8.00
9.00				0			9.00
10.00				0			10.00
11.00				0			11.00
12.00				0			12.00
13.00				0			13.00
14.00				0			14.00
15.00				0			15.00
16.00				0			16.00
17.00				0			17.00
18.00				0			18.00
19.00				0			19.00
20.00				0			20.00
21.00				0			21.00
22.00				0			22.00
23.00				0			23.00
24.00				0			24.00
25.00				0			25.00
26.00				0			26.00
27.00				0			27.00
28.00				0			28.00
29.00				0			29.00
30.00				0			30.00
	Fotal (Combine Lines 1 through 30)			0			50.00

(\*) Disclosure must also be complete on Page 10.4, as applicable.

Health Financial Systems			In Lieu	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

6

### BALANCE SHEET - RESTRICTED FUNDS

	ASSETS	Account Number	Current Period	Prior Period	
			1.00	2.00	
PLAN	T REPLACEMENT AND EXPANSION FUNDS				
5.00	Cash (Including CD's)	1710	0	0	5.00
10.00	Investments, at cost: Marketable securities (\$)*	1720	0	0	10.00
15.00	Investments, at cost: Other (\$)*	1720	0	0	15.00
20.00	Pledges and receivables	1730	0	0	20.00
25.00	Due from other funds	1740	0	0	25.00
30.00	Other assets	1750	0	0	30.00
50.00	TOTAL ASSETS (Sum of lines 5 through 30)		0	0	50.00
SPEC	IFIC PURPOSE FUNDS				
105.00	Cash (Including CD's)	1810	0	0	105.00
110.00	Marketable securities at cost (\$ 2,939,873 )*	1820	2,939,873	2,939,873	110.00
115.00	PLEDGES AND RECEIVABLES	1830	0	0	115.00
120.00	Due from other funds	1840	0	0	120.00
125.00	Other assets	1850	3,216,963	3,216,963	125.00
150.00	TOTAL ASSETS (Sum of lines 105 through 125)		6,156,836	6,156,836	150.00
ENDO	DWMENT FUNDS				
205.00	Cash (Including CD's)	1910	0	0	205.00
210.00	Investments, at cost: Marketable securities (\$)*	1920	0	0	210.00
215.00	Investments, at cost: Other (\$)*	1920	0	0	215.00
220.00	Pledges and receivables	1930	0	0	220.00
225.00	Due from other funds	1940	0	0	225.00
230.00	Other assets	1950	0	0	230.00
250.00	TOTAL ASSETS (Sum of lines 205 through 230)		0	0	250.00
* Inclu	ude Market Value at Current Year Balance Sheet Date in Parentheses.				
	LIABILITIES AND EUND BALANCES	Account			

	LIABILITIES AND FUND BALANCES	Account	C D I	D' D' 1	
		Number	Current Period	Prior Period	<u> </u>
			3.00	4.00	
PLAN	T REPLACEMENT AND EXPANSION FUNDS				
5.00	Due to other funds	2710-2730	0	0	5.00
45.00	Fund balance (Column 3 must agree with Page 7, column 2, line 32)	2770	0	0	45.00
50.00	TOTAL LIABILITIES AND FUND BALANCE (Sum of lines 5 and 45)		0	0	50.00
SPEC	IFIC PURPOSE FUNDS				
105.00	Due to other funds	2810-2830	0	0	105.00
145.00	Fund balance (Column 3 must agree with Page 7, column 3, line 32)	2870	6,156,836	6,156,836	145.00
150.00	TOTAL LIABILITIES AND FUND BALANCE (Sum of lines 105 and 145)		6,156,836	6,156,836	150.00
END	DWMENT FUNDS				
205.00	Mortgages	2910	0	0	205.00
210.00	OTHER LIABILITIES (SPECIFY)	2920	0	0	210.00
215.00	Due to other funds	2930-2950	0	0	215.00
245.00	Fund Balance (Column 3 must agree with Page 7, column 4, line 32)	2970	0	0	245.00
250.00	TOTAL LIABILITIES AND FUND BALANCE (Sum of lines 205 through 245)		0	0	250.00

Health Financial Systems		In Lieu	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### STATEMENT OF CHANGES IN EQUITY

EXTERNALLY RESTRICTED FUNDS			
Plant Replacement and Expansion	Specific	Endowment	
2.00	3.00	4.00	
5 0	0 6,156,836	5 0	1.00
0 0	0 0	0 0	2.00
0 0	0 0	0 0	3.00
0 0	0 0	0 0	4.00
0 0	0 0	0 0	5.00
0 0	0 0	0 0	6.00
5 0	0 6,156,836	6 0	7.00
5			8.00
)			9.00
)			10.00
)			11.00
0	0 0	0 0	12.00
0	0 0	0 0	13.00
0	0 0	0 0	14.00
)			15.00
0 0	0 0	)	16.00
)			17.00
)			18.00
)			19.00
0 0	0 0	0 0	20.00
0 0	0 0	0 0	21.00
0 0	0 0	0 0	22.00
5 0	0 0	0 0	23.00
0 0	0 0	0 0	25.00
0 0	0 0	0 0	26.00
0 0	0 0	0 0	27.00
0 0	0 0	0 0	28.00
0 0	0 0	0 0	29.00
0 0	0 0	0 0	30.00
) 0	0 0	0 0	31.00
1 0	0 6,156,836	6 0	32.00
) ) )		0 0 0 0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0 0 0 0 0

Column 4, line 7 must agree with Page 6, column 4, line 245. \*\* Column 1, line 32 must agree with Page 5.2, column 1, line 180.

Column 2, line 32 must agree with Page 6, column 3, line 45. Column 3, line 32 must agree with Page 6, column 3, line 145. Column 4, line 32 must agree with Page 6, column 3, line 245.

(A) District Facilities - Include Bond Interest and Redemption

Health Financial Systems			In Lieu o	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	Ŷ

### STATEMENT OF INCOME - GENERAL FUND

	DESCRIPTION	Account No.	Current Period	Prior Period	
			1.00	2.00	
-	TH CARE REVENUES	D 4 2 C 144 L 70	( ( 02 702	( 01( 120	5.00
5.00	Gross Routine Services Net Revenue	P.4.2 Col.11 Ln.70 P.4.2 C.11 + C.12 Ln.170	6,682,792 2,274,293	6,216,130 2,655,526	5.00
7.00	Gross Ancillary Services Net Revenue Less: Deductions from Revenue	P.4.2 C.11 + C.12 Ln.1/0 P.4.2 Col.1 Ln.240	926,348	2,655,526 72,811	7.00
15.00	NET PATIENT SERVICE REVENUE	Line 5 + Line 7 - Line 10	8,030,737	8,798,845	
20.00	Other Operating Rev from Health Care Operations	From P.10.2, Line 10	239,681	505,467	20.00
25.00	NET OPERATING REVENUE FROM HLTH CARE OPERATIONS	Lines 15 + 20	8,270,418	9,304,312	
	TH CARE EXPENSES - ROUTINE SERVICES	Lanes 15 + 20	0,270,410	9,304,312	25.00
30.00	Skilled Nursing Care	6110	3,689,643	3,521,431	30.00
35.00	Intermediate Care	6120	0	0	35.00
40.00	Mentally Disordered Care	6130	0	0	40.00
45.00	Developmentally Disabled Care	6140	0	0	45.00
50.00	Sub-Acute Care	6150	0	0	50.00
51.00	Sub-Acute Care-Pediatric	6160	0	0	51.00
53.00	Transitional Inpat Care	6170	0	0	53.00
55.00	Hospice Inpatient Care	6180	0	0	55.00
60.00	Other Routine Services	6190	0	0	60.00
65.00	Total Routine Services	Lines 30 through 60	3,689,643	3,521,431	
	TH CARE EXPENSES - ANCILLARY SERVICES	Lines 56 through 66	3,007,013	3,321,131	05.00
70.00	Patient Supplies	8100	133,752	88,741	70.00
72.00	Specialized Support Surf	8150	0	0	72.00
75.00	Physical Therapy	8200	409,212	480,002	75.00
76.00	Respiratory Therapy	8220	0	0	76.00
77.00	Occupational Therapy	8250	219,847	222,675	77.00
78.00	Speech Therapy	8280	46,502	137,572	
80.00	Pharmacy	8300	109,231	197,161	80.00
85.00	Laboratory	8400	30,545	52,367	85.00
90.00	Home Health Services	8800	0	0	90.00
95.00	Other Ancillary Services	8900	13,691	27,831	95.00
100.00		Lines 70 through 95	962,780	1,206,349	
HEAI	TH CARE EXPENSES - SUPPORT SERVICES				
	Plant Operations and Maintenance	6200	343,682	302,845	105.00
110.00		6300	112,889	128,868	110.00
115.00	Laundry and Linen	6400	105,308	100,098	115.00
120.00	Dietary	6500	719,896	694,221	120.00
125.00	Social Services	6600	152,205	184,620	125.00
130.00	Activities	6700	256,734	244,028	130.00
135.00	Inservice Education - Nursing	6800	69,493	67,524	135.00
140.00	Administration	6900	2,559,337	2,621,720	140.00
145.00	Total Support Services	Lines 105 through 140	4,319,544	4,343,924	145.00
HEAI	TH CARE EXPENSES - PROPERTY EXPENSES				
155.00	Depreciation and Amortization	7110 through 7160	382,698	286,402	155.00
160.00	Leases and Rentals	7200	742	1,318	160.00
165.00	Property Taxes	7300	10,155	9,858	165.00
	Property Insurance	7400	11,172		170.00
	Interest - Property, Plant and Equipment	7500	0	0	175.00
180.00	Total Property Expenses	Lines 155 through 175	404,767	305,695	180.00
HEAI	TH CARE EXPENSES - OTHER EXPENSES		•		
	Interest - Other	7600	24,469	1,084	185.00
190.00	Provision for Bad Debts	7700	61,407	50,980	190.00
195.00	Total Other Expenses	Lines 185 + 190	85,876		195.00
200.00	TOTAL HEALTH CARE EXPENSES	Sum of lines 65, 100, 145, 180, & 195	9,462,610	9,429,463	200.00
205.00	INCOME (LOSS) FROM HEALTH CARE OPERATIONS	Line 25 less line 200	-1,192,192	-125,151	1
210.00	NONHEALTH CARE REVENUE AND EXPENSE, NET *	9100	-1,234,023	982,703	210.00
215.00	INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY	Lines 205 + 210	-2,426,215	857,552	215.00
	ISION FOR INCOME TAXES				
PROV	ISION FOR INCOME TAXES Current	9200	0	0	220.00
<b>PROV</b> 220.00		9200 9200	0		220.00 225.00

8

Health Financial Systems			In Lieu of Fo	orm HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

STATEMENT OF INCOME - GENERAL FUND

	DESCRIPTION	Account No.	Current Period	Prior Period	
			1.00	2.00	
235.00	INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	Lines 215 - 230	-2,426,215	857,552	235.00
EXTR	AORDINARY ITEMS				
240.00	(DESCRIBE)	9300	0	0	240.00
245.00	(DESCRIBE)	9300	0	0	245.00
250.00	Total Extraordinary Items	Lines 240 + 245	0	0	250.00
255.00	NET INCOME (LOSS)	Lines 235 - 250	-2,426,215	857,552	255.00
CHAR	ITY CARE FOOTNOTE				
260.00	Forgone Charges at Established Rates		0	0	260.00
265.00	Total Number of Charity Days		0	0	265.00
* Class	this box if line 210 contains Posidential Povenues and Expanses				

\* Check this box if line 210 contains Residential Revenues and Expenses.

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8

Health Financial Systems		In Lieu	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	Ŷ

#### STATEMENT OF CASH FLOWS - GENERAL FUND

	Current Period	Prior Period	
	1.00	2.00	
ash Flows from Operating Activities and Nonoperating Revenue :			1
00 Net Income (Loss) (Must agree with Page 8, line 255)	-2,426,215	857,552	5.00
djustments to reconcile net income to net cash provided by (used for) operating activities and nonoperating revenue :			
0.00 Depreciation and amortization	1,763,212	0	10.00
5.00 Change in marketable securities	0	0	15.00
Change in accounts and notes receivable, net of allowances for doubtful accounts and contractual adjustments	-372,950	-561,986	20.00
5.00 Change in receivables from third-party payors	0	0	25.00
0.00 Change in other receivables	-217,846	-83,000	30.00
5.00 Change in due from restricted funds	0	0	35.00
0.00 Change in inventory, prepaid expenses and other current assets	1,307,358	-539,571	40.00
5.00 Change in accounts payable	642,969	-257,738	45.00
0.00 Change in accrued compensation and related liabilities	-454,180	275,869	50.00
5.00 Change in other accrued liabilities	27,000	83,000	55.00
0.00 Change in advances from third-party payors	0	0	60.00
5.00 Change in payables to third-party payors	-2,102,210	-783,037	65.00
0.00 Change in due to restricted funds	0	0	70.00
5.00 Change in income taxes payable and other current liabilities	1,122,758	-797,609	75.00
0.00 Change in deferred credits	0	0	80.00
5.00 Change in related party receivables/payables (related to operating activities)	0	0	85.00
0.00 CHANGE IN NET ASSETS	-6,976,767	-7,985,359	90.00
5.00 Total adjustments (Sum of lines 10 through 90)	-5,260,656	-10,649,431	95.00
00.00 Net cash provided by (used for) operating activities (Sum of lines 5 and 95)	-7,686,871	-9,791,879	100.00
Cash Flows from Investing Activities :		•	
05.00 Change in assets whose use is limited	0	-2,803,408	105.00
10.00 Purchase of property, plant, and equipment and increase in construction in progress	0	0	110.00
15.00 OTHER (DESCRIBE)	0	0	115.00
20.00 OTHER (DESCRIBE)	0	0	120.00
25.00 OTHER (DESCRIBE)	0	0	125.00
30.00 OTHER (DESCRIBE)	0	0	130.00
35.00 OTHER (DESCRIBE)	0	0	135.00
40.00 Net cash provided by (used for) investing activities (Sum of lines 105 through 135)	0	-2,803,408	140.00
Cash Flows from Financing Activities :			
45.00 Proceeds from issuance of long-term debt	7,199,221	13,775,620	145.00
50.00 Principal payments on long-term debt	0	0	
55.00 Proceeds from issuance of notes and loans	0	0	155.00
60.00 Principal payments on notes and loans	0	0	160.00
65.00 Dividends paid	0	0	165.00
70.00 Proceeds from issuance of common stock	0	0	170.00
75.00 OTHER (DESCRIBE)	0	0	175.00
80.00 OTHER (DESCRIBE)	0	0	
85.00 OTHER (DESCRIBE)	0	0	
90.00 OTHER (DESCRIBE)	0	0	
95.00 OTHER (DESCRIBE) 95.00 OTHER (DESCRIBE)	0	, v	
00.00 Net cash provided by (used for) financing activities (Sum of lines 145 through 195)	7,199,221	13,775,620	
05.00 Net increase (decrease) in cash (Lines 100 + 140 + 200)	-487,650	1,180,333	
10.00 Cash at beginning of period (Column 1 must agree with column 2, line 215 and Page 5.1, column 2, line 5)	5,914,769	4,734,436	
15.00 Cash at end of period (Lines 205 + 210) (Column 1 must agree with Page 5.1, column 1, line 5)	5,427,119	5,914,769	-

Health Financial Systems		In Lieu of	f Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	1/11/2023 8:31 am LTCIR 45.8.175.1	P

#### EXPENSE TRIAL BALANCE WORKSHEET

				ALL FAC	CILITIES	RESIDENTIAL CARE FACILITIES, ONLY				
	ACCOUNT TITLE	Account No.	Salaries and Wages (1)	Employee Benefits	Other Expenses	Total Expenses (Sum of Cs. 1, 2, 3)	Amounts Directly Assignable: Residential Care	Amounts Directly Assignable: Health Care	Balanced To Be Apportioned [C4 - (C5 + C6)]	
			1.00	2.00	3.00	4.00	5.00	6.00	7.00	
5.00	Plant Operations and Maintenance	6200	278,061	29,290	1,276,103		0		1,583,454	
10.00	Housekeeping	6300	378,789	80,488	60,840		0		520,117	10.00
15.00	Depreciation - Bldgs. & Improvs.	7110-7120			1,763,212		0	-	1,763,212	
20.00	Depreciation - Leasehold Improvs.	7130			0	0	0		0	
25.00	Depreciation - Equipment	7140			0	0	0		0	
30.00	Depreciation & Amortization - Other	7150-7160			0	0	0		0	00.00
35.00	Leases and Rentals	7200			3,418		0		3,418	
40.00	Property Taxes	7300			46,788		0		46,788	
45.00	Property Insurance	7400			51,475		0		51,475	45.00
50.00	Interest - Property, Plant & Equip.	7500			0	0	0		0	50.00
55.00	Interest - Other	7600			112,736		0		112,736	
60.00	Laundry and Linen	6400	39,914	3,901	125,495	169,310	0	0	169,310	60.00
65.00	Dietary	6500	907,576	171,922	659,751	1,739,249	0	0	1,739,249	65.00
70.00	Provision for Bad Debts	7700			282,921	282,921	0	0	282,921	70.00
ANCI	LLARY SERVICES									
75.00	Patient Supplies	8100	0	0	133,752	133,752		133,752		75.00
77.00	Specialized Support Surf	8150	0	0	0	0		0		77.00
80.00	Physical Therapy	8200	0	0	409,212	409,212		409,212		80.00
81.00	Respiratory Therapy	8220	0	0	0	0		0		81.00
82.00	Occupational Therapy	8250	0	0	219,847	219,847		219,847		82.00
83.00	Speech Therapy	8280	0	0	46,502	46,502		46,502		83.00
85.00	Pharmacy	8300	0	0	109,231	109,231		109,231		85.00
90.00	Laboratory	8400	0	0	30,545	30,545		30,545		90.00
95.00	Home Health Services	8800	0	0	0	0		0		95.00
100.00	Other Ancillary Services	8900	0	0	13,691	13,691		13,691		100.00
ROU	INE SERVICES									
105.00	Skilled Nursing Care	6110	2,465,137	429,754	794,752	3,689,643		3,689,643		105.00
110.00	Intermediate Care	6120	0	0	0	0		0		110.00
115.00	Mentally Disordered Care	6130	0	0	0	0		0		115.00
120.00	Developmentally Disabled Care	6140	0	0	0	0		0		120.00
125.00	Sub-Acute Care	6150	0	0	0	0		0		125.00
126.00	Sub-Acute Care-Pediatric	6160	0	0	0	0		0		126.00
128.00	Transitional Inpat Care	6170	0	0	0	0		0		128.00
130.00	Hospice Inpatient Care	6180	0	0	0	0		0		130.00
135.00	Other Routine Services	6190	0	0	0	0		0		135.00
140.00	Beauty and Barber **									140.00
145.00	Other Nonreimbursable***									145.00
150.00	Subtotal (Lines 5 through 145)					10,925,103	0			150.00
155.00	Social Services	6600	217,193	37,380	4,244		0	0	258,817	
160.00	Activities	6700	353,597	46,346	36,620		0	0	436,563	
165.00	Administration	6900	1,087,224	115,608	3,149,182		0	0	4,352,014	
170.00	Inservice Education - Nursing	6800	109,818	8,351	0	118,169	0	0	118,169	
	Total (See Instructions)		5,837,309	923,040	9,330,317		0		11,438,243	
175.00			,,	-,- ,•	,,	,,		,,	,,	
175.00										
175.00 SUPP	EMENTAL EXPENSE INFORMATION Raw Food Costs (Included in column 3, line 65)				527,111					180.00
175.00 SUPP 180.00	LEMENTAL EXPENSE INFORMATION			37,050	527,111					180.00 185.00

Column 1, lines 5 through 175 includes only Productive Salaries and Wages. Compensation for time off must be included in column 2, lines 5 through 175.
 Beauty and Barber must be included in Other Ancillary Services (line 100) through column 10 and then reclassified to line 140 in column 13.

\*\*\* All Other non-reimbursable expenses must be included in appropriate cost centers through column 10 and then reclassified to line 145 in column 13.

Health Financial Systems	In Lieu o	f Form HCAI-LTCIR	
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	 1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### EXPENSE TRIAL BALANCE WORKSHEET

				TIAL CARE ES, ONLY	P	ALL FACILITIES M			PROVIDERS, NLY	
	ACCOUNT TITLE	Account No.	Apportionmen t Factor For Residential Care Portion*	Amounts Apportioned To residential Care (C7 X C8)	Total Health Care Portion [C4 - (C5 + C9)]	Adjustments for Other Operating Revenue (From P 10.2)	Adjusted Direct Expenses (C10 - C11)	Adjustments to Expenses for Medi-Cal (From P 10.3)	Adjusted Trial Balance for Medi-Cal (C10 + C13)	
			8.00	9.00	10.00	11.00	12.00	13.00	14.00	
5.00	Plant Operations and Maintenance	6200	0.782954	1,239,772	343,682	0	343,682	38,999	382,681	5.00
10.00	Housekeeping	6300	0.782954	407,228	112,889		,	0	112,889	10.00
15.00	Depreciation - Bldgs. & Improvs.	7110-7120	0.782954	1,380,514	382,698	0	382,698	-31,189	351,509	15.00
20.00	Depreciation - Leasehold Improvs.	7130	0.000000	0	0	0				20.00
25.00	Depreciation - Equipment	7140	0.000000	0	0	0	0	31,189	31,189	25.00
30.00	Depreciation & Amortization - Other	7150-7160	0.000000	0	0	0			0	30.00
35.00	Leases and Rentals	7200	0.782954	2,676	742	0	742	0	742	35.00
40.00	Property Taxes	7300	0.782954	36,633	10,155	0	10,155	0	10,155	40.00
45.00	Property Insurance	7400	0.782954	40,303	11,172	0	11,172	0	11,172	45.00
50.00	Interest - Property, Plant & Equip.	7500	0.000000	0	0	0	0	0	0	50.00
55.00	Interest - Other	7600	0.782954	88,267	24,469	0	24,469	-24,469	0	55.00
60.00	Laundry and Linen	6400	0.378016	64,002	105,308	0	105,308	0	105,308	60.00
65.00	Dietary	6500	0.586088	1,019,353	719,896	0	719,896	46,115	766,011	65.00
70.00	Provision for Bad Debts	7700	0.782954	221,514	61,407	0	61,407	-61,407	0	70.00
ANCI	LLARY SERVICES									
75.00	Patient Supplies	8100			133,752	64,671	69,081	0	133,752	75.00
77.00	Specialized Support Surf	8150			0	0	0	0	0	77.00
80.00	Physical Therapy	8200			409,212	0	409,212	0	409,212	80.00
81.00	Respiratory Therapy	8220			0	0	0	0	0	81.00
82.00	Occupational Therapy	8250			219,847	0	219,847	0	219,847	82.00
83.00	Speech Therapy	8280			46,502	0	46,502	0	46,502	83.00
85.00	Pharmacy	8300			109,231	0	109,231	0	109,231	85.00
90.00	Laboratory	8400			30,545	0	30,545	0	30,545	90.00
95.00	Home Health Services	8800			0	0	0	0	0	95.00
100.00	Other Ancillary Services	8900			13,691	0	13,691	-661	13,030	100.00
ROUT	TINE SERVICES					•				
105.00	Skilled Nursing Care	6110			3,689,643	0	3,689,643	193,045	3,882,688	105.00
110.00	Intermediate Care	6120			0	0	0	0	0	110.00
115.00	Mentally Disordered Care	6130			0	0	0	0	0	115.00
120.00	Developmentally Disabled Care	6140			0	0	0	0	0	120.00
125.00	Sub-Acute Care	6150			0	0	0	0	0	125.00
126.00	Sub-Acute Care-Pediatric	6160			0	0	0	0	0	126.00
128.00	Transitional Inpat Care	6170			0	0	0	0	0	128.00
	Hospice Inpatient Care	6180			0	0	0	0	0	130.00
135.00		6190			0	0	0	0	0	135.00
140.00	Beauty and Barber **							661	661	
145.00	Other Nonreimbursable***							160,153	160,153	145.00
	Subtotal (Lines 5 through 145)			4,500,262				,		150.00
	Social Services	6600	0.411919	106,612	152,205	0	152,205	0	152,205	
155.00		6700	0.411919	179,829	256,734			-368	256,366	
	Activities			1,7,027			,			
160.00	Activities Administration		0.411919	1,792,677	2,559.337	1 1/5.010	2,384.327	1.505.15/	4,062.474	
160.00 165.00	Administration	6900	0.411919	1,792,677 48,676	2,559,337			1,503,137	4,062,474	
160.00 165.00 170.00	Administration Inservice Education - Nursing		0.411919 0.411919	48,676	69,493	0	69,493	0	69,493	170.00
160.00 165.00 170.00 175.00	Administration Inservice Education - Nursing Total (See Instructions)	6900				0	69,493	0	69,493	170.00
160.00 165.00 170.00 175.00 <b>SUPPI</b>	Administration Inservice Education - Nursing Total (See Instructions) LEMENTAL EXPENSE INFORMATION	6900		48,676	69,493	0	69,493	0	69,493	170.00 175.00
160.00 165.00 170.00 175.00 <b>SUPPI</b> 180.00	Administration Inservice Education - Nursing Total (See Instructions)	6900		48,676	69,493	0	69,493	0	69,493	170.00

Column 1, lines 5 through 175 includes only Productive Salaries and Wages. Compensation for time off must be included in column 2, lines 5 through 175.
 Beauty and Barber must be included in Other Ancillary Services (line 100) through column 10 and then reclassified to line 140 in column 13.
 All Other non-reimbursable expenses must be included in appropriate cost centers through column 10 and then reclassified to line 145 in column 13.

Health Financial Systems		In Lieu of F	orm HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	 1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

## ADJUSTMENTS TO TRIAL BALANCE EXPENSES FOR OTHER OPERATING REVENUE OFFSET

	DESCRIPTION	Account No.	Amount *	Page 10.1 Trial Balance Line No.	
			1.00	2.00	
5.00	Vending Machine Commissions	5710	0	5	5.00
10.00	Laundry and Linen Revenue	5720	0	60	10.00
15.00	Social Services Fees	5730	0	155	15.00
20.00	Donated Supplies	5740	0	165	20.00
25.00	Telephone Revenue	5750	0	165	25.00
30.00	Transfers from Restricted Funds For Operating Expenses	5760	0	165	30.00
35.00	Nonpatient Food Sales	5770	0	65	35.00
40.00	Television / Radio Charges	5780	0	5	40.00
45.00	Parking Revenue	5790	0	5	45.00
50.00	Rebates and Refunds on Expenses	5800	0	65	50.00
55.00	Nonpatient Room Rentals	5810	0		55.00
60.00	Nonpatient Drug Sales	5820	0	85	60.00
65.00	Nonpatient Supplies Sales	5830	0	75	65.00
70.00	Medical Records and Abstract Sales	5840	0	165	70.00
75.00	Cash Discounts on Purchases	5850	0		75.00
80.00	Sale of Scrap and Waste	5860	0		80.00
85.00	OTHER OPERATING INCOME	5990	175,010	165	85.00
90.00	ROUTINE SUPPLIES	5990	64,671	75	90.00
95.00	(DESCRIBE)		0		95.00
100.00	Total (Sum lines 5 through 95) (Must agree with Page 8, line 20)		239,681		100.00

\* Transfer amounts in column 1 to Page 10.1(3), column 11, line number indiciated in column 2

CHFC 7041 D-2 & MC530 (12-00)

Health Financial Systems			In Lieu of	Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	Ŷ

# ADJUSTMENTS TO TRIAL BALANCE EXPENSES (Medi-Cal Providers Only)

	DESCRIPTION	Page 10.1 Line No.	Basis *	Adj Amt Inc/(Dec)	Health Care Portion	Evaluation of Adjustment	
	1.00	2.00	3.00	4.00	5.00	Explanation of Adjustment 6.00	+
5.00	Depreciation (excess of Straight Line)	2.00	5.00	4.00			5.00
	Education (Nursing, etc.)			0	0		10.00
	Employee and Guest Meals			0	0		15.00
20.00	Gift, Flower and Coffee Shops			0	0		20.00
25.00	Grants, Gifts, and Donations			0	0		25.00
30.00	Inpatient Utilization Review			0	0		30.00
35.00	Interest Earned on Unrestricted Funds			0	0		35.00
40.00	Laundry and Linen Service (Non-Patient)			0	0		40.00
45.00	Nonallowable Costs Related to Certain Capital Expenditures			0	0		45.00
	Parking Lot			0	0		50.00
	Payments Received From Specialists			0	0		55.00
	Radio and Television Service	5	А	-61,674	-13,385	SNF APPORTIONED	60.00
	Rebates and Refunds of Expenses			0	0		65.00
	Recovery and Insured Loss			0	0		70.00
	Bad Debts	70	А	-282,921	-61,407	SNF APPORTIONED	75.00
	Rental of Space			0	0		80.00
	Rental of Quarters to Employees and Others			0			85.00
	Sale of Drugs to Other than Patients			0	0		90.00
	Sale of Medical Records and Abstracts			0	0		95.00
	Sale of Medical and Surgical Supplies to Other than Patients			0	-		100.00
	Sale of Scrap, Waste, etc.			0	0		105.00
	Telephone Service			0	0		110.00
	Trade, Quantity, Time and Other Discounts on Purchases			0	0		115.00
	Vending Machine Commissions			0	0		120.00
	Owner Compensation Adjustment			0	0		125.00
	Travel and Entertainment (Nonallowable)			0	0		130.00
	Revaluation Depreciation and Interest **	15		0	0		135.00
	DEPRECIATION - BUILDING	15 25	A	-143,697 143,697	· · · · · ·	RECLASS & SNF APPORTIONED RECLASS & SNF APPORTIONED	140.00
	DEPRECIATION - EQUIPMENT MARKETING - WAGES	165	A	-98,783	-58,093		141.00
	MARKETING - WAGES MARKETING - BENEFITS	165	А	-98,785	· · · · · · · · · · · · · · · · · · ·	SNF APPORTIONED	142.00
	MARKETING - DENEFTIS MARKETING - OTHER	165	А	-10,271	· · · · · ·	SNF APPORTIONED	143.00
	FLOWERS AND MEMORIALS	165	A	-3,289	· · · · · ·	SNF APPORTIONED	145.00
	LATE FEES	165	A	-2,269	· · · · · ·	SNF APPORTIONED	146.00
	LOST/DAMAGED CLAIMS	165	A	-1,595		SNF APPORTIONED	147.00
	INTEREST EXPENSE	55	A	-112,736		SNF APPORTIONED	148.00
	SALES & USE TAX	165	A	-963		SNF APPORTIONED	149.00
	MISCELLANEOUS EXPENSE	165	А	-2,948	-1,733		150.00
	MISCELLANEOUS REVENUE	165	В	-7,347		SNF APPORTIONED	151.00
	MARKETING - WAGES	145	А	98,783	· · · · · ·	SNF APPORTIONED	152.00
	MARKETING - BENEFITS	145	А	18,271	,	SNF APPORTIONED	153.00
154.00	MARKETING - OTHER	145	А	155,276		SNF APPORTIONED	154.00
155.00	TRAVEL COSTS	65	А	-89	-37	SNF APPORTIONED	155.00
156.00	TRAVEL COSTS	105	А	-1,103	-1,103	SNF APPORTIONED	156.00
157.00	TRAVEL COSTS	160	А	-626	-368	SNF APPORTIONED	157.00
158.00	TRAVEL COSTS	165	А	-695	-409	SNF APPORTIONED	158.00
159.00	OTHER (SPECIFY)			0	0		159.00
160.00	OTHER (SPECIFY)			0	0		160.00
161.00	OTHER (SPECIFY)			0	0		161.00
	OTHER (SPECIFY)			0	0		162.00
163.00	OTHER (SPECIFY)			0			163.00
	OTHER (SPECIFY)			0	0		164.00
	OTHER (SPECIFY)			0	0		165.00
	OTHER (SPECIFY)			0	0		166.00
	OTHER (SPECIFY)			0			167.00
	OTHER (SPECIFY)			0	-		168.00
	OTHER (SPECIFY)			0			169.00
170.00	OTHER (SPECIFY)			0	0		170.00

Health Financial Systems	In Lieu o	of Form HCAI-LTCIR		
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022		1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

# ADJUSTMENTS TO TRIAL BALANCE EXPENSES (Medi-Cal Providers Only)

	DESCRIPTION	Page 10.1 Line No.	Basis *	Adj Amt Inc/(Dec)	Health Care Portion	Explanation of Adjustment	
	1.00	2.00	3.00	4.00	5.00	6.00	
171.00	OTHER (SPECIFY)			0	0		171.00
	OTHER (SPECIFY)			0	0		172.00
173.00	OTHER (SPECIFY)			0	0		173.00
174.00	OTHER (SPECIFY)			0	0		174.00
175.00	OTHER (SPECIFY)			0	0		175.00
176.00	OTHER (SPECIFY)			0	0		176.00
177.00	OTHER (SPECIFY)			0	0		177.00
178.00	OTHER (SPECIFY)			0	0		178.00
179.00	OTHER (SPECIFY)			0	0		179.00
180.00	OTHER (SPECIFY)			0	0		180.00
181.00	OTHER (SPECIFY)			0	0		181.00
182.00	OTHER (SPECIFY)			0	0		182.00
183.00	OTHER (SPECIFY)			0	0		183.00
184.00	OTHER (SPECIFY)			0	0		184.00
185.00	OTHER (SPECIFY)			0	0		185.00
NON	REIMBURSABLE COST CENTERS:						
190.00	Fund Raising			0	0		190.00
195.00	Research			0	0		195.00
200.00	Beauty and Barber	100	А	-661	-661	RECLASS	200.00
205.00	BEAUTY AND BARBER	140	А	661	661	RECLASS	205.00
206.00	OTHER (SPECIFY)			0	0		206.00
207.00	OTHER (SPECIFY)			0	0		207.00
208.00	OTHER (SPECIFY)			0	0		208.00
209.00	OTHER (SPECIFY)			0	0		209.00
210.00	OTHER (SPECIFY)			0	0		210.00
211.00	OTHER (SPECIFY)			0	0		211.00
212.00	OTHER (SPECIFY)			0	0		212.00
213.00	OTHER (SPECIFY)			0	0		213.00
220.00	TOTAL (Combines lines 005 through 213)			-478,255	-112,004		220.00

\* Basis: A - Cost

B - Amount Received

\*\* Depreciation and interest expense related to the revaluation of assets due to change in ownership on or after July 18, 1984.

Health Financial Systems		In Lieu of I	Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### RELATED PARTY INFORMATION

	If the facil	ity had transactions with related parties during the r	eport period, complete the following inform	mation:		
	Name of Related Party *	Street (Number and Name)	City	State	Zip Code	
	1.00	2.00	3.00	4.00	5.00	
1.00						1.00
2.00						2.00
3.00						3.00
4.00						4.00
5.00						5.00
6.00						6.00
7.00						7.00
8.00						8.00
9.00						9.00
10.00						10.00
11.00						11.00
12.00						12.00
13.00						13.00
14.00						14.00
15.00						15.00
16.00						16.00
17.00						17.00
18.00						18.00
19.00						19.00
20.00						20.00

\* If the related party received compensation from the facility, it must be reported on Page 10.4(3).

10.4(1)

Health Financial Systems	In Lieu of Form HCAI-LTCIR				
Facility D.B.A. Name:	Report Peri			1/11/2023 8:31 am	
MERCY RETIREMENT AND CARE CENTER	End: 06/3	30/2022	MCRIF32:	LTCIR	
			Version:	45.8.175.1	

## ADJUSTMENTS TO TRIAL BALANCE EXPENSES AND RELATED PARTY TRANSACTIONS

Instruct Relates by series         Series <th></th> <th></th> <th></th> <th></th> <th></th> <th>rovides ervices to ted Parties</th> <th></th> <th></th> <th></th> <th>Medi</th> <th>-Cal Providers, (</th> <th>Only</th> <th></th>						rovides ervices to ted Parties				Medi	-Cal Providers, (	Only	
Nom         LUBRE CARE ALLIANCE         ()         MAXA CEMISE THE         No         ()         12.2131         C.118         2.2178         12.2927         32.09         32.00           NOM         ()         NS         ()         S         15.350         22.111         12.103         23.08         32.01         12.1124         23.01         32.01         12.1124         23.01         12.1124         23.01         12.1124         23.01         12.1124         23.01         12.1124         23.01         12.1124         23.01         12.1124         23.01         12.1124         23.01         13		(Individual or Entity) (*)	Providing Goods/Svcs	Received			Line No.	Amount	Portion of Transaction	Adjustment	Portion of Adjustment	Claimed	
3100     DIDEK CARK HALLANCE     (1)     (N)     (1) </td <td>20.00</td> <td></td> <td>20.00</td>	20.00												20.00
1200         CLUPRE CARE ALLIANCE         0         INTPRE ALL ANCE         0         100         10000         101400         10410         10400         10400         10400         10400         10400         10000         10000         10000         10000         10000         10000         10000         100000         100000         100000         100000         100000         100000         100000         100000         100000         1000000         1000000         1000000         1000000         100000000         1000000000000000000000000000000000000	-								· · · · · · · · · · · · · · · · · · ·				
10.00     IDJPR CAR: ALLANCE     00     NN     00     105     -197,000     194,145     1										-			
1000LDUBLACALLANCY0NoNo05027,7007,1099,8997,30950.00500<									· · · · · · · · · · · · · · · · · · ·	-			
300									· · · · · · · · · · · · · · · · · · ·				
500		ELDER CARE ALLIANCE			No			· · · · · · · · · · · · · · · · · · ·					
170       0			- ·										
38.000	-		-										
900     0<			÷			-			-	-	-		
000			-							-	-		
11000 <t< td=""><td></td><td></td><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>-</td><td></td><td></td></t<>			-								-		
12000 <t< td=""><td></td><td></td><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>			-										
330       0       0       0       0       0       0       440         440       0       0       0       0       0       0       440         450       0			-			-			-	-	-		
H40       0       0       0       0       0       0       450         550       0			-			-				-	-		
550         0			-										
1600       0       0       0       0       0       0       0       0         4700       0			-										
17.00       0 <td></td> <td></td> <td>-</td> <td></td> <td></td> <td>-</td> <td></td> <td></td> <td>-</td> <td></td> <td>-</td> <td></td> <td></td>			-			-			-		-		
88.0         0			0			0				0	0		
900 <td></td> <td></td> <td>0</td> <td></td> <td></td> <td>0</td> <td></td> <td>0</td> <td></td> <td>0</td> <td>0</td> <td></td> <td></td>			0			0		0		0	0		
500         0			0			0		0		0	0		
520         0         0         0         0         0         0         0         0         52.00           53.00         0 <td< td=""><td></td><td></td><td>0</td><td></td><td></td><td>0</td><td></td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td></td></td<>			0			0		0	0	0	0	0	
53.00         0 <td>51.00</td> <td></td> <td>0</td> <td></td> <td></td> <td>0</td> <td></td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>51.00</td>	51.00		0			0		0	0	0	0	0	51.00
5400         0	52.00		0			0		0	0	0	0	0	52.00
55.00         0         0         0         0         0         0         0         0         55.00           56.00         <	53.00		0			0		0	0	0	0	0	53.00
56.00         0 <td>54.00</td> <td></td> <td>0</td> <td></td> <td></td> <td>0</td> <td></td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>54.00</td>	54.00		0			0		0	0	0	0	0	54.00
57.00         0         0         0         0         0         0         0         0         0         0         0         0         0         57.00         0	55.00		0			0		0	0	0	0	0	55.00
58.00         0 <td>56.00</td> <td></td> <td>0</td> <td></td> <td></td> <td>0</td> <td></td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>56.00</td>	56.00		0			0		0	0	0	0	0	56.00
59.00         0 <td>57.00</td> <td></td> <td>0</td> <td></td> <td></td> <td>0</td> <td></td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>57.00</td>	57.00		0			0		0	0	0	0	0	57.00
60.00         0 <td>58.00</td> <td></td> <td>0</td> <td></td> <td></td> <td>0</td> <td></td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td></td>	58.00		0			0		0	0	0	0	0	
61.00         0 <td>59.00</td> <td></td> <td>0</td> <td></td> <td></td> <td>0</td> <td></td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>59.00</td>	59.00		0			0		0	0	0	0	0	59.00
62.00         0 <td>60.00</td> <td></td> <td>0</td> <td>1</td> <td></td> <td>0</td> <td></td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td></td> <td>60.00</td>	60.00		0	1		0		0	0	0	0		60.00
63.00         0 <td></td> <td></td> <td>-</td> <td></td> <td></td> <td>-</td> <td></td> <td></td> <td></td> <td></td> <td>-</td> <td></td> <td></td>			-			-					-		
64.00         0 <td></td> <td></td> <td>-</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>-</td> <td>-</td> <td></td> <td></td>			-							-	-		
55.0         0			-										
66.00         0 <td></td> <td></td> <td>-</td> <td></td> <td></td> <td>-</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>			-			-							
67.00         0         0         0         0         0         0         67.00           68.00         <			-			-				-	-		
68.00         0         0         0         0         0         0         0         68.00           69.00         <			-			-				-	-	÷	
69.00000000069.0070.00000000070.0071.000000000071.0072.000000000072.0073.000000000073.0074.000000000074.0075.000000000074.0076.0000000000075.0076.0000000000075.0077.0000000000075.0078.0000000000075.0078.0000000000075.0078.0000000000075.0078.00000000000075.0078.0000000000000000000000000000000000 <t< td=""><td>-</td><td></td><td>0</td><td></td><td></td><td>0</td><td></td><td>0</td><td></td><td>0</td><td>-</td><td></td><td></td></t<>	-		0			0		0		0	-		
70.000000070.0071.0000000071.0072.00000000072.0073.00000000073.0074.00000000074.0075.00000000075.0076.00000000075.0076.00000000076.0077.00000000076.0078.00000000078.0079.000000000079.0080.0000000000080.0081.0000000000000082.000 <td< td=""><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	-												
71.00         0         0         0         0         0         0         71.00           72.00         0         0         0         0         0         0         0         72.00           73.00         0         0         0         0         0         0         0         0         73.00           74.00         0         0         0         0         0         0         0         0         73.00           74.00         0         0         0         0         0         0         0         0         0         73.00           75.00         0         0         0         0         0         0         0         0         74.00           75.00         0         0         0         0         0         0         0         75.00           76.00         0         0         0         0         0         0         0         75.00           78.00         0         0         0         0         0         0         0         78.00           79.00         0         0         0         0         0         0         0         0			-						-	-			
72.00         0         0         0         0         0         72.00           73.00         0         0         0         0         0         0         0         73.00           74.00         0         0         0         0         0         0         0         73.00           74.00         0         0         0         0         0         0         0         74.00           75.00         0         0         0         0         0         0         0         0         74.00           76.00         0         0         0         0         0         0         0         0         0         0         0         75.00           76.00         0         0         0         0         0         0         0         76.00         76.00         76.00         76.00         76.00         77.00         77.00         0         0         0         77.00         78.00         78.00         78.00         78.00         78.00         79.00         79.00         79.00         79.00         79.00         79.00         79.00         79.00         79.00         79.00         79.00         79.00	-												
73.00         0         0         0         0         0         73.00           74.00         0         0         0         0         0         0         0         74.00           75.00         0         0         0         0         0         0         0         74.00           75.00         0         0         0         0         0         0         0         75.00           76.00         0         0         0         0         0         0         0         0         75.00           76.00         0         0         0         0         0         0         0         0         75.00           77.00         0         0         0         0         0         0         0         77.00           78.00         0         0         0         0         0         0         0         78.00           79.00         0         0         0         0         0         0         0         0         79.00           80.00         0         0         0         0         0         0         0         0         0         0         0	-		-										
74.00         0         0         0         0         0         74.00           75.00         0         0         0         0         0         0         0         75.00           76.00         0         0         0         0         0         0         0         75.00           76.00         0         0         0         0         0         0         0         76.00           77.00         0         0         0         0         0         0         0         77.00           78.00         0         0         0         0         0         0         0         78.00           79.00         0         0         0         0         0         0         0         78.00           79.00         0         0         0         0         0         0         0         78.00           79.00         0         0         0         0         0         0         0         79.00           80.00         0         0         0         0         0         0         0         0         80.00           81.00         0         0         0	-		-										
75.00         0         0         0         0         0         75.00           76.00         0         0         0         0         0         0         76.00         76.00         76.00         0         0         0         76.00			-							-	-		
76.00         0         0         0         0         0         76.00         76.00         0         0         0         76.00         0         0         0         0         76.00         0         0         0         0         77.00         0         0         0         0         0         77.00         77.00         0         0         0         0         0         77.00         77.00         0         0         0         0         77.00         0         0         0         77.00         77.00         0         0         0         77.00         77.00         0         0         0         77.00         77.00         0         0         0         77.00         77.00         77.00         77.00         0         0         77.00			-							-	-		
77.00         0         0         0         0         0         77.00           78.00         0         0         0         0         0         0         78.00           79.00         0         0         0         0         0         0         0         78.00           79.00         0         0         0         0         0         0         0         79.00           80.00         0         0         0         0         0         0         0         79.00           81.00         0         0         0         0         0         0         0         0         79.00           82.00         0         0         0         0         0         0         0         0         0         80.00           82.00         0         0         0         0         0         0         0         0         0         82.00													
78.00         0         0         0         0         0         78.00           79.00         0         0         0         0         0         0         79.00           80.00         0         0         0         0         0         0         0         79.00           81.00         0         0         0         0         0         0         0         0         80.00           82.00         0         0         0         0         0         0         0         0         82.00			-										
79.00         0         0         0         0         0         79.00           80.00         0         0         0         0         0         0         79.00           80.00         0         0         0         0         0         0         80.00           81.00         0         0         0         0         0         0         0         81.00           82.00         0         0         0         0         0         0         0         0         82.00			-								-		
80.00         0         0         0         0         0         80.00           81.00         0         0         0         0         0         0         0         80.00           82.00         0         0         0         0         0         0         0         0         80.00			-								-		
81.00         0 <td></td> <td></td> <td>-</td> <td></td>			-										
82.00 0 0 0 0 0 0 0 <b>0</b> 82.00			0										
	-		0			0		0	0	0	0		
			0			0		0	0	0	0	0	83.00

10.4(2)

Facility D.B.A. Name: Report Period Run Date Time: 1/11/2023 8:31 am	Health Financial Systems			In Lieu of I	Form HCAI-LTCIR
MERCY RETIREMENT AND CARE CENTER End: 06/30/2022 MCRIF32: LTCIR Version: 45.8.175.1		1	MCRIF32:	LTCIR	

# ADJUSTMENTS TO TRIAL BALANCE EXPENSES AND RELATED PARTY TRANSACTIONS

	Also Provides Medi-Cal Providers, Only											
				Goods/Services to					incen carrioviders, only		Jilly	
				Non-Kela	Non-Related Parties							
		# of Ind.						Healthcare		Healthcare		
	Name of Related Party (Individual or Entity) (*)	Providing Goods/Svcs	Description of Goods/Services Received	Yes/No	%	Page 10.1 Line No.	Transaction Amount	Portion of Transaction	Amount of Adjustment	Portion of Adjustment	Amount Claimed	
	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	
84.00		0			0		0	0	0	0	0	84.00
85.00		0			0		0	0	0	0	0	85.00
86.00		0			0		0	0	0	0	0	86.00
87.00		0			0		0	0	0	0	0	87.00
88.00		0			0		0	0	0	0	0	88.00
89.00		0			0		0	0	0	0	0	89.00
90.00		0			0		0	0	0	0	0	90.00
91.00		0			0		0	0	0	0	0	91.00
92.00		0			0		0	0	0	0	0	92.00
93.00		0			0		0	0	0	0	0	93.00
94.00		0			0		0	0	0	0	0	94.00
95.00		0			0		0	0	0	0	0	95.00
96.00		0			0		0	0	0	0	0	96.00
97.00		0			0		0	0	0	0	0	97.00
98.00		0			0		0	0	0	0	0	98.00
99.00		0			0		0	0	0	0	0	99.00
100.00	TOTAL ADJUSTMENTS						-1,905,731	-1,104,446	3,394,437	1,967,209	862,763	100.00

\* Disclosure must also be complete on Pages 10.4 and 10.4(2), as applicable.

10.4(2)

	ГCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTERReport Period End: 06/30/2022Run Date Time: MCRIF32: Version:1/11/2023 8:31 am LTCIR 45.8.175.1	

# SALARY INFORMATION FOR OWNERS/OPERATORS, RELATED PARTIES (\*) ADMINISTRATORS, ASSISTANT ADMINISTRATORS AND BOARD MEMBERS

10.4(3)

		1	[				
	Name of Individual	Salary Paid (From Page 10.1, Col. 1)	Benefits Paid (From Page 10.1, Col. 2)	Other Payments (From Page 10.1, Col. 3)	Description of Goods/Services Provided	Total Hours 10.1 Line Worked (Weekly) No.	
	1.00	2.00	3.00	4.00	5.00	6.00 7.00	
SECTI	ON I - OWNERS/OPERATORS/RELATIVE	S					
110.00		0	0	0		0	110.00
111.00		0	0	0		0	111.00
112.00		0	0	0		0	112.00
113.00		0	0	0		0	113.00
114.00		0	0	0		0	114.00
SECTI	ON II - RELATED PARTY OWNERS/OPER	ATORS EMP	LOYED AT T	HE FACILITY			
120.00		0	0	0		0	120.00
121.00		0	0	0		0	121.00
122.00		0	0	0		0	122.00
123.00		0	0	0		0	123.00
124.00		0	0	0		0	124.00
125.00		0	0	0		0	125.00
126.00		0	0	0		0	126.00
127.00		0	0	0		0	127.00
128.00		0	0	0		0	128.00
129.00		0	0	0		0	129.00
130.00		0	0	0		0	130.00
131.00		0	0	0		0	131.00
SECTI	ON III - ADMINISTRATORS (**)	•	•				
140.00	TAMRA TSANOS	141,367	62,425	0		40 165	140.00
141.00		0	0	0		0	141.00
142.00		0	0	0		0	142.00
143.00		0	0	0		0	143.00
SECTI	ON IV - ASSISTANT ADMINISTRATORS (**	*)					
145.00		0	0	0		0	145.00
146.00		0	0	0		0	146.00
147.00		0	0	0		0	147.00
148.00		0	0	0		0	148.00
SECTI	ON V - BOARD MEMBERS						
150.00		0	0	0			150.00
151.00		0	0	0			151.00
152.00		0	0	0			152.00
153.00		0	0	0			153.00
154.00		0	0	0			154.00
_			•				

(\*) No allowance for salaries will be considered unless full information is provided. Use additional sheets if required.
 (\*\*) If more than one Administrator is reported, include dates of employment for each.

Health Financial Systems			In Lieu of	f Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### EXPENSE TRIAL BALANCE WORKSHEET (Medi-Cal Providers, Only)

			Based on A	djusted Trial Ba	alance for Medi-	Cal (Page 10.1,	column 14)	
	ACCOUNT TITLE	Account Number	Salaries and Wages	Employee Benefits	Staffing Agency Cost	Other Non-Labor Expenses	Total Expenses (Sum of Cs. 1-4)	
			1.00	2.00	3.00	4.00	5.00	
5.00	Plant Operations and Maintenance	6200	60,352	6,357	0	315,972	382,681	
10.00	Housekeeping	6300	82,215	17,470	0	13,204	112,889	
15.00	Depreciation - Bldgs. & Improvs.	7110-7120				351,509	351,509	
20.00	Depreciation - Leasehold Improvs.	7130				0	0	
25.00	Depreciation - Equipment	7140				31,189	31,189	
30.00	Depreciation & Amortization - Other	7150-7160				0	0	30.00
35.00	Leases and Rentals	7200				742	742	
40.00	Property Taxes	7300				10,155	10,155	
45.00	Property Insurance	7400				11,172	11,172	
50.00	Interest - Property, Plant & Equip.	7500				0	0	
55.00	Interest - Other	7600	24.024	2.124		0	0	
60.00	Laundry and Linen	6400	24,826	2,426	0	78,056	105,308	
65.00	Dietary	6500	375,657	71,160	0	319,194	766,011	
70.00	Provision for Bad Debts	7700				0	0	70.00
	LLARY SERVICES	0100	0	0	0	122 750	122 550	75.00
75.00	Patient Supplies	8100	0	0	0	133,752	133,752	-
77.00	Specialized Support Surf	8150	0	0	0	0	0	
80.00	Physical Therapy	8200		0	0	409,212	409,212	-
81.00	Respiratory Therapy	8220	0	0	0	210.947	210.947	
82.00	Occupational Therapy	8250		0		219,847	219,847	
83.00 85.00	Speech Therapy	8280	0	0	0	46,502	46,502	-
	Pharmacy Laboratory	8300				109,231	109,231	-
90.00 95.00	Laboratory	8400 8800	0	0	0	30,545	30,545	-
	Home Health Services	8900	0	0	0		13,030	
-	Other Ancillary Services	8900	0	0	0	13,030	15,050	
-	Sub-Acute Ancillary Services *	8100-8900	0	0	0	0		101.00
	Sub-Acute - Pediatric Ancillary Services * 'INE SERVICES	8100-8900	0	0	0	0	0	102.00
	Skilled Nursing Care	6110	2,465,137	429,754	230,390	757,407	3,882,688	105.00
110.00	Intermediate Care	6120	2,403,137	429,734	230,390	0		110.00
	Mentally Disordered Care	6130	0	0	0	0		115.00
-	Developmentally Disabled Care	6140	0	0	0	0		120.00
125.00	Sub-Acute Care	6150	0	0	0	0		125.00
125.00	Sub-Acute Care-Pediatric	6160	0	0	0	0		126.00
128.00		6170	0	0	0	0	0	
-	Hospice Inpatient Care	6180	0	0	0	0	-	130.00
135.00	Other Routine Services	6190	0	0	0	0		135.00
139.00	Residential Care **	9100	0	0	0	0	0	
-	Beauty and Barber		0	0	0	661		140.00
	Other Nonreimbursable		0	0	0		160,153	
	Social Services	6600	127,727	21,983	0	2,495	152,205	
-	Activities	6700	207,944	27,255	0	21,167	256,366	
-	Administration	6900	574,457	59,968	0	3,141,227	3,775,652	
-	Medical Records - Salaries and Wages ***	6900	64,919	8,019	0	2,544		166.00
	DPH Licensing Fees ***	6900	0,,,17	0,017	0	54,648		167.00
	Liability Insurance ***	6900				156,692		168.00
-	Quality Assurance Fees ***	6900				0		169.00
-	Inservice Education - Nursing	6800	64,582	4,911	0	0		170.00
	Caregiver Training ***	6900	0	0	0	0	,	174.00
	Total ****		4,047,816	649,303	230,390	6,390,306	11,317,815	

Amounts reclassified from ancillary service type accounts (lines 75 through 100)
 Complete with Direct Residential Care Costs
 Amounts reclassified from Administration (line 165)

\*\*\*\* Totals in column 5 must match page 10.1, column 14, for each respective cost center (except reclasses)

10.5

Health Financial Systems		In Lieu o	f Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	 1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

10.7

## ALTERNATE ALLOCATION STATISTICS - OPTIONAL (Medi-Cal Providers, Only)

	ACCOUNT TITLE		Plant		Laundry &				Inservice	Administratio	Medical	
	ACCOUNT TITLE	Capital	Operations	Housekeeping		Dietary	Social Services	Activities	Education	n	Records	
		1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	
5.00	Plant Operations and Maintenance	977	0	0	0	0	0	0	0	0	0	5.00
10.00	Housekeeping	985	985	0	0	0	0	0	0	0	0	10.00
60.00	Laundry and Linen	610	610	610	0	0	0	0	0	0	0	60.00
65.00	Dietary	3,017	3,017	3,017	0	0	0	0	0	0	0	65.00
ANCI	LLARY SERVICES											
75.00	Patient Supplies	194	194	194	0	0	0	0	0	0	0	
77.00	Specialized Support Surf	0	0	0	0	0	0	0	0	0	0	77.00
80.00	Physical Therapy	682	682	682	0	0	0	0	0	0	0	80.00
81.00	Respiratory Therapy	0	0	0	0	0	0	0	0	0	0	81.00
82.00	Occupational Therapy	249	249	249	0	0	0	0	0	0	0	82.00
83.00	Speech Therapy	0	0	0	0	0	0	0	0	0	0	83.00
85.00	Pharmacy	0	0	0	0	0	0	0	0	0	0	85.00
90.00	Laboratory	0	0	0	0	0	0	0	0	0	0	90.00
95.00	Home Health Services	0	0	0	0	0	0	0	0	0	0	95.00
100.00	Other Ancillary Services	0	0	0	0	0	0	0	0	0	0	100.00
101.00	Sub-Acute Ancillary Services	0	0	0	0	0	0	0	0	0	0	101.00
102.00	Sub-Acute - Pediatric Ancillary Services	0	0	0	0	0	0	0	0	0	0	102.00
ROUT	'INE SERVICES					•		•				
105.00	Skilled Nursing Care	26,375	26,375	26,375	296,500	47,263	0	0	0	0	0	105.00
110.00	Intermediate Care	0	0	0	0	0	0	0	0	0	0	110.00
115.00	Mentally Disordered Care	0	0	0	0	0	0	0	0	0	0	115.00
120.00	Developmentally Disabled Care	0	0	0	0	0	0	0	0	0	0	120.00
125.00	Sub-Acute Care	0	0	0	0	0	0	0	0	0	0	125.00
126.00	Sub-Acute Care-Pediatric	0	0	0	0	0	0	0	0	0	0	126.00
128.00	Transitional Inpat Care	0	0	0	0	0	0	0	0	0	0	128.00
130.00	Hospice Inpatient Care	0	0	0	0	0	0	0	0	0	0	130.00
135.00	Other Routine Services	0	0	0	0	0	0	0	0	0	0	135.00
139.00	Residential Care	0	0	0	0	0	0	0	0	0	0	139.00
140.00	Beauty and Barber	123	123	123	0	0	0	0	0	0	0	140.00
145.00	Other Nonreimbursable	0	0	0	0	0	0	0	0	0	0	145.00
155.00	Social Services	86	86	86	0	0	0	0	0	0	0	155.00
160.00	Activities	648	648	648	0	0	0	0	0	0	0	160.00
165.00	Administration	1,457	1,457	1,457	0	0	0	0	0	0	0	165.00
166.00	Medical Records - Salaries and Wages	500	500	500	0	0	0	0	0	0	0	166.00
170.00	Inservice Education - Nursing	0	0	0	0	0	0	0	0	0	0	170.00
174.00	Caregiver Training	0	0	0	0	0	0	0	0	0	0	174.00
175.00	Total	35,903	34,926	33,941	296,500	47,263	0	0	0	0	0	175.00

Health Financial Systems			In Lieu	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### ALLOCATION OF INDIRECT COSTS TO DIRECT COST CENTERS - HEALTH CARE ONLY

			Plant Operations through Inte	and Maintenance rest - Other	Laundry an	d Linen	Dieta	ry	
	Description	Expenses from Page 10.1, Column 14	BASIS* Square Feet	Amount	BASIS* Clean, Dry Pounds	Amount	BASIS* Number of Patient Meals	Amount	
		1.00	2.00	3.00	4.00	5.00	6.00	7.00	
5.00	General Service Costs	6,312,194		900,337		105,308		766,011	5.0
	LARY SERVICE COST CENTERS	0,012,171		200,007		100,000		/00,011	
	Patient Supplies	133,752	194	6,323	0	0			10.
	Specialized Support Surf	0	0	0	0	0			12.
	Physical Therapy	409,212	682	22,229	0	0			15.
	Respiratory Therapy	0	0	0	0	0			16.
7.00	Occupational Therapy	219,847	249	8,116	0	0			17.
8.00	Speech Therapy	46,502	0	0	0	0			18.
0.00	Pharmacy	109,231	0	0	0	0			20.
5.00	Laboratory	30,545	0	0	0	0			25
0.00	Home Health Services	0	0	0	0	0	0	0	- 30
5.00	Other Ancillary Services	13,030	0	0	0	0			35
OUT	INE SERVICE COST CENTERS								
0.00	Skilled Nursing Care	3,882,688	26,375	859,660	296,500	105,308	47,263	766,011	40
5.00	Intermediate Care	0	0	0	0	0	0	0	45
0.00	Mentally Disordered Care	0	0	0	0	0	0	0	-50
5.00	Developmentally Disabled Care	0	0	0	0	0	0	0	55
0.00	Sub-Acute Care	0	0	0	0	0	0	0	-60
1.00	Sub-Acute Care-Pediatric	0	0	0	0	0	0	0	61
3.00	Transitional Inpat Care	0	0	0	0	0	0	0	-63
5.00	Hospice Inpatient Care	0	0	0	0	0	0	0	
0.00	Other Routine Services	0	0	0	0	0	0	0	-70
	EIMBURSABLE COSTS								
5.00	Beauty and Barber	661	123	4,009	0	0	0	0	75
	Other Nonreimbursable	160,153	0	0	0	0	0	0	000
	TOTAL UNITS (Sum of lines 10 through 80)		27,623		296,500		47,263		85.
	UNIT COST MULTIPLIER**		32.593744		0.355170		16.207414		-90
5.00	TOTAL COSTS (See instructions)	5,005,621		900,337		105,308		766,011	95

(All fac	cilities must complete columns 2, 4, and 6, lines	10 through 85. Med	i-Cal providers m	ust complete the er	itire page.)		
		Social Services, Inservice Educa		Admini	stration	Total Expenses All Patient Services	
	Description	BASIS* Direct Expenses	Amount	BASIS* Accum. Costs (Cs. 1, 3, 5, 7, & 9)	Amount	Sum of Columns 10 and 11	
		8.00	9.00	10.00	11.00	12.00	
5.00	General Service Costs		478,064		4,062,474		5.00
ANCI	LLARY SERVICE COST CENTERS						1
10.00	Patient Supplies			140,075	78,432	218,507	10.00
12.00	Specialized Support Surf			0	0	0	12.00
15.00	Physical Therapy			431,441	241,576	673,017	15.00
16.00	Respiratory Therapy			0	0	0	16.00
17.00	Occupational Therapy			227,963	127,643	355,606	17.00
18.00	Speech Therapy			46,502	26,038	72,540	18.00
20.00	Pharmacy			109,231	61,162	170,393	20.00
25.00	Laboratory			30,545	17,103	47,648	25.00
30.00	Home Health Services	0	0	0	0	0	30.00
35.00	Other Ancillary Services			13,030	7,296	20,326	35.00
ROUT	INE SERVICE COST CENTERS						
40.00	Skilled Nursing Care	3,882,688	478,064	6,091,731	3,410,935	9,502,666	40.00
45.00	Intermediate Care	0	0	0	0	0	45.00
50.00	Mentally Disordered Care	0	0	0	0	0	50.00

11

Health Financial Systems		In Lieu o	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	 1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	

#### ALLOCATION OF INDIRECT COSTS TO DIRECT COST CENTERS - HEALTH CARE ONLY

	cilities must complete columns 2, 4, and 6, lines										
			ices, Activities ducation - Nu		Admini	stration	Total Expen Patient Ser	ses All vices			
	Description	BASIS* Direc Expenses	et Ame		BASIS* Accum. Costs (Cs. 1, 3, 5, 7, & 9)	Amount	Sum of Col 10 and 1				
		8.00	9.	00	10.00	11.00	12.00				
55.00	Developmentally Disabled Care		0	0	0		0	0			55.00
60.00	Sub-Acute Care		0	0	0		0	0			60.00
61.00	Sub-Acute Care-Pediatric		0	0	0		0	0			61.00
63.00	Transitional Inpat Care		0	0	0		0	0			63.00
65.00	Hospice Inpatient Care		0	0	0		0	0			65.00
70.00	Other Routine Services		0	0	0		0	0			70.00
NONE	REIMBURSABLE COSTS										
75.00	Beauty and Barber				4,670	2,6	15	7,285			75.00
80.00	Other Nonreimbursable				160,153	89,6	74 24	49,827			80.00
85.00	TOTAL UNITS (Sum of lines 10 through 80)	3,882,	688		7,255,341						85.00
90.00	UNIT COST MULTIPLIER**	0.123	127		0.559929						90.00
95.00	TOTAL COSTS (See instructions)			478,064		4,062,4	74 11,3	17,815			95.00
	l amount or count required, percentages are not acc Cost Multiplier must be calculated to six decimal pla		on statistics m	ust be prov	ided for Ancillary S	ervices Cost Cen	ters in columns	2 and 4.			
	Computation of Average Cost Per Day	Skilled Nursing	Intermediate Care	Mental Disorde		ta Sub-Acute Care	Sub-Acute Care Pediatric	Transitional Inpatient Care	Hospice Inpatient Care	Other Routine Services	
		1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	
100.00	Cost of Routine Services (Col. 12 above, Ls. 40 through 70)	9,502,666	0		0	0 0	0	0	0	0	100.00

0

0

0

0

0

0.00

0

0.00

110.00 Average Cost Per Day (line 100 / line 105) 612.40 0.00 0.00 0.00 0.00 0.00 \* Actual amount or count required, percentages are not acceptable. Allocation statistics must be provided for Ancillary Services Cost Centers in columns 2 and 4. \*\* Unit Cost Multiplier must be calculated to six decimal places.

0

15,517

105.00 Total Patient (Census) Days of Services (P. 4.1, Col

6)

0 105.00

0.00 110.00

Health Financial Systems			In Lieu of	f Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	Ŷ

12.1

#### LABOR REPORT

	SALARIES AND WAGES	Productive Hours*	Productive** Salaries and Wages	Hourly Average (Col. 2 / Col. 1)	
	Similardo mad wholes	1.00	2.00	3.00	
NURS	ING SERVICES - EXCLUDE SUB-ACUTE CARE, PEDIATRIC AND T		2.00	5.00	
5.00	Supervisors and Management	428	47,335	110.60	5.00
10.00	Geriatric Nurse Practitioners	0	0	0.00	10.00
25.00	Registered Nurses	4,621	203,981	44.14	
30.00	Licensed Vocational Nurses	25,122	927,843	36.93	
35.00	Nurse Assistants (Aides and Orderlies)	55,341	1,258,459	22.74	
40.00	Technicians and Specialists	0	1,230,139	0.00	
45.00	Psychiatric Technicians	0	0	0.00	
	Other Salaries and Wages	1,530	27,519	17.99	
	Subtotal (Sum of lines 5 through 60)	87,042	2,465,137	28.32	
	CUTE CARE NURSING SERVICES - ONLY:	67,042	2,403,137	20.32	05.00
70.00	Supervisors and Management	0	0	0.00	70.00
75.00	Geriatric Nurse Practitioners	0	0	0.00	75.00
	Registered Nurses	0	0	0.00	90.00
95.00	Licensed Vocational Nurses	0	0	0.00	
	Nurse Assistants (Aides and Orderlies)	0	0	0.00	
		0	0	0.00	
	Technicians and Specialists	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·		
	Psychiatric Technicians	0	0	0.00	
	Other Salaries and Wages	0	0	0.00	
	Subtotal (Sum of lines 70 through 125)	0	0	0.00	130.00
	CUTE CARE - PEDIATRIC NURSING SERVICES - ONLY:	0	0	0.00	1 40 00
	Supervisors and Management	0	0		140.00
	Geriatric Nurse Practitioners	· · · · · · · · · · · · · · · · · · ·	0	0.00	
	Registered Nurses	0	0	0.00	
	Licensed Vocational Nurses	0	0	0.00	
	Nurse Assistants (Aides and Orderlies)	0	0	0.00	
	Technicians and Specialists	0	0	0.00	
	Psychiatric Technicians	0	0	0.00	-
	Other Salaries and Wages	0	0	0.00	
	Subtotal (Sum of lines 140 through 175)	0	0	0.00	180.00
	SITIONAL INPATIENT CARE - ONLY:		Γ		1
	Supervisors and Management	0	0		190.00
191.00	Geriatric Nurse Practitioners	0	0	0.00	-
	Registered Nurses	0	0	0.00	
	Licensed Vocational Nurses	0	0	0.00	
	Nurse Assistants (Aides and Orderlies)	0	0	0.00	
	Technicians and Specialists	0	0	0.00	-
	Psychiatric Technicians	0	0	0.00	
	Other Salaries and Wages	0	0		198.00
199.00	Subtotal (Sum of lines 190 through 198)	0	0	0.00	199.00
ANCII	LLARY SERVICES:		r	1	-
	Supervisors and Management	0	0		200.00
	Registered Nurses	0	0	0.00	
210.00	Licensed Vocational Nurses	0	0		-
215.00	Nurse Assistants (Aides and Orderlies)	0	0	0.00	215.00
220.00	Technicians and Specialists	0	0	0.00	220.00
225.00	Other Salaries and Wages	0	0	0.00	225.00
230.00	Subtotal (Sum of lines 200 through 225)	0	0	0.00	230.00

Health Financial Systems			In Lieu o	of Form HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	Run Date Time: MCRIF32: Version:	1/11/2023 8:31 am LTCIR 45.8.175.1	P

#### LABOR REPORT

	SALARIES AND WAGES	Productive Hours*	Productive** Salaries and Wages	Hourly Average (Col. 2 / Col. 1)	
		1.00	2.00	3.00	
SUPPO	ORT SERVICES:				
250.00	Plant Operations and Maintenance	2,355	60,352	25.63	250.00
255.00	Housekeeping	4,742	82,215	17.34	255.00
260.00	Laundry and Linen	1,580	24,826	15.71	260.00
265.00	Dietary	18,012	375,657	20.86	265.00
270.00	Social Services	3,533	127,727	36.15	270.00
275.00	Activities	7,749	207,944	26.83	275.00
280.00	Inservice Education - Nursing	1,236	64,582	52.25	280.00
285.00	Administration	14,429	639,376	44.31	285.00
290.00	Subtotal (Sum of lines 250 through 285)	53,636	1,582,679	29.51	290.00
300.00	TOTAL (Sum of lines 65, 130, 180,199, 230, and 290)	140,678	4,047,816	28.77	300.00

\* Productive hours are actual hours worked and exclude 1) vacation, 2) sick leave, 3) on call, 4) holiday, 5) other paid time off.

Report to the nearest whole hour.

\*\* For all facilities:

Column 2, line 65 must agree with the sum of Page 10.1, column 1, lines 105, 110, 115, 120, 130 and 135.

Line 130 must agree with Page 10.1, column 1, line 125. Line 180 must agree with Page 10.1, column 1, line 126. Line 199 must agree with Page 10.1, column 1, line 128. Line 230 must agree with Page 10.1, column 1, lines 75 through 100.

Report to the nearest whole dollar.

#### For non-residential care facilities:

#### For residential care facilities:

Lines 250 through 290 must agree with appropriate lines on Page 10.1, column 1.

Report only productive hours, salaries, and wages related to health care on lines 250 through 290 of this page. If Page 10.1, columns 5 through 9 are used to determine expenses related to health care, use the same method to determine productive hours, salaries, and wages related to health care for this page.

12.1

Health Financial Systems		In Lieu of Fo	orm HCAI-LTCIR
Facility D.B.A. Name: MERCY RETIREMENT AND CARE CENTER	Report Period End: 06/30/2022	1/11/2023 8:31 am <b>LTCIR</b> 45.8.175.1	Ŷ

12.2

#### LABOR REPORT

SUPPLEMENTAL LABOR INFORMATION	Productive Hours*	Productive** Salaries and Wages	Hourly Average (Col. 2 / Col. 1)	
	1.00	2.00	3.00	
310.00 Social Workers (report here and include on line 270)	1,196	44,991	37.62 31	10.0
315.00 Activity Program Leaders (report here and include on line 275)	1,165	32,346	27.76 31	15.0
TEMPORARY STAFFING AGENCY SERVICES	Hours	Amount Paid	Hourly Average (Col. 2 / Col. 1)	
	1.00	2.00	3.00	
NURSING SERVICES - EXCLUDE SUB-ACUTE CARE, PEDIATRIC AND TRAN	SITIONAL INPATIENT CARE:			
405.00 Geriatric Nurse Practitioners	0	0	0.00 40	05.0
410.00 Registered Nurses	292	23,993	82.17 41	410.0
415.00 Licensed Vocational Nurses	2,061	175,207	85.01 41	15.0
420.00 Nurse Assistants (Aides and Orderlies)	1,912	94,856	49.61 42	420.0
425.00 Psychiatric Technicians	0	0	0.00 42	425.0
430.00 Other Salaries and Wages	0	0	0.00 43	30.0
435.00 Subtotal (Sum of lines 405 through 430)	4,265	294,056	<b>68.95</b> 43	35.0
SUB-ACUTE CARE NURSING SERVICES - ONLY:	÷		•	
440.00 Geriatric Nurse Practitioners	0	0	0.00 44	40.0
445.00 Registered Nurses	0	0	0.00 44	145.0
450.00 Licensed Vocational Nurses	0	0	0.00 45	450.0
455.00 Nurse Assistants (Aides and Orderlies)	0	0	0.00 45	55.0
460.00 Psychiatric Technicians	0	0	0.00 40	460.0
465.00 Other Salaries and Wages	0	0	0.00 40	465.0
470.00 Subtotal (Sum of lines 440 through 465)	0	0	0.00 47	70.0
SUB-ACUTE CARE - PEDIATRIC NURSING SERVICES - ONLY:				
475.00 Geriatric Nurse Practitioners	0	0	0.00 47	75.0
480.00 Registered Nurses	0	0	0.00 48	480.0
485.00 Licensed Vocational Nurses	0	0	0.00 48	485.0
490.00 Nurse Assistants (Aides and Orderlies)	0	0	0.00 49	490.0
495.00 Psychiatric Technicians	0	0	0.00 49	495.0
500.00 Other Salaries and Wages	0	0	0.00 50	500.0
505.00 Subtotal (Sum of lines 475 through 500)	0	0	0.00 50	05.0
TRANSITIONAL INPATIENT CARE - ONLY:				
510.00 Geriatric Nurse Practitioners	0	0	0.00 51	510.0
515.00 Registered Nurses	0	0	0.00 51	515.0
520.00 Licensed Vocational Nurses	0	0	0.00 52	20.0
525.00 Nurse Assistants (Aides and Orderlies)	0	0	0.00 52	25.0
530.00 Psychiatric Technicians	0	0	0.00 53	530.0
535.00 Other Salaries and Wages	0	0	0.00 53	535.0
540.00 Subtotal (Sum of lines 510 through 535)	0	0	0.00 54	40.0
SUPPLEMENTAL LABOR INFORMATION - TEMPORARY STAFFING	Hours	Amount Paid	Hourly Average (Col. 2 / Col. 1)	
	1.00	2.00	3.00	
555.00 Social Workers (do not include on lines 430, 465, 500, or 535)	0	0	0.00 55	55.0
560.00 Activity Program Leaders (do not include in lines 430, 465, 500, or 535)	0	0	0.00 50	60.0
L	ABOR TURNOVER	•		
	All Employees	Direct Nursing Employees*	Nurse Assistants	

		All Employees	Direct Nursing Employees*	Nurse Assistants	
		1.00	2.00	3.00	
605.00	Number of employees at beginning of period	145	50	36	605.00
610.00	Number of employees at end of period	104	47	33	610.00
615.00	Average number of employees (See instructions)	113	51	35	615.00
620.00	Total number of people employed during the period **	182	77	55	620.00
625.00	Turnover percentage [ (line 620 / line 615) X 100 ] - 100	61.06	50.98	57.14	625.00
630.00	Number of employees with continuous service for entire reporting period	67	30	20	630.00

\* Include all employees (RN's, LVN's, Nurse Assistants, technicians, specialists and others) providing direct nursing care.
 Do not include supervisors who provide no direct nursing care.

Do include supervisors whose duties include some provision of nursing care.

\*\* Total number of people employed can not be less than the number of employees at the beginning of the period, less the number of employees with continuous service for the entire period, plus the number of employees at the end of the period (line 605 - line 630 + line 610). This calculation is the MINIMUM possible number of people employeed during the period. It does not include employees who were hired after the period began and left or were discharged

before the period ended.

Therefore, in most cases, line 620 should be greater than this calculation.

## Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

## Exhibit 29-B

## STATEMENT OF THE CHAIR OF THE BOARD OF ELDER CARE ALLIANCE

The undersigned, being the duly appointed and acting Chair of the Board of Elder Care Alliance, a California nonprofit public benefit corporation, hereby states that she has reviewed the notice to the California Attorney General pursuant to California Corporations Code Section 5920 and California Code of Regulations, title 11, Section 999.5 et seq., to which this Statement is attached, and hereby states that such notice is true, accurate and complete.



Name: Joy Moore

Title: Chair of the Board of Elder Care Alliance

## Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

## Exhibit 30-B

#### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE

#### CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2022 AND 2021



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#### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE TABLE OF CONTENTS YEARS ENDED SEPTEMBER 30, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENTS OF OPERATIONS	6
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION	52
CONSOLIDATING SCHEDULES OF OPERATIONS AND CHANGES IN NET ASSETS	60
CONSOLIDATING SCHEDULES OF CASH FLOWS	75



#### **INDEPENDENT AUDITORS' REPORT**

Board of Directors Presbyterian Retirement Communities Northwest dba: Transforming Age Bellevue, Washington

#### **Report on the Audit of the Financial Statements**

#### Opinion

We have audited the accompanying consolidated financial statements of Presbyterian Retirement Communities Northwest dba: Transforming Age (Transforming Age), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transforming Age as of September 30, 2022 and 2021, and the results of its operations and changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial double about Transforming Age's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 on 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 judgement made by a reasonable user based on the consolidated financial statements.

In preforming 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 consolidated 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 consolidated 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 Transforming Age's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Transforming Age's ability to continue as a going concern for a reasonable period of time.

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

Board of Directors Presbyterian Retirement Communities Northwest dba: Transforming Age

#### Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, operations and changes in net assets, and cash flows are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

#### CliftonLarsonAllen LLP

Bellevue, Washington March 1, 2023

#### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 36,209,773	\$ 42,944,875
Investments	64,860,658	85,690,387
Resident and Patient Accounts Receivables, Net	5,857,852	5,469,332
Other Receivables	1,650,479	1,484,376
Funds Held in Trust	128,813	161,631
Prepaid Expenses and Other Assets	2,063,528	1,716,681
Current Portion of Assets Limited as to Use	11,860,611	26,078,584
Total Current Assets	122,631,714	163,545,866
ASSETS LIMITED AS TO USE Waiting List Deposits Bond Funds Held by Trustee Total Assets Limited as to Use	791,813 <u>18,829,930</u> 19,621,743	792,909 <u>18,472,970</u> 19,265,879
PROPERTY AND EQUIPMENT, NET	530,710,888	507,480,522
OTHER ASSETS		
Goodwill	17,755,281	20,662,988
Beneficial Interest in Trust	378,265	471,318
Other Long-Term Receivables	5,390,937	6,937,411
Total Other Assets	23,524,483	28,071,717
Total Assets	\$ 696,488,828	\$ 718,363,984

#### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED) SEPTEMBER 30, 2022 AND 2021

LIABILITIES AND NET ASSETS (DEFICIT)		2022		2021
CURRENT LIABILITIES				
Accounts Payable	\$	5,528,505	\$	5,366,196
Construction Payable	Ŷ	4,793,640	Ψ	2,962,288
Accrued Expenses		9,304,560		12,549,320
Accrued Interest		6,973,225		6,529,437
Refundable Advance - PPP Advance		-		10,136,937
Current Portion of Lease Liabilities		612,973		202,075
Current Portion of Sewer Capacity Payable		66,571		66,571
Current Portion of Long-Term Debt		8,279,746		8,515,140
Total Current Liabilities		35,559,220		46,327,964
OTHER LIABILITIES				
Lease Liabilities, Less Current Portion		752,593		291,508
Sewer Capacity Payable, Less Current Portion		115,553		191,314
Net Long-Term Debt, Less Current Portion	/	110,000		484,982,419
Entrance Fees Refundable Upon Reoccupancy		220,777,876		163,658,384
Deferred Revenue from Entrance Fees	2	72,895,362		60,024,159
Future Services Obligation		13,311,000		2,202,000
Waiting List Deposits		791,813		792,909
Refundable Deposits		2,909,923		13,392,634
Total Other Liabilities	7	70,464,270		725,535,327
Total Liabilities		306,023,490		771,863,291
Total Liabilities	C	00,023,490		771,003,291
NET ASSETS (DEFICIT)				
Without Donor Restrictions	(1	15,664,692)		(60,037,000)
With Donor Restrictions		6,130,030		6,537,693
Total Net Deficit	(1	09,534,662)		(53,499,307)
Total Liabilities and Net Deficit	\$ 6	696,488,828	\$	718,363,984

#### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
OPERATING REVENUE		
Independent Living	\$ 49,569,567	\$ 41,640,865
Assisted Living	27,765,316	28,924,149
Healthcare	30,052,534	32,555,528
Memory Care	4,816,557	4,756,084
Entrance Fees Earned	9,330,838	6,826,721
Interest Income	1,627,526	1,616,545
Other	68,665,806	38,650,528
Net Assets Released from Restrictions	381,710	53,106
Total Operating Revenue	192,209,854	155,023,526
OPERATING EXPENSES		
Assisted Living and Memory Care	14,530,686	15,261,434
Healthcare	30,096,190	30,388,838
Dining Services	16,825,966	14,465,518
Resident Activities	2,456,922	2,418,648
Residential Transportation Services	1,005,566	420,838
General and Administrative	36,396,403	36,265,396
Maintenance and Housekeeping	14,612,058	14,121,624
Housing Operation	54,333,730	34,754,937
Interest Expense	20,733,808	16,392,796
Depreciation	26,871,668	19,584,408
Bad Debt Expense	944,107	1,258,303
Total Operating Expenses	218,807,104	185,332,740
OPERATING LOSS	(26,597,250)	(30,309,214)
NONOPERATING INCOME (LOSS)		
Charitable Contributions	1,379,174	3,565,355
Charitable Grant Expense	(3,354,256)	(386,003)
Change in Future Services Obligation	(11,109,000)	5,185,840
Gain (Loss) on Disposal of Property and Equipment	41,998	(699,768)
Gain on Debt Refunding	-	2,459,521
Amortization of Goodwill	(2,907,706)	(3,000,361)
Net Realized and Unrealized Gains (Losses) on Investments	(15,826,048)	9,688,033
Inherent Contribution	2,745,396	36,939,113
Total Nonoperating Income (Loss)	(29,030,442)	53,751,730
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (55,627,692)	\$ 23,442,516

#### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS (DEFICIT) - SEPTEMBER 30, 2020	\$ (83,479,516)	\$ 5,601,618	\$ (77,877,898)
Excess of Revenues Over Expenses Net Assets Released from Restrictions Charitable Contributions Realized and Unrealized Gains on Investments Changes in Net Assets (Deficit)	23,442,516 - - - 23,442,516	(53,106) 383,978 605,203 936,075	23,442,516 (53,106) 383,978 605,203 24,378,591
NET ASSETS (DEFICIT) - SEPTEMBER 30, 2021	(60,037,000)	6,537,693	(53,499,307)
Deficit of Revenues Over Expenses Net Assets Released from Restrictions Charitable Contributions Realized and Unrealized Losses on Investments Changes in Net Assets (Deficit)	(55,627,692) - - - (55,627,692)	- (381,710) 168,501 (194,454) (407,663)	(55,627,692) (381,710) 168,501 (194,454) (56,035,355)
NET ASSETS (DEFICIT) - SEPTEMBER 30, 2022	\$ (115,664,692)	\$ 6,130,030	\$ (109,534,662)

#### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (56,035,355)	\$ 24,378,591
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation	26,871,668	19,584,408
Bad Debt Expense	944,107	1,258,303
Change in Value of Investments	15,927,449	(10,233,191)
(Gain) and Loss on Disposal of Property and Equipment	(41,998)	699,768
Amortization of Goodwill	2,907,706	3,000,361
Nonrefundable Entrance Fees Received	23,549,593	10,670,200
Entrance Fees Earned	(9,330,838)	(6,826,721)
Change in Value of Future Services Obligation	11,109,000	(5,185,840)
Amortization of Debt Issue Costs	380,635	556,864
Gain on Discounted Loan Payoff	109,217	(2,459,521)
Amortization of Bond (Premium) Discount, Net	(773,259)	(778,625)
Inherent Contribution	(2,745,396)	(36,939,113)
Net Change in:		. ,
Receivables, Net	(2,996,036)	(864,908)
Note Receivables	(210,000)	-
Funds Held in Trust	31,928	(24,260)
Prepaid Expenses and Other Assets	(48,764)	68,361
Accounts Payable	562,959	(911,689)
Accrued Expenses	(1,289,418)	869,697
Accrued Interest	(363,455)	15,649
Waiting List Deposits	20,057	51,890
Refundable Deposits	(10,609,438)	6,572
Refundable Advance - PPP Advance	(9,999,954)	63,009
Deferred Revenue - HHS PRF	-	(1,590,855)
Principal Payments on Operating Lease Liabilities	(489,683)	(397,288)
Net Cash Used by Operating Activities	(12,519,275)	(4,988,338)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(35,822,411)	(83,277,881)
Proceeds from Sale of Property and Equipment	2,573,095	6,963,559
Sale of Investments, Net	6,718,680	2,917,776
(Purchase) Sale of Assets Limited as to Use	(4,851)	59,558,587
Principal Payments on Sewer Capacity Payable	(75,761)	(71,313)
Acquirees' Cash at Acquisition Date	1,049,617	2,369,385
Net Cash Used by Investing Activities	(25,561,631)	(11,539,887)
Mer Cash Osen by Investing Activities	(20,001,001)	(11,339,007)

See accompanying Notes to Consolidated Financial Statements.

#### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	\$ 22,040,519	\$ 14,438,246
Principal Payments on Long-Term Debt	(57,761,994)	(15,004,692)
Payments for Debt Issuance Costs	(200,376)	(760,888)
Proceeds on Revolving Note and Lines of Credit, Net	2,965,298	5,018,973
Entrance Fees Received	70,267,257	15,486,637
Entrance Fees Refunded	(15,514,747)	(14,104,067)
Initial Entrance Fee Deposits	105,574	6,225,600
Net Cash Provided by Financing Activities	21,901,531	11,299,809
CHANGE IN CASH, CASH EQUIVALENTS, AND		
RESTRICTED CASH	(16,179,375)	(5,228,416)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	73,817,578	79,045,994
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH -	<b>*  - - - - - - - - </b>	¢ 70.047.670
END OF YEAR	\$ 57,638,203	\$ 73,817,578
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash and Cash Equivalents	\$ 36,209,773	\$ 42,944,875
Cash and Cash Equivalents - Bond Funds Held by Trustee	20,507,804	29,918,163
Cash and Cash Equivalents - Wait List Deposits	791,813	792,909
Funds Held in Trust	128,813	161,631
Cash, Cash Equivalents, and Restricted Cash	\$ 57,638,203	\$ 73,817,578
	φ 57,000,200	φ 10,011,010
Cash Paid for Interest	\$ 20,833,645	\$ 22,884,742
	<u>Ψ 20,000,040</u>	+
Noncash Acquisition of Property and Equipment	\$ 2,543,524	\$ 1,020,010
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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization**

Presbyterian Retirement Communities Northwest, doing business as Transforming Age (Transforming Age or TA), is a Washington nonprofit corporation that was established in 1956 to develop, own and operate senior living facilities. Today, Transforming Age is a leading nonprofit organization committed to improving the lives of older adults through community housing and services. Transforming Age currently owns, controls or is affiliated with 29 communities in Washington, Minnesota, and Nebraska.

The Transforming Age Foundation provides support for the organization through a variety of philanthropic programs aimed at improving the lives of older adults and society as a whole.

Transforming Age's board of directors consists of up to eleven elected members and is responsible for the oversight of management and the Transforming Age management is responsible for managing the affairs of the various entities listed below:

- Parkshore;
- FH, LLC (Skyline);
- Fred Lind Manor;
- Minnesota Senior Living, LLC (MSL);
- Presbyterian Retirement Communities Northwest Foundation (Transforming Age Foundation);
- PRCN Services, LLC (Affiliate Services);
- Transforming Age Ventures, Inc. (Transforming Age Ventures) [including GSI];
- Exeter, LLC (Exeter);
- Vashon Island Community Care (including Vashon Community Care Foundation);
- Full Life Care;
- Christian Retirement Homes (Eastmont) [including Eastmont Foundation];
- 1980 112<sup>th</sup>, LLC (1980 112<sup>th</sup>);
- The Gardens at Juanita Bay;
- Downtown Action to Save Housing (DASH) [including Community Management Partners LLC];
- Norse Home;
- SHAG Community Life Foundation (SHAG CLF); and
- Sustainable Housing for Ageless Generations (SHAG).

Transforming Age, Parkshore, Skyline, and Fred Lind Manor are members of the Obligated Group (see Note 9). Collectively, Transforming Age and all of its affiliates are referred to as Transforming Age throughout the consolidated financial statements.

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Principles of Consolidation**

The consolidated financial statements of Transforming Age represent the consolidated financial position, results of operations, and cash flows of all entities described above. All inter-organization transactions have been eliminated in consolidation.

A breakdown of the number of units by community is as follows:

			2022		
	Independent	Assisted			
<u>Community</u>	Living	Living	Healthcare	Memory Care	Total
Fred Lind Manor	-	82	-	-	82
Parkshore	109	28	22	-	159
Skyline	274	48	34	28	384
Minnesota Senior Living	602	331	-	-	933
Eastmont	118	47	22	12	199
Norse Home	32	86	-	-	118
DASH	796	-		-	796
Total Units	1,931	622	78	40	2,671

#### **Basis of Presentation**

The consolidated financial statements are prepared on the accrual basis of accounting pursuant to accounting principles generally accepted in the United States of America.

#### Performance Indicator

The consolidated statement of operations includes excess (deficit) of revenues over expenses which is the performance indicator for Transforming Age. Changes in net assets without donor restrictions which are excluded from this performance indicator, consistent with industry practice, include member contribution (expense), releases of restricted funds for capital purposes, and contributions, gifts, and bequests with donor restrictions and investment returns restricted by donor.

#### Cash and Cash Equivalents

Transforming Age considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

#### **Resident and Patient Accounts Receivable**

Resident and patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Investments**

Investments in debt securities and equity securities with readily determinable values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. Investment interest, dividends, and realized and unrealized gains and losses are included as excess (deficit) of revenues over expenses unless the income is restricted by donor or law. Investments in guaranteed investment contracts are reported at cost.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

#### Assets Limited as to Use

The assets limited as to use section of the consolidated statement of financial position consists of trustee-held funds and waiting list deposits. The funds on deposit with the trustee are limited to use in accordance with the requirements of the Indenture. Applicants for residency pay wait list deposits, which vary in amount, prior to occupancy. Generally, depositors may cancel their reservation agreements at any time prior to admission and receive partial to full repayment of their deposits, in accordance with their reservation agreements. Waiting list deposits consist of cash and cash equivalents. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

#### Property and Equipment

Transforming Age capitalizes assets with a cost greater than \$1,000 and an estimated useful life of three or more years. Depreciation is computed on the straight-line basis over periods of 3 to 40 years, which approximate the useful lives of the assets. The costs of repairs and maintenance are expensed as incurred. The costs of renewals, replacements, and betterments are capitalized.

#### <u>Goodwill</u>

Transforming Age recognized goodwill on the acquisitions of Gerontological Services, Inc. and the Communities that make up MSL (see Note 6) as the difference between the consideration transferred measured at its acquisition date fair value and the net of the acquisition-date amounts of identifiable assets acquired and liabilities assumed. At September 30, 2022 and 2021, accumulated amortization of goodwill was \$11,630,825 and \$8,723,118, respectively. Management tests goodwill for impairment on an annual basis. At September 30, 2022, management does not believe that an impairment of goodwill exists.

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Entrance Fees, Refunds, and Amortization

Skyline, Parkshore, and Eastmont offer Type A or Type B contracts for certain residents requiring refundable and nonrefundable entrance fee arrangements for residents at these communities. The Type A contracts or life care agreements guarantee residents shelter, resident services and amenities along with personal assistance and nursing care for the rest of their lives in return for an initial entrance fee and a monthly payment schedule. Type B contracts offer lower monthly fees than the Type A contracts, while including the same housing and residential amenities as the Type A contracts. Both contract types offer health care services to residents but at a varying discounted amount.

Entrance fees are recorded as a liability or deferred revenue. The nonrefundable portion of entrance fees are amortized to revenue over the estimated life expectancy of each resident on a straight-line basis. The refundable portion of entrance fees for residents are not amortized. Upon termination of residency, any difference between the balance of the deferred residency fee and the amount contractually refundable is recorded as income or expense.

As of September 30, 2022 and 2021, \$220,777,876 and \$163,658,384, respectively, represented entrance fees which were contractually refundable under the various contracts. As of September 30, 2022 and 2021, \$72,895,362 and \$60,024,159, respectively, represented deferred revenue from entrance fees which were nonrefundable under the various contracts.

#### Future Services Obligation

Transforming Age is required to accrue a liability in the consolidated financial statements if future costs of services for current residents exceed deferred residency fees plus future fees. An evaluation showed a future services obligation of \$13,311,000 and \$2,202,000 at September 30, 2022 and 2021, respectively. The liability is calculated by determining the present value of future net cash flows of independent living residents. Based on the estimated calculation using a discount rate of 5.5%. Major factors in the evaluation of a future service obligation consider that Parkshore and Eastmont are contractually entitled to increase fees to cover future cost increases, and the community is a "Type B" life-plan community (LPC), meaning residents will pay for any future healthcare costs at near market rates. Skyline is a "Type A" LPC, meaning residents will pay for future healthcare costs at near market healthcare costs at near market rates.

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Net Assets

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

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions include net assets available for use in general operations and restricted resources which have become available for use by Transforming Age in accordance with the intention of the donor. Amounts designated by the board of directors of Transforming Age are included in this classification. There are no board-designated funds in both 2022 and 2021.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions include 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources has been fulfilled, or both.

Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

#### **Resident Subsidies**

Transforming Age provides housing and care for the remaining lifetime of each resident unless either party cancels the residency agreement. Subsidies of maintenance fees are granted in the event that the resident proves an inability to pay.

However, Transforming Age shall not assume such obligation if the resident has disposed of funds or assets intentionally to others, or if the resident has disposed of assets extravagantly for purchases or gifts when there were adequate resources originally available to support the resident for life at the commencement of residency.

#### **Contributions**

Transforming Age reports unconditional contributions of cash and other assets at fair value at the date the contribution is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income Taxes

Transforming Age, Fred Lind Manor, Eastmont, Eastmont Foundation, Full Life Care, Vashon Island Community Care, The Gardens at Juanita Bay, DASH, Norse Home, SHAG, and Transforming Age Foundation have been notified by the Internal Revenue Service (IRS) that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from activities not directly related to these organizations' tax-exempt purposes is subject to taxation as unrelated business income. There were no taxes paid on unrelated business income for the years ended September 30, 2022 and 2021.

FH, LLC and Minnesota Senior Living, LLC have no provision or benefit for income taxes included in these consolidated financial statements since taxable income or loss passes through to their only member, Transforming Age.

Transforming Age Ventures, Inc. is a C corporation incorporated in Washington. As of September 30, 2022 and 2021, Transforming Age Ventures, Inc. has no income tax receivable (payable).

#### Concentrations of Credit Risk

Transforming Age's cash, cash equivalents, investments, and assets limited as to use consist of various financial instruments. These financial instruments may subject Transforming Age to concentrations of risk as, from time to time, cash and investment balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC), the fair value of debt securities are dependent on the ability of the issuer to honor its contractual commitments, and the fair value of investments are subject to change. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Concentration of credit risk results from Transforming Age granting credit without collateral to its residents, most of whom are local residents and may be insured under third-party payor agreements. See Note 3 for the mix of receivables from residents and third-party payors as of September 30, 2022 and 2021.

#### Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. Transforming Age emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Transforming Age has the ability to access.

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fair Value of Financial Instruments (Continued)

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, Transforming Age may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets.

Transforming Age adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. Transforming Age has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### <u>Advertising</u>

Transforming Age expenses advertising costs as incurred. Transforming Age's advertising expense was \$1,822,460 and \$1,680,572 for the years ended September 30, 2022 and 2021, respectively.

#### **Reclassifications**

Certain consolidated financial statements reclassifications have been made to prior year balances for comparability purposes and had no impact on changes in net deficit or net deficit as previously reported.

#### NOTE 2 LIQUIDITY AND AVAILABILITY

As of September 30, 2022 and 2021, Transforming Age had working capital of \$87,072,494 and \$117,217,902, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	 2022	 2021
Cash and Cash Equivalents	\$ 36,209,773	\$ 42,944,875
Investments	64,860,658	85,690,387
Resident and Patient Accounts Receivable, Net	5,857,852	5,469,332
Other Receivable	 1,650,479	 1,484,376
Total Financial Assets	\$ 108,578,762	\$ 135,588,970

Transforming Age maintains a \$15,000,000 revolving note, as discussed in more detail in Note 9. As of September 30, 2022, approximately \$5,435,000 remained available on the revolving note.

Exeter maintains a \$5,000,000 line of credit as discussed in more detail in Note 9. As of September 30, 2022, approximately \$1,840,000 remained available on the line of credit.

#### NOTE 3 RESIDENT AND PATIENT ACCOUNTS RECEIVABLE

Resident and patient accounts receivable consisted of the following at September 30:

	2022			2021			
	 Amount	Percentage		Amount	Percentage		
Medicaid	\$ 2,798,391	48 %	\$	2,892,884	53 %		
Private Pay	1,854,001	32		1,635,871	30		
Managed Care	657,003	11		332,174	6		
Medicare	548,457	9		608,403	11		
Resident and Patient	 						
Accounts Receivable, Net	\$ 5,857,852	100 %	\$	5,469,332	100 %		

The opening and closing balances of accounts receivable were as follows:

	Accounts					
	F	Receivable				
Balance as of October 1, 2020	\$	5,915,840				
Balance as of September 30, 2021		5,469,332				
Balance as of September 30, 2022		5,857,852				

## NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use consisted of the following at September 30:

	2022								
		Assets Limited							
	Investments	as to Use	Total						
Cash and Cash Equivalents	\$ 10,300,173	\$ 21,428,430	\$ 31,728,603						
Government Bonds	-	8,292,658	8,292,658						
Corporate Bonds	12,633,918	1,761,266	14,395,184						
Equity Securities	39,382,319	-	39,382,319						
Investments Reported at Fair Value	62,316,410	31,482,354	93,798,764						
Investment in Limited Partnership									
Reported at Cost	363,913	-	363,913						
Investment in Preferred Stock at Cost	2,180,335		2,180,335						
Total	\$ 64,860,658	\$ 31,482,354	\$ 96,343,012						

	2021								
		Assets	Limited						
	Investme	nts as to	Use	Total					
Cash and Cash Equivalents	\$ 7,599	,656 \$ 30,8	372,703	\$ 38,472,359					
Government Bonds	4,953	,667 9,2	200,701	14,154,368					
Corporate Bonds	11,468	,558 5,2	271,059	16,739,617					
Equity Securities	59,197	,817	-	59,197,817					
Investments Reported at Fair Value	83,219	,698 45,3	344,463	128,564,161					
Investment in Limited Partnership									
Reported at Cost	384	,694	-	384,694					
Investment in Preferred Stock at Cost	2,085	,995	-	2,085,995					
Total	\$ 85,690	,387 \$ 45,3	344,463	\$ 131,034,850					

The investments held by Transforming Age are represented in the following accounts on the consolidated statement of financial position at September 30:

	2022		 2021
Investments	\$	64,860,658	\$ 85,690,387
Assets Limited as to Use, Current Portion		11,860,611	26,078,584
Assets Limited as to Use, Waiting List Deposits		791,813	792,909
Assets Limited as to Use, Bond Funds Held by Trustee		18,829,930	 18,472,970
Total	\$	96,343,012	\$ 131,034,850

The current portion of assets limited as to use consists of project funds for the Series 2019 and Series 2021 bonds and debt service reserve funds for the Series 2013, 2015, 2016, 2019, 2020, and 2021 bonds (see Note 9).

#### NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Transforming Age is required to hold funds in various accounts based upon terms in bond agreements. Assets limited as to use consisted of the following at September 30:

	2022		 2021
Project Funds	\$	1,464,141	\$ 12,234,493
Debt Service Reserve Funds		18,901,477	19,191,725
Debt Service Interest Funds		5	1,481,303
Debt Service Funds		6,622,998	8,912,911
Other Funds		4,493,733	 3,524,031
Assets Limited as to Use	\$	31,482,354	\$ 45,344,463

Components of investment return consist of the following for the years ended September 30:

	 2022	 2021
Interest Income	\$ 1,627,526	\$ 1,616,545
Realized Gains (Losses), Net of Investment Expenses	(203,363)	12,721,669
Unrealized Losses	 (15,817,139)	 (2,428,433)
Net Investment Return	\$ (14,392,976)	\$ 11,909,781

#### NOTE 5 FAIR VALUE MEASUREMENTS

Transforming Age uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Transforming Age measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

The following methods were used to estimate the fair value of assets and liabilities.

#### Cash and Cash Equivalents

The carrying amount of cash and cash equivalents is at cost, which approximates fair value.

#### Investments and Assets Limited as to Use

The fair values of the investments and assets limited as to use are estimated based on quoted market prices for those or similar investments.

#### **Beneficial Interest in Trust**

The key inputs for the Level 3 beneficial interest in perpetual trust were determined on the fair value of the assets of the trust and the foundation. The significant unobservable inputs used in the fair value measurements are allocated based on the portion of the underlying assets. Significant changes in this input could result in a significant change to the fair value measurement.

#### NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the fair value hierarchy for the balances of the assets and liabilities of Transforming Age measured at fair value on a recurring basis as of September 30:

	2022							
	Fair Value Measurements at September 30							
		Level 1		Level 2	Level 3		Total	
Cash and Cash Equivalents	\$	31,728,603	\$	-	\$	-	\$	31,728,603
Government Bonds		8,292,658		-		-		8,292,658
Corporate Bonds		14,395,184		-		-		14,395,184
Equity Securities		39,382,319		-		-		39,382,319
Total Investments at Fair Value	\$	93,798,764	\$	-	\$	-	\$	93,798,764
Beneficial Interest in Trust	\$	-	\$	_	\$	378,265	\$	378,265

	2021								
	Fair Value Measurements at September 30								
	Level 1			Level 2		Level 3	Total		
Cash and Cash Equivalents	\$	38,472,359	\$	-	\$	-	\$	38,472,359	
Government Bonds		14,154,368		-		-		14,154,368	
Corporate Bonds		16,739,617		-		-		16,739,617	
Equity Securities		59,197,817		-		-		59,197,817	
Total Investments at Fair Value	\$	128,564,161	\$	-	\$	-	\$	128,564,161	
Beneficial Interest in Trust	\$	_	\$	_	\$	471,318	\$	471,318	

#### **Trading Securities**

Trading securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities, private collateralized mortgage obligations, municipal bonds, mutual funds, and corporate debt securities that are traded by dealers or brokers in active over-the-counter markets.

#### NOTE 6 GOODWILL

Goodwill consisted of the following at September 30:

	 2022	 2021
Goodwill - Minnesota Senior Living	\$ 17,446,237	\$ 20,353,944
Goodwill - Transforming Age Ventures	 309,044	 309,044
Goodwill	\$ 17,755,281	\$ 20,662,988

#### Minnesota Senior Living

On September 15, 2016, MSL entered into a Purchase and Sale Agreement with the owners of the seven stand-alone properties (the Communities), the Purchase and Sale Agreement was subsequently executed on December 29, 2016 at a purchase price of \$138,000,000, subject to customary closing adjustments. The purchase price was funded with the issuance of the Series 2016 Bond (see Note 9) and a \$4,000,000 subordinate related-party note payable to Transforming Age, which is eliminated in the consolidated statement of financial position. The assets and liabilities of the Communities were valued by an independent third-party valuation specialist.

The purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair values including goodwill and intangibles on the date of acquisition as follows:

	Amount	
Total Purchase Price	\$	138,000,000
Less: Fair Value of Net Identifiable Tangible Assets		109,010,000
Add: Fair Value of Assumed Capital Leases		87,062
Goodwill - MSL	\$	29,077,062

Goodwill is attributable to the assembled workforce, contracts, operating agreements, and residual value of the Communities.

Goodwill in the amount of \$29,077,062 was recognized in the acquisition of the Communities and is attributable to the assembled workforce, contracts, operating agreements, and residual value of the Communities.

Effective October 1, 2018, Transforming Age adopted Accounting Standards Update No. 2019-06, *Intangibles – Goodwill and Other, Business Combinations, and Not-for-Profit Entities* and is amortizing goodwill on a straight-line basis over a period of 10 years. The net carrying amount of goodwill was \$17,446,237 and \$20,353,944 as of September 30, 2022 and 2021, respectively. Accumulated amortization of goodwill was \$8,723,118 and \$5,722,757 as of September 30, 2022 and 2021, respectively.

#### Transforming Age Ventures

Goodwill in the amount of \$309,044 was recognized during the year ended September 30, 2015, related to the purchase of Gerontological Services, Inc. by Transforming Age Ventures.

### NOTE 7 LONG-TERM NOTES AND OTHER RECEIVABLES

DASH is a general partner with a .01% ownership interest in a limited partnership (Renton Fifth and Williams), a managing member with a .01% ownership interest in a limited liability company (Summerwood Housing), and an administrative general partner with a .009% ownership interest in a limited liability limited partnership (Ashwood Community Redevelopment). All of the below organizations are all considered related parties to DASH.

#### Wild Garden Housing, LLC

DASH holds a note receivable from Wild Garden totaling \$1,855,639. The note bears interest at 4.57% and matures April 2056. For the year ended September 2021, interest earned on the note totaled \$81,516. As of September 30 2021, interest receivable totaled \$-0-. As of September 30, 2021, the note receivable from Wild Garden totaled \$1,529,846. Repayment of the note may only be made from excess cash flow. The note is secured by a deed of trust which is subordinate to four other deeds of trust. Community Housing Alliance II L.P. (CHA 2) and Enterprise Housing Partners XIII Limited Partnership (EHP 13) assigned their investor member interest in Wild Garden LLC to DASH. CHA 2 assigned 24.997% of interest and EHP 13 assigned 74.992% of interest in Wild Garden Housing LLC to DASH. The assignment of interest occurred on December 1, 2021. Note receivable is eliminated in consolidation.

## Summerwood Housing, LLC

DASH holds a note receivable from Summerwood Housing LLC totaling \$400,000. The note bears interest at 4.75% and matures December 31, 2047. Repayments of the note may only be made from "surplus cash" as defined by HUD. For the year ended September 30, 2022 and 2021, interest earned on the note totaled \$19,000 and \$19,000, respectively. As of September 30, 2022 and 2021, interest receivable totaled \$42,105 and \$60,926, respectively.

#### Ashwood Community Redevelopment LLLP

DASH holds an acquisition loan receivable from Ashwood Community Redevelopment LLLP totaling \$2,600,000. Interest shall accrue on the unpaid principal balance at a rate of 4.25% per annum, compounded annually. The note and all accrued interest shall be payable annually from cash flow and capital proceeds available in accordance with the promissory note agreement. The note matures on April 1, 2055. As of September 30, 2022 and 2021, accrued interest receivable totaled \$950,622 and \$805,873, respectively. DASH also holds a sponsor loan totaling \$885,000.

#### NOTE 7 LONG-TERM NOTES AND OTHER RECEIVABLES (CONTINUED)

#### Ashwood Community Redevelopment LLLP (Continued)

Interest shall accrue on the unpaid principal balance compounded annually at a rate equal to the greater of 4.25% per annum or the long-term applicable federal rate established by the IRS in accordance with the promissory note agreement. The note and all accrued interest shall be payable annually from cash flow and capital proceeds available in accordance with the promissory note agreement. The note matures on April 1, 2055. As of September 30, 2022 and 2021, accrued interest receivable totaled \$323,577 and \$274,307, respectively. At September 30, 2022 and 2021, management considered all notes receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

As of September 30, 2022 and 2021, the allowance for all the notes receivable and accrued interest receivable totaled \$609,781 and \$609,781, respectively.

#### Renton Fifth and Williams, LP

Renton Fifth and Williams, LP (the Partnership) has entered into a developer agreement with Fifth and Williams Development LLC (the LLC), which provides for a development fee of \$2,381,887. The development fee is to be paid from capital contributions. Any development fee not paid from capital contributions will be treated as a deferred development fee. Payment of any deferred development fee is subject to available cash flow as defined in the partnership agreement. The deferred development fee shall be due and payable on the earlier of the date which is 15 years following the date the building is placed in service or the date of dissolution and liquidation of the Partnership. The deferred development fee shall be evidenced by a promissory note and deed of trust, which shall each be nonrecourse by its terms against the Partnership and its partners. Pursuant to the agreement between DASH and another member of the LLC, DASH is entitled to 35.3% of the developer fee. As of September 30, 2022 and 2021, the developer fee receivable totaled \$2,095,572, of which \$742,100 was payable to DASH.

#### NOTE 8 PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at September 30:

	2022	2021	
Land and Land Improvements	\$ 82,279,386	\$ 80,234,206	
Buildings	579,639,575	462,648,762	
Furniture and Equipment	53,775,252	29,780,265	
Subtotal	715,694,213	572,663,233	
Less: Accumulated Depreciation	(221,910,015)	(192,419,749)	
Subtotal	493,784,198	380,243,484	
Construction in Progress	36,926,690	127,237,038	
Property and Equipment, Net	\$ 530,710,888	\$ 507,480,522	

Interest expense of approximately \$298,000 and \$4,739,000 was capitalized into property and equipment during the years ended September 30, 2022 and 2021, respectively.

# NOTE 8 PROPERTY AND EQUIPMENT, NET (CONTINUED)

Construction in progress of approximately \$3,500,000 at September 30, 2022 includes the Skyline Cascade Tower elevator project, which are funded by operations. The project is estimated to be completed in October 2022.

Construction in progress of approximately \$23,300,000 relates primarily to capitalized costs of an independent living expansion project with estimated total costs of \$41 million. Construction started in 2021 and is expected to be completed in summer 2023. The construction is financed with the issuance of the Eastmont Series 2020 and Series 2021 Bonds (see Note 9).

The remaining construction in progress costs at September 30, 2022 are related to various routine apartment remodeling, planning of potential future projects, and other capital improvements at the residential facilities (Parkshore, Skyline, Fred Lind Manor, and Eastmont), which are funded by operations.

# NOTE 9 LONG-TERM DEBT

Long-term debt consisted of the following at September 30:

Description	2022	2021
Obligated Group:		
Series 2013 Bonds Payable	\$ 6,390,000	\$ 6,560,000
Series 2015 Bonds Payable	7,750,000	7,895,000
Series 2016A Bonds Payable	117,905,000	122,515,000
Series 2016B Bonds Payable	2,880,000	143,865,000
Series 2019A Bonds Payable	92,915,000	_
Washington Federal Bank Bradbury Loan	5,665,250	5,811,200
Washington Federal Bank Revolving Note	9,664,650	6,664,650
Minnesota Senior Living (MSL):		
Series 2016 Bonds Payable	133,345,000	135,310,000
Vashon Community Care:		
HUD Loan	5,798,605	5,877,951
Note Payable - Providence Mount St. Vincent	-	29,943
Eastmont:		
Series 2020 Bonds Payable	14,962,000	15,300,000
Series 2021 Bonds Payable	18,188,671	2,248,901
DASH Notes Payable	37,683,618	26,369,998
1980 112th:		
Note Payable	3,563,500	3,654,700

# NOTE 9 LONG-TERM DEBT (CONTINUED)

Description		2022	2021		
Norse Home: Note Payable	\$	189,244	\$	217,941	
Exeter:					
Line of Credit		3,160,000		3,160,000	
Full Life Care:					
Note Payable - Swedish Hospital		200,000		200,000	
Note Payable - King County Metro		95,911		153,995	
Subtotal	2	160,356,449		485,834,279	
Add: Unamortized Premiums, Net of Discounts		16,179,550		16,952,809	
Less: Unamortized Debt Issuance Costs		(9,346,103)		(9,289,529)	
Carrying Amount of Long-Term Debt	2	67,189,896		493,497,559	
Less: Current Portion		(8,279,746)		(8,515,140)	
Net Long-Term Debt, Less Current Portion	\$ <i>2</i>	158,910,150	\$	484,982,419	

# Obligated Group

### Series 2013 Bonds

In June 2013, the Washington State Housing Finance Commission (WSHFC) issued the Series 2013 bonds. The Series 2013 bonds were issued for the purpose of refinancing the Series 1999A bonds, and for the cost of acquisition of land, construction, remodeling, and renovations at Parkshore, Exeter House, and the corporate office. The Series 2013 bonds were issued with a principal of \$14,840,000, issued at a premium of \$195,845, with coupon rates ranging from 5.00% to 5.25% per annum. Interest on the Series 2013 bonds is payable January 1 and July 1 of each year beginning January 1, 2014. Principal on the Series 2013 bonds is payable annually beginning January 1, 2014 with a final maturity on January 1, 2043. Obligations under the loan agreement are secured by a pledge of the Obligated Group's assets under a deed of trust.

# Series 2015 Bonds

In December 2015, the Washington State Housing Finance Commission (WSHFC) issued the Series 2015 bonds. The Series 2015 bonds were issued for the purpose of refinancing the Series 2012 bonds. The Series 2015 bonds were issued with a principal of \$8,740,000, with coupon rates ranging from 4.125% to 6.000% per annum. Interest on the Series 2015 bonds is payable January 1 and July 1 of each year beginning January 1, 2016. Principal on the Series 2015 bonds is payable annually beginning January 1, 2016 with a final maturity on January 1, 2045. Obligations under the Ioan agreement are secured by a pledge of the Obligated Group's assets under a deed of trust.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# Obligated Group (Continued)

### Series 2016 Bonds

In October 2016, the Washington State Housing Finance Commission (WSHFC) issued the Series 2016 bonds. The Series 2016 bonds were issued for the purpose of refunding the Series 2007A bonds, the outstanding HUD loan of Fred Lind Manor and financing certain construction costs. The Series 2016 bonds consist of multiple series of bonds in the aggregate principal amount of \$130,290,000, issued at a premium of \$14,343,046, with coupon rates ranging from 4.00% to 5.00% per annum. Interest on the Series 2016 bonds is payable January 1 and July 1 of each year beginning January 1, 2017. Principal on the Series 2016 bonds is payable annually beginning January 1, 2017 with a final maturity on January 1, 2051. Obligations under the loan agreement are secured by a pledge of the Obligated Group's assets under a deed of trust.

### Series 2019 Bonds

In October 2019, the Washington State Housing Finance Commission (WSHFC) issued the Series 2019 bonds. The Series 2019 bonds were issued for the purpose of funding the Olympic Tower Expansion Project (see Note 8), Skyline, Parkshore, and Fred Lind Manor construction projects, acquisition of three condos in proximity to the Parkshore community, and repayment of the Washington Federal Bank Revolving Note. The Series 2019 bonds consist of multiple series of bonds in the aggregate principal amount of \$143,865,000, issued at a premium of \$8,164,348, with coupon rates ranging from 2.375% to 5.00% per annum. Interest on the Series 2019 bonds is payable January 1 and July 1 of each year beginning January 1, 2020.

Principal on the Series 2019 bonds is payable annually beginning January 1, 2024 with a final maturity on January 1, 2055. Obligations under the loan agreement are secured by a pledge of the Obligated Group's assets under a deed of trust.

### Washington Federal Bank Bradbury Loan

On February 20, 2020, the Obligated Group entered into a variable rate loan with Washington Federal Bank for \$6,000,000 that has a 7-year terms. The initial variable rate will be determined by adding the one-month LIBOR Rate by the Intercontinental Exchange plus 2.4%. This bank loan is under the Obligated Group's Master Trust Indenture and is secured by a pledge of the Obligated Group's assets under a deed of trust.

### Washington Federal Bank Revolving Note

On August 31, 2017, the Obligated Group entered into a revolving note agreement with Washington Federal Bank. The credit limit under the agreement is \$15,000,000. The agreement matures on August 1, 2022 and bears interest of LIBOR plus 2.40%.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# Minnesota Senior Living

### Series 2016 Bonds

On December 29, 2016 (Closing Date), the City of Apple Valley, Minnesota (the Issuer) issued the Series 2016 bonds. The Series 2016 bonds consist of multiple series of bonds in the aggregate principal amount of \$147,970,000 issued with discounts and premiums, with coupon rates ranging from 3.00% to 7.25% per annum. Interest on the Series 2016 bonds is payable January 1 and July 1 of each year beginning July 1, 2017. Principal on the Series 2016 bonds is payable annually beginning January 1, 2019 with a final maturity on January 1, 2052. Obligations under the loan agreement are secured by a pledge of Minnesota Senior Living LLC's assets under a deed of trust.

# Series 2016A Bonds

The Series 2016A bonds consist of AA-rated tax-exempt fixed rate bonds with the following coupons and maturities:

- \$17,280,000, 10-year serial bonds with coupons ranging from 4.00% to 5.50% per annum; and
- \$51,610,000, 20-year to 35-year term bonds with coupons ranging from 4.25% to 4.50% per annum.

### Series 2016B Bonds

The Series 2016B bonds consist of A-rated tax-exempt fixed rate bonds with the following coupons and maturities:

- \$11,735,000, 10-year serial bonds with coupons ranging from 3.00% to 4.50% per annum; and
- \$38,805,000, 20-year to 35-year term bonds with coupons ranging from 4.75% to 5.25% per annum.

### Series 2016C Bonds

The Series 2016C bonds consist of tax-exempt BBB rated fixed rate term bonds totaling \$6,890,000 with maturities ranging from 5 to 35 years and coupons ranging from 3.50% to 5.75% per annum.

### Series 2016D Bonds

The Series 2016D bonds consist of unrated tax-exempt fixed rate term bonds totaling \$21,650,000 with maturities ranging from 10 to 35 years and coupons ranging from 6.75% to 7.25% per annum.

The proceeds of the Series 2016 bonds were used to finance the purchase of the Communities. The Series 2016 bonds were issued at a net discount of approximately \$2,593,000.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# Vashon Community Care

### <u>HUD Loan</u>

Mortgage note payable to Walker & Dunlop LLC in the original amount of \$6,849,500. The HUD loan is insured by the Department of Housing and Urban Development and is collateralized by all assets of Vashon Community Care. The loan is payable in monthly installments of \$36,191 including principal and interest (2.82%) and matures on March 1, 2052.

# Note Payable - Providence Mount St. Vincent

Note payable to Providence Mount St. Vincent in the original amount of \$359,312. The note bears no interest and is uncollateralized. The note is payable in monthly installments of \$7,486, commencing January 1, 2018 and matured on December 31, 2021.

# Eastmont

# Series 2020 Tax-Exempt Revenue Bonds

The tax-exempt bonds were issued on September 30, 2020, by the County of Lancaster in the State of Nebraska (the Issuer) in the maximum amount of \$11,022,000. The tax-exempt revenue bonds bear a variable interest of 2.565% at September 30, 2022, determined by 79% of the sum of the one-month LIBOR floor plus a Performance Margin of 2.75%. The tax-exempt bonds are payable in monthly installments through September 1, 2045, in amounts ranging from \$18,000 to \$66,000. Principal payments begin October 1, 2021. Exeter, LLC, as Liquidity Provider, has agreed to provide Liquidity Support in the aggregate amount of up to \$7,500,000 for the Series 2020 tax-exempt bonds under the Liquidity Support Agreement between Exeter, LLC, and Washington Federal Bank. The tax-exempt bonds are secured by essentially all real and personal property of Christian Retirement Homes.

### Series 2020 Taxable Revenue Bonds

The taxable bonds were issued on September 30, 2020, by the County of Lancaster in the State of Nebraska (the Issuer) in the maximum amount of \$4,278,000. The taxable revenue bonds bear an interest rate of 3.25% at September 30, 2022, determined by the sum of the one-month LIBOR floor plus a Performance Margin of 2.75%. The taxable bonds are payable in monthly installments through September 1, 2045, in amounts ranging from \$7,000 to \$26,000. Principal payments begin October 1, 2021. The taxable bonds are secured by essentially all real and personal property of Christian Retirement Homes.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# Eastmont (Continued)

### Series 2021 Revenue Bonds – Series 2021A Variable Rate Permanent Bond

The Series 2021A bonds were issued on February 26, 2021 by the County of Lancaster in the State of Nebraska (the Issuer). The funds can be drawn up to the maximum amount of \$29,000,000. Eastmont has \$2,248,901 at September 30, 2021. The Series 2021A bonds bear a variable interest of 2.17% at September 30, 2022, determined by 79% of the sum of the taxable interest rate applicable to the taxable Series 2020 bonds. The Series 2021A bonds are payable in monthly installments through February 1, 2050 in amounts ranging from \$46,115 to \$169,994. Principal payments begin March 1, 2025. The Series 2021A bonds are secured by essentially all real and personal property of Christian Retirement Homes.

### Series 2021 Revenue Bonds – Series 2021B Variable Rate Temporary Bonds

The Series 2021B bonds were issued on February 26, 2021, by the County of Lancaster in the State of Nebraska (the Issuer). The funds can be drawn up to the maximum amount of \$9,000,000. The Series 2021B bonds bear an interest rate of 2.75% at September 30, 2022, determined by the sum of the one-month LIBOR floor plus a Performance Margin of 3.30%. The Series 2021B bonds are payable in a lump sum on September 30, 2023. The Series 2021B bonds are secured by essentially all real and personal property of Christian Retirement Homes.

Washington Federal Bank is the owner of 100% of the cumulative outstanding principal amount of the Series 2020 and 2021 bonds. Union Bank and Trust Company is the trustee.

# <u>DASH</u>

Long-term debt of DASH consisted of the following at September 30:

Description	 Amount
Evergreen Court	\$ 8,109,040
Plum Court	6,067,863
Woodinview Senior Housing	2,175,727
Woodinview Family Housing	2,564,030
Kenmore Family Housing	5,025,090
Kenmore Senior Housing	4,279,877
Mountainview Family	2,241,741
Wild Garden	7,220,250
Total DASH Notes Payable	\$ 37,683,618

### Evergreen Court – Banner Bank

The promissory note in the amount of \$3,392,000 payable to Banner Bank was issued on January 1, 2021 and matures on February 1, 2031. The promissory note carries an interest rate of 3.875%. The note provides for monthly payment s of principal and interest of \$16,067 beginning on March 1, 2021. The proceeds from the promissory note were used to fund the discounted loan payoff agreement with Chase Bank resulting in a gain on debt refunding of \$2,459,521.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# DASH (Continued)

# Evergreen Court - City of Bellevue

The original mortgage note payable to City of Bellevue bears interest at 1% and matures March 31, 2032. Annual payments are based on an amortization schedule of 50 years. The note provides for annual payments beginning March 31, 2004. In April 2012, the City of Bellevue and the partnership executed an Amended and Restated Funding Agreement (Agreement). The Agreement provided for an additional \$906,898 to the rehabilitation of Evergreen Court. The original principal, accrued interest and new funds were combined for a new loan in the amount of \$2,292,955. No interest shall accrue on the principal amount until January 1, 2018. At such time, the principal amount due shall bear interest annually at 1%. With respect to the loan repayments, the Partnership shall make an annual payment on or before July 1 in the amount of 60% of 50% of the net cash flow, if any, as defined in Exhibit E of the agreement. The initial payment shall be due July 1, 2013. The new loan matures January 1, 2062. As of September 30, 2022, no payments have been made due to insufficient cash flow.

# Evergreen Court – King County (Mortgage Note 1)

The mortgage note payable to King County is payable in annual installments of \$27,500 beginning November 2033 and continuing through November 2052. The mortgage note is interest free unless there is a violation of covenants or agreements the Partnership has entered into. After such violation of covenants or agreements, the obligation shall bear interest at 12% per annum or the highest rate allowed by applicable law, whichever is less.

# Evergreen Court – King County (Mortgage Note 2)

During 2011, the Partnership entered into loan agreement with King County for total loan commitment of \$1,493,102. The mortgage note is payable from available cash flow. The mortgage note accrues interest at 1% unless there is a violation of covenants or agreements the Partnership has entered into. After such violation of covenants or agreements, the obligation shall bear interest at 12% per annum or the highest rate allowed by applicable law, whichever is less. The note matures in December 2062.

### Evergreen Court – Washington State Department of Commerce (WSDC)

Under the terms of the original loan agreement, the mortgage note payable to Washington State Department of Commerce is payable in annual installments of \$14,032, including interest at 1%, beginning March 2004. In May 2012, the Washington State Department of Commerce and the partnership executed an amendment to the mortgage note agreement. Under the terms of the new agreement, no interest shall be accrued beginning March 1, 2009 through February 28, 2053. In addition, no payment shall be made in calendar years from 2010 through 2016. Beginning February 28, 2017 through February 28, 2053, quarterly payments of \$3,341 shall be made. During 2018, the Partnership was granted payment deferral from WSDC. The deferral period began February 28, 2018 and ended on November 30, 2019.

### Plum Court – Prudential

Monthly payments of \$24,038 are required beginning June 1, 2005. The note bears interest at 6.26% and matures May 1, 2023.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# DASH (Continued)

### Plum Court – KCHF – Weatherization

Annual payments are deferred until March 15, 2040. The note bears interest at 0.5% and is due March 15, 2050. Interest will be forgiven subject to the project meeting certain tenant eligibility requirements.

### Plum Court – KCHA Renovation

Interest shall accrue on the disbursed but unpaid principal balance at a rate equal to 3% per annum. Payments of principal and interest shall be payable from monies available for debt service as defined in accordance with the loan agreement. All such payments shall be applied first to accrued but unpaid interest, and then to principal. The loan shall be due and payable on January 2, 2040.

### Plum Court – ARCH City

The following cities, listed in order of priority, have provided financing to the Company: Bellevue, Redmond, Kenmore, Newcastle, Mercer Island, Medina, Clyde Hill, Woodinville and Kirkland. The notes accrue interest at 1% and mature January 1, 2053 provided the project complies with regulatory agreements of the loans limiting the use of the project for a period of 50 years. Monthly payments of \$1,497 began January 1, 2014.

### Plum Court – King County

This note is noninterest bearing provided there is no breach, default, or violation under the DCHS Community Development Block Grant Contract, the Deed of Trust, and the Covenant Agreement restricting the use of the property for a 50-year period. Principal amount of this note is due May 1, 2053.

### Plum Court – Washington State Department of Commerce

Quarterly payments of \$6,073 are required beginning December 31, 2004. The note bears interest at 1%, compounded quarterly and matures September 31, 2044. The note has a covenant agreement limiting the use of the property for a period of 40 years. From April 1, 2012 to March 31, 2014 quarterly payments were deferred and accrued interest was added to the principal loan balance.

### Plum Court – King County – Department of Community and Human Services (DCHS)

Annual payments of \$112,822 are deferred until 2037. This note bears interest at 1% and matures September 30, 2053. The note has a covenant agreement limiting the use of the property for a period of 50 years.

### Woodinview Senior Housing – Anchor Bank

The mortgage loan is payable in monthly installments of \$11,065, including interest at 7.5%, beginning July 2004 through June 2034. Proceeds from the WCRA loan in the amount of \$1,622,000 were received June 30, 2004.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# DASH (Continued)

### Woodinview Senior Housing – Washington State Department of Commerce

The note, in the original amount of \$283,625, is payable in annual installments of \$7,236, including interest at 1%, beginning March 2004 through March 2053. Interest began accruing April 2003.

### King County

The first note, in the original amount of \$489,923, is payable in annual installments of \$39,438, including interest at 1%, beginning June 2036 through June 2054. The second note, in the original amount of \$360,000, is payable in annual installments of \$28,979, including interest at 1%, beginning June 2036 through June 2054.

The second note, in the original amount of \$360,000, is payable in annual installments of \$28,979, including interest at 1%, beginning June 2036 through June 2054.

### Woodinview Senior Housing – Cities of Redmond and Kirkland

Each note is to be paid in annual installments of \$1,276, including interest at 1%. Payments are to be made from available cash flow. All remaining principal and interest are due in March 2054.

### Woodinview Family Housing - Washington Community Reinvestment Association (WCRA)

The mortgage loan is payable in monthly installments of \$14,667, including interest at 7.25%, beginning October 2004 through the maturity date of June 2034. Proceeds from the WCRA loan in the amount of \$2,150,000 were received June 30, 2004.

### Woodinview Family Housing – Washington Department of Commerce

The mortgage loan is payable in annual payments of \$14,100, including interest at 1%, compounded annually, beginning December 31, 2004 through December 31, 2053.

### Woodinview Family Housing – King County Department of Community and Human Services

The note is due in annual installments of \$31,190 including interest at 1% beginning June 30, 2037 through maturity, June 30, 2053.

The second note is due in annual installments of \$28,879 including interest at 1% beginning June 30, 2036 through maturity, June 30, 2054.

<u>Kenmore Family Housing – Washington Community Reinvestment Association (WCRA)</u> The note is payable in monthly installments of \$15,008 including interest at 7.25% through May 1, 2033.

### Kenmore Family Housing – Washington Department of Commerce

The note is due in annual installments of \$12,208 including interest at 1% compounded annually through December 31, 2051.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# DASH (Continued)

Kenmore Family Housing – King County Department of Community and Human Services

The note is due in annual installments of \$45,158 including interest at 1% beginning December 31, 2033 through December 31, 2051.

# Kenmore Family Housing – Greystone Funding Company LLC

Kenmore Family refinanced its first mortgage in 2021 by entering into a long-term agreement with Greystone Funding Company LLC. The note in the amount of \$4,196,700, bears interest at 2.4%, and monthly payments of \$21,591 are required beginning on January 1, 2022. The note matures on December 1, 2056. Substantially all of Kenmore Family's assets are collateralized under the note.

# Kenmore Senior Housing – Banner Bank

In October 2016, Kenmore Senior refinanced the note payable with Anchor Bank. The original note was paid in full, and the refinanced mortgage note proceeds of \$1,825,000 were received by Kenmore Senior from Banner Bank. In March 2022, Kenmore Senior entered into a loan modification agreement with Banner Bank. Kenmore Senior obtained a promissory note payable from Banner Bank in the amount of \$3,620,000. Kenmore Senior shall make consecutive monthly principal and interest payments of \$15,882, commencing April 1, 2022, and a final payment of all principal and accrued interest due on March 1, 2032.

### Kenmore Senior Housing – Washington State Department of Commerce

The notes, in the original amounts of \$211,375 and \$320,000 bear interest at 1% compounded annually. The loan in the amount of \$320,000 requires annual payments of \$8,164 through December 31, 2051. Payment of principal and interest on the loan in the amount of \$211,735 shall be deferred for 32 years. The new principal amount after the deferral period shall be \$279,015. The new principal amount requires annual payments of \$17,015 beginning December 31, 2033 through December 31, 2051.

### Kenmore Senior Housing - King County Department of Community and Human Services

The note is due in annual installments of \$20,416 including interest at 1% beginning January 1, 2034 through January 1, 2051.

### Mountainview Family – Washington Community Reinvestment Association

Interest is accrued at 7.25%. Monthly installments of \$11,972 are due through the maturity date of October 1, 2033.

### Mountainview Family – King County Department of Community and Human Services

Interest is accrued at 1% compounded annually. Annual payments of \$44,675 begin December 31, 2035 and continue through the maturity date of December 31, 2052.

# Mountainview Family – Washington State Department of Commerce

The note is due in annual installments of \$950 including interest at 1% compounded annually through December 31, 2052.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

# DASH (Continued)

### Mountainview Family – Washington State Department of Commerce

The note is due in quarterly installments of \$950 including interest at 1% compounded annually through September 30, 2052.

# Wild Garden – Housing Authority of the County of King (The Housing Authority)

The Housing Authority issued Multifamily Housing Revenue Bonds in 2005 in the original amount of \$7,320,000. The bond was issued, and Wild Garden entered into a note payable to the Housing Authority on August 1, 2005. Monthly payments of principal and interest totally \$45,997 are required for a term of 30 year at a rate of 6.85%. A final installment of \$2,377,250 is payable at maturity on September 1, 2037. The loan is services through Berkadia Commercial Mortgage.

#### Wild Garden – Housing Authority of the County of King (The Housing Authority)

The note, in the amount of \$139,955, is to be used for energy conservation measures. The note bears interest at .05% annually through July 2056. Annual payments are deferred until July 2046 and interest shall accrue.

### Wild Garden - King County Department of Community and Human Services

This note, in the amount of \$345,000, was for use in the acquisition and rehabilitation of real property. The principal amount on this note is payable July 30, 2055, or upon sale or other conveyance of the property, which ever comes earlier. The note includes interest at 1% compounded annually.

### Wild Garden – Washington State Department of Commerce

Notes, in the original amounts of \$771,194 and \$277,733, bear interest at 1% compounded annually and quarterly, respectively. This loan requires annual payments of \$20,308 beginning April 2004 through April 2053. An amendment to the contract was signed and entered into in 2020 noting the annual payments for the loan shall be deferred from July 1, 2020, until December 31, 2022, however Wild Garden opted to make payments during the deferral period.

### <u>1980 112th</u>

On June 23, 2017, 1980 112<sup>th</sup>, LLC entered into a promissory note with Washington Federal Bank. The principal amount of the promissory note is \$3,990,000. The promissory note matures on July 1, 2024 and bears interest of LIBOR plus 2.60%.

### <u>Exeter</u>

On September 28, 2018, Exeter entered into a line of credit with Bank of America for a maximum amount under the facility of \$11,000,000. The interest rate on the line of credit is equal to the LIBOR Daily Floating Rate plus a 1% margin. The cash, securities and other assets held by Bank of America have been pledged as collateral against the line of credit. On September 24, 2020, the maximum amount available for borrowing under the Credit Agreement was reduced to \$5,000,000. The outstanding balance was \$3,160,000 as of September 30, 2022 and 2021.

# NOTE 9 LONG-TERM DEBT (CONTINUED)

### Full Life Care

#### Note Payable – Swedish Hospital

Note payable to Swedish Hospital, formerly Visiting Nurse Services. Rent-free space in the South Branch building is provided to Swedish Hospital in lieu of regular interest payments. The note is secured by the South Branch building and in the event of sale of the building, repayment of the note, plus a pro rata share of market appreciation shall be made from the proceeds of such sale. No payments are due until the completion of such sale.

#### Note Payable – King County Metro

Note payable to King County Metro in the original amount of \$530,680 bearing interest at 3.25% per annum. Principal and interest are paid in monthly installments of \$5,186. The note matures in April 2024 and is secured by a first deed of trust on the South Seattle Adult Day Health Center.

Aggregate maturities of long-term debt are as follows:

Year Ending September 30,	 Amount			
2023	\$ 8,279,746			
2024	21,414,900			
2025	10,045,073			
2026	11,607,731			
2027	7,879,115			
Thereafter	396,155,441			
Unscheduled Series 2019 B and C Payments	 4,974,443			
Total	\$ 460,356,449			

Interest expense for the years ended September 30 consisted of the following:

	 2022	 2021
Interest Expense - Bonds	\$ 20,871,565	\$ 16,069,867
Interest Expense - Revolving Note and Capital Leases	102,712	526,223
Interest Expense - Sewer Capacity Payable	12,902	18,467
Amortization - Debt Issuance Costs	519,888	556,864
Amortization - Bond Premiums, Net of Discounts	 (773,259)	 (778,625)
Total Interest Expense	\$ 20,733,808	\$ 16,392,796

Debt issuance costs and bond premium (discount) at September 30 consisted of the following:

	ls	Debt suance Costs	Bond Discounts	Bond Premiums	Total
Beginning Balance (at Inception)	\$	(11,934,088)	\$ (2,592,537)	\$ 22,511,373	\$ 7,984,748
Accumulated Amortization - 9/30/2021		2,644,559	601,078	(3,567,105)	(321,468)
2022 Issuances & Prepayment Penalty		(200,376)	-	-	(200,376)
2022 Wild Garden Issuance Costs		(376,086)	-	-	(376,086)
2022 Amortization		519,888	 104,882	 (878,141)	 (253,371)
Balance at 9/30/2022	\$	(9,346,103)	\$ (1,886,577)	\$ 18,066,127	\$ 6,833,447

# NOTE 9 LONG-TERM DEBT (CONTINUED)

#### Restrictive Covenants

The provisions of the Obligated Group Series 2013, 2015, 2016, and 2019, Ioan, and revolving note; Minnesota Senior Living Series 2016 bond indentures; Eastmont Series 2020 and 2021 bonds, and the 1980 112<sup>th</sup> note payable contain various financial covenants. As of September 30, 2022, management was not aware of any violations in relation to these covenants.

# NOTE 10 SEWER CAPACITY PAYABLE

During the years ended September 30, 2012 and 2011, Skyline was levied two capacity charges by King County of the state of Washington related to the new sewer connection at the Skyline at First Hill building. Skyline elected to finance these charges with the County over 15 years. Interest is stated at 5.5%, with quarterly payments totaling \$22,412, including principal and interest, due through May 2026.

The total scheduled principal repayment obligations are as follows:

Year Ending September 30,	Α	Amount		
2023	\$	66,571		
2024		85,890		
2025		25,668		
2026		3,995		
Total	\$	182,124		

# NOTE 11 QUALIFIED EMPLOYEE BENEFIT PLAN

Transforming Age has a 403(b) profit sharing plan that covers substantially all employees who have completed one year of service. Transforming Age matches 100% of the employees' contributions up to 4% of each employee's total salary. Employer contributions for the years ended September 30, 2022 and 2021 totaled approximately \$893,262 and \$1,078,000, respectively.

### NOTE 12 LEASES

Transforming Age leases corporate office space and copiers for various terms under longterm, noncancelable lease agreements. The leases expire at various dates through 2025 and provide for renewal options ranging from 12 months to 4 years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require Transforming Age to pay real estate taxes, insurance, and repairs.

# NOTE 12 LEASES (CONTINUED)

The following table provides quantitative information concerning Transforming Age's leases:

	 2022
Lease Cost:	
Operating Lease Cost	\$ 393,072
Short-Term Lease Cost	-
Variable Lease Cost	-
Sublease Income	 (17,215)
Total Lease Cost	\$ 375,857
Other Information:	
Operating Cash Flow from Operating Leases	\$ (489,683)
Right-of-Use Assets Obtained in Exchange for New	
Operating Lease Liabilities	954,758
Weighted-average Remaining Lease Term -	
Operating Leases	32 months
Weighted-average Discount Rate -	
Operating Leases	5.00%
	0.0070

A maturity schedule of annual undiscounted cash flows for lease liabilities are as follows at September 30:

Year Ending September 30,	 Amount
2023	\$ 612,973
2024	314,170
2025	118,280
2026	122,660
2027	90,790
Thereafter	 106,693
Total	\$ 1,365,566

# NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30:

	2022	2021		
Net Assets with Purpose or Time Donor Restrictions:				
Community Funds	\$ 869,974	\$ 895,912		
Full Life Care Forgivable Loans	485,046	496,779		
Eastmont Hospice Care Fund	641,778	641,778		
Employee Education	392,721	446,731		
Eastmont Miscellaneous Funds	751,945	437,428		
Resident Support, Charity Care	239,161	279,056		
Eastmont Chapel Fund	146,989	146,989		
Eastmont Wheeler Trust	162,559	309,065		
M McGarrity Ed and S Larson Funds	11,490	40,522		
Meridian Manor Alzheimer	175	-		
Subtotal	 3,701,838	3,694,260		
Net Assets with Permanent Donor Restrictions:				
Friends of Parkshore Heritage Endowment,				
Charity Care	1,104,193	1,469,434		
Eastmont Hospice Care Fund	1,000,000	1,000,000		
Eastmont Beneficial Interest in Trust	271,000	271,000		
Vashon Community Care Endowment Fund	-	50,000		
Full Life Care Endowment Fund	49,255	49,255		
Resident Support Endowment, Charity Care	3,744	3,744		
Subtotal	 2,428,192	 2,843,433		
Total Net Assets with Donor Restrictions	\$ 6,130,030	\$ 6,537,693		

The Heritage Fund is restricted to use for Parkshore. The remaining funds are restricted as specified by donors. Net assets with donor restrictions that are permanent in nature represent gifts restricted by donors to be invested in perpetuity. Investment income may be used for general operations or is restricted for program services. Spending of the endowment earnings is governed by Transforming Age's endowment spending policy (see Note 14).

Friends of Parkshore Heritage endowment required that investment earnings be maintained in the restricted endowment until it grows to \$1,000,000 in value. Once that value is achieved, one-half of the endowment earnings may be used for approved projects, with the other one-half of endowment earnings to be reinvested to grow the endowment. Income earned on all other endowments is considered restricted until appropriated by the board of directors for general support of Transforming Age or for resident support.

# NOTE 14 ENDOWMENTS

Transforming Age's endowments consist of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the board of directors to function as endowments (quasi-endowments). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The board of directors of Transforming Age has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA), and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, 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 determination, Transforming Age classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Transforming Age in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, Transforming Age considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of Transforming Age and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of Transforming Age; and
- The investment policies of Transforming Age.

# NOTE 14 ENDOWMENTS (CONTINUED)

Endowment net assets consisted of the following at September 30:

		2022							
	Net Assets Net Assets					Vet Assets			
	Net Assets wi		with Purpose		with Permanent				
	Without Donor or Time Donor		Donor						
	Re	Restrictions Restrictions R		Restrictions		Total			
Endowment Net Assets -									
Beginning of Year	\$	819,557	\$	587,733	\$	2,908,565	\$	4,315,855	
Investment Return:									
Investment Income		-		278,635		272,637		551,272	
Release from Restrictions		130,788		(130,788)		-		-	
Endowment Net Assets -									
End of Year	\$	950,345	\$	735,580	\$	3,181,202	\$	4,867,127	

		2021							
			et Assets	١	Vet Assets				
	N	Net Assets with Purpose with		wit	with Permanent				
	Wit	hout Donor	Oonor or Time Donor		Donor				
	Re	estrictions	strictions Restrictions		Restrictions			Total	
Endowment Net Assets -									
Beginning of Year	\$	688,769	\$	439,886	\$	2,635,928	\$	3,764,583	
Investment Return:									
Investment Income		-		278,635		272,637		551,272	
Release from Restrictions		130,788		(130,788)		-		-	
Endowment Net Assets -									
End of Year	\$	819,557	\$	587,733	\$	2,908,565	\$	4,315,855	

# **Funds with Deficiencies**

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 PMIFA requires Transforming Age to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no funds with deficiencies as of September 30, 2022 and 2021.

# NOTE 14 ENDOWMENTS (CONTINUED)

# **Return Objectives and Risk Parameters**

Transforming Age has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Transforming Age must hold in perpetuity or for donor-specified periods as well as board-designated funds. 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 a benchmark for similar investments. Under Transforming Age's investment policy, permanently donor-restricted investments are to be composed of 100% of equity securities. Quasi-endowments are to be invested as follows: equity securities rated B or better as rated by Standard & Poor's, which shall not exceed 15% of cash and investments, less restricted bond funds and the Foundation funds; and fixed income which shall not exceed 50% of total cash and investments, less restricted bond funds and the Foundation funds; and provide in government agency rated A or better while assuming a moderate level of investment risk.

Transforming Age expects its endowment funds, over time, to provide an average real rate of return of approximately 1% annually. Actual returns in any given year may vary from this amount.

# Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Transforming Age relies on a total return strategy in which investment returns are achieved through both capital appreciation, realized and unrealized, and current yield such as interest and dividends. Transforming Age targets a diversified asset allocation that places a greater emphasis on equity-based securities investments with a strategy of investments in equity securities and fixed income securities to achieve its long-term return objectives within prudent risk constraints.

# Spending Policy and How the Investment Objectives Relate to Spending Policy

Transforming Age considered the long-term expected return on its endowment. Accordingly, over the long-term, Transforming Age expects the current spending policy to allow its endowment to grow to a balance of \$1,000,000 for the Friends of Parkshore Heritage endowment annually before its planned payouts. This is consistent with Transforming Age's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The endowment balance exceeded \$1,000,000 as of September 30, 2022 and 2021.

# NOTE 15 SERVICE FEES AND HEALTHCARE REVENUE

Resident service fees and patient healthcare revenue is reported at the amount that reflects the consideration to which Transforming Age expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Transforming Age bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied. For the years ended September 30, 2022 and 2021, approximately 26% and 24%, respectively, of service fees and healthcare revenue was derived under federal and state third-party reimbursement programs.

Performance obligations are determined based on the nature of the services provided by Transforming Age. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Transforming Age believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving healthcare services or housing residents receiving services in the facility. Transforming Age considers daily services provided to residents of the skilled nursing facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, gift shop, salon, transportation, and cafeteria meals) and Transforming Age does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, Transforming Age has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Transforming Age determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Transforming Age's policy and/or implicit price concessions provided to residents. Transforming Age determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. Transforming Age determines its estimate of implicit price concessions based on its historical collection experience.

# NOTE 15 SERVICE FEES AND HEALTHCARE REVENUE (CONTINUED)

Transforming Age recognizes the majority of its revenues over a period of time from its payors based on fees for services performed. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

### **Medicare**

The licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facility is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

### Medicaid - Washington

The skilled nursing facilities participate in the Medicaid program administered by the Washington State Department of Social and Health Services. The department sets prospective Medicaid payment rates for nursing facility services provided to medical care recipients. Nursing facility rates are facility specific, meaning each facility receives an individual rate based on their costs. Each rate represents a nursing facility's maximum compensation for one resident day of care provided a medical care recipient determined by the department to both require and be eligible to receive nursing facility care. In setting rates, the department will use the greater of actual days from the cost report period on which the rate is based or days calculated at minimum occupancy. The average payment rate for the cost report year shall not exceed the contractor's average customary charges to the general public for the services covered by the payment rate for the same time period.

### Medicaid – Minnesota

The Organization participates in the Elderly Waiver and Group Residential Housing programs administered by the Minnesota Department of Health (MDH). The Elderly Waiver program funds home and community-based services for individuals aged 65 and older who are eligible for medical assistance and require the level of care provided in a nursing home but who choose to live in the one of the Communities. The Minnesota Department of Human Services (DHS) operates the program under a Section 1915(c) waiver. Services are typically provided through a managed care organization. The Elderly Waiver program operates with joint funding from the federal government and state general fund. Due to ongoing budget constraints, the Minnesota Legislature will likely continue to look for ways to contain growth in both the Elderly Waiver and Group Residential Housing programs, which could have an adverse effect on the operation of the Communities.

# NOTE 15 SERVICE FEES AND HEALTHCARE REVENUE (CONTINUED)

### Medicaid – Nebraska

The skilled nursing facilities participate in the Medicaid program administered by the Nebraska Department of Health and Human Services. The department determines rates for facilities under the following cost-based prospective methodology: The rate period is defined as July 1 through June 30. Rates paid during the rate period from cost reports submitted for the report period ending June 30 two years prior to the end of the rate period. Each facility must file a cost report each year for the reporting period of July 1 through June 30. A portion of each individual facility's rate may be based on the urban or non-urban location of the facility. Subject to the allowable, unallowable, and limitation provisions, the Department of Health and Human Services determines facility-specific prospective per diem rates (one rate corresponding to each level of care) based on the facility's allowable costs incurred and documented during the report period. The rates are based on financial, acuity, and statistical data submitted by facilities, and are subject to the component maximums determined from the submitted cost reports.

# <u>Other</u>

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

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 from the payor, and Transforming Age's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2022 or 2021.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Transforming Age estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident and client services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended September 30, 2022 or 2021.

# NOTE 15 SERVICE FEES AND HEALTHCARE REVENUE (CONTINUED)

Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as provision for uncollectible accounts and were not considered material for the years ended September 30, 2022 and 2021.

Transforming Age has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized. Tables providing details of these factors are presented below.

The composition of service fees and healthcare revenue by service line for the years ended September 30 consisted of the following:

	 2022	 2021
Independent Living	\$ 49,569,567	\$ 41,640,865
Assisted Living	27,765,316	28,924,149
Healthcare	30,052,534	32,555,528
Memory Care	 4,816,557	 4,756,084
Total	\$ 112,203,974	\$ 107,876,626

The composition of service fees and healthcare revenue by primary payor for the years ended September 30 consisted of the following:

	2022	2021
Private Pay	\$ 86,028,293	\$ 79,252,079
Medicaid	21,032,137	23,266,029
Medicare	4,148,230	5,096,804
Other	995,314	 261,714
Total	\$ 112,203,974	\$ 107,876,626

Revenue from resident and patient deductibles and coinsurance are included in the categories presented above based on the primary payor.

The opening and closing balances of deferred revenue were as follows:

	Deferred
	Revenue
Balance as of October 1, 2020	\$ 56,027,461
Balance as of September 30, 2021	60,024,159
Balance as of September 30, 2022	72,895,362

# NOTE 15 SERVICE FEES AND HEALTHCARE REVENUE (CONTINUED)

### **Financing Component**

Transforming Age has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to Transforming Age's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, Transforming Age does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

### Contract Costs

Transforming Age has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that Transforming Age otherwise would have recognized is one year or less in duration.

### NOTE 16 FUNCTIONAL EXPENSES

The consolidated financial statements report certain expense categories that are attributable to more than one program or support functions of Transforming Age. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest, and other occupancy costs, are allocated to a function based on a square-footage or units-of-service basis. Allocated program or support functions costs not allocated on a units-of-service basis are otherwise allocated based on revenue. Total expenses of the consolidated entity on a functional basis are as follows for the years ended September 30.

	 Program	N	lanagement			
	 Services	a	nd General	Fi	undraising	 Total
Salaries and Benefits	\$ 99,238,588	\$	15,881,096	\$	98,079	\$ 115,217,763
Occupancy	3,711,179		2,347,475		-	6,058,654
Resident Care	1,416,222		65,056		-	1,481,278
Depreciation	26,591,554		280,114		-	26,871,668
Interest	20,381,154		352,654		-	20,733,808
Insurance	2,372,670		791,566		-	3,164,236
Food and Dietary	6,601,687		-		-	6,601,687
Bad Debt Expense	944,107		-		-	944,107
Other	 28,685,415		8,729,657		318,831	 37,733,903
Total Expenses	\$ 189,942,576	\$	28,447,618	\$	416,910	\$ 218,807,104

# NOTE 16 FUNCTIONAL EXPENSES (CONTINUED)

	)21		
Program	Management		
Services	and General	Fundraising	Total
\$ 84,229,046	\$ 18,927,956	\$ 84,015	\$ 103,241,017
3,402,752	2,189,077	-	5,591,829
2,284,579	53,201	-	2,337,780
19,319,934	264,474	-	19,584,408
16,296,622	96,174	-	16,392,796
1,597,308	878,019	-	2,475,327
9,193,979	55,434	-	9,249,413
1,258,303	-	-	1,258,303
16,763,956	8,377,776	60,135	25,201,867
\$ 154,346,479	\$ 30,842,111	\$ 144,150	\$ 185,332,740
	Services \$ 84,229,046 3,402,752 2,284,579 19,319,934 16,296,622 1,597,308 9,193,979 1,258,303 16,763,956	Program Services         Management and General           \$ 84,229,046         \$ 18,927,956           3,402,752         2,189,077           2,284,579         53,201           19,319,934         264,474           16,296,622         96,174           9,193,979         55,434           1,258,303         -           16,763,956         8,377,776	Services         and General         Fundraising           \$ 84,229,046         \$ 18,927,956         \$ 84,015           3,402,752         2,189,077         -           2,284,579         53,201         -           19,319,934         264,474         -           16,296,622         96,174         -           9,193,979         55,434         -           1,258,303         -         -           16,763,956         8,377,776         60,135

# NOTE 17 COMMITMENTS AND CONTINGENCIES

### Industry Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Transforming Age is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

# **Litigation**

Transforming Age may be involved from time to time in legal actions relating to the ownership and operations of its properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations, or cash flows of Transforming Age.

# NOTE 18 AFFILIATIONS & INHERENT CONTRIBUTION

### Wild Garden Housing LLC

Effective December 1, 2021, the investor limited partner in Wild Garden Housing LLC (the Company) assigned its 99.99% interest in the Company to DASH (the managing member). As a result of the assignment, DASH holds a 100% interest in the Company.

# Norse Home

Transforming Age and Norse Home into an affiliation agreement in August 2021. Per the terms of the agreement, the governance of Norse Home moved under the Transforming Age board of directors effective August 4, 2021. Transforming Age became the sole corporate member of Norse Home on the same date. No consideration was paid by Transforming Age for this transaction.

# SHAG CLF

Transforming Age and SHAG CLF entered into an affiliation agreement in October 2020. Per the terms of the affiliation agreement, the governance of SHAG CLF moved under the Transforming Age board of directors effective October 8, 2020. No consideration was paid by Transforming Age for this transaction.

# <u>SHAG</u>

Transforming Age and SHAG entered into an affiliation agreement in February 2021. Per the terms of the affiliation agreement, the governance of SHAG moved under the Transforming Age board of directors effective February 11, 2021. No consideration was paid by Transforming Age for this transaction.

### Inherent Contribution

The assets acquired and liabilities assumed for the Wild Garden Housing LLC (Wild Garden) acquisition were recorded at their respective fair market values on December 1, 2021. A net inherent contribution of \$2,745,396, was recognized in the consolidated statement of operations and changes in net assets for the fiscal year ended September 30, 2022, for the acquisition of Wild Garden. The inherent contribution was calculated by subtracting the total fair market value of liabilities assumed from the total fair market value of the assets acquired in this acquisition.

Wild Garden's financial position and operations are consolidated into DASH. The Wild Garden operations from December 1, 2021 (the acquisition date) through September 30, 2022 only are consolidated into DASH.

# NOTE 18 AFFILIATIONS & INHERENT CONTRIBUTION (CONTINUED)

#### **Inherent Contribution (Continued)**

	Wild Garden
Recognized Amounts of Identifiable	
Assets Acquired and Liabilities	
Assumed:	
Cash and Cash Equivalents	\$ 1,049,617
Other Current Assets	96,979
Property and Equipment, Net	10,699,434
Total Assets Acquired	11,846,030
Current Liabilities Assumed	403,376
Long-Term Debt Assumed	8,697,258
Total Liabilities Assumed	9,100,634
Net Inherent Contribution Recognized	\$ 2,745,396

The assets acquired and liabilities assumed for the Norse Home, SHAG CLF and SHAG acquisitions were recorded at their respective fair market values on the respective acquisitions dates. A net inherent contribution of \$36,939,113 was recognized in the consolidated statement of operations and changes in net assets for the fiscal year ended September 30, 2021 for the acquisitions of Norse Home, SHAG CLF, and SHAG. The inherent contribution was calculated by subtracting the total fair market value of liabilities assumed from the total fair market value of the assets acquired in these acquisitions as shown in the following table:

		2021	
	 Norse	SHAG	
	 Home	 CLF	 SHAG
Recognized Amounts of Identifiable			
Assets Acquired and Liabilities Assumed:			
Cash and Cash Equivalents	\$ 74,954	\$ 211,709	\$ 2,082,722
Other Current Assets	101,512	250,891	16,302,835
Property and Equipment, Net	18,400,000	-	-
Other Assets	142,233	-	-
Total Assets Acquired	 18,718,699	462,600	 18,385,557
Current Liabilities Assumed	599,169	200	3,879
Long-Term Debt Assumed	24,495	-	-
Other Liabilities Assumed	 -	 -	 -
Total Liabilities Assumed	 623,664	 200	 3,879
Net Inherent Contribution Recognized	\$ 18,095,035	\$ 462,400	\$ 18,381,678

Push down accounting has not been implemented by any of the acquired entities.

The consolidated statements of operations and changes in net assets for the year ended September 30, 2021, includes Norse Home activity from August 4, 2021 to September 30, 2021, the SHAG CLF activity from October 8, 2020 to September 30, 2021, and the SHAG activity from February 11, 2021 to September 30, 2021.

# NOTE 19 REFUNDABLE ADVANCE AND PROVIDER RELIEF FUNDS

As part of Transforming Age's response to the COVID-19 pandemic, it received payments from the Small Business Administration's Paycheck Protection Program (PPP Advance) and CARES Act Provider Relief Fund (PRF). The PRF is administered by the U.S. Department of Health and Human Services. Transforming Age received PRF payment of approximately \$159,000 and \$619,000 during the fiscal years ended September 30, 2022 and September 30, 2021, respectively. The PRF was recognized in other operating revenue during the years ended September 30, 2022 and 2021. Transforming Age received PPP Advance in the amounts of \$9,999,954 during the fiscal year ended September 30, 2020.

The PPP Advance including \$216,666 of interest was forgiven on July 7, 2022. Transforming Age recognized the forgiveness of the PPP Advance in other operating revenue during the year ended September 30, 2022.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on Transforming Age's consolidated financial position.

### NOTE 20 SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. Transforming Age recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. Transforming Age's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial statement of financial statements are available to be issued.

Transforming Age evaluated all events or transactions that occurred after September 30, 2022, up through March 1, 2023, the date the consolidated financial statements were available to be issued.

Subsequent to year-end, the board of directors of Presbyterian Retirement Communities Northwest approved the transfer of approximately \$12,000,000 in cash and investments from Transforming Age's Corporate entity to the newly formed parent entity of Presbyterian Retirement Communities Northwest, Transforming Age, a Washington state nonprofit 501(c)(3) corporation. In addition to the aforementioned transfer, starting in fiscal year 2023 Transforming Age's Corporate entity staff and financial activity will be in the newly formed parent entity.

Subsequent to year-end, the Obligated Group refinanced its Washington Federal Bank Bradbury Loan (see Note 7) and its Washington Federal Bank Revolving Note (see Note 7).

# NOTE 20 SUBSEQUENT EVENTS (CONTINUED)

### Bradbury Loan

The Bradbury Loan was refinanced with a loan from Trust Bank entered into on November 10, 2022. The refinanced loan is in the principal amount of \$5,654,435. The loan matures on November 1, 2032. The interest rate on the loan is the Adjusted SOFR Rate. The Adjusted SOFR Rate is equal to the Benchmark (initially the Term SOFR, and upon the Trust Bank's determination under section 2.4 of the Credit Agreement, will thereafter be the then-current Successor Rate) plus the Applicable Spread (1.50%). The Term SOFR is the reference rate for a one month tenor as administered by the SOFR Administrator and quoted by Bloomberg Finance L.P., or any quoting service or commonly available source utilized by Trust Bank.

### **Revolving Note**

The Revolving Note was refinanced with a revolving credit facility in the maximum principal amount of \$15,000,000. The revolving note matures on November 10, 2027. The interest rate on the revolving note is the Adjusted SOFR Rate, as defined above.

### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATING SCHEDULE OF FINANCIAL POSITION SEPTEMBER 30, 2022 (SEE INDEPENDENT AUDITORS' REPORT)

	Transforming		Fred		Senior	PRCN		Affiliate	Transforming	
	Age	Parkshore	Lind Manor	Skyline	Living	Foundation	Exeter	Services	Age Ventures	1980 112th
ASSETS										
CURRENT ASSETS	\$ 1,443,955	\$ 1,390,398	\$ 639,041	\$ 7,031,521	\$ 3,626,048	\$ 185,443	\$ 4,622,993	\$ 939,859	\$ 424.858	\$ 91,353
Cash and Cash Equivalents		. , ,	. ,		δ.020,040     δ		. , ,		\$ 424,858	φ 91,353
Investments	12,356,005	10,516,590	1,829,771	16,014,604	-	2,676,960	5,259,493	1,567,808	-	-
Resident and Patient Accounts		404 700	70 704	440.007	000.050					
Receivable, Net	-	164,762	76,701	443,087	962,956	-	-	-	-	-
Other Receivables	3,353,380	649,606	9,267	-	-	8,500	19,664	2,904,623	188,851	-
Funds Held in Trust	3,503	-	-	6,000	-	-	-	-	-	-
Prepaid Expenses and Other Assets	291,517	120,745	61,939	416,840	244,252	-	-	-	7,346	-
Current Portion of Assets Limited										
as to Use		881,912	256,269	3,220,590	4,488,480					-
Total Current Assets	17,448,360	13,724,013	2,872,988	27,132,642	9,321,736	2,870,903	9,902,150	5,412,290	621,055	91,353
ASSETS LIMITED AS TO USE										
Waiting List Deposits	-	467,600	29,257	217,257	77,699	-	-	-	-	-
Bond Funds Held by Trustee	646,112	2,940,909	576,542	11,263,491	3,328,722	-	-	-	-	-
Total Assets Limited as to Use	646,112	3,408,509	605,799	11,480,748	3,406,421	-	-	-	-	-
PROPERTY AND EQUIPMENT, NET	671,605	54,329,589	5,380,889	271,346,461	89,536,799	27,800	-	-	11,746	5,532,926
		,,	-,,	, ,	,,				,	-,,
OTHER ASSETS										
Goodwill	-	-	-	-	17,446,237	-	-	-	309,044	-
Beneficial Interest in Trust	-	-	-	-	-	-	-	-	-	-
Other Long-Term Receivables	(16,463,875)	18,591,705	(3,180,442)	1,238,209	-	-	210,000	550,000	-	-
Related-Party Receivables (Payables)	11,305,315	485,787	76,661	741,779	(10,244,206)	(77,361)	6,799,072	9,410,457	1,333	(203,295)
Total Other Assets	(5,158,560)	19,077,492	(3,103,781)	1,979,988	7,202,031	(77,361)	7,009,072	9,960,457	310,377	(203,295)
Total Assets	\$ 13,607,517	\$ 90,539,603	\$ 5,755,895	\$ 311,939,839	\$ 109,466,987	\$ 2,821,342	\$ 16,911,222	\$ 15,372,747	\$ 943,178	\$ 5,420,984

### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) SEPTEMBER 30, 2022 (SEE INDEPENDENT AUDITORS' REPORT)

	F	<sup>-</sup> ull Life Care	Vashon community Care	Eastmont		Gardens at Juanita Bay		Norse Home	DASH	SHAG CLF	SHAG	Eliminations	Total
ASSETS		Care	 Cale	 Eastmont				Home	DASH		 SHAG		 Total
CURRENT ASSETS													
Cash and Cash Equivalents	\$	904,037	\$ 37,511	\$ 8,046,462	\$	24,696	\$	(71,785)	\$ 4,370,419	\$ 353,079	\$ 2,149,885	\$ -	\$ 36,209,773
Investments		125,819	87,929	4,007,591		154,135		-	1,564,102	-	11,635,848	(2,935,997)	64,860,658
Resident and Patient Accounts													
Receivable, Net		2,453,532	2,716	771,514		-		(59,221)	839,368	89,764	112,673	-	5,857,852
Other Receivables		999	-	-		-		-	387,069	-	-	(5,871,480)	1,650,479
Funds Held in Trust		119,168	142	-		-		-	-	-	-	-	128,813
Prepaid Expenses and Other Assets		30,704	35,081	109,066		9,215		137,111	546,785	50,936	1,991	-	2,063,528
Current Portion of Assets Limited													
as to Use		-	 284,629	 -		-		-	 2,728,731	 -	 -	 -	 11,860,611
Total Current Assets		3,634,259	448,008	 12,934,633		188,046		6,105	 10,436,474	493,779	 13,900,397	 (8,807,477)	122,631,714
ASSETS LIMITED AS TO USE													
Waiting List Deposits		-	-	-		-		-	-	-	-	-	791,813
Bond Funds Held by Trustee		-	-	74,154		-		-	-	-	-	-	18,829,930
Total Assets Limited as to Use		-	-	74,154		-		-	-	-	-	-	19,621,743
PROPERTY AND EQUIPMENT, NET		3,300,070	4,648,744	40,275,050		7,007,486		18,162,349	47,479,473	6,576	-	(17,006,675)	530,710,888
OTHER ASSETS													
Goodwill		-	-	-		-		-	-	-	-	-	17,755,281
Beneficial Interest in Trust		-	-	378,265		-		-	-	-	-	-	378,265
Other Long-Term Receivables		-	-	-		-		-	5,385,340	-	-	(940,000)	5,390,937
Related-Party Receivables (Payables)			(4,833,158)	(4,795,323)		(1,417,324)		-	-	(8,189)	(108,113)	(7,133,435)	-
Total Other Assets		-	 (4,833,158)	 (4,417,058)		(1,417,324)		-	 5,385,340	(8,189)	 (108,113)	 (8,073,435)	 23,524,483
Total Assets	\$	6,934,329	\$ 263,594	\$ 48,866,779	\$	5,778,208	\$	18,168,454	\$ 63,301,287	\$ 492,166	\$ 13,792,284	\$ (33,887,587)	\$ 696,488,828

### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) SEPTEMBER 30, 2022 (SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET ASSETS (DEFICIT)	Transforming Age	Parkshore	Fred Lind Manor	Skyline	Minnesota Senior Living	PRCN Foundation	Exeter	Affiliate Services	Transforming Age Ventures	1980 112th
Accounts Payable	\$ 786,792	\$ 432,722	\$ 97,441	\$ 1,536,152	\$ 322,752	\$ 1,092	\$ -	\$ 19,596	\$ 1,170,242	\$ 23,267
Construction Payable	-	-	-	2,032,998	-	-	-	-	-	-
Accrued Expenses	1,389,868	978,798	347,619	2,125,751	993,504	-	-	-	202,712	-
Accrued Interest	-	579,159	102,732	2,713,996	1,669,641	-	-	-	-	-
Refundable Advance - PPP Advance	-	-	-	-	-	-	-	-	-	-
Current Portion of Lease Liabilities	251,066	51,999	9,914	499,580	-	-	-	-	-	-
Current Portion of Sewer Capacity										
Payable	-	-	-	66,571	-	-	-	-	-	-
Current Portion of Long-Term Debt		641,751	99,263	1,516,884	2,055,000	-	-	-		96,000
Total Current Liabilities	2,427,726	2,684,429	656,969	10,491,932	5,040,897	1,092	-	19,596	1,372,954	119,267
OTHER LIABILITIES										
Lease Liabilities, Less Current Portion	416,774	506,701	18,002	8,792,620	-	-	-	-	-	-
Sewer Capacity Payable, Less										
Current Portion	-	-	-	115,553	-	-	-	-	-	-
Net Long-Term Debt,										
Less Current Portion	5,200,000	53,530,129	9,292,456	186,397,098	130,216,217	-	3,160,000	-	550,000	3,462,920
Entrance Fees Refundable										
Upon Reoccupancy	-	14,819,178	-	201,359,935	-	-	-	-	-	-
Deferred Revenue from Entrance Fees	-	34,556,056	-	33,881,125	-	-	-	-	-	-
Future Services Obligation	-	-	-	13,311,000	-	-	-	-	-	-
Waiting List Deposits	-	467,600	29,257	217,257	77,699	-	-	-	-	-
Refundable Deposits		214,706	23,628	1,417,641						
Total Other Liabilities	5,616,774	104,094,370	9,363,343	445,492,229	130,293,916	-	3,160,000	-	550,000	3,462,920
Total Liabilities	8,044,500	106,778,799	10,020,312	455,984,161	135,334,813	1,092	3,160,000	19,596	1,922,954	3,582,187
NET ASSETS (DEFICIT) Without Donor Restrictions With Donor Restrictions	5,563,017	(16,239,196) -	(4,264,417)	(144,044,322) -	(25,867,826)	(354,038) 3,174,288	13,751,222 -	15,353,151 -	(979,776) -	1,838,797
Total Net Assets (Deficit)	5,563,017	(16,239,196)	(4,264,417)	(144,044,322)	(25,867,826)	2,820,250	13,751,222	15,353,151	(979,776)	1,838,797
Total Liabilities and Net Assets (Deficit)	\$ 13,607,517	\$ 90,539,603	\$ 5,755,895	\$ 311,939,839	\$ 109,466,987	\$ 2,821,342	\$ 16,911,222	\$ 15,372,747	\$ 943,178	\$ 5,420,984

### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) SEPTEMBER 30, 2022 (SEE INDEPENDENT AUDITORS' REPORT)

	Vashon Full Life Community Gardens at Norse SHAG Care Care Eastmont Juanita Bay Home DASH CLF SH								SHAG		Total					
LIABILITIES AND NET ASSETS (DEFICIT)	 Care		Care		Eastmont	J			Home	 DASH	 GLF		SHAG		Eliminations	TOLAI
CURRENT LIABILITIES																
Accounts Payable	\$ 963,182	\$	4,044	\$	7,084	\$	1,630	\$	115,647	\$ 1,576,765	\$ -	\$	-	\$	(1,529,903)	\$ 5,528,505
Construction Payable	-		-		2,760,642		-		-	-	-		-		-	4,793,640
Accrued Expenses	1,687,991		340,299		679,268		72,512		292,982	2,646,787	313,288		1,818,855		(4,585,674)	9,304,560
Accrued Interest	118,822		-		112,328		-		-	1,696,214	-		-		(19,667)	6,973,225
Refundable Advance - PPP Advance	-		-		-		-		-	-	-		-		-	-
Current Portion of Lease Liabilities	-		-		12,631		-		-	-	-		-		(212,217)	612,973
Current Portion of Sewer Capacity																
Payable	-		-		-		-		-	-	-		-		-	66,571
Current Portion of Long-Term Debt	720,379		127,872		354,000		-		230,305	3,158,671	-		-		(720,379)	8,279,746
Total Current Liabilities	 3,490,374		472,215		3,925,953		74,142	-	638,934	9,078,437	 313,288		1,818,855		(7,067,840)	35,559,220
OTHER LIABILITIES																
Lease Liabilities, Less Current Portion	-		-		48,781		-		-	-	-		-		(9,030,285)	752,593
Sewer Capacity Payable, Less																
Current Portion	-		-		-		-		-	-	-		-		-	115,553
Net Long-Term Debt,																
Less Current Portion	866,630		5,632,941		31,785,079		-		348,939	33,978,460	-		-		(5,510,719)	458,910,150
Entrance Fees Refundable																
Upon Reoccupancy	-		-		4,598,763		-		-	-	-		-		-	220,777,876
Deferred Revenue from Entrance Fees	-		-		4,458,181		-		-	-	-		-		-	72,895,362
Future Services Obligation	-		-		-		-		-	-	-		-		-	13,311,000
Waiting List Deposits	-		-		-		-		-	-	-		-		-	791,813
Refundable Deposits	32,469		142		1,209,092		-		12,245	-	-		-		-	2,909,923
Total Other Liabilities	 899,099		5,633,083	_	42,099,896		-	_	361,184	 33,978,460	 -		-		(14,541,004)	770,464,270
Total Liabilities	4,389,473		6,105,298		46,025,849		74,142		1,000,118	43,056,897	313,288		1,818,855		(21,608,844)	806,023,490
NET ASSETS (DEFICIT)																
Without Donor Restrictions	1,971,607		(5,891,704)		508,437		5,704,066		17,168,336	20,244,390	178,878		11,973,429		(12,278,743)	(115,664,692)
With Donor Restrictions	 573,249		50,000		2,332,493		-		-	 -	 -		-		-	6,130,030
Total Net Assets (Deficit)	 2,544,856		(5,841,704)		2,840,930		5,704,066		17,168,336	 20,244,390	 178,878		11,973,429		(12,278,743)	(109,534,662)
Total Liabilities and Net Assets																
(Deficit)	\$ 6,934,329	\$	263,594	\$	48,866,779	\$	5,778,208	\$	18,168,454	\$ 63,301,287	\$ 492,166	\$	13,792,284	\$	(33,887,587)	\$ 696,488,828

### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATING SCHEDULE OF FINANCIAL POSITION SEPTEMBER 30, 2021 (SEE INDEPENDENT AUDITORS' REPORT)

	Minnesota																		
	Т	ransforming			Fred				Senior		PRCN				Affiliate	Tra	nsforming		
		Age	Parkshore		Lind Manor		Skyline		Living	F	Foundation	Exeter			Services	Age	e Ventures	1	980 112th
ASSETS																			
CURRENT ASSETS																			
Cash and Cash Equivalents	\$	345,808	\$ 1,673,53	4 \$	530,577	\$	13,233,783	\$	7,026,551	\$	302,452	\$	2,571,620	\$	272,559	\$	417,148	\$	91,607
Investments		18,805,452	12,829,89	3	2,232,260		19,537,288		-		3,296,212		6,041,367		1,897,198		-		-
Resident and Patient Accounts																			
Receivable, Net		-	263,95	5	124,508		759,713		831,104		-		-		-		-		-
Other Receivables		3,378,624	8,27	9	16,324		51,713		-		8,500		19,664		594,758		155,493		-
Funds Held in Trust		3,503		-	-		6,000		-		-		-		-		-		-
Prepaid Expenses and Other Assets		135,513	122,59	0	70,366		333,745		319,531		989		-		-		13,777		-
Current Portion of Assets Limited																			
as to Use		211,920	536,14	7	353,455		18,491,517		4,579,516		-		-		-		-		-
Total Current Assets		22,880,820	15,434,39	8	3,327,490		52,413,759		12,756,702		3,608,153		8,632,651		2,764,515		586,418		91,607
ASSETS LIMITED AS TO USE																			
Waiting List Deposits		-	437,84	0	26,960		229,257		98,852		-		-		-		-		-
Bond Funds Held by Trustee		510,415	2,453,46	2	576,156		11,313,705		3,545,078		-		-		-		-		-
Total Assets Limited as to Use		510,415	2,891,30	2	603,116		11,542,962		3,643,930		-		-		-		-		-
PROPERTY AND EQUIPMENT, NET		6,992,299	50,368,21	9	5,550,073		263,933,987		91,144,936		27,800		27,830		-		27,630		5,476,973
OTHER ASSETS																			
Goodwill		-		-	-		-		20,353,944		-		-		-		309,044		-
Building Held for Sale		-		-	-		-		-		-		-		-		-		-
Beneficial Interest in Trust		-		-	-		-		-		-		-		-		-		-
Other Long-Term Receivables		(12,988,651)	18,736,94	2	(2,640,610)		(2,995,971)		-		-		-		550,000		-		-
Related-Party Receivables (Payables)		17,162,279	(311,25	8)	55,916		436,008		(12,971,350)		(107,214)		9,161,627		8,790,231		(10,641)		(66,234)
Total Other Assets		4,173,628	18,425,68	4	(2,584,694)		(2,559,963)		7,382,594		(107,214)		9,161,627	_	9,340,231		298,403		(66,234)
Total Assets	\$	34,557,162	\$ 87,119,60	3 \$	6,895,985	\$	325,330,745	\$	114,928,162	\$	3,528,739	\$	17,822,108	\$	12,104,746	\$	912,451	\$	5,502,346

### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) SEPTEMBER 30, 2021 (SEE INDEPENDENT AUDITORS' REPORT)

	Vashon Full Life Community Care Care					Eastmont	Gardens at Juanita Bay			Norse Home	 DASH	SHAG CLF			SHAG	E	Eliminations	Total
ASSETS																		
CURRENT ASSETS																		
Cash and Cash Equivalents	\$	4,582,743	\$	308,807	\$	8,081,265	\$	41,425	\$	153,584	\$ 2,410,220	\$	239,808	\$	661,384	\$	-	\$ 42,944,875
Investments		99,077		90,902		4,695,636		198,564		-	1,632,761		-		17,219,774		(2,885,997)	85,690,387
Resident and Patient Accounts																		
Receivable, Net		2,467,265		43,315		521,957		3,613		43,847	410,055		-		-		-	5,469,332
Other Receivables		697		-		-		944		-	333,155		308,389		82,683		(3,474,847)	1,484,376
Funds Held in Trust		151,096		1,032		-		-		-	-		-		-		-	161,631
Prepaid Expenses and Other Assets		38,516		43,196		152,395		5,666		66,808	413,589		-		-		-	1,716,681
Current Portion of Assets Limited																		-
as to Use		-		228,947		-		-		-	 1,677,082		-		-		-	26,078,584
Total Current Assets		7,339,394		716,199		13,451,253		250,212		264,239	6,876,862		548,197		17,963,841		(6,360,844)	163,545,866
ASSETS LIMITED AS TO USE																		
Waiting List Deposits		-		-		-		-		-	-		-		-		-	792,909
Bond Funds Held by Trustee		-		-		74,154		-		-	-		-		-		-	18,472,970
Total Assets Limited as to Use		-		-		74,154		-		-	 -		-		-		-	19,265,879
PROPERTY AND EQUIPMENT, NET		3,336,729		5,201,399		21,377,338		6,243,020		18,372,346	35,218,807		4,187		-		(5,823,051)	507,480,522
OTHER ASSETS																		
Goodwill		-		-		-		-		-	-		-		-		-	20,662,988
Building Held for Sale		-		-		471,318		-		-	-		-		-		-	471,318
Beneficial Interest in Trust		-		-		-		-		-	-		-		-		-	-
Other Long-Term Receivables		-		-		-		-		-	6,825,701		-		-		(550,000)	6,937,411
Related-Party Receivables (Payables)		(2,434,885)		(4,338,875)		(7,114,745)		(111,168)		-	 -		103,651		(22,688)		(8,220,654)	-
Total Other Assets	_	(2,434,885)		(4,338,875)		(6,643,427)		(111,168)		-	 6,825,701		103,651		(22,688)		(8,770,654)	28,071,717
Total Assets	\$	8,241,238	\$	1,578,723	\$	28,259,318	\$	6,382,064	\$	18,636,585	\$ 48,921,370	\$	656,035	\$	17,941,153	\$	(20,954,549)	\$ 718,363,984

### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) SEPTEMBER 30, 2021 (SEE INDEPENDENT AUDITORS' REPORT)

	Tra	ansforming Age	Parkshore		Fred Lind Manor	 Skyline	 Minnesota Senior Living	F	PRCN Foundation	E	xeter	 Affiliate Services	nsforming Ventures	19	980 112th
NET ASSETS (DEFICIT)															
			• • • • • • • •							•					
Accounts Payable	\$	781,151	\$ 489,243	3 \$	8,512	\$ 1,452,413	\$ 589,004	\$	-	\$	-	\$ -	\$ 971,856	\$	15,988
Construction Payable		-		-	-	2,962,288	-		-		-		-		-
Accrued Expenses		1,882,216	1,062,730		309,765	3,580,324	1,181,352		-		-	5,472	189,145		-
Accrued Interest		60,042	585,136	5	110,034	2,430,561	1,690,487		-		-	-	-		-
Refundable Advance - PPP Advance		10,136,937		-	-	-	-		-		-	-	-		-
Current Portion of Lease Liabilities		300,471	26,558	3	9,550	71,648	-		-		-	-	-		-
Current Portion of Sewer Capacity		-		-	-	-	-		-		-	-	-		-
Payable		-		-	-	66,571	-		-		-	-	-		-
Current Portion of Long-Term Debt		3,170,000	448,600		95,403	 1,458,896	 1,996,401		-		-	 -	-		91,200
Total Current Liabilities		16,330,817	2,612,267	7	533,264	12,022,701	5,457,244		-		-	5,472	1,161,001		107,188
OTHER LIABILITIES															
Lease Liabilities, Less Current Portion		609,238	59,774	1	27,145	39,057	-		-		-	-	-		-
Sewer Capacity Payable															
Less Current Portion		-		-	-	191,314	-		-		-	-	-		-
Net Long-Term Debt, Less															
Current Portion		6,252,803	47,963,504	1	9,421,642	238,766,329	132,005,391		-	3	,160,000	-	550,000		3,557,040
Entrance Fees Refundable Upon															
Reoccupancy		-	12,558,457	7	-	148,749,319	-		-		-	-	-		-
Deferred Revenue from Entrance Fees		-	36,191,005	5	-	19,426,055	-		-		-	-	-		-
Future Services Obligation		-	, . ,	-	-	2,202,000	-		-		-	-	-		-
Waiting List Deposits		-	437,840	)	26,960	229,257	98,852		-		-	-	-		-
Refundable Deposits		21,190		-	23,628	12,167,425	-		-		-	-	-		-
Total Other Liabilities		6,883,231	97,210,580	)	9,499,375	 421,770,756	 132,104,243		-	3	,160,000	 -	550,000		3,557,040
Total Liabilities		23,214,048	99,822,847	7	10,032,639	433,793,457	 137,561,487		-	3	,160,000	5,472	1,711,001		3,664,228
NET ASSETS (DEFICIT)															
Without Donor Restrictions		11,343,114	(12,703,244	4)	(3,136,654)	(108,462,712)	(22,633,325)		354,451	14	,662,108	12,099,274	(798,550)		1,838,118
With Donor Restrictions		-	•	-	-	-	-		3,174,288		-	-	-		-
Total Net Assets (Deficit)		11,343,114	(12,703,244	4)	(3,136,654)	 (108,462,712)	 (22,633,325)		3,528,739	14	,662,108	 12,099,274	 (798,550)		1,838,118
Total Liabilities and Net Assets						 	 					 	 		_
(Deficit)	\$	34,557,162	\$ 87,119,603	3_\$	6,895,985	\$ 325,330,745	\$ 114,928,162	\$	3,528,739	\$ 17	,822,108	\$ 12,104,746	\$ 912,451	\$	5,502,346

### PRESBYTERIAN RETIREMENT COMMUNITIES NORTHWEST DBA: TRANSFORMING AGE CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) SEPTEMBER 30, 2021 (SEE INDEPENDENT AUDITORS' REPORT)

	Full Life Care	Vashon Community Care		Eastmont		Gardens at Juanita Bay		Norse Home			DASH	 SHAG CLF	 SHAG	E	Eliminations	Total
LIABILITIES NET ASSETS (DEFICIT)																
CURRENT LIABILITIES																
Accounts Payable	\$ 1,256,746	\$	143,063	\$	16,387	\$	1,658	\$	77,958	\$	253,719	\$ 116,225	\$ 21,528	\$	(829,255)	\$ 5,366,196
Construction Payable	-		-		-		-		-		-	-	-		-	2,962,288
Accrued Expenses	2,058,153		526,587		830,255		54,715		350,341		2,355,340	131,588	20,000		(1,988,663)	12,549,320
Accrued Interest	91,866		-		30,038		-		-		1,550,940	-	-		(19,667)	6,529,437
Refundable Advance - PPP Advance	-		-		-		-		-		-	-	-		-	10,136,937
Current Portion of Lease Liabilities	-		9,264		-		-		-		-	-	-		(215,416)	202,075
Current Portion of Sewer Capacity	-		-		-		-		-		-	-	-		-	-
Payable	-		-		-		-		-		-	-	-		-	66,571
Current Portion of Long-Term Debt	 2,493,667		154,264		338,000	_	-		199,555		562,821	 -	-		(2,493,667)	8,515,140
Total Current Liabilities	 5,900,432		833,178		1,214,680		56,373		627,854		4,722,820	247,813	41,528		(5,546,668)	46,327,964
OTHER LIABILITIES																
Lease Liabilities, Less Current Portion Sewer Capacity Payable	-		6,438		-		-		-		-	-	-		(450,144)	291,508
Less Current Portion	-		-		-		-		-		-	-	-		-	191,314
Net Long-Term Debt, Less																
Current Portion	924,714		5,758,539		16,121,997		-		18,386		25,583,793	-	19,000		(5,120,719)	484,982,419
Entrance Fees Refundable Upon																
Reoccupancy	-		-		2,350,608		-		-		-	-	-		-	163,658,384
Deferred Revenue from Entrance Fees	-		-		5,044,361		-		-		-	-	-		(637,262)	60,024,159
Future Services Obligation	-		-		-		-		-		-	-	-		-	2,202,000
Waiting List Deposits	-		-		-		-		-		-	-	-		-	792,909
Refundable Deposits	 45,514		1,032		1,121,028		-		12,817		-	 -	-		-	13,392,634
Total Other Liabilities	 970,228		5,766,009		24,637,994		-		31,203		25,583,793	-	19,000		(6,208,125)	725,535,327
Total Liabilities	6,870,660		6,599,187		25,852,674		56,373		659,057		30,306,613	247,813	60,528		(11,754,793)	771,863,291
NET ASSETS (DEFICIT)																
Without Donor Restrictions	797,329		(5,070,464)		(333,512)		6,325,691		17,977,528		18,614,757	408,222	17,880,625		(9,199,756)	(60,037,000)
With Donor Restrictions	573,249		50,000		2,740,156		-		-		-	-	-		-	6,537,693
Total Net Assets (Deficit)	 1,370,578		(5,020,464)		2,406,644	_	6,325,691		17,977,528	_	18,614,757	 408,222	 17,880,625		(9,199,756)	(53,499,307)
Total Liabilities and Net Assets																
(Deficit)	\$ 8,241,238	\$	1,578,723	\$	28,259,318	\$	6,382,064	\$	18,636,585	\$	48,921,370	\$ 656,035	\$ 17,941,153	\$	(20,954,549)	\$ 718,363,984

	T formation		E. d		Minnesota	DDON	
	Transforming Age	Parkshore	Fred Lind Manor	Skyline	Senior Living	PRCN Foundation	Exeter
OPERATING REVENUE	, ige	T diritorio		Okymie	Living	roundation	Exeter
Independent Living	\$ -	\$ 6,966,503	\$-	\$ 16,663,309	\$ 11,510,468	\$-	\$-
Assisted Living	-	402,200	4,968,133	3,528,027	13,716,665	-	-
Healthcare	-	3,295,837	-	5,544,422	-	-	-
Memory Care	-	1,772,778	-	2,652,899	-	-	-
Entrance Fees Earned	-	5,705,947	-	2,317,780	-	-	-
Interest Income	363,168	408,548	71,263	689,786	19,605	1,233	141,378
Other	14,570,583	918,425	114,289	1,443,374	1,764,523	-	-
Net Assets Released from Restrictions	-	-	-	-	-		
Total Operating Revenue	14,933,751	19,470,238	5,153,685	32,839,597	27,011,261	1,233	141,378
OPERATING EXPENSES							
Assisted Living and Memory Care	-	649,254	1,478,554	4,211,812	5,176,564	-	-
Healthcare	-	3,257,248	-	4,781,262	-	-	-
Dining Services	-	2,803,713	1,167,117	6,026,297	3,702,938	-	-
Resident Activities	-	412,996	213,759	688,284	619,836	-	-
Residential Transportation Services	-	67,259	26,310	907,265	-	-	-
General and Administrative	6,862,022	2,098,469	841,966	6,388,100	5,717,083	127,060	25,021
Management and Rent Fees	-	1,427,668	254,480	2,572,775	1,321,383	-	-
Maintenance and Housekeeping	-	2,443,164	795,310	4,700,939	3,901,820	-	-
Housing Operation	819,755	-	-	-	-	-	-
Interest Expense	215,396	2,084,308	385,010	9,407,408	6,966,788	-	54,650
Depreciation	446,718	4,944,346	621,063	13,015,011	3,538,741	-	-
Bad Debt Expense	-	62,608	52,259	241,081	185,845	-	
Total Operating Expenses	8,343,891	20,251,033	5,835,828	52,940,234	31,130,998	127,060	79,671
OPERATING INCOME (LOSS)	6,589,860	(780,795)	(682,143)	(20,100,637)	(4,119,737)	(125,827)	61,707

	Affiliate Services	Transforming Age Ventures	1980 112th	Full Life Care	Vashon Community Care	Eastmont	Gardens at Juanita Bay
OPERATING REVENUE	•	•	•	•	• • • • • • • • • • • • • • • • • • • •		•
Independent Living	\$-	\$-	\$-	\$-	\$ 83,650	\$ 4,443,321	\$-
Assisted Living	-	-	-	-	-	2,067,689	1,041
Healthcare	-	-	-	18,448,820	-	2,771,435	-
Memory Care	-	-	-	-	-	390,880	-
Entrance Fees Earned	-	-	-	-	-	1,307,111	-
Interest Income	81,352	2	-	2,263	2,972	114,136	13,320
Other	5,035,368	927,113	208,724	61,021	49,602	403,693	-
Net Assets Released from Restrictions	-	-	-	-		381,710	
Total Operating Revenue	5,116,720	927,115	208,724	18,512,104	136,224	11,879,975	14,361
OPERATING EXPENSES							
Assisted Living and Memory Care	-	-	-	-	211,851	1,065,031	2,629
Healthcare	-	-	-	18,796,460	-	3,261,220	-
Dining Services	-	-	-	-	-	1,885,306	(28)
Resident Activities	-	-	-	-	-	331,429	59
Residential Transportation Services	-	-	-	4,732	-	-	-
General and Administrative	1,478,031	1,066,520	254	705,992	485,199	2,729,297	377,393
Management and Rent Fees	-	-	-	-	-	623,991	-
Maintenance and Housekeeping	-	-	-	53,304	-	1,758,361	35,547
Housing Operation	-	-	-	-	-	-	-
Interest Expense	-	25,937	124,403	31,140	167,702	516,030	-
Depreciation	-	15,884	83,388	163,032	641,476	1,565,633	159,024
Bad Debt Expense	-	-	-	229,339	8,476	81,707	3,613
Total Operating Expenses	1,478,031	1,108,341	208,045	19,983,999	1,514,704	13,818,005	578,237
OPERATING INCOME (LOSS)	3,638,689	(181,226)	679	(1,471,895)	(1,378,480)	(1,938,030)	(563,876)

	Norse Home	DASH	SHAG CLF	SHAG	Eliminations	Total
OPERATING REVENUE	Tiome	BROT		017/0	Eliminations	1 otdi
Independent Living	\$ 1.253.731	\$ 8,648,585	\$-	\$-	\$-	\$ 49,569,567
Assisted Living	3,081,561	-	· _	-	· _	27,765,316
Healthcare	(7,980)	-	-	-	-	30,052,534
Memory Care	-	-	-	-	-	4,816,557
Entrance Fees Earned	-	-	-	-	-	9,330,838
Interest Income	-	242,557	-	155	(524,212)	1,627,526
Other	178,380	457,603	3,524,913	49,067,895	(10,059,700)	68,665,806
Net Assets Released from Restrictions	-	-	-	-	-	381,710
Total Operating Revenue	4,505,692	9,348,745	3,524,913	49,068,050	(10,583,912)	192,209,854
OPERATING EXPENSES						
Assisted Living and Memory Care	1,734,991	-	-	-	-	14,530,686
Healthcare	-	-	-	-	-	30,096,190
Dining Services	1,240,623	-	-	-	-	16,825,966
Resident Activities	190,559	-	-	-	-	2,456,922
Residential Transportation Services	-	-	-	-	-	1,005,566
General and Administrative	967,590	1,928,000	3,878,033	1,096,987	(376,614)	36,396,403
Management and Rent Fees	-	-	-	-	(6,200,297)	-
Maintenance and Housekeeping	923,613	-	-	-	-	14,612,058
Housing Operation	-	5,387,193	-	48,126,782	-	54,333,730
Interest Expense	9,920	1,263,464	1,485	4,379	(524,212)	20,733,808
Depreciation	247,588	1,831,012	2,554	-	(403,802)	26,871,668
Bad Debt Expense		79,179				944,107
Total Operating Expenses	5,314,884	10,488,848	3,882,072	49,228,148	(7,504,925)	218,807,104
OPERATING INCOME (LOSS)	(809,192)	(1,140,103)	(357,159)	(160,098)	(3,078,987)	(26,597,250)

	Transforming Age Parkshore			Fred Lind Manor Skyline					Minnesota Senior Living	Fo	PRCN	 Exeter	
NONOPERATING INCOME (LOSS)													
Charitable Contributions	\$	-	\$	34,522	\$	41,725	\$	66,010	\$	100	\$	467,194	\$ -
Charitable Grant Expense		-		-		-		-		-		(436,006)	-
Change in Future Services Obligation		-		-		-		(11,109,000)		-		-	-
Gain (Losses) on Disposal of		-		-		-		-		-		-	-
Property and Equipment		-		-		-		29,818		(1,520)		-	-
Gain on Debt Refunding		-		-		-		-		-		-	-
Amortization of Goodwill		-		-		-		-		(2,907,706)		-	-
Realized and Unrealized													
Gains (Losses) on Investments		(2,370,003)		(2,789,679)		(487,345)		(4,467,801)		(242,360)		(613,850)	(972,593)
Inherent Contribution		-		-		-		-		-		-	-
Total Nonoperating Income (Loss)		(2,370,003)		(2,755,157)		(445,620)		(15,480,973)		(3,151,486)		(582,662)	 (972,593)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES		4,219,857		(3,535,952)		(1,127,763)		(35,581,610)		(7,271,223)		(708,489)	(910,886)
Contribution from (to) Affiliates		(9,999,954)		-		-		-		4,036,722		-	 
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		(5,780,097)		(3,535,952)		(1,127,763)		(35,581,610)		(3,234,501)		(708,489)	(910,886)
Net Assets (Deficit) Without Donor Restrictions - Beginning of Year		11,343,114		(12,703,244)		(3,136,654)		(108,462,712)		(22,633,325)		354,451	 14,662,108
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$	5,563,017	\$	(16,239,196)	\$	(4,264,417)	\$	(144,044,322)	\$	(25,867,826)	\$	(354,038)	\$ 13,751,222

	Affiliate Services	Transforming Age Ventures	1980 112th	Full Life Care	Vashon Community Care	Eastmont	Gardens at Juanita Bay
NONOPERATING INCOME (LOSS)							
Charitable Contributions	\$-	\$-	\$-	\$ 244,304	\$ (45,341)	\$ 418,505	\$-
Charitable Grant Expense	-	-	-	-	(4,547)	-	-
Change in Future Services Obligation	-	-	-	-	-	-	-
Gain (Loss) on Disposal of							
Property and Equipment	-	-	-	-	-	13,700	-
Gain on Debt Refunding	-	-	-	-	-	-	-
Amortization of Goodwill	-	-	-	-	-	-	-
Realized and Unrealized							
Gains (Losses) on Investments	(384,812)	-	-	(33,015)	-	(573,446)	(57,749)
Inherent Contribution	-		-	-	-	-	-
Total Nonoperating Income (Loss)	(384,812)		-	211,289	(49,888)	(141,241)	(57,749)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	3,253,877	(181,226)	679	(1,260,606)	(1,428,368)	(2,079,271)	(621,625)
Member Contribution (Expense)				2,434,884	607,128	2,921,220	<u> </u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,253,877	(181,226)	679	1,174,278	(821,240)	841,949	(621,625)
Net Assets (Deficit) Without Donor Restrictions - Beginning of Year	12,099,274	(798,550)	1,838,118	797,329	(5,070,464)	(333,512)	6,325,691
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 15,353,151	\$ (979,776)	<u>\$ 1,838,797</u>	\$ 1,971,607	\$ (5,891,704)	\$ 508,437	\$ 5,704,066

	Norse Home	DASH	SHAG CLF	SHAG	Eliminations	Total
NONOPERATING INCOME (LOSS)						
Charitable Contributions	\$-	\$ 24,340	\$ 127,815	\$-	\$-	\$ 1,379,174
Charitable Grant Expense	-	-	-	(2,913,703)	-	(3,354,256)
Change in Future Services Obligation	-	-	-	-	-	(11,109,000)
Gain (Loss) on Disposal of						
Property and Equipment	-	-	-	-	-	41,998
Gain on Debt Refunding	-	-	-	-	-	-
Amortization of Goodwill	-	-	-	-	-	(2,907,706)
Realized and Unrealized						
Gains (Losses) on Investments	-	-	-	(2,833,395)	-	(15,826,048)
Inherent Contribution		2,745,396	-	-	-	2,745,396
Total Nonoperating Income (Loss)	-	2,769,736	127,815	(5,747,098)	-	(29,030,442)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(809,192)	1,629,633	(229,344)	(5,907,196)	(3,078,987)	(55,627,692)
Member Contribution (Expense)						
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(809,192)	1,629,633	(229,344)	(5,907,196)	(3,078,987)	(55,627,692)
Net Assets (Deficit) Without Donor Restrictions - Beginning of Year	17,977,528	18,614,757	408,222	17,880,625	(9,199,756)	(60,037,000)
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 17,168,336	\$ 20,244,390	\$ 178,878	<u>\$ 11,973,429</u>	\$ (12,278,743)	<u>\$ (115,664,692)</u>

		forming	Park	shore	Fred Lind Mano	r	Skyline	Minnesota Senior Living		PRCN Foundation	Exete	r
WITH DONOR RESTRICTIONS Charitable Contributions	¢		¢		¢		<b>ħ</b>	<u>۴</u>			<u>۴</u>	
Realized and Unrealized	Φ	-	\$	-	\$	- 9	Þ -	\$	- \$	-	\$	-
Gains (Losses) on Investments		-		-		-	-		-	-		-
Net Assets Released from Restrictions Change in Net Assets With Donor		-		-			-			-		
Restrictions		-		-		-	-		-	-		-
Net Assets With Donor Restrictions - Beginning of Year		-		-		_	-			3,174,288		-
										-, ,		
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	\$		\$	<u> </u>	\$	- 9	\$		\$	3,174,288	\$	

	Affiliate Services	Transforming Age Ventures	1980 112th	Full Life Care	Vashon Community Care	Eastmont	Gardens at Juanita Bay
WITH DONOR RESTRICTIONS Charitable Contributions Realized and Unrealized	\$-	\$ -	\$-	\$-	\$ -	\$ 168,501	\$ -
Gains (Losses) on Investments Net Assets Released from Restrictions Change in Net Assets With Donor		-		-		(194,454) (381,710)	
Restrictions	-	-	-	-	-	(407,663)	-
Beginning of Year				573,249	50,000	2,740,156	<u> </u>
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	\$-	<u>\$-</u>	<u>\$ -</u>	\$ 573,249	\$ 50,000	\$ 2,332,493	\$

	No Ho	DASH		SHAG CLF		SHAG		Eliminations		 Total	
WITH DONOR RESTRICTIONS											
Charitable Contributions	\$	-	\$	-	\$	-	\$	-	\$	-	\$ 168,501
Realized and Unrealized											
Gains (Losses) on Investments		-		-		-		-		-	(194,454)
Net Assets Released from Restrictions		-		-		-		-		-	 (381,710)
Change in Net Assets With Donor											
Restrictions		-		-		-		-		-	(407,663)
Net Assets With Donor Restrictions -											
Beginning of Year		-						-		-	 6,537,693
NET ASSETS WITH DONOR RESTRICTIONS -											
END OF YEAR	\$	-	\$	-	\$		\$	-	\$	-	\$ 6,130,030

	Transforming Age	Par	Fred Parkshore Lind Manor			Skyline	Minnesota Senior Living		PRCN Foundation	Exeter
OPERATING REVENUE	•	•		•	•		•			•
Independent Living	\$-	\$	6,477,516	\$-	\$	12,871,048	\$	11,790,707	\$-	\$-
Assisted Living	-		648,606	5,092,170		3,163,094		13,722,346	-	-
Healthcare	-		3,094,476	-		5,757,244		-	-	-
Memory Care	-		1,789,804	-		2,476,026		-	-	-
Entrance Fees Earned	-		4,046,769	-		1,846,536		-	-	-
Interest Income	221,127		247,855	44,757		478,219		10,170	15	133,560
Other	4,415,127		731,026	44,038		1,686,354		1,342,313	-	-
Net Assets Released from Restrictions	-		-	-	_	-		-		
Total Operating Revenue	4,636,254	1	7,036,052	5,180,965		28,278,521		26,865,536	15	133,560
OPERATING EXPENSES										
Assisted Living and Memory Care	-		691,170	1,275,615		4,107,367		5,544,214	-	-
Healthcare	-		3,172,157	-		4,834,199		-	-	-
Dining Services	-		2,895,156	1,163,022		4,544,867		3,535,947	-	-
Resident Activities	-		432,143	216,183		616,939		795,128	-	-
Residential Transportation Services	-		57,966	10,557		356,728		-	-	-
General and Administrative	6,902,313		2,308,026	851,945		5,247,773		6,528,532	58,053	333
Management and Rent Fees	-		1,367,027	255,677		2,306,849		1,331,940	-	-
Maintenance and Housekeeping	-		2,358,893	744,654		3,756,437		3,993,582	-	-
Housing Operation	707,820		-	-		-		-	-	-
Interest Expense	458,310		2,205,767	413,104		4,688,720		7,273,383	-	35,769
Depreciation	597,766		4,695,177	575,314		6,209,257		3,871,227	-	-
Bad Debt Expense			155,953	28,929		116,592		214,676	-	-
Total Operating Expenses	8,666,209	2	0,339,435	5,535,000		36,785,728		33,088,629	58,053	36,102
OPERATING INCOME (LOSS)	(4,029,955)	(	3,303,383)	(354,035)		(8,507,207)		(6,223,093)	(58,038)	97,458

		Affiliate Transforming Services Age Ventures		1980 112th		Full Life Care		Vashon Community Care		Eastmont		ardens at Janita Bay
OPERATING REVENUE			•			•				•		
Independent Living	\$	-	\$-	\$	-	\$	-	\$	-	\$	3,888,653	\$ -
Assisted Living		-	-		-		-		2,564,943		2,077,508	1,144,092
Healthcare		-	-		-		20,000,734		-		3,703,074	-
Memory Care		-	-		-		-		-		490,254	-
Entrance Fees Earned		-	-		-		-		-		933,416	-
Interest Income		65,763	7		-		6,214		386		59,436	22,823
Other	3,4	62,462	558,259		189,051		823,882		139,896		634,172	19,670
Net Assets Released from Restrictions		-	-		-		-		12,564		40,542	 -
Total Operating Revenue	3,5	28,225	558,266		189,051		20,830,830		2,717,789		11,827,055	1,186,585
OPERATING EXPENSES												
Assisted Living and Memory Care		-	-		-		-		1,600,209		1,251,014	506,467
Healthcare		-	-		-		19,355,378		-		3,027,104	-
Dining Services		-	-		-		-		-		1,758,967	371,041
Resident Activities		-	-		-		-		-		254,486	43,809
Residential Transportation Services		-	-		-		(4,413)		-		-	-
General and Administrative	1,3	58,486	667,577		81,571		1,489,126		1,256,667		2,787,042	339,913
Management and Rent Fees		-	-		-		-		-		573,289	-
Maintenance and Housekeeping		-	-		-		37,863		392,098		1,778,364	281,152
Housing Operation		-	-		-		-		-		-	-
Interest Expense		-	37,500		102,326		32,545		217,995		104,429	-
Depreciation		-	17,197		89,851		163,801		638,274		1,600,070	158,991
Bad Debt Expense		-	-		-		471,394		-		265,204	77
Total Operating Expenses	1,3	58,486	722,274		273,748		21,545,694		4,105,243		13,399,969	 1,701,450
OPERATING INCOME (LOSS)	2,1	69,739	(164,008)	1	(84,697)		(714,864)		(1,387,454)		(1,572,914)	(514,865)

	Norse Home			DASH		SHAG CLF		SHAG	Eli	minations	Total
OPERATING REVENUE											
Independent Living	\$	202,947	\$	6,409,994	\$	-	\$	-	\$	-	\$ 41,640,865
Assisted Living		511,390		-		-		-		-	28,924,149
Healthcare		-		-		-		-		-	32,555,528
Memory Care		-		-		-		-		-	4,756,084
Entrance Fees Earned		-		-		-		-		-	6,826,721
Interest Income		274		287,842		11,153		109,714		(82,770)	1,616,545
Other		21,523		457,286		632,398		31,311,057		(7,817,986)	38,650,528
Net Assets Released from Restrictions		-		-		-		-		-	53,106
Total Operating Revenue		736,134		7,155,122		643,551		31,420,771		(7,900,756)	155,023,526
OPERATING EXPENSES											
Assisted Living and Memory Care		285,378		-		-		-		-	15,261,434
Healthcare		-		-		-		-		-	30,388,838
Dining Services		196,518		-		-		-		-	14,465,518
Resident Activities		32,489		-		27,471		-		-	2,418,648
Residential Transportation Services		-		-		-		-		-	420,838
General and Administrative		158,571		1,442,643		2,996,039		2,055,276		(264,490)	36,265,396
Management and Rent Fees		-		-		-		-		(5,834,782)	-
Maintenance and Housekeeping		137,051		585,455		45,901		10,174		-	14,121,624
Housing Operation		-		3,496,067		-		30,551,050		-	34,754,937
Interest Expense		1,870		902,333		-		1,515		(82,770)	16,392,796
Depreciation		46,572		1,064,568		124		-		(143,781)	19,584,408
Bad Debt Expense		-		5,478		-		-		-	1,258,303
Total Operating Expenses		858,449		7,496,544		3,069,535		32,618,015		(6,325,823)	185,332,740
OPERATING INCOME (LOSS)		(122,315)		(341,422)		(2,425,984)		(1,197,244)		(1,574,933)	(30,309,214)

	т	ransforming			Fred			Minnesota Senior		PRCN	
	1	Age	Parkshore	I	Lind Manor		Skyline	Living	F	oundation	Exeter
NONOPERATING INCOME (LOSS)			 			_		 			 
Charitable Contributions	\$	-	\$ 36,619	\$	2,375	\$	45,877	\$ 7,242	\$	244,838	\$ -
Charitable Grant Expense		-	-		-		-	-		(186,871)	-
Change in Future Services Obligation Gain (Loss) on Disposal of		-	-		-		5,185,840	-		-	-
Property and Equipment		-	-		-		-	(699,768)		-	-
Gain on Debt Refunding		-	-		-		-	-		-	-
Amortization of Goodwill Realized and Unrealized		-	-		-		-	(3,000,361)		-	-
Gains (Losses) on Investments		1,775,168	1,847,094		320,032		2,632,562	(14,546)		62,068	1,572,966
Inherent Contribution		-	 -		-		-	 -		-	 -
Total Nonoperating Income (Loss)		1,775,168	 1,883,713		322,407		7,864,279	 (3,707,433)		120,035	 1,572,966
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES		(2,254,787)	(1,419,670)		(31,628)		(642,928)	(9,930,526)		61,997	1,670,424
Contribution from (to) Affiliates		2,200,000						3,500,000			(0,700,000)
Contribution from (to) Anniates		2,200,000	 -		-			 3,500,000			 (6,700,000)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		(54,787)	(1,419,670)		(31,628)		(642,928)	(6,430,526)		61,997	(5,029,576)
Net Assets (Deficit) Without Donor Restrictions - Beginning of Year		11,397,901	(11,283,574)		(3,105,026)		(107,819,784)	(16,202,799)		292,454	 19,691,684
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$	11,343,114	\$ (12,703,244)	\$	(3,136,654)	\$	(108,462,712)	\$ (22,633,325)	\$	354,451	\$ 14,662,108
WITH DONOR RESTRICTIONS Charitable Contributions	\$	-	\$ -	\$	-	\$	-	\$ -	\$	109,926	\$ -
Realized and Unrealized Gains on Investments		-	-		-		-	-		551,272	-
Net Assets Released from Restrictions		-	 -		-		-	 -		-	 -
Change in Net Assets With Donor Restrictions		-	-		-		-	-		661,198	-
Net Assets With Donor Restrictions - Beginning of Year		-	-		-			-		2,513,090	-
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	\$	_	\$ _	\$	_	\$	_	\$ _	\$	3,174,288	\$ 

	Affiliate Services		Transforming Age Ventures	1	980 112th	Full Life Care	(	Vashon Community Care	I	Eastmont		ardens at Janita Bay
NONOPERATING INCOME (LOSS)												
Charitable Contributions	\$ -	\$	-	\$	-	\$ 249,115	\$	263,625	\$	120,311	\$	-
Charitable Grant Expense	-		-		-	-		-		-		-
Change in Future Services Obligation Gain (Loss) on Disposal of	-		-		-	-		-		-		-
Property and Equipment	-		-		-	-		-		-		-
Gain on Debt Refunding	-		-		-	-		-		-		-
Amortization of Goodwill Realized and Unrealized	-		-		-	-		-		-		-
Gains (Losses) on Investments	217,911		-		-	36,996		30,661		583,359		(27,429)
Inherent Contribution	 -		-		-	 -		-		-		-
Total Nonoperating Income (Loss)	217,911	_	-		-	286,111		294,286		703,670		(27,429)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	2,387,650		(164,008)		(84,697)	(428,753)		(1,093,168)		(869,244)		(542,294)
Member Contribution (Expense)	 -		200,000		-	 -		-		1,000,000		-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,387,650		35,992		(84,697)	(428,753)		(1,093,168)		130,756		(542,294)
Net Assets (Deficit) Without Donor Restrictions - Beginning of Year	 9,711,624		(834,542)		1,922,815	 1,226,082		(3,977,296)		(464,268)		6,867,985
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 12,099,274	\$	(798,550)	\$	1,838,118	\$ 797,329	\$	(5,070,464)	\$	(333,512)	\$	6,325,691
WITH DONOR RESTRICTIONS Charitable Contributions Realized and Unrealized Gains on Investments	\$ -	\$	-	\$	-	\$ -	\$	11,191 -	\$	262,861 53,931	\$	-
Net Assets Released from Restrictions	 -		-		-	 -		(12,564)		(40,542)		-
Change in Net Assets With Donor Restrictions	-		-		-	-		(1,373)		276,250		-
Net Assets With Donor Restrictions - Beginning of Year	 					573,249		51,373		2,463,906		
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	\$ 	\$	-	\$	-	\$ 573,249	\$	50,000	\$	2,740,156	\$	
		-					-		-		-	

	Norse Home	DASH	SHAG CLF	SHAG	E	Eliminations	Total
NONOPERATING INCOME (LOSS) Charitable Contributions Charitable Grant Expense Change in Future Services Obligation	\$ 4,808 - -	\$ 19,607 - -	\$ 2,570,938 (199,132) -	\$ 45,000 - -	\$	(45,000) - -	\$ 3,565,355 (386,003) 5,185,840
Gain (Loss) on Disposal of Property and Equipment Gain on Debt Refunding Amortization of Goodwill	-	- 2,459,521 -	- -	- -		- -	(699,768) 2,459,521 (3,000,361)
Realized and Unrealized Gains (Losses) on Investments Inherent Contribution Total Nonoperating Income (Loss)	 - 18,095,035 18,099,843	 - 2,479,128	 - 462,400 2,834,206	 651,191 18,381,678 19,077,869		(45,000)	 9,688,033 36,939,113 53,751,730
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	17,977,528	 2,137,706	408,222	17,880,625		(1,619,933)	23,442,516
Member Contribution (Expense)	 -	 -	-	 -		(200,000)	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	17,977,528	2,137,706	408,222	17,880,625		(1,819,933)	23,442,516
Net Assets (Deficit) Without Donor Restrictions - Beginning of Year	 -	 16,477,051	 	 -		(7,379,823)	 (83,479,516)
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 17,977,528	\$ 18,614,757	\$ 408,222	\$ 17,880,625	\$	(9,199,756)	\$ (60,037,000)
WITH DONOR RESTRICTIONS Charitable Contributions Realized and Unrealized Gains on Investments Net Assets Released from Restrictions Change in Net Assets With Donor	\$ -	\$ - - -	\$ - - -	\$ - - -	\$	- -	\$ 383,978 605,203 (53,106)
Restrictions	-	-	-	-		-	936,075
Net Assets With Donor Restrictions - Beginning of Year	 	 -	 	 			 5,601,618
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	\$ 	\$ 	\$ 	\$ 	\$	-	\$ 6,537,693

	Transforming Age	Parkshore	Fred Lind Manor	Skyline	Minnesota Senior Living	PRCN Foundation	Exeter
CASH FLOWS FROM OPERATING ACTIVITIES Change in Net Assets	\$ (5,780,097)	\$ (3,535,952)	\$ (1,127,763)	\$ (35,581,610)	\$ (3,234,501)	\$ (708,489)	\$ (910,886)
Adjustments to Reconcile Change in Net Assets	φ (3,760,097)	φ (3,333,832)	$\varphi$ (1,127,703)	\$ (55,561,010)	\$ (3,234,301)	\$ (700,409)	\$ (910,000)
to Net Cash Provided (Used) by Operating							
Activities:							
Depreciation	446,718	4,944,346	621,063	13,015,011	3,538,741	-	-
Bad Debt Expense	-	62,608	52,259	241,081	185,845	-	-
Change in Value of Investments	2,370,003	2,789,679	487,345	4,467,801	242,360	613,850	972,593
(Gain) Loss on Disposal of	_,,_,	_,,	,	.,,	,		
Property and Equipment	-	-	-	(29,818)	1,520	-	-
Amortization of Goodwill	-	-	-	-	2,907,706	-	-
Contribution (from) to Affiliate	9,999,954	-	-	-	(4,036,722)	-	-
Nonrefundable Entrance Fees Received	-	6,168,496	-	16,736,600	-	-	-
Entrance Fees Earned	-	(5,705,947)	-	(2,317,780)	-	-	-
Change in Value of Future Services Obligation	-	-	-	11,109,000	-	-	-
Amortization of Debt Issue Costs	6,705	27,728	4,378	80,684	160,944	-	-
Prepayment Penalty	-	-	-	-	-	-	-
Amortization of Bond (Premium) Discount, Net	(2,769)	(166,745)	(34,301)	(674,326)	104,882	-	-
Inherent Contribution, Net	-	-	-	-	-	-	-
Net Change in:							
Receivables, Net	25,244	(604,742)	2,605	127,258	(317,697)	-	-
Note Receivables	-	-	-	-	-	-	(210,000)
Funds Held in Trust	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	(156,004)	1,845	8,427	(83,095)	75,279	989	-
Accounts Payable	5,641	(56,521)	88,929	83,739	(266,252)	1,092	-
Accrued Expenses	(492,348)	(83,932)	37,854	(1,454,573)	(187,848)	-	-
Accrued Interest	(197,025)	(5,977)		283,435	(20,846)	-	-
Waiting List Deposits	-	29,760	2,297	(12,000)	-	-	-
Refundable Deposits	(21,190)	214,706	-	(10,749,784)	(21,153)	-	-
Refundable Advance - PPP Advance	(9,999,954)	-	-	-	-	-	-
Deferred Revenue - HHS PRF	-	-	-	-	-	-	-
Principal Payments on Operating	(0.1.1.0.00)	(00.470)	(0.770)	(000.077)			
Lease Liabilities	(241,869)	(38,158)	(8,779)	(200,877)			
Net Cash Provided (Used) by Operating Activities	(4,036,991)	4,041,194	127,012	(4,959,254)	(867,742)	(92,558)	(148,293)
ACIIVIIIES	(4,030,991)	4,041,194	121,012	(4,909,204)	(007,742)	(92,000)	(140,293)

	Affiliate Services	Transforming Age Ventures	1980 112th	Full Life Care	Vashon Community Care	Eastmont	Gardens at Juanita Bay
CASH FLOWS FROM OPERATING ACTIVITIES Change in Net Assets	\$ 3,253,877	\$ (181,226)	\$ 679	\$ 1,174,278	\$ (821,240)	\$ 434,286	\$ (621,625)
Adjustments to Reconcile Change in Net Assets	φ 3,233,077	φ (101,220)	\$ 019	φ 1,174,270	φ (021,240)	φ 434,200	\$ (021,025)
to Net Cash Provided (Used) by Operating							
Activities:							
Depreciation	-	15,884	83,388	163,032	641,476	1,565,633	159,024
Bad Debt Expense	-	-		229,339	8,476	81,707	3,613
Change in Value of Investments	384,812	-	-	33,015	-	674,847	57,749
(Gain) Loss on Disposal of	, -					- ,-	- , -
Property and Equipment	-	-	-	-	-	(13,700)	-
Amortization of Goodwill	-	-	-	-	-	-	-
Contribution (from) to Affiliate	-	-	-	(2,434,884)	(607,128)	(2,921,220)	-
Nonrefundable Entrance Fees Received	-	-	-	-	-	644,497	-
Entrance Fees Earned	-	-	-	-	-	(1,307,111)	-
Change in Value of Future Services Obligation	-	-	-	-	-	-	-
Amortization of Debt Issue Costs	-	-	(1,114)	-	-	77,312	-
Prepayment Penalty	-	-	-	-	-	-	-
Amortization of Bond (Premium) Discount, Net	-	-	-	-	-	-	-
Inherent Contribution, Net	-	-	-	-	-	-	-
Net Change in:							
Receivables, Net	(2,309,865)	(33,358)	-	(215,908)	40,599	50,904	944
Note Receivables	-	-	-	-	-	-	-
Funds Held in Trust	-	-	-	31,928	-	-	-
Prepaid Expenses and Other Assets	-	6,431	-	7,812	8,115	43,329	(3,549)
Accounts Payable	19,596	198,386	8,393	(293,564)	(139,019)	(9,303)	(28)
Accrued Expenses	(5,472)	13,567	-	(370,162)	(186,288)	(150,987)	17,797
Accrued Interest	-	-	-	26,956	-	82,290	-
Waiting List Deposits	-	-	-	-	-	-	-
Refundable Deposits	-	-	-	(13,045)	(890)	(17,510)	-
Refundable Advance - PPP Advance	-	-	-	-	-	-	-
Deferred Revenue - HHS PRF	-	-	-	-	-	-	-
Principal Payments on Operating Lease Liabilities						-	
					-		
Net Cash Provided (Used) by Operating Activities	1,342,948	19,684	91,346	(1,661,203)	(1,055,899)	(765,026)	(386,075)
ACIIVILLES	1,342,940	19,004	91,340	(1,001,203)	(1,055,699)	(705,020)	(300,075)

	Norse Home	DASH	SHAG CLF	SHAG	E	liminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets	\$ (809,192)	\$ 1,629,633	\$ (229,344)	\$ (5,907,196)	\$	(3,078,987)	\$ (56,035,355)
Adjustments to Reconcile Change in Net Assets							
to Net Cash Provided (Used) by Operating							
Activities:							
Depreciation	247,588	1,831,012	2,554	-		(403,802)	26,871,668
Bad Debt Expense	-	79,179	-	-		-	944,107
Change in Value of Investments	-	-	-	2,833,395		-	15,927,449
(Gain) Loss on Disposal of							
Property and Equipment	-	-	-	-		-	(41,998)
Amortization of Goodwill	-	-	-	-		-	2,907,706
Contribution (from) to Affiliate	-	-	-	-		-	-
Nonrefundable Entrance Fees Received	-	-	-	-		-	23,549,593
Entrance Fees Earned	-	-	-	-		-	(9,330,838)
Change in Value of Future Services Obligation	-	-	-	-		-	11,109,000
Amortization of Debt Issue Costs	-	23,998	-	-		-	380,635
Prepayment Penalty	-	109,217	-	-		-	109,217
Amortization of Bond (Premium) Discount, Net	-	-	-	-		-	(773,259)
Inherent Contribution, Net	-	(2,745,396)	-	-		-	(2,745,396)
Net Change in:		· · ·					. ,
Receivables, Net	103,068	(775,200)	330,465	55,435		524,212	(2,996,036)
Note Receivable	-	-	-	-		-	(210,000)
Funds Held in Trust	-	-	-	-		-	31,928
Prepaid Expenses and Other Assets	(70,303)	164,888	(50,936)	(1,992)		-	(48,764)
Accounts Payable	37,689	1,021,934	(116,225)	(21,528)		-	562,959
Accrued Expenses	(57,359)	44,395	181,700	1,798,856		(394,618)	(1,289,418)
Accrued Interest	-	(774)	-	-		(524,212)	(363,455)
Waiting List Deposits	-	-	-	-		-	20,057
Refundable Deposits	(572)	-	-	-		-	(10,609,438)
Refundable Advance - PPP Advance	-	-	-	-		-	(9,999,954)
Deferred Revenue - HHS PRF	-	-	-	-		-	-
Principal Payments on Operating							
Lease Liabilities	-	-	-	-		-	(489,683)
Net Cash Provided (Used) by Operating		 		 			
Activities	(549,081)	1,382,886	118,214	(1,243,030)		(3,877,407)	(12,519,275)
	()	,,	- ,	( ) - ) )		()- )- )	( )

	Transforming Age	F	Parkshore	L	Fred ind Manor	Skyline	 Minnesota Senior Living	F	PRCN Foundation	Exeter
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of Property and Equipment Proceeds from Sale of Property and Equipment (Purchase) Sale of Investments, Net	\$ (76,024) 4,079,444 73,098	\$	(2,445,190) (476,376) (806,493)	\$	(451,879) (84,856) 116,554	\$ (11,945,278) (945,117) 4,792,555	\$ (1,932,123) - -	\$	- - 5,402	\$ 27,830 - (190,719)
(Purchase) Sale of Assets Limited as to Use, Net Related-Party Receivables (Payables), Net Principal Payments on Sewer Capacity Payable Acquirees' Cash at Acquisition Date	- 9,332,188 - -		- (651,808) - -		- 519,087 - -	- (4,539,951) (75,761) -	(4,851) (2,727,144) - -		- (29,853) - -	- 2,362,555 - -
Net Cash Provided (Used) by Investing Activities	13,408,706		(4,379,867)		98,906	(12,713,552)	(4,664,118)		(24,451)	2,199,666
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from Long-Term Debt Principal Payments on Long-Term Debt Payments for Debt Issuance Costs Proceeds (Payments) from Revolving Note and Lines of Credit, Net Entrance Fees Received Entrance Fees Refunded Contribution from (to) Affiliate Initial Entrance Fee Deposits (Withdrawals), Net Net Cash Provided (Used) by Financing Activities	(170,000) - 2,200,000 - (9,999,954) - (7,969,954)		(457,946) - 100,000 1,137,827 (974,604) - - (194,723)		(95,403) - - - - - - - (95,403)	 (52,416,908) - 700,000 67,142,009 (14,495,143) - - 929,958	 - (1,996,401) - - 4,036,722 - 2,040,321		- - - - - - - -	
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,401,761		(533,396)		130,515	(16,742,848)	(3,491,539)		(117,009)	2,051,373
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	561,231		4,622,363		1,034,418	 33,271,857	 12,212,904		302,452	2,571,620
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 1,962,992	\$	4,088,967	\$	1,164,933	\$ 16,529,009	\$ 8,721,365	\$	185,443	\$ 4,622,993
Cash Paid for Interest	\$ 412,421	\$	2,229,302	\$	422,235	\$ 9,622,114	\$ 6,721,808	\$		\$ 
Noncash Acquisition of Property and Equipment	\$-	\$	510,526	\$	-	\$ 2,032,998	\$ 	\$	-	\$ -

	Affiliate Services	Transforming Age Ventures	1980 112th	Full Life Care	Vashon Community Care	Eastmont	Gardens at Juanita Bay
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of Property and Equipment	\$-	\$-	\$ (139,341)	\$ (126,373)	\$ (88,821)	\$ (17,627,591)	\$ (923,490)
Proceeds from Sale of Property and Equipment (Purchase) Sale of Investments, Net	- (55,422)	-	-	- (59,757)	-	- 106,251	- (13,320)
(Purchase) Sale of Assets Limited as to Use, Net Related-Party Receivables (Payables), Net Principal Payments on Sewer Capacity Payable	- (620,226) -	- (11,974) -	- 137,061 -	- (2,434,885) -	- 494,283 -	- (2,319,422) -	- 1,306,156 -
Acquirees' Cash at Acquisition Date Net Cash Provided (Used) by Investing							
Activities	(675,648)	(11,974)	(2,280)	(2,621,015)	405,462	(19,840,762)	369,346
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from Long-Term Debt Principal Payments on Long-Term Debt Payments for Debt Issuance Costs Proceeds (Payments) from Revolving	- - -	- - -	- (89,320) -	- (102,194) -	- (151,990) -	15,992,770 (391,000) -	- -
Note and Lines of Credit, Net Entrance Fees Received	-	-	-	(1,729,178) -	(15,702)	- 1,987,421	-
Entrance Fees Refunded Contribution from (to) Affiliate Initial Entrance Fee Deposits (Withdrawals), Net	- - 	-	-	- 2,434,884 -	- 607,128 	(45,000) 2,921,220 105,574	- - -
Net Cash Provided (Used) by Financing Activities			(89,320)	603,512	439,436	20,570,985	
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	667,300	7,710	(254)	(3,678,706)	(211,001)	(34,803)	(16,729)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	272,559	417,148	91,607	4,582,743	537,754	8,155,419	41,425
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 939,859	\$ 424,858	<u>\$ 91,353</u>	\$ 904,037	\$ 326,753	\$ 8,120,616	\$ 24,696
Cash Paid for Interest	\$-	\$ 25,937	\$ 122,123	\$ 4,184	\$ 171,203	\$ 356,428	<u>\$                                    </u>
Noncash Acquisition of Property and Equipment	\$-	\$-	\$-	\$-	\$-	\$	\$

	 Norse Home	 DASH	 SHAG CLF	 SHAG	E	liminations	 Total
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of Property and Equipment Proceeds from Sale of Property and Equipment	\$ (37,591)	\$ (3,534,386)	\$ (4,943)	\$ -	\$	3,482,789	\$ (35,822,411) 2,573,095
(Purchase) Sale of Investments, Net (Purchase) Sale of Assets Limited as to Use, Net	-	-	-	2,750,531 -		-	6,718,680 (4,851)
Related-Party Receivables (Payables), Net Principal Payments on Sewer Capacity Payable Acquirees' Cash at Acquisition Date	-	518,493 - 1,049,617	-	-		(1,334,560) -	- (75,761) 1,049,617
Net Cash Provided (Used) by Investing Activities	 (37,591)	 (1,966,276)	 (4,943)	 2,750,531		2,148,229	 (25,561,631)
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from Long-Term Debt	-	6,047,749	-	-		-	22,040,519
Principal Payments on Long-Term Debt Payments for Debt Issuance Costs	361,303 -	(2,252,135) (200,376)	-	-		-	(57,761,994) (200,376)
Proceeds (Payments) from Revolving Note and Lines of Credit, Net Entrance Fees Received	-	-	-	(19,000)		1,729,178	2,965,298 70,267,257
Entrance Fees Refunded Contribution from (to) Affiliate Initial Entrance Fee Deposits (Withdrawals), Net	-	-	-	-		-	(15,514,747)
Net Cash Provided (Used) by Financing Activities	 - 361,303	 - 3,595,238	 	 - (19,000)		- 1,729,178	 105,574 21,901,531
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(225,369)	3,011,848	113,271	1,488,501		-	(16,179,375)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	 153,584	 4,087,302	 239,808	 661,384			 73,817,578
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ (71,785)	\$ 7,099,150	\$ 353,079	\$ 2,149,885	\$		\$ 57,638,203
Cash Paid for Interest	\$ 	\$ 1,264,238	\$ 1,485	\$ 4,379	\$	(524,212)	\$ 20,833,645
Noncash Acquisition of Property and Equipment	\$ -	\$ -	\$ 	\$ 	\$		\$ 2,543,524

					Minnesota		
	Transforming		Fred		Senior	PRCN	
	Age	Parkshore	Lind Manor	Skyline	Living	Foundation	Exeter
CASH FLOWS FROM OPERATING ACTIVITIES	•						
Change in Net Assets	\$ (54,787)	\$ (1,419,670)	\$ (31,628)	\$ (642,928)	\$ (6,430,526)	\$ 723,195	\$ (5,029,576)
Adjustments to Reconcile Change in Net Assets							
to Net Cash Provided (Used) by Operating							
Activities:							
Depreciation	597,766	4,695,177	575,314	6,209,257	3,871,227	-	-
Bad Debt Expense	-	155,953	28,929	116,592	214,676	-	-
Change in Value of Investments	(1,775,168)	(1,847,094)	(320,032)	(2,632,562)	14,546	(613,340)	(1,572,966)
(Gain) Loss on Disposal of							
Property and Equipment	-	-	-	-	699,768	-	-
Amortization of Goodwill	-	-	-	-	3,000,361	-	-
Contribution (from) to Affiliate	(2,200,000)	-	-	-	(3,500,000)	-	6,700,000
Nonrefundable Entrance Fees Received	-	6,868,320	-	3,488,073	-	-	-
Entrance Fees Earned	-	(4,046,769)	-	(1,846,536)	-	-	-
Change in Value of Future Services Obligation	-	-	-	(5,185,840)	-	-	-
Amortization of Debt Issue Costs	6,705	18,184	93,647	181,554	162,881	-	-
Gain on Discounted Loan Payoff	-	-	-	-	-	-	-
Amortization of Bond (Premium) Discount, Net	(2,769)	(163,081)	(123,873)	(595,046)	106,144	-	-
Inherent Contribution, Net	-	-	-	-	-	-	-
Net Change in:							
Receivables, Net	(508,943)	63,217	(102,000)	(131,811)	(416,085)	(11,284)	2,747
Funds Held in Trust	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	257,937	(62,523)	(40,190)	(49,866)	(158,535)	2,099	-
Accounts Payable	(2,024)	330,269	(104,662)	(2,007,682)	36,526	-	-
Accrued Expenses	438,790	(233,143)	(611,506)	1,147,228	(197,963)	-	-
Accrued Interest	34,436	(4,856)	(915)	(13,130)	(107,780)	-	-
Waiting List Deposits	-	53,840	2,050	(4,000)	-	-	-
Refundable Deposits	-	(70,775)	-	26,479	(16,314)	-	-
Refundable Advance - PPP Advance	63,009	-	-	-	-	-	-
Deferred Revenue - HHS PRF	-	(510,688)	-	(712,807)	-	-	-
Principal Payments on Operating Lease							
Liabilities	(277,012)	(23,208)	(8,647)	(68,652)	-	-	-
Net Cash Provided (Used) by Operating							
Activities	(3,422,060)	3,803,153	(643,513)	(2,721,677)	(2,721,074)	100,670	100,205

	Affiliate	Transforming		Full Life	Vashon Community		
	Services	Age Ventures	1980 112th	Care	Community	Eastmont	Gardens at Juanita Bay
CASH FLOWS FROM OPERATING ACTIVITIES	Services	Age ventures	1960 11201	Cale	Cale	Eastinoni	Juanita Bay
Change in Net Assets	\$ 2,387,650	\$ 35,992	\$ (84,697)	\$ (428,753)	\$ (1,094,541)	\$ 407,006	\$ (542,294)
Adjustments to Reconcile Change in Net Assets	φ 2,001,000	¢ 00,002	φ (01,001)	¢ (120,100)	φ (1,001,011)	φ 101,000	φ (012,201)
to Net Cash Provided (Used) by Operating							
Activities:							
Depreciation	_	17,197	89,851	163,801	638,274	1,600,070	158,991
Bad Debt Expense	_	-	-	471,394	-	265,204	77
Change in Value of Investments	(217,911)	-	-	(36,996)	(30,661)	(577,245)	27,429
(Gain) Loss on Disposal of	(217,011)			(00,000)	(00,001)	(011,210)	21,120
Property and Equipment	_	-	-	-	-	-	-
Amortization of Goodwill	_	-	-	-	-	-	-
Contribution (from) to Affiliate	_	(200,000)	-	-	-	(1,000,000)	-
Nonrefundable Entrance Fees Received	-	-	-	-	-	313,807	-
Entrance Fees Earned	-	-	-	-	-	(933,416)	-
Change in Value of Future Services Obligation	-	-	-	-	-	-	-
Amortization of Debt Issue Costs	-	-	1,166	-	2,322	71,943	-
Gain on Discounted Loan Payoff	-	-	-	-	-,	-	-
Amortization of Bond (Premium) Discount, Net	-	-	-	-	-	-	-
Inherent Contribution, Net	-	-	-	-	-	-	-
Net Change in:							
Receivables, Net	(14,259)	(95,293)	-	232,239	73,779	(192,396)	56,931
Funds Held in Trust	-	-	-	(25,546)	1,286	-	-
Prepaid Expenses and Other Assets	-	39,398	-	(938)	57,887	(57,157)	16,718
Accounts Payable	-	50,966	1,289	484,311	34,892	(17,669)	(14,204)
Accrued Expenses	5,472	176,815	-	106,363	(128,898)	76,599	8,877
Accrued Interest	-	-	-	26,558	-	30,038	-
Waiting List Deposits	-	-	-	-	-	-	-
Refundable Deposits	-	-	-	(9,823)	(1,286)	74,615	-
Refundable Advance - PPP Advance	-	-	-	-	-	-	-
Deferred Revenue - HHS PRF	-	-	-	-	-	(367,360)	-
Principal Payments on Operating Lease							
Liabilities	-	-	-	-	-	(19,769)	-
Net Cash Provided (Used) by Operating							
Activities	2,160,952	25,075	7,609	982,610	(446,946)	(325,730)	(287,475)

	Norse Home	DASH	SHAG CLF	SHAG	E	liminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in Net Assets	\$ 17,977,528	\$ 2,137,706	\$ 408,222	\$ 17,880,625	\$	(1,819,933)	\$ 24,378,591
Adjustments to Reconcile Change in Net Assets							
to Net Cash Provided (Used) by Operating							
Activities:							
Depreciation	46,572	1,064,568	124	-		(143,781)	19,584,408
Bad Debt Expense	-	5,478	-	-		-	1,258,303
Change in Value of Investments	-	-	-	(651,191)		-	(10,233,191)
(Gain) Loss on Disposal of							
Property and Equipment	-	-	-	-		-	699,768
Amortization of Goodwill	-	-	-	-		-	3,000,361
Contribution (from) to Affiliate	-	-	-	-		200,000	-
Nonrefundable Entrance Fees Received	-	-	-	-		-	10,670,200
Entrance Fees Earned	-	-	-	-		-	(6,826,721)
Change in Value of Future Services Obligation	-	-	-	-		-	(5,185,840)
Amortization of Debt Issue Costs	-	18,462	-	-		-	556,864
Gain on Discounted Loan Payoff	-	(2,459,521)	-	-		-	(2,459,521)
Amortization of Bond (Premium) Discount, Net	-	-	-	-		-	(778,625)
Inherent Contribution, Net	(18,095,035)	-	(462,400)	(18,381,678)		-	(36,939,113)
Net Change in:							
Receivables, Net	(26,537)	345,611	(161,149)	(62,445)		82,770	(864,908)
Funds Held in Trust	-	-	-	-		-	(24,260)
Prepaid Expenses and Other Assets	(3,124)	66,655	-	-		-	68,361
Accounts Payable	11,829	146,917	116,025	21,528		-	(911,689)
Accrued Expenses	27,512	(148,656)	131,588	26,667		43,952	869,697
Accrued Interest	-	134,068	-	-		(82,770)	15,649
Waiting List Deposits	-	-	-	-		-	51,890
Refundable Deposits	-	3,676	-	-		-	6,572
Refundable Advance - PPP Advance	-	-	-	-		-	63,009
Deferred Revenue - HHS PRF	-	-	-	-		-	(1,590,855)
Principal Payments on Operating Lease							
Liabilities	-	-	-	-		-	(397,288)
Net Cash Provided (Used) by Operating	 		 		-		
Activities	(61,255)	1,314,964	32,410	(1,166,494)		(1,719,762)	(4,988,338)

	_							Minnesota		
	Tra	ansforming		Parkshore	Fred Lind Manor	Skyline		Senior Living	PRCN Foundation	Exeter
CASH FLOWS FROM INVESTING ACTIVITIES		Age		Parkshore		 Skyline		Living	 Foundation	 Exelei
Purchase of Property and Equipment	\$	(209,974)	\$	(4,921,455)	\$ (691,474)	\$ (72,401,607)	\$	(1,350,775)	\$ -	\$ (16,638)
Proceeds from Sale of Property and Equipment		-	•	-	-	-	•	6,963,559	-	-
(Purchase) Sale of Investments, Net		(4,732,039)		(227,055)	(40,847)	(525,941)		-	(56,933)	8,385,786
(Purchase) Sale of Assets Limited as to Use, Net		25,756		7,428,350	1,119,331	54,036,789		(3,051,639)	-	-
Related-Party Receivables (Payables), Net		2,406,687		(7,769,750)	362,840	10,091,261		950,565	1,056	777,110
Principal Payments on Sewer Capacity Payable		-		-	-	(71,313)		-	-	-
Acquirees' Cash at Acquisition Date		-		-	-	-		-	-	-
Net Cash Provided (Used) by										
Investing Activities		(2,509,570)		(5,489,910)	749,850	(8,870,811)		3,511,710	(55,877)	9,146,258
CASH FLOWS FROM FINANCING ACTIVITIES										
Proceeds from Long-Term Debt		-		-	-	-		-	-	-
Principal Payments on Long-Term Debt		(160,000)		(432,711)	(91,544)	(1,323,968)		(8,958,532)	-	-
Payments for Debt Issuance Costs		-		-	-	-		-	-	-
Proceeds (Payments) from Revolving										
Note and Lines of Credit, Net		3,000,000		-	-	1,999,973		-	-	-
Entrance Fees Received		-		638,400	-	14,174,549		-	-	-
Entrance Fees Refunded		-		(1,868,021)	-	(12,182,046)		-	-	-
Contribution from (to) Affiliate		2,200,000		-	-	-		3,500,000	-	(6,700,000)
Initial Entrance Fee Deposits (Withdrawals), Net		-		-	 -	 5,939,561		-	 -	 -
Net Cash Provided (Used) by Financing										
Activities		5,040,000		(1,662,332)	 (91,544)	 8,608,069		(5,458,532)	 -	 (6,700,000)
CHANGE IN CASH, CASH EQUIVALENTS, AND										
RESTRICTED CASH		(891,630)		(3,349,089)	14,793	(2,984,419)		(4,667,896)	44,793	2,546,463
Cash, Cash Equivalents, and Restricted Cash -										
Beginning of Year		1,452,861		7,971,452	 1,019,625	 36,256,276		16,880,800	 257,659	 25,157
CASH, CASH EQUIVALENTS, AND RESTRICTED										
CASH - END OF YEAR	\$	561,231	\$	4,622,363	\$ 1,034,418	\$ 33,271,857	\$	12,212,904	\$ 302,452	\$ 2,571,620
Cash Paid for Interest	\$	419,938	\$	2,355,520	\$ 444,245	\$ 5,203,764	\$	7,112,138	\$ -	\$ -
Noncash Acquisition of Property and Equipment	\$		\$		\$ 	\$ 1,020,010	\$		\$ 	\$ 

	Affiliate Services	Transforming Age Ventures	1980 112th	Full Life Care	Vashon Community Care	Eastmont	Gardens at Juanita Bay
CASH FLOWS FROM INVESTING ACTIVITIES	<u>_</u>	•	<b>A</b> 40.000	<b>(140.000</b> )	(000.045)	(1.000, 1.00)	<b>(00.007</b> )
Purchase of Property and Equipment Proceeds from Sale of Property and Equipment	\$ -	\$ -	\$ 48,208	\$ (149,026)	\$ (232,915)	\$ (4,832,103)	\$ (22,097)
(Purchase) Sale of Investments, Net	(28,263)	-	-	4,099	(338)	(578)	- 249,120
(Purchase) Sale of Assets Limited as to Use, Net	(20,200)	-	-	-,000	(000)	(070)	-
Related-Party Receivables (Payables), Net	(2,188,779)	10,641	30,846	-	427,912	(5,262,250)	(33,810)
Principal Payments on Sewer Capacity Payable	-	-	-	-	-	-	-
Acquirees' Cash at Acquisition Date	-	-	-	-	-	-	-
Net Cash Provided (Used) by							
Investing Activities	(2,217,042)	10,641	79,054	(144,927)	194,659	(10,094,931)	193,213
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from Long-Term Debt	-	-	-	-	-	11,046,246	-
Principal Payments on Long-Term Debt	-	-	(86,900)	(102,194)	(248,185)	(5,325)	-
Payments for Debt Issuance Costs	-	-	-	-	-	(760,888)	-
Proceeds (Payments) from Revolving							
Note and Lines of Credit, Net	-	-	-	239,623	-	-	-
Entrance Fees Received	-	-	-	-	-	673,688	-
Entrance Fees Refunded	-	-	-	-	-	(54,000)	-
Contribution from (to) Affiliate	-	200,000	-	-	-	1,000,000 286,039	-
Initial Entrance Fee Deposits (Withdrawals), Net	-		-	-		286,039	-
Net Cash Provided (Used) by Financing Activities		200,000	(86,900)	137,429	(248,185)	12,185,760	
CHANGE IN CASH, CASH EQUIVALENTS, AND							
RESTRICTED CASH	(56,090)	235,716	(237)	975,112	(500,472)	1,765,099	(94,262)
Cash, Cash Equivalents, and Restricted Cash -							
Beginning of Year	328,649	181,432	91,844	3,607,631	1,038,226	6,390,320	135,687
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 272,559	\$ 417,148	\$ 91,607	\$ 4,582,743	\$ 537,754	\$ 8,155,419	\$ 41,425
Cash Paid for Interest	\$ 37,500	\$ 100,046	\$ 5,987	\$ 171,203	\$ 174,593	\$ 2,448	\$
Noncash Acquisition of Property and Equipment	<u>\$</u>	<u>\$</u>	<u>\$</u> -	<u>\$</u>	<u>\$</u> -	\$	\$

	Norse Home		DASH		SHAG CLF	SHA	NG.	E	iminations		Total
CASH FLOWS FROM INVESTING ACTIVITIES	 Homo		Brion								
Purchase of Property and Equipment	\$ (18,918)	\$	(438,510)	\$	(4,311)	\$	-	\$	1,963,714	\$	(83,277,881)
Proceeds from Sale of Property and Equipment	-		-		-		-		-		6,963,559
(Purchase) Sale of Investments, Net	-		-		-		(109,235)		-		2,917,776
(Purchase) Sale of Assets Limited as to Use, Net	-		-		-		-		-		59,558,587
Related-Party Receivables (Payables), Net	-		-		-		-		195,671		-
Principal Payments on Sewer Capacity Payable	-		-		-		-		-		(71,313)
Acquirees' Cash at Acquisition Date	239,563		-		211,709	1	,918,113		-		2,369,385
Net Cash Provided (Used) by	 										
Investing Activities	220,645		(438,510)		207,398	1	,808,878		2,159,385		(11,539,887)
CASH FLOWS FROM FINANCING ACTIVITIES											
Proceeds from Long-Term Debt	-		3,392,000		-		-		-		14,438,246
Principal Payments on Long-Term Debt	(5,806)		(3,589,527)		-		-		-		(15,004,692)
Payments for Debt Issuance Costs	-		-		-		-		-		(760,888)
Proceeds (Payments) from Revolving											
Note and Lines of Credit, Net	-		-		-		19,000		(239,623)		5,018,973
Entrance Fees Received	-		-		-		-		-		15,486,637
Entrance Fees Refunded	-		-		-		-		-		(14,104,067)
Contribution from (to) Affiliate	-		-		-		-		(200,000)		-
Initial Entrance Fee Deposits (Withdrawals), Net	-		-		-		-		-		6,225,600
Net Cash Provided (Used) by Financing											
Activities	 (5,806)		(197,527)		-		19,000		(439,623)		11,299,809
CHANGE IN CASH, CASH EQUIVALENTS, AND											
RESTRICTED CASH	153,584		678,927		239,808		661,384		-		(5,228,416)
Cash, Cash Equivalents, and Restricted Cash -											
Beginning of Year	 -		3,408,375		-	1	-		-		79,045,994
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 153,584	\$	4,087,302	\$	239,808	\$	661,384	\$	-	\$	73,817,578
	 	<u> </u>	,,	<u> </u>			,			<u> </u>	- / - / -
Cash Paid for Interest	\$ -	\$	768,265	\$	(158,661)	\$ 6	,330,526	\$	(82,770)	\$	22,884,742
Noncash Acquisition of Property and Equipment	\$ -	\$	_	\$		\$		\$	-	\$	1,020,010



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## Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

### Exhibit 37-A



Reports of Independent Auditors and Financial Statements with Supplementary Information

#### **Mercy Retirement and Care Center**

June 30, 2022



# **Table of Contents**

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.	31
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	33
Schedule of Findings and Questioned Costs	37
Summary Schedule of Prior Audit Findings	40
Corrective Action Plan	42



## **Report of Independent Auditors**

The Board of Directors Mercy Retirement and Care Center

#### **Report on the Audit of the Financial Statements**

#### Opinion

We have audited the financial statements of Mercy Retirement and Care Center ("MRCC"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MRCC as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MRCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that MRCC will continue as a going concern. As discussed in Note 2 to the financial statements, MRCC's construction financing did not convert September 25, 2022, and as a result have been reflected as current liabilities. Negotiations are presently underway to obtain revised loan agreements to permit the realization of assets and the liquidation of liabilities in the ordinary course of business. MRCC's management represented that it cannot predict what the outcome of refinancing negotiations will be and that substantial doubt exists about its ability as a going concern. Management's evaluation of events and conditions and management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MRCC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MRCC's ability to continue as a going concern for a reasonable period of time.

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

#### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as shown on page 29 as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other records used to prepare the financial statements or to the financial statements themselves, and other records used to prepare the financial statements or to the financial statements themselves, and other records used to prepare the financial statements or to the financial statements themselves, and other records used to prepare the financial statements or to the financial statements themselves, and other records used to prepare the financial statements or to the financial statements themselves, and other records used to prepare the financial statements or to the financial statements themselves, in all material additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of MRCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MRCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MRCC's internal control over financial reporting and compliance.



San Francisco, California October 31, 2022

**Financial Statements** 

#### ASSETS

CURRENT ASSETS Cash and cash equivalents Patient and resident accounts receivable, net Pledge and other receivables Prepaid expenses and other assets	\$ 5,427,120 1,983,106 559,262 217,588
Total current assets	8,187,076
ASSETS LIMITED AS TO USE Restricted by donor (Note 9)	3,252,547
Total assets limited as to use	3,252,547
INTEREST RATE SWAPS (Note 8) INVESTMENTS PROPERTY AND EQUIPMENT, net of accumulated depreciation	1,514,203 7,017,425 40,203,441
Total assets	\$ 60,174,692
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES Accounts payable Accrued expenses and other current liabilities Current maturities of related party note payable Construction note payable Due to related party	\$ 2,431,531 1,081,829 500,000 22,438,612 332,719
Total current liabilities	26,784,691
RELATED PARTY NOTE PAYABLE, net of current maturities	1,500,000
Total liabilities	28,284,691
NET ASSETS Without donor restrictions With donor restrictions	26,417,507 5,472,494
Total net assets	31,890,001
Total liabilities and net assets	\$ 60,174,692

# Mercy Retirement and Care Center Statement of Activities and Changes in Net Assets Year Ended June 30, 2022

		let assets without or restrictions	,	Net assets with donor restrictions	Total		
REVENUES, GAINS, AND OTHER SUPPORT	\$	1 220 500	¢		\$	1 220 500	
Monthly rent Net health services revenue	Φ	4,328,508	\$	-	Φ	4,328,508	
		9,676,188		-		9,676,188	
In-kind food contributions		3,686,564		-		3,686,564	
Provider relief funds		151,495		-		151,495	
Other resident services revenue		39,403		-		39,403	
Net assets released from restrictions for operations		1,153,426		(1,153,426)		-	
Total revenues, gains, and other support		19,035,584		(1,153,426)		17,882,158	
EXPENSES AND LOSSES							
Salaries and benefits		9,925,196		-		9,925,196	
Purchased services and other		4,458,722		-		4,458,722	
Donated food		3,686,564		-		3,686,564	
Supplies		1,867,775		-		1,867,775	
Depreciation and depletion		1,734,498		-		1,734,498	
Interest and fees		112,736		-		112,736	
Management fee		1,221,631		-		1,221,631	
Loss on disposal of property and equipment		203,415		-		203,415	
Other expenses		32,645		-		32,645	
Total expenses and losses		23,243,182		-		23,243,182	
OPERATING LOSS		(4,207,598)		(1,153,426)		(5,361,024)	
OTHER INCOME (EXPENSE)							
Contributions revenue		263,818		1,404,532		1,668,350	
Gain from loan forgiveness		1,854,593		-		1,854,593	
Unrealized gains on interest rate swaps		1,514,203		-		1,514,203	
Investment return, net of investment expenses		(1,463,744)		(638,594)		(2,102,338)	
Total other income		2,168,870		765,938		2,934,808	
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSE		(2,038,728)		(387,488)		(2,426,216)	
NET ASSETS RELEASED FROM RESTRICTION FOR BUILDING IMPROVEMENTS AND EQUIPMENT		3,437,747		(3,437,747)			
CHANGE IN NET ASSETS		1,399,019		(3,825,235)		(2,426,216)	
NET ASSETS, beginning of year		25,018,488		9,297,729		34,316,217	
NET ASSETS, end of year	\$	26,417,507	\$	5,472,494	\$	31,890,001	

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from noncontract residents	\$ 13,631,743
Contributions	2,888,353
Cash from provider relief funds	151,495
Cash received from other resident services	39,403
Cash received from interest	326,896
Cash received on loss on disposal of property	203,415
Cash paid to related party	(991,122)
Cash paid for interest	(442,015)
Cash paid to suppliers and employees	 (16,843,081)
Net cash used in operating activities	 (1,034,913)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(405,740)
Proceeds from sale of investments	84,158
Purchase of property and equipment	 (9,752,072)
Net cash used in investing activities	 (10,073,654)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in buildings and equipment	20,093
Payment of debt issuance costs	(18,868)
Proceeds from construction note payable	 7,978,051
Net cash provided by financing activities	 7,979,276
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,129,291)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	 8,556,411
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 5,427,120
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Gain from loan forgiveness	\$ 1,854,593
Conversion of due to related party to related party note payable	\$ 2,000,000

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (2,426,216)
Adjustments to reconcile change in net assets to net cash	
used in operating activities	
Contributions restricted for buildings and equipment	(20,093)
Unrealized gains on interest rate swaps	(1,514,203)
Unrealized losses on investments	2,429,234
Loss on disposal of property	203,415
Gain from loan forgiveness	(1,854,593)
In-kind food contributions	(3,686,564)
Distribution of food received in-kind	3,686,564
Depreciation expense	1,763,212
Depletion of asset retirement obligations	(28,714)
Interest capitalized	(344,916)
Changes in operating assets and liabilities	
Patient and resident accounts receivable	(372,953)
Pledge and other receivables	1,017,367
Prepaid expenses	(186,270)
Accounts payable	642,968
Accrued expenses and other	(573,660)
Due to related party	 230,509
Net cash used in operating activities	\$ (1,034,913)

#### NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of operations** – Mercy Retirement and Care Center ("MRCC") is a California nonprofit public benefit corporation organized for the purposes of providing residences, assistance with daily living needs, and skilled nursing care for elderly persons. The facilities include 166 units licensed as residential care, including a 22-unit memory care facility and 59 units licensed as skilled nursing. Beginning on December 28, 2011, MRCC began offering a "continuing care" concept in which resident enters into a residential contract that generally provides for a specific entrance fee and for monthly service fees throughout the residents' tenancy. Generally, payment of these fees entitles residents to the use and privileges of MRCC for life. There are no residents at June 30, 2022, that have paid entrance fees.

Residents are also entitled to certain healthcare services provided in the MRCC assisted living and skilled nursing facility. The residency agreement does not entitle the residents to an ownership interest in MRCC. MRCC generates its revenues primarily from residential care and skilled nursing fees.

MRCC is a subordinate corporation to Elder Care Alliance ("ECA-Corporate") and operates under a common management team through ECA-Corporate. ECA-Corporate is a California nonprofit public benefit corporation, exempt from federal and state income taxes, established on December 6, 1996. ECA-Corporate is cosponsored by the Sierra Pacific Synod of the Evangelical Lutheran Church in America (the "Lutheran Synod") and the Sisters of Mercy of the Americas – West Midwest Communities (the "Sisters of Mercy").

On May 15, 1997, MRCC entered into an affiliation agreement. Under the terms of this agreement, ECA-Corporate became the sole corporate member of MRCC. ECA-Corporate provides management services for supportive housing, skilled nursing, rehabilitation, and social services principally to the aged through MRCC and other subordinate corporations. MRCC retained its individual identity, assets and liabilities, and relationships with their individual sponsors and operate under a common management team through ECA-Corporate.

ECA-Corporate was established with the support and leadership of CommonSpirit Health (formerly known as Dignity Health). The shared vision of CommonSpirit Health, ECA-Corporate and its cosponsors, the Lutheran Synod, and the Sisters of Mercy was to create a network of faith-centered, nonprofit elder care facilities and services to meet the needs of the burgeoning population of elderly people who seek support and assistance with activities of daily living in a non-institutional environment.

**Basis of presentation** – The financial statements have been prepared on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred and is consistent with accounting principles generally accepted in the United States of America.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**Cash and cash equivalents** – Cash and cash equivalents includes cash on hand and cash held in demand deposit, sweep, and savings accounts; and certain assets in highly liquid instruments with original maturities of three months or less.

**Patient and resident accounts receivable, net** – As part of its mission to serve the community, MRCC may provide care to residents even though the residents may lack means to pay. MRCC manages its resources and/or collection risk by regularly reviewing its accounts and contracts and by providing appropriate allowances based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts receivable are stated at net realizable value from third-party payors, residents, and others.

For receivables associated with services provided to patients who have third-party coverage, MRCC analyzes contractually due amounts and provides additional implicit price concession, if necessary, based upon historical collection history for deductibles and copayments on accounts for which the third-party payor had not yet paid or for remaining payor balances.

For receivables associated with self-pay patients, which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, MRCC records a significant implicit price concession in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in accounts receivable.

Pledge and other receivables - Pledges and other receivables consist primarily of pledges received from donors.

**Investments and investment return** – Investment in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities ("ASU 2016-14"), investment return is net of investment manager expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restriction. Other investment return is reflected in the statement of activities and changes in net assets as without and with donor restriction based upon the existence and nature of any donor or legally imposed restrictions.

Assets limited as to use – Assets limited as to use include assets restricted by donors.

**Property and equipment** – Property and equipment acquisitions are recorded at cost and depreciated using the straight-line method based over the estimated useful life of each asset. MRCC capitalizes property and equipment with a cost of greater than \$1,000. Costs of maintenance and repairs are charged to expense as incurred.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	20 years
Building and improvements	15 to 40 years
Furniture and equipment	3 to 10 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as contributions with donor restriction. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when expenditures for construction in progress or property and equipment are incurred that satisfy donor restriction.

**Long-lived asset impairment** – MRCC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2022.

**Asset retirement obligations** – FASB Accounting Standards Codification ("ASC") Topic 410-20, *Asset Retirement Obligations*, defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. In 2020, MRCC began a remodeling project (See Note 6), which includes abatement of asbestos. During 2022, MRCC paid \$140,393 in asset retirement obligations. As of June 30, 2022, MRCC had no remaining conditional asset retirement obligations recorded in the statement of financial position. During the year ended June 30, 2022, all prior asset retirement obligations were settled, which resulted in a total depletion expense of \$28,714.

**Due to related party** – Due to related party includes liabilities for management services, centralized purchases and other administrative services due to ECA-Corporate.

**Professional liability claims** – MRCC recognizes an accrual for professional claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Note 13.

**Workers' compensation liability claims** – MRCC recognizes an accrual for workers' compensation claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Workers' compensation liability claims are described more fully in Note 13.

**Health reimbursement arrangement** – MRCC recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Health reimbursement arrangement liability claims are described more fully in Note 13.

**Interest rate swaps** – MRCC entered into three interest rate swaps to manage interest rate risks on the construction note payable. Swaps are contracts to exchange, for a period of time, the investment performance of one underlying instrument for the investment performance of another instrument without exchanging the instruments themselves. MRCC records in its statement of financial position the estimated fair value of swaps as of the statement of financial position date. Changes in the fair value of the swaps are included in the unrealized gains on interest rate swaps in the statement of activities and changes in net assets.

Net assets - Net assets are classified and reported as follows:

*Net assets without donor restrictions* – Represent resources available to support MRCC's operations and donor-restricted resources that have become available for use by MRCC in accordance with the intention of the donor.

Net assets with donor restrictions – Represent contributions that are limited in use by MRCC in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of MRCC according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for building renovations, resident assistance, certain aspects of operations, and food distribution to low income seniors. Net assets with donor restrictions also represent net assets subject to donor-imposed stipulations that they be maintained by MRCC in perpetuity. See Note 9 for net assets with donor restrictions maintained by MRCC in perpetuity at June 30, 2022.

**Revenue recognition** – MRCC has assessed the predominant component of monthly lease payments for assisted living and memory care to be for the monthly rent of the apartment, as other services such as net health services revenue and other resident services revenue are reported separately. MRCC therefore recognizes monthly rent as lease income under ASC 840, *Leases*. MRCC further determined that net health services revenue and other resident services revenue are health care services and other services provided to residents that do not relate to the assisted living unit apartment rent. Therefore, such service revenues are not part of the calculation of lease payments, and revenue under these service lines is recognized under ASC 606, *Revenue from Contracts with Customers*.

Net health services revenues are reported at the amount that reflects the consideration MRCC expects to receive in exchange for the personal care services provided. Performance obligations are determined based on the nature of the services provided. Net health services revenues are recognized as performance obligations are satisfied.

Net health services revenues are primarily comprised of the following revenue streams:

*Skilled Nursing* – Skilled nursing revenues are primarily derived from providing personal care services to residents at a stated daily fees with 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, skilled nursing revenues are recognized on a daily basis.

Assisted Living – Assisted living revenues are primarily derived from providing personal care services to residents at a stated monthly fee with 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, assisted living revenues are recognized on a month-to-month basis.

*Memory Care* – Memory care revenues are primarily derived from providing personal care services to residents at a stated monthly fee with 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, memory care revenues are recognized on a month-to-month basis.

Ancillary – Ancillary revenues are primarily derived from providing medication, physical and occupational therapy, and medical supplies to skilled nursing residents. Ancillary revenue for net health services are recognized as services are rendered.

# Mercy Retirement and Care Center Notes to Financial Statements

Other resident services revenue includes revenues from housekeeping, laundry, transportation, personal supplies, and other revenues from residents. MRCC has determined that other resident services revenue is considered individual performance obligations, which are satisfied over time as services are provided. Therefore, other resident services revenues are recognized as services are rendered.

MRCC disaggregates lease income and revenue from contracts with customers by type of service as this depicts the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. Revenues, gains, and other support consist of the following for the year ended June 30, 2022, as follows:

	Assisted Living / Skilled Nursing Memory Care				/	Ancillary	 Total		
Monthly rent Net health services revenue Other resident services revenue	\$	- 7,666,066 -	\$	4,328,508 1,258,864 -	\$	- 751,258 39,403	\$ 4,328,508 9,676,188 39,403		
	\$	7,666,066	\$	5,587,372	\$	790,661	\$ 14,044,099		

Payment terms and conditions for MRCC's resident contracts vary by contract type, although terms generally include payment to be made within 30 days. Monthly rental fees and net health services revenue for assisted living and memory care are billed to residents monthly in advance and are amortized ratably during the month. Net health services for skilled nursing and ancillary are billed in arears. Other resident services revenue is generally billed monthly in arrears.

MRCC has agreements with the residents at established monthly rates.

MRCC has agreements with third-party payors that provide for payments to MRCC at amounts different from it established rates. Net health services revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods, as adjustments become known. Payment arrangements include prospectively determined rates per day, reimbursed costs, discounted charges, and per diem payments. Net revenues from Medicare and Medi-Cal programs were \$2,587,000 and \$3,684,000, respectively, for the year ended June 30, 2022. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates could change in the near term.

**Charitable care** – MRCC provides charitable care discounts to long-term residents who are no longer able to pay the published rate for services or monthly service fees. The amount of charitable care discounts is included in monthly rent. The total charitable care discounts included in releases from restriction for the year ended June 30, 2022, was \$94,517.

**Contributions** – Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported 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 and reported as an increase in net assets without donor restrictions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

**Contributions in-kind** – MCRR recognizes in-kind contributions of food for its Brown Bag Program, that provides food distribution to low income seniors. These food contributions are received from the Alameda County Community Food Bank, which includes support from the United States Department of Agriculture, as well as other food banks, in support of MRCC's Brown Bag Program, which provides food distribution to low income seniors. Donated government food was valued at an average of \$1.79 per pound for the year ended June 30, 2022. This valuation is based on an external study conducted for Feeding America.

(Deficiency) excess of revenues over expenses – MRCC considers the (deficiency) excess of revenues over expenses in net assets without donor restrictions as the operating measure for the organization. Changes in net assets without donor restrictions, which are excluded from (deficiency) excess of revenues over expenses consistent with industry practice, include permanent transfers to and from affiliates for other than goods and services.

**Tax-exempt status** – MRCC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board. However, MRCC is subject to federal income tax on any unrelated business taxable income.

MRCC files tax returns in the U.S. federal and State of California jurisdictions.

**Property taxes** – MRCC has filed and received an exemption from certain property taxes in accordance with Section 214 of the California Code.

**Reclassifications** – Certain prior year amounts were reclassified to conform to the current year presentation. There was no change in net assets or changes in net assets related to these reclassifications.

**New accounting pronouncements** – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU No. 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which allows certain entities the option to delay adoption of ASU No. 2016-02 to fiscal years beginning after December 15, 2021, which is the fiscal year ending June 30, 2023, for MRCC. MRCC's management is currently evaluating the impact of adoption on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)* ("ASU No. 2020-07"), to present contributed assets as a single line item in the statement of activities, apart from contributions of cash and other financial assets. MRCC adopted ASU No. 2020-07 during the year ended June 30, 2022, and it has been applied retrospectively. The adoption did not have a material impact on the financial statements.

#### NOTE 2 – GOING CONCERN

MRCC, in accordance with FASB ASC Subtopic 205-40, *Presentation of Financial Statements – Going Concern*, has identified conditions that raise substantial doubt about the ability of MRCC to continue as a going concern in the near future. The principal condition that raises substantial doubt about MRCC's ability to continue as a going concern is the post-balance sheet date maturity of the construction note payable, resulting in a current ratio of 0.21 and a working capital deficit of \$22,434,602. Due to a delay in completion of the financed project and the construction lender's unwillingness to extend the terms of the construction note payable to effect the planned 10-year financing, the construction note payable matured on September 25, 2022 and is reflected in the statement of financial position as a current liability. It should be noted that MRCC was in compliance with its financial covenants at June 30, 2022, even though there was a decrease in net assets of \$2,426,216 and net use of cash in operating activities of \$1,034,913 for the year ended June 30, 2022. As of June 30, 2022, there were unrestricted assets of \$14,427,651 in cash, patient receivables and investments to fund operations and debt service - see also Note 11. The construction lender has indicated its intent to provide an extension to the current loan agreement, to provide MRCC time to find a new lender. MRCC is actively working to refinance the debt obligation.

#### NOTE 3 – COVID-19 PANDEMIC

MRCC, along with most other healthcare providers across the United States, has experienced operational challenges related to the outbreak of the COVID-19 pandemic. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020, and on March 13, 2020, the president of the United States declared a national emergency as a result of the pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law, which aimed to direct economic assistance for American workers, families, and small business, and preserve jobs for American industries.

**Provider Relief Funds** – The COVID-19 pandemic impacted all healthcare providers throughout the health system. The CARES Act requires the amount of funding received to be validated, which requires management to quantify lost revenues and increased expenses associated with the pandemic for Provider Relief Funds ("PRF"). MRCC has recognized revenue associated with the PRF funding according to the terms and conditions of the CARES Act, and as grant revenue under FASB ASC 958-605. Grant revenue attributable to PRF funding totaled \$151,495 for the year ended June 30, 2022, and is included on the statement of activities and changes in net assets.

**Paycheck Protection Program** – Section 1109 of the CARES Act temporarily added the Paycheck Protection Program ("PPP") to the Small Business Administration's ("SBA") 7(a) Loan Program. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under PPP. On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act ("Economic Aid Act") was signed into law, which extended the ability to entities to apply for PPP loans and revised certain PPP requirements.

Under the requirements of the CARES Act, as amended, proceeds were used for MRCC's eligible payroll costs (with salary capped at \$100,000 on an annualized basis for each employee), or other eligible costs related to rent, mortgage interest utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, in each case paid during the eight-week period following disbursement. The PPP loan was able to be fully forgiven if (i) proceeds were used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries were either maintained during the eight-week period following disbursement. If not maintained or restored, any forgiveness of the PPP loan would be reduced in accordance with the regulations that were issued by the SBA.

The PPP loan was accounted for as a debt instrument in accordance with ASC 470, *Debt*. All the proceeds of the PPP loan were used by MRCC to pay eligible payroll costs and MRCC maintained its headcount and otherwise complied with the terms of the PPP loan.

On March 24, 2021, MRCC received a PPP loan in the amount of \$1,835,070. The PPP loan was forgiven on April 11, 2022. The full amount of the loan and accrued interest was recognized as gain from loan forgiveness and is included on the statement of activities and changes in net assets for the year ended June 30, 2022.

**Payroll tax deferral program** – Section 2302 of the CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security taxes. The payroll tax deferral period began on March 27, 2020, and ended December 31, 2020. Repayment of deferred payroll taxes was required as of December 31, 2021, with 50% of the deferred amount due and the remainder due on December 31, 2022. As of June 30, 2022, all deferred payroll taxes were paid.

The impact of COVID-19 has increased the uncertainty associated with management's assumptions and estimates made on these financial statements. The actual impact of COVID-19 on MRCC's financial statements may differ significantly from the assumptions and estimates made for the year ended June 30, 2022.

# NOTE 4 – CONCENTRATION OF CREDIT RISK

MRCC grants credit without collateral to its patients and residents. The mix of receivables from patients, residents, and third-party payors at June 30, 2022, was as follows:

Medicare	25%
Medi-Cal	32%
Other third-party payors	30%
Self pay	13%
	100%

Financial instruments, which could potentially subject MRCC to significant concentrations of credit risk, consist primarily of investments in marketable securities. MRCC, primarily through external money managers, has significant investments in marketable securities, which are subject to price fluctuation. This risk is controlled through a diversified portfolio and regular monitoring procedures.

Financial instruments potentially subjecting MRCC to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") insurance thresholds. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past. At June 30, 2022, MRCC's cash accounts exceeded federally insured limits by \$4,677,120.

#### NOTE 5 - INVESTMENTS AND INVESTMENT RETURN

Composition of investments and assets limited as to use at June 30, 2022, was as follows:

Equities	\$ 6,171,788
Fixed income securities:	
U.S. agencies and treasuries	424,705
Corporate debt securities	1,148,180
Mortgage-backed securities	854,391
Mutual funds	1,214,302
Money market mutual funds	 456,606
	\$ 10,269,972

Investments reflected in the statement of financial position at June 30, 2022, were as follows:

Investments Assets limited as to use, restricted by donor (Note 9)	\$ 7,017,425 3,252,547
	\$ 10,269,972
Total investment return at June 30, 2022, was comprised of the following:	
Interest and dividend income and realized gains Less: investment expenses	\$ 450,672 (123,776)
	326,896
Unrealized losses	 (2,429,234)
	\$ (2,102,338)

### NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following at June 30, 2022:

Land and land improvements Buildings, building improvements, and building service equipment Office furniture and equipment	\$ 2,959,432 39,293,203 3,771,056
Vehicles	 355,574
	46,379,265
Less: accumulated depreciation	(6,680,699)
Construction in progress	 504,875
	\$ 40,203,441

At June 30, 2022, MRCC's construction in progress balance of \$504,875 relates to certain building renovations. The projects currently in progress are expected to be completed in the next fiscal year with approximately \$657,200 of additional costs to complete.

As described in Note 7, portions of the above property and equipment are pledged as collateral on MRCC's notes payable. MRCC capitalizes interest expense until the related depreciable asset is placed into service. Interest expense capitalized during the year ended June 30, 2022, was \$372,973.

#### NOTE 7 - CONSTRUCTION NOTE PAYABLE

MRCC's construction note payable consisted of the following at June 30, 2022:

Construction Note Payable	\$ 22,818,788
Less: current maturities Less: unamortized debt issuance costs	 (22,438,612) (380,176)
Long term portion of construction note payable	\$ 

MRCC entered into a \$25,000,000 construction financing with BBVA Compass Bank on March 26, 2019. Such loan was used to finance construction payments through construction, with a planned conversion upon construction completion. The conversion would result in a 10-year financing, with principal payments based on a 30-year amortization and a 4.51% annual interest rate. BBVA Compass Bank was acquired by PNC Bank in 2021, however the terms of the loan remained the same. Due to COVID-related delays in construction, an amendment was executed to defer the planned conversion to a permanent loan on March 25, 2022 to September 25, 2022, and therefore extend the loan maturity to September 25, 2032. Additionally, as a condition of the construction financing, interest rate swaps were executed to swap the floating rate interest (upon conversion) under the financing agreement to fixed rate interest. While the planned debt conversion was extended, the interest rate swaps took effect on March 25, 2022 as planned.

Unamortized debt issuance costs of \$380,176 at June 30, 2022, were incurred to secure the construction financing. The debt issuance costs will be amortized to interest expense once the financed project is complete, upon conversion, over the term of the anticipated 10-year permanent loan. As a result, there was no amortization of debt issuance costs during 2022.

### **NOTE 8 – INTEREST RATE SWAPS**

MRCC entered into three interest rate swap agreements with a commercial bank, its construction lender, to manage interest rate exposure from its floating rate on the construction note payable. The differential to be paid or received under these agreements is accrued consistent with the terms of the agreement and is recognized in interest expense over the term of the related debt using a method that approximates the effective interest method.

The estimated fair values of interest rate swaps have been determined using Level 2 inputs including available marketing information and valuation methodologies. The fair values of interest rate swaps include adjustments for market liquidity, counterparty credit quality, and other deal specific factors, where appropriate. MRCC also incorporates, within its fair value measurements of over-the-counter derivatives, the net credit differential between the counterparty credit risk and MRCC's own credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on historical experience, adjusted for recent specific expectations.

All interest rate swaps were entered into with BBVA Compass Bank, and assumed with the same terms upon its acquisition by PNC Bank in 2021. PNC is the floating rate player subject to a floating rate, whereas MRCC is the fixed rate player subject to a fixed rate. While the original swaps referenced the floating rate of USD-LIBOR-BBA, upon the construction loan extension, the rate was amended to reference USD-BSBY (Bloomberg Short-Term Bank Yield Index rate) as LIBOR is being phased out. All swaps were executed with effective dates coinciding with the planned construction note payable conversion of March 24, 2022.

The following chart outlines the terms and valuations of the swap arrangements:

	Notional		Interest rate	Date executed	Maturity date	air value at une 30,2022	gair	ealized (loss) n for the year ended ne 30,2022
2019 Swap	\$	10,000,000	2.86%	3/26/2019	3/24/2032	\$ (12,943)	\$	(12,943)
2020 Swap	\$	10,000,000	1.09%	5/1/2020	3/24/2032	1,376,136		1,376,136
2020 Swap #2	\$	2,000,000	1.20%	5/4/2020	3/24/2027	 151,010		151,010
						\$ 1,514,203	\$	1,514,203

Note that the 2020 Swap #2 includes options to terminate early, in \$500,000 increments annually from March 24, 2023 through 2025 and \$355,219 in 2026. The value of the exit options are incorporated into the swap valuation and the associated unrealized gain (loss).

At June 30, 2022, the fair value of the interest rate swaps was included in the statement of financial position. The unrealized gain (loss) for the year ended June 30, 2022 was included in the accompanying statement of activities and changes in net assets.

#### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of donor restricted contributions and grants at June 30, 2022, for the following purposes:

Building renovations and equipment Charitable care and other Food distribution to low income seniors Endowment corpus	\$ 1,314,937 336,431 881,252 2,939,874
	\$ 5,472,494

During the year ended June 30, 2022, \$4,591,174 of net assets were released from donor restrictions by incurring eligible operating and capital expenditures and satisfying the restricted purposes of charitable care.

Endowment corpus that must be maintained in perpetuity, with the earnings on such funds to be used primarily for the care of indigent people, are included in charity and other.

#### **NOTE 10 – ENDOWMENTS**

MRCC's endowment was established to support MRCC's nonprofit mission. The endowment consists of donorrestricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MRCC's governing body has interpreted the State of California Prudent Management of Institutional Funds Act ("SPMIFA") as requiring 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, MRCC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions that are available for release until those amounts are appropriated for expenditure by MRCC in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, MRCC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of MRCC and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of MRCC
- Investment policies of MRCC

The composition of net assets for the endowment fund at June 30, 2022, was as follows:

	Available for Release		 Corpus	 Total
Donor-restricted endowment funds	\$	312,673	\$ 2,939,874	\$ 3,252,547

Changes in endowment net assets for the year ended June 30, 2022, was as follows:

		ailable for Release	 Corpus	Total	
Endowment net assets, beginning of year	\$	951,016	\$ 2,939,874	\$	3,890,890
Investment return, net Investment loss Net appreciation Less: investment manager expense		(599,680) 94,228 (38,374)	 - - -		(599,680) 94,228 (38,374)
Total investment return		(543,826)	-		(543,826)
Appropriation of endowment assets for expenditure		(94,517)	 		(94,517)
Endowment net assets, end of year	\$	312,673	\$ 2,939,874	\$	3,252,547

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level MRCC is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. There were no such deficiencies of this nature at June 30, 2022.

MRCC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include the assets of donor-restricted endowment funds MRCC must hold in perpetuity or for donor-specified periods. MRCC expects its endowment funds to provide an average annual rate of return exceeding consumer price index ("CPI") by 3.5% over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, MRCC relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). MRCC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

MRCC has a policy of appropriating each year for expenditures an amount expected to be required to offset the amount of resident assistance estimated to be provided as approved in the annual budget. In establishing this policy, MRCC considered the long-term expected return on its endowment. This is consistent with MRCC's objective to maintain the purchasing power of endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

#### NOTE 11 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30, 2022, comprise the following:

Cash and cash equivalents Patient and resident accounts receivable, net Investments	\$ 5,427,120 1,983,106 7,017,425
	\$ 14,427,651

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. MRCC has a goal to maintain a current ratio greater than 1:1 in order to meet general expenditures, liabilities, and other obligations as they come due.

#### **NOTE 12 – FUNCTIONAL EXPENSES**

The expenses for providing residential and assisted living services activities of MRCC that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among program services and supporting services activities benefited based upon employee time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage, or other relevant bases. Expenses related to providing these services for the year ended June 30, 2022, was as follows:

		illed rsing	isted Living / emory Care	rown Bag Program	Fu	Indraising	 eneral and ministrative	 Total
Salaries and benefits	\$    5, <sup>-</sup>	156,217	\$ 4,126,519	\$ 525,156	\$	117,304	\$ -	\$ 9,925,196
Purchased services and other	1,8	342,622	1,897,200	79,577		34,173	605,150	4,458,722
Donated food		-	-	3,686,564		-	-	3,686,564
Supplies	8	381,068	560,070	406,190		5,692	14,755	1,867,775
Depreciation and depletion	6	609,060	1,125,438	-		-	-	1,734,498
Interest and fees		-	-	-		-	112,736	112,736
Management fee		-	-	-		-	1,221,631	1,221,631
Loss on disposal of property and equipment		-	-	-		-	203,415	203,415
Other expenses		-	 -	 -		-	 32,645	 32,645
	\$ 8,4	488,967	\$ 7,709,227	\$ 4,697,487	\$	157,169	\$ 2,190,332	\$ 23,243,182

## NOTE 13 – PROFESSIONAL LIABILITY, WORKERS COMPENSATION CLAIMS, AND HEALTH REIMBURSEMENT ARRANGEMENT LIABILITY CLAIMS

**Professional liability claims** – MRCC purchases professional liability insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue professional liability costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon MRCC's claim experience, no such accrual is required. It is reasonably possible that this estimate could change materially in the near term.

**Workers' compensation claims** – MRCC purchases workers' compensation insurance coverage with a zero deductible per occurrence. The provision for estimated workers' compensation claims includes estimates of the ultimate costs for both uninsured reported claims and claims incurred-but-not-reported, in accordance with projections based on past experience. Workers' compensation liabilities, included in accrued expenses and other current liabilities, were \$110,000 as of June 30, 2022, in the accompanying statement of financial position. Insurance recovery receivables, included in other assets, were \$110,000 as of June 30, 2022, in the accompanying statement of financial position.

**Health reimbursement arrangement** – MRCC purchases a high deductible health and dental insurance plan for MRCC employees on a calendar year basis. MRCC has a commitment to fund \$3,500 per employee to a health savings account, which was increased to \$5,500 per employee on January 1, 2021. MRCC estimates the remaining utilization of the health reimburse arrangement based on historical experience of claims paid from the MRCC employee's health savings account. The remaining estimated health reimbursement accrued expense is included in accrued expenses and other current liabilities in the accompanying statement of financial position was \$74,250 as of June 30, 2022.

## NOTE 14 – RETIREMENT PLANS

MRCC participates in a defined contribution plan and incentive plan that cover all employees. Employees are eligible for participation in the defined contribution plan at date of hire and MRCC matches the employee contribution, after the completion of one year of service, up to a maximum of 5.0% of the employee's salary, with vesting over four years. In addition, employees are eligible for the incentive plan where MRCC contributes a discretionary amount of the employee's salary after completion of one year of service. During the year ended June 30, 2022, MRCC contributed a total of \$115,371 and zero, to the defined contribution and incentive plans, respectively.

#### NOTE 15 - MANAGEMENT COMPANY

In July 1, 2011, MRCC entered into a management agreement with ECA-Corporate for various management, consulting and marketing services. MRCC reimburses ECA-Corporate for all reasonable out-of-pocket expenses, a management fee of 2.5% of gross revenues generated by the property, and a contingent fee of 1.5% of gross revenues. The management agreement expires on July 1, 2031. Management fee expense was \$1,221,631 for the year ended June 30, 2022.

#### **NOTE 16 – RELATED PARTY TRANSACTIONS**

MRCC entered into a note payable in the amount of \$2,000,000 with ECA-Corporate in December 2021, by converting \$2,000,000 reported as due to related party, to support financing the equity commitment for the construction loan. The note bears interest monthly at 2.5%. Principal and interest is payable annually over four years, commencing on July 15, 2022, unless to do so would violate the construction note payable terms. The balance of the note payable at June 30, 2022, was \$2,000,000. Accrued interest of \$29,167 as of June 30, 2022, is included in due to related parties. Interest expense on the related party note payable for the year ended June 30, 2022, was \$29,167.

MRCC has a payable to ECA-Corporate at June 30, 2022. The amounts due are for management fees and other shared administrative expenses. See Note 15 for discussion of management fee expense. The amounts due to related party as of June 30, 2022, was \$332,719.

Related party note payable Accrued interest from note payable	\$ 303,552 29,167
	\$ 332,719

In May 2022, MRCC entered into an agreement with Elder Care Alliance of San Francisco (AVSF) for consulting services. AVSF is a related party as another subordinate company to ECA-Corporate. The agreement expires on June 30, 2022, and is renewable on a monthly basis. MRCC pays monthly fees of \$11,400, for professional services and expenses. Consulting fee expense for the year ended June 30, 2022, was \$21,329.

## NOTE 17 - CONTINUING CARE RESERVE REQUIREMENT

The State of California and Safety Code (the "Code") requires continuing care retirement communities to report on the adequacy of certain reserve requirements. MRCC met both the statutory and liquid reserve requirements at June 30, 2022, and was exempt from the refund reserve requirement at June 30, 2022.

In accordance with section 1790(a)(3) of the Code as of June 30, 2022, the amounts accumulated for projects designated to meet the needs of the MRCC residents are accumulated in construction in progress (Note 6), and there are no amounts maintained for contingencies.

#### NOTE 18 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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.
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022.

**Investments** – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Levels 1 or 2 inputs are not available, securities are classified within Level 3 of the hierarchy. MRCC does not hold securities classified as Level 3.

**Interest rate swap 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 within Level 2 of the valuation hierarchy.

The following tables present the fair value measurements of certain assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022:

	Fair Value Measurements Using							
		Fair Value		Level 1		Level 2	L	evel 3
Equities Fixed income securities:	\$	6,171,788	\$	6,171,788	\$	-	\$	-
U.S. agencies and treasuries		424,705		424,705		-		-
Corporate debt securities		1,148,180		-		1,148,180		-
Mortgage-backed securities		854,391		854,391		-		-
Mutual funds		1,214,302		1,214,302		-		-
Money market mutual funds		456,606		456,606		-		-
	\$	10,269,972	\$	9,121,792	\$	1,148,180	\$	_
Interest rate swaps	\$	1,514,203	\$	-	\$	1,514,203	\$	-

#### NOTE 19 - SIGNIFICANT ESTIMATES, CONCENTRATIONS, AND CONTINGENCIES

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations and contingencies. Those matters include the following:

**Compliance** – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government health care program participation requirements; reimbursement for patient services; and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that MRCC is in compliance with fraud, abuse, and other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

**Litigation** – In the normal course of business, MRCC is, from time to time, subject to allegations that may or do result in litigation. MRCC evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Implicit and explicit price concessions for net health services revenue** – Implicit and explicit price concessions included in net health services revenue are described in Note 1.

**Current economic conditions** – Due to the current regulatory environment and economic uncertainties, it is possible the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments.

**Investments** – MRCC invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

**Interest rate swaps** – MRCC invests in various interest rate swaps. Interest rate swaps are exposed to various risks such as interest rate and market risks. Due to the level of risk associated with interest rate swaps, it is at least reasonably possible that changes in the values of interest rate swaps will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

#### **NOTE 20 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. MRCC recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. MRCC's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued.

In late September 2022, the construction loan lender indicated its unwillingness to extend the term of the construction note payable, required due to project delays, on the same terms as the original financing. As a result, the planned loan conversion was not completed. The lender has indicated that it intends to provide a short-term extension of the construction note payable, in order for MRCC to find alternative financing. See Notes 2 and 7.

MRCC has evaluated subsequent events through October 31, 2022, which is the date the financial statements were available to be issued.

Supplementary Information

# Mercy Retirement and Care Center Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor/Pass- through Grantor/Program or Cluster Title	Award Period	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture Pass-through awards from: Alameda County Area Agency on Aging COVID-19: Families First (FFCRA) and Supplemental Nutrition Assistance Program (SNAP)	7/1/2021 - 6/30/2022	10.561	N/A	\$ -	\$ 44,911
The Emergency Food Assistance Program (TEFAP)	7/1/2021 - 6/30/2022	10.569	N/A		586,567
Pass-through programs subtotal					631,478
Total U.S. Department of Agriculture					631,478
U.S. Department of Health and Human Services (HHS) COVID-19: Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution Total U.S. Department of Health and Human Services	7/1/2021 - 6/30/2022	93.498	N/A		<u> </u>
U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) Emergency Food and Shelter National Board Program (EFSP)	7/1/2021 - 6/30/2022	97.024	N/A		35,000
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	7/1/2021 - 6/30/2022	97.036	N/A		93,573
Total U.S. Department of Homeland Security					128,573
Total Federal Expenditures				<u>\$-</u>	\$ 958,931

**Basis of presentation** – The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mercy Retirement and Care Center under a program of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Mercy Retirement and Care Center, it is not intended to and does not present the financial position, results of operations, or changes in net assets or cash flows of Mercy Retirement and Care Center.

**Summary of significant accounting policies** – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect costs** – Mercy Retirement and Care Center has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Subrecipient awards** – Mercy Retirement and Care Center did not provide any federal awards to subrecipients during the year ended June 30, 2022.



# Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors Mercy Retirement Care Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mercy Retirement and Care Center (the "MRCC"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets and the cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2022.

## **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MRCC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MRCC's internal control. Accordingly, we do not express an opinion on the effectiveness of MRCC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MRCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Francisco, California October 31, 2022



# Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors Mercy Retirement and Care Center

#### **Report on Compliance for the Major Federal Program**

#### **Qualified Opinion on the Major Federal Program**

We have audited Mercy Retirement and Care Center ("MRCC")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on MRCC's major federal program for the year ended June 30, 2022. MRCC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Qualified Opinion on The Emergency Food Assistance Program Assistance Listing Number 10.569*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, MRCC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on The Emergency Food Assistance Program Assistance Listing Number 10.569 for the year ended June 30, 2022.

#### **Basis for Qualified Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MRCC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MRCC's compliance with the compliance requirements referred to above.

# Matter Giving Rise to Qualified Opinion on The Emergency Food Assistance Program Assistance Listing Number 10.569

As described in the accompanying schedule of findings and questioned costs, MRCC did not comply with requirements regarding The Emergency Food Assistance Program Assistance Listing Number 10.569 as described in finding number 2021-002 for Special Test and Provisions.

Compliance with such requirements is necessary, in our opinion, for MRCC to comply with the requirements applicable to that program.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MRCC's federal programs.

#### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MRCC's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MRCC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 MRCC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MRCC's internal control over compliance relevant to the audit in
  order to design audit procedures that are appropriate in the circumstances and to test and
  report on internal control over compliance in accordance with the Uniform Guidance, but not
  for the purpose of expressing an opinion on the effectiveness of MRCC's internal control over
  compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Other Matters**

The results of our auditing procedures disclosed other instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

*Government Auditing Standards* requires the auditor to perform limited procedures on MRCC's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. MRCC's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

# **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies in internal control over compliance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on MRCC's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. MRCC's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Francisco, California October 31, 2022

## Section I – Summary of Auditor's Results

Financial Statements			
Type of report the auditor issued on whether the financial statement audited were prepared in accordance with	n GAAP: <i>Uni</i>	nodified	
Internal control over financial reporting:			
<ul> <li>Material weakness(es) identified?</li> </ul>	□Yes	🛛 No	
<ul> <li>Significant deficiency(ies) identified?</li> </ul>	□Yes	None reported	
Noncompliance material to financial statements noted?	□Yes	🖂 No	
Federal Awards			
Internal control over major federal programs:			
<ul> <li>Material weakness(es) identified?</li> </ul>	⊠Yes	🗌 No	
<ul> <li>Significant deficiency(ies) identified?</li> </ul>	□Yes	None reported	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	⊠Yes	🗌 No	

# Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for Major Federal Programs:

Federal Assistance Listing Numbers	Name of Major Federal Program or Cluster	Type of Auditor's Report Issued on Compliance for Major Federal Programs
10.569	The Emergency Food Assistance Program (TEFAP)	Qualified
ar threshold used to dis itee qualified as low-ris	tinguish between type A and type B programs: \$ <u>750,000</u> k auditee? □Yes ☑ No	

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2022-001: Special Tests and Provisions - Material Weakness in Internal Control Over Compliance and Instance of Noncompliance

Federal Program: The Emergency Food Assistance Program (TEFAP) (Assistance Listing #10.569)

Federal Agency: U.S. Department of Agriculture

Award Year: 2021–2022

*Criteria:* Management is responsible for establishing and maintain an effective control over compliance. A strong internal control system ensures that compliance requirements are met.

*Condition:* Management is required to maintain an appropriate accounting for USDA Foods, provide an annual physical inventory and reconcile the inventory annually. During audit inquiries, management disclosed there is no inventory management system. During our audit procedures over food receipts, management was unable to provide receipt requisition forms for 17 of 40 samples selected. During our audit procedures we noted that in addition to food recipients picking up food at MRCC's distribution site that MRCC delivers food to various locations with eligible food recipients. Of the 40 distributions sampled, 8 were distributions made by the mobile unit and 1 was delivery to Mercy Retirement and Care Center Grocery Shop. We noted that none of these 9 selected distributions retained evidence of receipt by the destination location to support inventory management.

*Cause:* Management does not have a food inventory system to record food receipt requisitions and food distributions. Management does not perform an inventory count or reconciliation of changes in inventory using food receipt requisitions and food distributions. For the 17 of 40 sampled where there was no receipt requisition, the requisition was placed via a phone call, but not documented as a receipt requisition. For the 9 of 40 sampled distributions to offsite locations there was no documentation retained of receipt by the receiving offsite location on behalf of food recipients.

*Effect:* Failure to maintain a food inventory system to monitor and record food inventory in accounting records could allow for misappropriation of food inventory to occur.

Context: Management does not have internal controls over inventory management as required by TEFAP.

Questioned costs: \$0

Repeat Finding: 2021-001

*Recommendation:* We recommend management to implement an inventory management system and establish oversight controls to ensure compliance requirements are met.

*Views of responsible officials:* COVID impacts on the Mercy Brown Bag program's execution and associated inventory documentation was profound, given the need to restructure historical food distribution practices with recipients and the increase of the food provided through TEFAO program. Priority was given to distribution of the food to recipients, with limited staffing caused by the increased operational workload and social distancing requirements. Program management will implement written documentation standards and processes to ensure all inventory movement is documented and retained, effective immediately. Additionally, periodic inventories will be conducted to ensure that all transactions have been captured. Exploration of a technology solution to enable these processes will be conducted and implemented if determined to be cost-effective.

# Finding 2022-002: Special Tests and Provisions - Material Weakness in Internal Control Over Compliance and Material Noncompliance for Eligibility

Federal Program: The Emergency Food Assistance Program (TEFAP) (Assistance Listing #10.569)

Federal Agency: U.S. Department of Agriculture

Award Year: 2021-2022

*Criteria:* Management is responsible for establishing and maintain an effective control over compliance. A strong internal control system ensures that compliance requirements are met.

*Condition:* During audit procedures we noted the total number of food recipients during the reporting period July 1, 2021 to June 30, 2022 was 45,829, which was vouched to the Link2Feed website database. Management also tracks a separate spreadsheet the number of bags of food delivered to offsite locations where food recipients pick up a bag of food, which totaled 127,474, which is a difference of 81,615 food recipients not being tracked within the Link2Feed website.

*Cause:* Due to the COVID-19 pandemic, deliveries were being made via delivery services and directly to offsite locations with populations of food recipients that were not being tracked via Link2Feed by manual entry by management.

*Effect:* Failure to track recipients that received food distributions from the program is not compliant with the TEFAP program and could cause ineligible food recipients to receive support from this program.

*Context:* Management did not implement effective internal controls over distributions of USDA Foods to food recipients within the required method via the Link2Food website.

Questioned costs: \$0

Repeat Finding: 2021-002

*Recommendation*: We recommend management to establish oversight controls to ensure compliance requirements are met.

*Views of responsible officials:* Given the change in distribution approach, use of the Link2Feed website by food recipients was hard to enforce compliance. However, effective immediately, processes will be put in place to ensure all food recipients register in Link2Feed as required.



Finding Number 2021-001 Internal Controls over inventory management (Material Weakness)

#### Observation/Impact

Management is required to maintain an appropriate accounting for USDA Foods, provide an annual physical inventory and reconcile the inventory annually.

#### Criteria

Uniform Guidance 2 CFR 200.511 requires the auditee to follow-up and provide corrective action on all audit findings as defined by the audit findings follow-up process under CFR 200.511.

During our audit inquiries, management disclosed there is no formal inventory management system, as historically there has been very limited inventory on-hand at any given time. Additionally, management does not perform an inventory count or reconciliation of changes in inventory using food receipt requisitions and food distributions.

#### Cause

COVID impacts on the Mercy Brown Bag program's execution and associated inventory documentation was profound, given the need to restructure historical food distribution practices with recipients and the increase of the food provided through the TEFAP program. Priority was given to distribution of the food to recipients, with limited staffing caused by the increased operational workload and social distancing requirements.

#### Status

The conditions that led to this control weakness continued throughout the pandemic, and were specifically identified in summer 2022 as the expanded operations, and change in food distribution model, are expected to continue. Therefore, program management required time to identify a systematic solution which did not occur in time to effect transactions for the period under audit. Effective September 29, 2022, program management implemented written documentation standards and processes to ensure all inventory movement is documented and retained. Additionally, periodic inventories will be conducted to ensure that all transactions have been captured, with the next inventory scheduled for the end of January 2023. Exploration of a technology solution to enable these processes will be conducted and implemented if determined to be cost-effective.

ElderCareAlliance.org | Engaging Hearts - Transforming Lives - Erasing Boundaries 3431 Foothill Elvd Oakland, CA 94601 510-534-8540

#### Finding Number 2021-002 Internal controls over distributions of USDA Foods to recipients (Material Weakness)

#### Observation/Impact

Management did not implement effective internal controls over distributions of USDA Foods to food recipients within the required method via the Link2Food website.

#### Criteria

Uniform Guidance 2 CFR 200.511 requires the auditee to follow-up and provide corrective action on all audit findings as defined by the audit findings follow-up process under CFR 200.511.

During our audit procedures we noted the total number of food recipients during the reporting period July 1, 2020 to June 30, 2021 was 45,355, which was vouched to the Link2Feed website database. Management also tracks, using a separate spreadsheet, the number of food bags delivered to offsite locations where food recipients pick up a food bag. That spreadsheet totaled 129,906, which is a difference of 84,961 food recipients not being tracked within the Link2Feed website.

#### Cause

Given the change in distribution approach, use of the Link2Feed website by food recipients was hard to enforce compliance.

#### Status 1 1

The conditions that led to this control weakness continued throughout the pandemic, and were specifically identified in summer 2022 as the expanded operations, and change in food distribution model, are expected to continue. Therefore, program management required time to identify a systematic solution, which did not occur in time to effect transactions for the period under audit. Effective September 29, 2022, processes were put in place to ensure all food recipients register on Link2Feed as required.

Mercy Retirement

October 28, 2022

Moss Adams LLP 101 Second Street, 9th Floor San Francisco, CA 94105

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) we have provided below our response and corrective action plan addressing the finding noted in the Single Audit reporting package for Mercy Retirement and Care Center ("MRCC") for the year ended June 30, 2022.

#### **Response and Corrective Action Plan**

Finding Number 2022-001 Internal Controls over inventory management (Material Weakness)

**Response and Corrective Action Plan:** COVID impacts on the Mercy Brown Bag program's execution and associated inventory documentation was profound, given the need to restructure historical food distribution practices with recipients and the increase of the food provided through the TEFAP program. Priority was given to distribution of the food to recipients, with limited staffing caused by the increased operational workload and social distancing requirements.

Program management will implement written documentation standards and processes to ensure all inventory movement is documented and retained, effective immediately. Additionally, periodic inventories will be conducted to ensure that all transactions have been captured. Exploration of a technology solution to enable these processes will be conducted and implemented if determined to be cost-effective.

Responsible Person: Janice Roberts, Program Director, under the oversight of John Cruz, Mercy Executive Director.

Estimated Completion Date: January 31, 2023

1. And Carrolline and Carrow and Provide the Annual State of An under State of Annual State Finding Number 2022-002 Internal controls over distributions of USDA Foods to recipients (Material Weakness)

**Response and Corrective Action Plan:** Given the change in distribution approach, use of the Link2Feed website by food recipients was hard to enforce compliance. However, effective immediately, processes will be put in place to ensure all food recipients register on Link2Feed as required.

**Responsible Person**: Janice Roberts, Program Director, under the oversight of John Cruz, Mercy Executive Director.

Estimated Completion Date: November 30, 2022

Sincerely,

Robin Evitts Chief Financial Officer



## Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

### Exhibit 37-B

Reports of Independent Auditors and Financial Statements with Supplementary Information

### **Mercy Retirement and Care Center**

June 30, 2021



# **Table of Contents**

REPORT OF INDEPENDENT AUDITORS	1
	·····

#### **FINANCIAL STATEMENTS**

Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	8

#### SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	27

Notes to Schedule of Expenditures of Federal Awards
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REPORT	OF	INDEPENDENT	AUDITORS	ON	INTERNAL	CONTROL	OVER	FINANCIAL	
REPO	RTIN	G AND ON COM	IPLIANCE AN	D OI	THER MATT	ERS BASED	ON AN	AUDIT OF	
FINA		STATEMENTS P	<b>ERFORMED</b> I	N AC	CORDANCE	WITH GOVE	RNMEN	T AUDITING	
STAN	DAR	DS							29

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM	
GUIDANCE	31
Schedule of Findings and Questioned Costs	34



## Report of Independent Auditors

The Board of Directors Mercy Retirement and Care Center

Report on the Financial Statements

We have audited the accompanying financial statements of Mercy Retirement and Care Center ("MRCC"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. For the year ended June 30, 2021, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MRCC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MRCC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Retirement and Care Center as of June 30, 2021, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of MRCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MRCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MRCC's internal control over financial reporting and compliance.



San Francisco, California November 1, 2021

**Financial Statements** 

#### ASSETS

CURRENT ASSETS Cash and cash equivalents Patient and resident accounts receivable Pledge and other receivables Prepaid expenses and other assets	\$ 5,914,769 1,610,153 1,517,019 31,318
Total current assets	9,073,259
ASSETS LIMITED AS TO USE Restricted by donor (Note 8)	 3,890,890
Total assets limited as to use	 3,890,890
INVESTMENTS	11,128,376
PROPERTY AND EQUIPMENT, net of accumulated depreciation	32,045,023
Other assets	 59,610
Total assets	\$ 56,197,158
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES Accounts payable Accrued expenses and other current liabilities Current maturities of notes payable Due to related party	\$ 1,788,563 1,487,039 291,828 2,102,210
Total current liabilities	 5,669,640
NOTES PAYABLE, net of current portion	16,042,194
ASSET RETIREMENT OBLIGATIONS	 169,107
Total liabilities	21,880,941
NET ASSETS Without donor restrictions With donor restrictions	 25,018,488 9,297,729
Total net assets	 34,316,217
Total liabilities and net assets	\$ 56,197,158

## Mercy Retirement and Care Center Statement of Activities and Changes in Net Assets Year Ended June 30, 2021

		Net assets without donor restrictions		Vet assets with donor estrictions		Total
REVENUES, GAIN, AND OTHER SUPPORT Monthly rent	\$	1 200 570	\$		\$	1 200 570
Net health services revenue	φ	4,208,578 10,425,686	φ	-	φ	4,208,578 10,425,686
In-kind food contributions		3,666,976		-		3,666,976
Provider relief funds		422,051		-		422,051
Other resident services revenue		17,275		-		17,275
Net assets released from restrictions for operations		1,107,750		(1,107,750)		-
Total revenues, gains, and other support		19,848,316	. <u> </u>	(1,107,750)		18,740,566
EXPENSES AND LOSSES						
Salaries and benefits		10,040,782		-		10,040,782
Purchased services and other		4,163,280		-		4,163,280
Donated food		3,666,976		-		3,666,976
Supplies		1,676,276		-		1,676,276
Depreciation and depletion		1,314,814		-		1,314,814
Interest and fees		4,995		-		4,995
Management fee		1,139,774		-		1,139,774
Other expenses		9,944		-		9,944
Total expenses and losses		22,016,841				22,016,841
OPERATING LOSS		(2,168,525)		(1,107,750)		(3,276,275)
OTHER INCOME (EXPENSE)						
Contributions revenue		104,217		4,350,412		4,454,629
Investment return, net of investment expenses		2,026,127		790,463		2,816,590
Total other income		2,130,344		5,140,875		7,271,219
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES		(38,181)		4,033,125		3,994,944
NET ASSETS RELEASED FROM RESTRICTION FOR BUILDING IMPROVEMENTS AND EQUIPMENT		897,312		(897,312)		
CHANGE IN NET ASSETS		859,131		3,135,813		3,994,944
NET ASSETS, beginning of year		24,159,357		6,161,916		30,321,273
NET ASSETS, end of year	\$	25,018,488	\$	9,297,729	\$	34,316,217

CASH FLOWS FROM OPERATING ACTIVITIES Cash received from noncontract residents Contributions Cash from provider relief funds Cash received from other resident services Cash received from interest Cash paid to related party Cash paid for interest Cash paid for interest Cash paid to remediate asset retirement obligations Cash paid to suppliers and employees Net cash provided by operating activities	\$ 14,072,279 2,563,014 422,051 17,275 2,218,553 (1,922,811) (177,783) (415,796) (16,026,277) 750,505
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of investments Proceeds from sale of investments Purchase of property and equipment	 (4,239,788) 2,034,417 (11,911,698)
Net cash used in investing activities	 (14,117,069)
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from contributions restricted for investment in buildings and equipment Payment of debt issuance costs Proceeds from construction note payable Proceeds from issuance of note payable	1,302,558 (14,400) 11,423,669 1,835,070
Net cash provided by financing activities	 14,546,897
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,180,333
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	 4,734,436
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 5,914,769

CASH FLOWS FROM OPERATING ACTIVITIES Change in net assets Adjustments to reconcile change in net assets to net cash	\$ 3,994,944
provided by operating activities	
Contributions restricted for buildings and equipment	(1,302,558)
Unrealized gain on investments	(598,037)
In-kind food contributions	(3,666,976)
Distribution of food received in-kind	3,666,976
Depreciation expense	1,319,546
Depletion of asset retirement obligations	(4,732)
Interest capitalized	(172,788)
Changes in operating assets and liabilities	
Patient and resident accounts receivable	(561,985)
Pledge and other receivables	(685,042)
Prepaid expenses	62,470
Accounts payable	(254,470)
Accrued expenses and other	151,990
Asset retirement obligations	(415,796)
Due to related party	 (783,037)
Net cash provided by operating activities	\$ 750,505

#### NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of operations** – Mercy Retirement and Care Center ("MRCC"), is a California nonprofit public benefit corporation organized for the purposes of providing residences, assistance with daily living needs and skilled nursing care for elderly persons. The facilities include 166 units licensed as residential care, including a 22-unit memory care facility and 59 units licensed as skilled nursing. Beginning on December 28, 2011, MRCC began offering a "continuing care" concept in which resident enters into a residential contract that generally provides for a specific entrance fee and for monthly service fees throughout the residents' tenancy. Generally, payment of these fees entitles residents to the use and privileges of MRCC for life. There are no residents at June 30, 2021 that have paid entrance fees.

Residents are also entitled to certain healthcare services provided in the MRCC assisted living and skilled nursing facility. The residency agreement does not entitle the residents to an ownership interest in MRCC. MRCC generates its revenues primarily from residential care and skilled nursing fees.

MRCC is a subordinate corporation to Elder Care Alliance ("ECA-Corporate") and operates under a common management team through ECA-Corporate. ECA-Corporate is a California nonprofit public benefit corporation, exempt from federal and state income taxes, established on December 6, 1996. ECA-Corporate is cosponsored by the Sierra Pacific Synod of the Evangelical Lutheran Church in America (the "Lutheran Synod") and the Sisters of Mercy of the Americas – West Midwest Communities (the "Sisters of Mercy").

On May 15, 1997, two separate nonprofit corporations, MRCC and Salem Lutheran Home Association of the Bay Cities, Inc. ("SLH"), entered into an affiliation agreement. Under the terms of this agreement, ECA-Corporate became the sole corporate member of both MRCC and SLH. ECA-Corporate provides supportive housing, skilled nursing, rehabilitation, and social services principally to the aged through these subordinate corporations. MRCC and SLH retain their individual identities, assets and liabilities, and relationships with their individual sponsors and operate under a common management team through ECA-Corporate.

ECA-Corporate was established with the support and leadership of CommonSpirit Health (formerly known as Dignity Health). The shared vision of CommonSpirit Health, ECA-Corporate and its cosponsors, the Lutheran Synod, and the Sisters of Mercy was to create a network of faith-centered, nonprofit elder care facilities and services to meet the needs of the burgeoning population of elderly people who seek support and assistance with activities of daily living in a non-institutional environment.

**Basis of presentation** – The financial statements have been prepared on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred and is consistent with accounting principles generally accepted in the United States of America.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**Cash and cash equivalents** – Cash and cash equivalents includes cash on hand and cash held in demand deposit, sweep, savings accounts, certain assets in highly liquid instruments with original maturities of three months or less.

**Patient and resident accounts receivable** – As part of its mission to serve the community, MRCC may provide care to residents even though the residents may lack means to pay. MRCC manages its resources and/or collection risk by regularly reviewing its accounts and contracts and by providing appropriate allowances based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts receivable are stated at net realizable value from third-party payors, residents, and others.

For receivables associated with services provided to patients who have third-party coverage, MRCC analyzes contractually due amounts and provides additional implicit price concession, if necessary, based upon historical collection history for deductibles and copayments on accounts for which the third-party payor had not yet paid or for remaining payor balances.

For receivables associated with self-pay patients, which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, MRCC records a significant implicit price concession in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in accounts receivable.

Pledge and other receivables - Pledges and other receivables consist primarily of pledges received from donors.

**Investments and investment return** – Investment in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. In accordance with Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities ("ASU 2016-14"), investment return is net of investment manager expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restriction. Other investment return is reflected in the statement of activities and changes in net assets as without and with donor restriction based upon the existence and nature of any donor or legally imposed restrictions.

Assets limited as to use – Assets limited as to use include assets restricted by donors.

**Property and equipment** – Property and equipment acquisitions are recorded at cost and depreciated using the straight-line method based over the estimated useful life of each asset. MRCC capitalizes property and equipment with a cost of greater than \$1,000. Costs of maintenance and repairs are charged to expense as incurred.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	20 years
Building and improvements	15 to 40 years
Furniture and equipment	3 to 10 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as contributions with donor restriction. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when expenditures for construction in progress or property and equipment are incurred which satisfy donor restriction.

**Long-lived asset impairment** – MRCC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2021.

**Asset retirement obligations** – Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 410-20, *Asset Retirement Obligations*, defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. In 2020, MRCC began a remodeling project (See Note 5), which includes abatement of asbestos. During 2021, MRCC paid \$415,796 in asset retirement obligations. As of June 30, 2021, MRCC recognized \$169,107 of conditional asset retirement obligations included in the statement of financial position. During the year ended June 30, 2021, there was reduction of the asset retirement obligations, which resulted in a total depletion expense for the year then ended. Depletion expense of the asset retirement obligations totaled \$4,732 for the year ended June 30, 2021.

Due to related party – Due to related party includes liabilities for management services due to ECA-Corporate.

**Professional liability claims** – MRCC recognizes an accrual for professional claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Note 11.

**Workers' compensation liability claims** – MRCC recognizes an accrual for workers' compensation claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Workers' compensation liability claims are described more fully in Note 11.

**Health reimbursement arrangement** – MRCC recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Health reimbursement arrangement liability claims are described more fully in Note 11.

**Derivative instruments** – MRCC has several derivative instruments, which include three interest rate swaps (see Note 6). The swap agreements will be effective in March 2022, and will be recorded on the statement of financial position at fair value. As the derivatives do not qualify as effective hedges, the changes in fair value of the derivatives will be recognized on the statement of activities and changes in net assets in accordance with ASC 815, *Derivatives and Hedging*.

**Obligation to provide future services** – MRCC provides a continuing care concept and services primarily on a fee-for-service basis. MRCC currently has no contracts with an entrance fee. MRCC fees are not limited to stated or cost-of living increases. MRCC sets resident rates to fully absorb their ongoing operating costs. Management's estimate of the liability for "future service obligation" represents the excess of net care expenses over resident service revenue. The obligation was zero as of June 30, 2021.

Net assets - Net assets are classified and reported as follows:

*Net assets without donor restrictions* – Represent resources available to support MRCC's operations and donorrestricted resources that have become available for use by MRCC in accordance with the intention of the donor. At June 30, 2021, there are no board designated net assets.

Net assets with donor restrictions – Represent contributions that are limited in use by MRCC in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of MRCC according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for building renovations, resident assistance, certain aspects of operations, and food distribution to low income seniors. Net assets with donor restrictions also represent net assets subject to donor-imposed stipulations that they be maintained by MRCC in perpetuity. See Note 8 for net assets with donor restrictions maintained by MRCC in perpetuity at June 30, 2021.

**Revenue recognition** – MRCC has assessed the predominant component of monthly lease payments for assisted living and memory care to be for the monthly rent of the apartment, as other services such as net health services revenue and other resident services revenue are reported separately. MRCC will therefore recognize monthly rent as lease income under ASC 840, *Leases*. MRCC further determined that net health services revenue and other resident services revenue to be health care services and other services provided to residents that do not relate to the assisted living unit apartment rent, therefore is not part of the calculation of lease payment, and therefore recognize revenue under these service lines as revenue under ASC 606, *Revenue from Contracts with Customers*.

Net health services revenues are reported at the amount that reflects the consideration MRCC expects to receive in exchange for the services personal care services provided. Performance obligations are determined based on the nature of the services provided. Net health services revenues are recognized as performance obligations are satisfied.

Net health services revenues are primarily comprised of the following revenue streams:

*Skilled Nursing* – Skilled nursing revenues are primarily derived from providing personal care services to residents at a stated daily fees with 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, skilled nursing revenues are recognized on a daily basis.

Assisted Living – Assisted living revenues are primarily derived from providing personal care services to residents at a stated monthly fee with 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, assisted living revenues are recognized on a month-to-month basis.

*Memory Care* – Memory care revenues are primarily derived from providing personal care services to residents at a stated monthly fee with 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, memory care revenues are recognized on a month-to-month basis.

*Ancillary* – Ancillary revenues are primarily derived from providing medication, physical and occupational therapy, and medical supplies to skilled nursing residents. Ancillary revenue for net health services are recognized as services are rendered.

### Mercy Retirement and Care Center Notes to Financial Statements

Other resident services revenue includes revenues from housekeeping, laundry, transportation, personal supplies, and other revenues from residents. MRCC has determined that other resident services revenue is considered individual performance obligations, which are satisfied over time as services are provided. Therefore, other resident services revenues are recognized as services are rendered.

MRCC disaggregates lease income and revenue from contracts with customers by type of service as this depicts the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. Revenues, gains, and other support consist of the following for the year ended June 30, 2021, as follows:

	Sk	illed Nursing	isted Living / emory Care	/	Ancillary	 Total
Monthly rent Net health services revenue Other resident services revenue	\$	- 8,303,004 -	\$ 4,208,578 1,182,336 -	\$	- 940,346 17,275	\$ 4,208,578 10,425,686 17,275
	\$	8,303,004	\$ 5,390,914	\$	957,621	\$ 14,651,539

Payment terms and conditions for MRCC's resident contracts vary by contract type, although terms generally include payment to be made within 30 days. Monthly rental fees and net health services revenue for assisted living and memory care are billed to residents monthly in advance and are amortized ratably during the month. Net health services for skilled nursing and ancillary are billed in arears. Other resident services revenue is generally billed monthly in arrears.

MRCC has agreements with the residents at established monthly rates.

MRCC has agreements with third-party payors that provide for payments to MRCC at amounts different from it established rates. Net health services revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods, as adjustments become known. Payment arrangements include prospectively determined rates per day, reimbursed costs, discounted charges, and per diem payments. Net revenues from Medicare and Medi-Cal programs were \$3,865,000 and \$2,488,000, respectively, for the year ended June 30, 2021. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates could change in the near term.

**Charitable care** – MRCC provides charitable care discounts to long-term residents who are no longer able to pay the published rate for services or monthly service fees. The amount of charitable care discounts is included in monthly rent. The total charitable care discounts included in releases from restriction for the year ended June 30, 2021, was \$136,964.

**Contributions** – Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported 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 and reported as an increase in net assets without donor restrictions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

**Contributions in-kind** – MCRR recognizes in-kind contributions for food received from the Alameda County Community Food Bank, which includes support from the United States Department of Agriculture, as well as other food banks, in support of MRCC's Brown Bag Program, which provides food distribution to low income seniors. Donated government food was valued at an average of \$1.67 per pound for the year ended June 30, 2021. This valuation is based on a study conducted for Feeding America.

**Excess of revenues over expenses** – MRCC considers the excess of revenues over expenses in net assets without donor restrictions as the operating measure for the organization. Changes in net assets without donor restrictions, which are excluded from excess of revenues over expenses consistent with industry practice, include permanent transfers to and from affiliates for other than goods and services.

**Tax-exempt status** – MRCC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board. However, MRCC is subject to federal income tax on any unrelated business taxable income.

MRCC files tax returns in the U.S. federal jurisdiction.

**Property taxes** – MRCC has filed and received an exemption from certain property taxes in accordance with Section 214 of the California Code.

**New accounting pronouncements** – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU No. 2016-02") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In June 2020, The FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which allows certain entities the option to delay adoption of ASU No. 2016-02 to fiscal years beginning after December 15, 2021, which is the fiscal year ending June 30, 2023, for MRCC. MRCC's management is currently evaluating the impact of adoption on the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)* ("ASU 2018-13"), to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles that are most important to users of financial statements through the removal, modification, and addition of disclosure requirements. The new standard was adopted by MRCC for the fiscal year ended June 30, 2021. The adoption did not have a material impact on the financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform – Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)* ("ASU No. 2020-04"), due to concerns about structural risks of interbank offered rates, such as the risk of cessation of the London Interbank Offered Rate ("LIBOR"), regulators around the world have undertaken reference rate reform initiatives to identify alternative reference rates. This standard update provides optional expedients and exceptions to application of GAAP to contracts, hedging relationships, and other transactions that reference LIBOR for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. An entity may make a one-time election to sell or transfer debt securities classified as held-to-maturity that reference a rate affected by reference rate reform. MRCC's management is currently evaluating the impact of adoption on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)* ("ASU No. 2020-07"), to present contributed assets as a single line item in the statement of activities, apart from contributions of cash and other financial assets. Applied on a retrospective basis and effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022, which is the fiscal year ending June 30, 2022, for MRCC. MRCC's management is currently evaluating the impact of adoption on the financial statements.

#### NOTE 2 – COVID-19 PANDEMIC

MRCC, along with most other healthcare providers across the United States, has experienced operational challenges related to the outbreak of the COVID-19 pandemic. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020, and on March 13, 2020, the President of the United States declared a national emergency as a result of the pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law, which aimed to direct economic assistance for American workers, families, and small business, and preserve jobs for American industries.

**Provider Relief Funds** – The COVID-19 pandemic impacted all healthcare providers throughout the health system. The CARES Act requires the amount of funding received to be validated, which requires management to quantify lost revenues and increased expenses associated with the pandemic for Provider Relief Funds ("PRF"). MRCC has recognized revenue associated with the PRF funding according to the terms and conditions of the CARES Act, and as grant revenue under FASB ASC 958-605. Grant revenue attributable to PRF funding totaled \$422,051 for the year ended June 30, 2021 and is included on the statement of activities and changes in net assets. Refunding of amounts received may be required by the CARES Act if a receiving entity is unable to quantify the financial losses intended to be covered by funding. MRCC continues to reconcile and analyze its lost revenue and increased expenses based on known reporting guidance.

**Paycheck Protection Program** – Section 1109 of the CARES Act temporarily adds the Paycheck Protection Program ("PPP") to the Small Business Administration's ("SBA") 7(a) Loan Program. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans guarantees under PPP. On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act ("Economic Aid Act") was signed into law, which extended the ability to entities to apply for PPP loans and revised certain PPP requirements.

Under the requirements of the CARES Act, as amended, proceeds may only be used for MRCC's eligible payroll costs (with salary capped at \$100,000 on an annualized basis for each employee), or other eligible costs related to rent, mortgage interest utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, in each case paid during the eight-week period following disbursement. The PPP loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the eight-week period following disbursement. If not maintained or restored, any forgiveness of the PPP loan would be reduced in accordance with the regulations that were issued by the SBA.

The PPP loan are accounted for as a debt instrument in accordance with ASC 470, *Debt*, (see Note 6). All the proceeds of the PPP loan were used by MRCC to pay eligible payroll costs and MRCC maintained its headcount and otherwise complied with the terms of the PPP loan. While MRCC believes that it has acted in compliance with the program and will seek forgiveness of the PPP loan, no assurance can be provided that MRCC will obtain forgiveness of the PPP loan in whole or in part.

**Payroll Tax Deferral Program** – Section 2302 of the CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security taxes. The payroll tax deferral period began March 27, 2020 and ended December 31, 2020. MRCC has deferred payroll taxes, included in accrued expenses and other current liabilities in the statement of financial position of \$287,539 as of June 30, 2021. Repayment of deferred payroll taxes begins on December 31, 2021, at which point 50% of the deferred amount is due. The remaining 50% of deferred payroll taxes is due by December 31, 2022.

The impact of COVID-19 has increased the uncertainty associated with management's assumptions and estimates made on these financial statements. The actual impact of COVID-19 on MRCC's financial statements may differ significantly from the assumptions and estimates made for the year ended June 30, 2021.

#### NOTE 3 – CONCENTRATION OF CREDIT RISK

MRCC grants credit without collateral to its patients and residents. The mix of receivables from patients, residents, and third-party payors at June 30, 2021, was as follows:

Medicare	24%
Medi-Cal	33%
Other third-party payors	26%
Self pay	17%
	100%

Financial instruments, which could potentially subject MRCC to significant concentrations of credit risk, consist primarily of investments in marketable securities. MRCC, primarily through external money managers, has significant investments in marketable securities, which are subject to price fluctuation. This risk is controlled through a diversified portfolio and regular monitoring procedures.

Financial instruments potentially subjecting MRCC to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") insurance thresholds. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past. At June 30, 2021, MRCC's cash accounts exceeded federally insured limits by \$5,414,769.

#### NOTE 4 – INVESTMENTS AND INVESTMENT RETURN

Composition of investments and assets limited as to use at June 30, 2021, was as follows:

Equities Fixed income securities:	\$	7,868,652
U.S. agencies and treasuries Corporate debt securities		594,247 908,422
Mortgage-backed securities		377,334
Mutual funds		2,199,184
Money market mutual funds		3,071,427
	\$	15,019,266
Investments reflected in the statement of financial position at June 30, 2021, was as follows:		
Investments	\$	11,128,376
Assets limited as to use, restricted by donor (Note 8)		3,890,890
	\$	15,019,266
Total investment return at June 30, 2021, was comprised of the following:		
Interest and dividend income and realized gains	\$	2,340,712
Less: investment expenses	φ	(122,159)
		2,218,553
Unrealized gains		598,037
	\$	2,816,590

#### NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following at June 30, 2021:

Land and land improvements Buildings, building improvements, and building service equipment Office furniture and equipment Vehicles	\$ 2,259,244 30,084,186 3,146,023 355,574
	35,845,027
Less: accumulated depreciation	(6,421,994)
Construction in progress	 2,621,990
	\$ 32,045,023

At June 30, 2021, MRCC's construction in progress balance of \$2,621,990 relates to certain building renovations. The projects currently in progress are expected to be completed in the next fiscal year with approximately \$9,441,000 of additional costs to complete.

As described in Note 6, portions of the above property and equipment are pledged as collateral on MRCC's notes payable. MRCC capitalizes interest expense until the related depreciable asset is placed into service. Interest expense capitalized during the year ended June 30, 2021, was \$172,788.

#### NOTE 6 – NOTES PAYABLE

MRCC's notes payable consisted of the following at June 30, 2021:

BBVA Construction Loan ( "A," "B," "C," "D,")	\$ 14,860,261
PPP loan payable ("E")	1,835,070
	16,695,331
Less: unamortized debt issuance costs	(361,309)
Less: current maturities	(291,828)
	\$ 16,042,194

- (A) MRCC entered into a \$25,000,000 construction loan with BBVA Compass Bank on March 26, 2019. The construction loan converts to a permanent loan on March 25, 2022, extending the maturity date to March 25, 2032. The note will bear interest at an annual rate of 4.51% and will be amortized over 30 years.
- (B) MRCC entered into a \$10,000,000 interest swap agreement with Compass Bank on March 26, 2019. The effective Date of the Swap agreement is March 24, 2022, extending the maturity date to March 24, 2032. Compass Bank is the floating rate player subject to a floating rate of USD-LIBOR-BBA, whereas MRCC is the fixed rate player subject to a fixed rate of 2.86% per annum.

- (C) MRCC entered into a \$10,000,000 interest swap agreement with Compass Bank on May 1, 2020. The effective Date of the Swap agreement is March 24, 2022, extending the maturity date to March 24, 2032. Compass Bank is the floating rate player subject to a floating rate of USD-LIBOR-BBA, whereas Mercy Retirement Care Center is the Fixed Rate player subject to a fixed rate of 1.09% per annum.
- (D) MRCC entered into a \$2,000,000 interest swap agreement with Compass Bank on May 4, 2020. The effective Date of the Swap agreement is March 24, 2022, extending the maturity date to March 24, 2027. Compass Bank is the floating rate player subject to a floating rate of USD-LIBOR-BBA, whereas MRCC is the Fixed Rate player subject to a fixed rate of 1.20% per annum.
- (E) MRCC entered into \$1,835,070 PPP loan with a financial institution on March 24, 2021. The loan accrues interest at a rate of 1%, starting 10 months and 24 weeks after the loan is distributed. The loan has an original maturity date of 5 years from the original date. Equal monthly principal and interest payments are required in an amount that would fully amortize the loan by the maturity date beginning April 15, 2022, unless forgiven.

Unamortized debt issuance costs of \$361,309 at June 30, 2021, are related to the outstanding construction loan of MRCC. The costs will be amortized to interest expense over the term of the related debt after the construction loan converts to a permanent loan. There was no amortization of debt issuance costs during 2021.

Aggregate annual maturities of notes payable at June 30, 2021, are as follows:

#### Year Ending June 30,

2022	\$ 291,828
2023	761,986
2024	793,666
2025	813,856
2026	838,282
Thereafter	 13,195,713
	\$ 16,695,331

#### NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of donor restricted contributions and grants at June 30, 2021, for the following purposes:

Building renovations and equipment Charitable care and other	\$ 4,280,824 977,675
Food distribution to low income seniors	1,099,356
Endowment corpus	 2,939,874
	\$ 9,297,729

During the year ended June 30, 2021, \$2,005,062 of net assets were released from donor restrictions by incurring eligible operating and capital expenditures and satisfying the restricted purposes of charitable care.

Endowment corpus that must be maintained in perpetuity, with the earnings on such funds to be used primarily for the care of indigent people, are included in charity and other.

#### NOTE 8 – ENDOWMENTS

MRCC's endowment was established to support MRCC's nonprofit mission. The endowment consists of donorrestricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MRCC's governing body has interpreted the State of California Prudent Management of Institutional Funds Act ("SPMIFA") as requiring 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, MRCC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions that are available for release until those amounts are appropriated for expenditure by MRCC in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, MRCC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of MRCC and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of MRCC
- Investment policies of MRCC

The composition of net assets for the endowment fund at June 30, 2021, was as follows:

	Available for Release		 Corpus	 Total
Donor-restricted endowment funds	\$	951,016	\$ 2,939,874	\$ 3,890,890

Changes in endowment net assets for the year ended June 30, 2021, was as follows:

	Available for Release		Corpus		Total	
Endowment net assets, beginning of year	\$	92,609	\$	2,939,874	\$	3,032,483
Investment return, net Investment gain Net appreciation Less: investment manager expense	820,788 204,908 (30,325)			- - -		820,788 204,908 (30,325)
Total investment return		995,371		-		995,371
Appropriation of endowment assets for expenditure		(136,964)				(136,964)
Endowment net assets, end of year	\$	951,016	\$	2,939,874	\$	3,890,890

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level ECA is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. There were no such deficiencies of this nature at June 30, 2021.

MRCC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include the assets of donor-restricted endowment funds MRCC must hold in perpetuity or for donor-specified periods. Under MRCC's policies, endowment assets are invested in a manner that is intended to produce results that exceed the average return of the Barclays Capital Aggregate Index for fixed-income investments and the average return of the Russell 3000 Index for equities while assuming an investment grade level of investment risk. MRCC expects its endowment funds to provide an average rate of return of 5% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, MRCC relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). MRCC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

MRCC has a policy of appropriating each year for expenditures an amount expected to be required to offset the amount of resident assistance estimated to be provided as approved in the annual budget. In establishing this policy, MRCC considered the long-term expected return on its endowment. This is consistent with MRCC's objective to maintain the purchasing power of endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

#### NOTE 9 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30, 2021, comprise the following:

Cash and cash equivalents Resident accounts receivable Investments	\$ 5,914,769 1,610,153 11,128,376
	\$ 18,653,298

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. MRCC has a goal to maintain a current ratio greater than 1:1 in order to meet general expenditures, liabilities, and other obligations as they come due.

#### **NOTE 10 – FUNCTIONAL EXPENSES**

The expenses for providing residential and assisted living services activities of MRCC that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among program services and supporting services activities benefited based upon employee time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage, or other relevant bases. Expenses related to providing these services for the year ended June 30, 2021, was as follows:

	Skilled Nursing	Assisted Living / Memory Care	Brown Bag Program	Fundraising	General and Administrative	Total
Salaries and benefits	\$ 4,931,762	\$ 4,400,206	\$ 463,495	\$ 173,565	\$ 71,754	\$ 10,040,782
Purchased services and other	1,741,738	619,853	85,651	18,161	1,697,877	4,163,280
Donated food	-	-	3,666,976	-	-	3,666,976
Supplies	771,099	500,626	382,970	2,530	19,051	1,676,276
Depreciation and depletion	-	-	-	-	1,314,814	1,314,814
Interest and fees	-	-	-	-	4,995	4,995
Management fee	-	-	-	-	1,139,774	1,139,774
Other expenses		-	-	-	9,944	9,944
	\$ 7,444,599	\$ 5,520,685	\$ 4,599,092	\$ 194,256	\$ 4,258,209	\$ 22,016,841

#### NOTE 11 – PROFESSIONAL LIABILITY, WORKERS COMPENSATION CLAIMS, AND HEALTH REIMBURSEMENT ARRANGEMENT LIABILITY CLAIMS

**Professional liability claims** – MRCC purchases professional liability insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue professional liability costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon MRCC's claim experience, no such accrual is required. It is reasonably possible that this estimate could change materially in the near term.

**Workers' compensation claims** – MRCC purchases workers' compensation insurance coverage with a zero deductible per occurrence. The provision for estimated workers' compensation claims includes estimates of the ultimate costs for both uninsured reported claims and claims incurred-but-not-reported, in accordance with projections based on past experience. Workers' compensation liabilities, included in accrued expenses and other current liabilities, were \$83,000 as of June 30, 2021, in the accompanying statement of financial position. Insurance recovery receivables, included in other assets, were \$83,000 as of June 30, 2021, in the accompanying statement of financial position.

**Health reimbursement arrangement** – MRCC purchases a high deductible health and dental insurance plan for MRCC employees on a calendar year basis. MRCC has a commitment to fund \$3,500 per employee to a health savings account, which was increased to \$5,500 per employee on January 1, 2021. MRCC estimates the remaining utilization of the health reimburse arrangement based on historical experience of claims paid from the MRCC employee's health savings account. The remaining estimated health reimbursement accrued expense is included in accrued expenses and other current liabilities in the accompanying statement of financial position was \$113,899 as of June 30, 2021.

#### NOTE 12 – RETIREMENT PLANS

MRCC has a defined contribution plan and incentive plan that cover all employees. Employees are eligible for participation in the defined contribution plan at date of hire and MRCC matches the employee contribution, after the completion of one year of service, up to a maximum of 6.0% of the employee's salary. In addition, employees are eligible for the incentive plan where MRCC contributes a discretionary amount of the employee's salary after completion of one year of service. During the year ended June 30, 2021, MRCC contributed a total of \$129,902 and zero, to the defined contribution and incentive plans, respectively.

### NOTE 13 – RELATED PARTY TRANSACTIONS

In July 2002, MRCC entered into a management agreement with ECA-Corporate for various management, consulting and marketing services. On May 1, 2012, MRCC amended and restated its management agreement with ECA-Corporate for the various services outlined in the agreement. MRCC reimburses ECA-Corporate for all reasonable out-of-pocket expenses, a management fee of 5.0% of gross revenues generated by the property, and a contingent fee of 1.5% of gross revenues. The management agreement expires on September 1, 2022. Management fee expense was \$1,139,774 for the year ended June 30, 2021.

MRCC has a payable to ECA-Corporate at June 30, 2021. The amounts due are for management fees and other shared administrative expenses. The amounts due to related party as of June 30, 2021, was \$2,102,210.

#### NOTE 14 - CONTINUING CARE RESERVE REQUIREMENT

The State of California and Safety Code (the "Code") requires continuing care retirement communities to report on the adequacy of certain reserve requirements. MRCC met both the statutory and liquid reserve requirements at June 30, 2021 and was exempt from the refund reserve requirement at June 30, 2021.

In accordance with section 1790(a)(3) of the Code as of June 30, 2021, the amounts accumulated for projects designated to meet the needs of the MRCC residents are accumulated in construction in progress (Note 4), and there are no amounts maintained for contingencies.

#### NOTE 15 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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.
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021.

**Investments** – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Levels 1 or 2 inputs are not available, securities are classified within Level 3 of the hierarchy. MRCC does not hold securities classified as Level 3.

The following tables present the fair value measurements of certain assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

	Fair Value Measurements Using							
	Fair Value		Fair Value Level 1		Level 2		Le	evel 3
Equities	\$	7,868,652	\$	7,868,652	\$	-	\$	-
Fixed income securities:								
U.S. agencies and treasuries		594,247		594,247		-		-
Corporate debt securities		908,422		-		908,422		-
Mortgage-backed securities		377,334		377,334		-		-
Mutual funds		2,199,184		2,199,184		-		-
Money market mutual funds		3,071,427		3,071,427		-		-
	\$	15,019,266	\$	14,110,844	\$	908,422	\$	

#### NOTE 16 - SIGNIFICANT ESTIMATES, CONCENTRATIONS, AND CONTINGENCIES

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations and contingencies. Those matters include the following:

**Compliance** – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that MRCC is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

**Litigation** – In the normal course of business, MRCC is, from time to time, subject to allegations that may or do result in litigation. MRCC evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Implicit and explicit price concessions for net health services revenue** – Implicit and explicit price concessions included in net health services revenue are described in Note 1.

**Current economic conditions** – Due to the current regulatory environment and economic uncertainties, it is possible the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments.

**Investments** – MRCC invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

**Asset retirement obligation** – As discussed in Note 1, MRCC has recorded a liability for its conditional asset retirement obligations related to asbestos removal.

#### NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. MRCC recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. MRCC's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued.

MRCC has evaluated subsequent events through November 1, 2021, which is the date the financial statements were available to be issued.

Supplementary Information

Federal Grantor/Pass- through Grantor/Program or Cluster Title	Award Period	Federal Assistance Listing Number	Pass-throug Entity Identifying Number
U.S. Department of Agriculture			
Pass-through awards from: Alameda County Area Agency on Aging			
COVID-19: Families First (FFCRA) and Supplemental Nutrition			
Assistance Program (SNAP)	7/1/2020-6/30/2021	10.561	N/A
The Emergency Food Assistance Program (TEFAP)	7/1/2020–6/30/2021	10.569	N/A
Pass-through programs subtotal			
Total U.S. Department of Agriculture			
U.S. Department of the Treasury			
Pass-through awards from:			
Alameda County Area Agency on Aging COVID-19: Coronavirus Relief Fund	7/1/2020–6/30/2021	21.019	N/A
Total U.S. Department of the Treasury			
U.S. Department of Health and Human Services (HHS)			
COVID-19: Provider Relief Fund and American Rescue Plan			
(ARP) Rural Distribution	1/1/2020–6/30/2021	93.498	N/A
Total U.S. Department of Health and Human Services			
U.S. Department of Homeland Security			
Federal Emergency Management Agency (FEMA)	71410000 010010001	07.001	
Emergency Food and Shelter National Board Program (EFSP)	7/1/2020–6/30/2021	97.024	N/A
Total U.S. Department of Homeland Security			
	es to schedule of expendi	tures of federal award	ls.
l otal Federal Expenditures			

**Basis of presentation** – The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mercy Retirement and Care Center under a program of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Mercy Retirement and Care Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mercy Retirement and Care Center.

In accordance with guidance from the U.S. Department of Health and Human Services ("HHS"), Mercy Retirement and Care Center included the Reporting Period 1 expenditures for Provider Relief Fund and American Rescue Plan Rural Distribution Assistance Listing No. 93.498 of \$496,793 in the Schedule for the year ended June 30, 2021, to align with DHHS reporting guidelines. In accordance with U.S. GAAP, of the total amount of \$496,793 of Provider Relief Fund assistance received by the MRCC: \$273,621 was recognized as provider relief funds revenue during the year ended June 30, 2020, and is included in beginning net assets as of and for the year ended June 30, 2021; and \$223,172 was recognized as accrued expenses and other accrued liabilities as of the year ended June 30, 2020 and was recognized as provider relief funds revenue during the year ended June 30, 2021.

**Summary of significant accounting policies** – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect costs** – Mercy Retirement and Care Center has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Subrecipient awards** – Mercy Retirement and Care Center did not provide any federal awards to subrecipients during the year ended June 30, 2021.



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 

The Board of Directors Mercy Retirement and Care Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mercy Retirement and Care Center ("MRCC"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2021.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MRCC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MRCC's internal control. Accordingly, we do not express an opinion on the effectiveness of MRCC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether MRCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the MRCC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MRCC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Francisco, California November 1, 2021 MOSSADAMS

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The *Board of Directors* Mercy Retirement and Care Center

Report on Compliance for Each Major Federal Program

We have audited Mercy Retirement and Care Center's (the "MRCC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MRCC's major federal programs for the year ended June 30, 2021. MRCC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MRCC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MRCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of MRCC's compliance.

Basis for Qualified Opinion on The Emergency Food Assistance Program Assistance Listing Number 10.569

As described in the accompanying schedule of findings and questioned costs, MRCC did not comply with requirements regarding the Emergency Food Assistance Program Assistance Listing Number 10.569 as described in finding number 2021-002 for Special Test and Provisions. Compliance with such requirements is necessary, in our opinion, for MRCC to comply with the requirements applicable to that program.

# *Qualified Opinion on The Emergency Food Assistance Program Assistance Listing Number 10.569*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, MRCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on The Emergency Food Assistance Program Assistance Listing Number 10.569 for the year ended June 30, 2021.

#### Unmodified Opinion on the Other Major Federal Program

In our opinion, MRCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

#### Other Matters

MRCC's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. MRCC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### Report on Internal Control Over Compliance

Management of MRCC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MRCC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MRCC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency is a deficiencies, in internal control over compliance to the there are a material weakness in internal control over compliance is a deficiency or a combination of deficiency, or a combination of deficiencies, in internal control over compliance to the prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we consider to be material weaknesses.

MRCC's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. MRCC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

# Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Mercy Retirement and Care Center as of and for the year ended June 30, 2021, and have issued our report thereon dated November 1, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



San Francisco, California September 30, 2022

### **Mercy Retirement and Care Center** Schedule of Findings and Questioned Costs Year Ended June 30, 2021

Section I – Summary of A	Auditor's R	esults	
Financial Statements			
Type of report the auditor issued on whether the financial statement audited were prepared in accordance with	GAAP: Uni	modified	
Internal control over financial reporting:			
<ul> <li>Material weakness(es) identified?</li> </ul>	Yes	🖂 No	
<ul> <li>Significant deficiency(ies) identified?</li> </ul>	Yes	None reported	
Noncompliance material to financial statements noted?	Yes	🖂 No	
Federal Awards			
Internal control over major federal programs:			
<ul> <li>Material weakness(es) identified?</li> </ul>	⊠Yes	🗌 No	
<ul> <li>Significant deficiency(ies) identified?</li> </ul>	Yes	🛛 None reported	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	⊠Yes	🗌 No	

# Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for Major Federal Programs:

Federal Assistance Listing Numbers	Name of Major Federal Program or Cluster	Type of Auditor's Report Issued on Compliance for Major Federal Programs
10.569	The Emergency Food Assistance Program (TEFAP)	Qualified
93.498	COVID-19: Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	Unmodified
ar threshold used to dis	stinguish between type A and type B programs: \$750,000	

Auditee qualified as low-risk auditee?

□Yes 🛛 No

#### Section II – Financial Statement Findings

None reported.

#### Section III – Federal Award Findings and Questioned Costs

# Finding 2021-001: Special Tests and Provisions - Material Weakness in Internal Control Over Compliance and Instance of Noncompliance

Federal Program: The Emergency Food Assistance Program (TEFAP) (Assistance Listing #10.569)

Federal Agency: U.S. Department of Agriculture

Award Year: 2020–2021

*Criteria:* Management is responsible for establishing and maintain an effective control over compliance. A strong internal control system ensures that compliance requirements are met.

*Condition:* 1) Management is required to maintain an appropriate accounting for USDA Foods, provide an annual physical inventory and reconcile the inventory annually. During our audit inquiries, management disclosed there is no formal inventory management system, as historically there has been very limited inventory on-hand at any given time. Additionally, management does not perform an inventory count or reconciliation of changes in inventory using food receipt requisitions and food distributions. During our audit procedures over food receipts, program management was unable to provide receipt requisition forms for 18 of 40 samples selected. During our audit procedures we noted that in addition to food recipients picking up food at MRCC's distribution site that MRCC delivers food to various locations with eligible food recipients. Of the 40 distributions sampled, 11 were distributions made by the mobile unit and 7 were deliveries to approved distribution sites. We noted that none of these 18 selected distributions retained evidence of receipt by the destination location to support inventory management.

*Cause:* During COVID, the level of food inventory expanded significantly given the government program funding and the needs of the community. With various COVID-based restrictions to ensure food recipient and Mercy Brown Bag employee safety, existing processes and documentation standards had to be quickly shifted. As a result, documentation of inventory requisitions and food distributions was not consistently created or retained. The lack of an inventory management system contributed to this situation, as such systems would require tracking individual transactions and create relevant documentation. For the 18 of 40 sampled where there was no receipt requisition, the requisition was placed via a phone call, but not documented as a receipt requisition. For the 18 of 40 sampled distributions to offsite locations there was no documentation retained of receipt by the receiving offsite location on behalf of food recipients.

*Effect:* Failure to maintain a food inventory system to monitor and record food inventory in accounting records could allow for misappropriation of food inventory to occur.

Context: Management does not have effective internal controls over inventory management as required by TEFAP.

Questioned costs: \$0

Repeat Finding: This is not a repeat finding.

*Recommendation:* We recommend management to implement an inventory management system and establish oversight controls to ensure compliance requirements are met.

*Views of responsible officials:* COVID impacts on the Mercy Brown Bag program's execution and associated inventory documentation was profound, given the need to restructure historical food distribution practices with recipients and the increase of the food provided through the TEFAP program. Priority was given to distribution of the food to recipients, with limited staffing caused by the increased operational workload and social distancing requirements. Program management will implement written documentation standards and processes to ensure all inventory movement is documented and retained, effective immediately. Additionally, periodic inventories will be conducted to ensure that all transactions have been captured. Exploration of a technology solution to enable these processes will be conducted and implemented if determined to be cost-effective.

# Finding 2021-002: Special Tests and Provisions - Material Weakness in Internal Control Over Compliance and Material Noncompliance for Special Test and Provisions

Federal Program: The Emergency Food Assistance Program (TEFAP) (Assistance Listing #10.569)

Federal Agency: U.S. Department of Agriculture

Award Year: 2020-2021

*Criteria:* Management is responsible for establishing and maintain an effective control over compliance. A strong internal control system ensures that compliance requirements are met.

*Condition:* During audit procedures we noted the total number of food recipients during the reporting period July 1, 2020 to June 30, 2021 was 45,355, which was vouched to the Link2Feed website database. Management also tracks, using a separate spreadsheet, the number of food bags delivered to offsite locations where food recipients pick up a food bag. That spreadsheet totaled 129,906, which is a difference of 84,961 food recipients not being tracked within the Link2Feed website.

*Cause:* Due to the COVID-19 pandemic, deliveries were being made via delivery services and directly to offsite locations with populations of food recipients that were not being tracked via Link2Feed by manual entry by management.

*Effect:* Failure to track recipients that received food distributions from the program is not compliant with the TEFAP program and could cause ineligible food recipients to receive support from this program.

*Context:* Management did not implement effective internal controls over distributions of USDA Foods to food recipients within the required method via the Link2Food website.

Questioned costs: \$0

Repeat Finding: This is not a repeat finding.

*Recommendation*: We recommend management to establish oversight controls to ensure compliance requirements are met.

*Views of responsible officials:* Given the change in distribution approach, use of the Link2Feed website by food recipients was hard to enforce compliance. However, effective immediately, processes will be put in place to ensure all food recipients register on Link2Feed as required.



September 29, 2022

Moss Adams LLP 101 Second Street, 9th Floor San Francisco, CA 94105

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) we have provided below our response and corrective action plan addressing the finding noted in the Single Audit reporting package for Mercy Retirement and Care Center ("MRCC") for the year ended June 30, 2021.

#### Response and Corrective Action Plan

Finding Number 2021-001 Internal Controls over inventory management (Material Weakness)

Response and Corrective Action Plan: COVID impacts on the Mercy Brown Bag program's execution and associated inventory documentation was profound, given the need to restructure historical food distribution practices with recipients and the increase of the food provided through the TEFAP program. Priority was given to distribution of the food to recipients, with limited staffing caused by the increased operational workload and social distancing requirements.

Program management will implement written documentation standards and processes to ensure all inventory movement is documented and retained, effective immediately. Additionally, periodic inventories will be conducted to ensure that all transactions have been captured. Exploration of a technology solution to enable these processes will be conducted and implemented if determined to be cost-effective.

Responsible Person: Janice Roberts, Program Director, under the oversight of John Cruz, Mercy Executive Director.

> ElderCareAlliance.org | Engaging Hearts - Transforming Lives - Erasing Boundaries 3431 Foothill Blvd Oakland, CA 94601 510-534-8540

Finding Number 2021-002 Internal controls over distributions of USDA Foods to recipients (Material Weakness)

Response and Corrective Action Plan: Given the change in distribution approach, use of the Link2Feed website by food recipients was hard to enforce compliance. However, effective immediately, processes will be put in place to ensure all food recipients register on Link2Feed as required.

Responsible Person: Janice Roberts, Program Director, under the oversight of John Cruz, Mercy Executive Director.

Sincerely,



Chief Financial Officer



### Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

### Exhibit 37-C

### Balance Sheet - Comparative Selder Care

		FY2023 Jun YTD	FY2022 Jun YTD	Difference	FY2023 May YTD	Differen
		541115	Jun HD	Difference	mayrrb	Different
Assets						
Cash and Cash Equivalents						
Petty Cash - Operations		790	990	(200)	790	
Petty Cash - Other		40	40	-	40	
WFB - Master Checking #1		158,653	529,328	(370,675)	140,625	18,0
WFB - Disbursement Checking		-	(0)	0	-	
WFB - Payroll Checking		0	(39,722)	39,722	0	
WFB - Resident Funds		4,270	43,654	(39,384)	4,270	
PNC - Master Checking		1,406,029	1,166,044	239,986	1,426,960	(20,9
PNC - Disbursement Checking		(206,869)	(64,794)	(142,075)	(91,127)	(115,7
PNC - Payroll Checking		(34,196)	-	(34,196)	(36,702)	2,5
UBS - Money Market		45,202	3,791,580	(3,746,378)	419,023	(373,8
A/R - Residents	Private Pay-CCRC	3,264	(1,741)	5,005	3,264	
A/R - Residents	Private Pay-Non CCRC	281,948	330,776	(48,827)	301,807	(19,8
A/R - Residents	Medicare A	684,037	567,262	116,775	512,218	171,8
A/R - Residents	Medicare B	52,961	61,581	(8,620)	32,953	20,0
A/R - Residents	Medi-Cal	1,939,244	827,061	1,112,183	1,468,253	470,9
A/R - Residents	Hospice - MediCal	47,487	103,028	(55,540)	(56,970)	104,4
A/R - Residents	НМО	769,419	572,061	197,358	738,113	31,3
A/R - Residents	Other Insurance	145,515	95,879	49,637	117,076	28,4
A/R - Residents-Allow for Uncollectible	All Staff/Unspecified Paye	(648,515)	(572,801)	(75,715)	(884,125)	235,6
A/R - Resident Clearing	Private Pay-Non CCRC	0	(0)	0	2,919	(2,9
A/R - Resident Clearing	Other Insurance	-	-	-	2,140	(2,1
A/R Other #1 - Care Coord (10); Donors (20)		798,648	155,544	643,104	677,073	121,5
A/R Other #2 - FEMA, PRF Award; Other (40)		51,638	11,799	39,839	7,472	44,1
A/R Other #4 - Priest House		14,181	23,503	(9,321)	18,296	(4,1
Accrued Workers Comp Receivable		170,900	110,000	60,900	197,400	(26,5
Prepaid - General Insurance		46,128	131,714	(85,586)	61,504	(15.3
		46,128 34,216	131,714 26,264	(85,586) 7,952	61,504 40,361	
Prepaid - Other						(6,1
Prepaid - Other		34,216	26,264	7,952	40,361	(6,1 115,9
Prepaid - Other Inventory - Convenience Store		34,216 115,992	26,264 -	7,952 115,992	40,361	(6,1 115,9 <b>94,</b> 4
Prepaid - Other Inventory - Convenience Store Total Other Current Assets		34,216 115,992 <b>196,337</b>	26,264 - <b>157,978</b>	7,952 115,992 <b>38,359</b>	40,361 - <b>101,865</b>	(6,1 115,9 <b>94,</b> 4
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets		34,216 115,992 196,337 5,880,984	26,264 - 157,978 7,869,047	7,952 115,992 38,359 (1,988,063)	40,361 - 101,865 5,103,654	(6,1 115,9 94,4 777,3
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets Total Investments		34,216 115,992 <b>196,337</b>	26,264 - <b>157,978</b>	7,952 115,992 <b>38,359</b>	40,361 - <b>101,865</b>	(15,3 (6,1 115,9 94,4 7777,3 465,0
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets Total Investments		34,216 115,992 196,337 5,880,984	26,264 - 157,978 7,869,047	7,952 115,992 38,359 (1,988,063)	40,361 - 101,865 5,103,654	(6,1 115,9 94,4 777,3
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets Total Investments Fixed Assets		34,216 115,992 196,337 5,880,984	26,264 - 157,978 7,869,047	7,952 115,992 38,359 (1,988,063)	40,361 - 101,865 5,103,654	(6,1 115,9 94,4 777,3
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets Total Investments Fixed Assets FA - Land		34,216 115,992 196,337 5,880,984 10,451,104	26,264 - 157,978 7,869,047 10,269,972	7,952 115,992 38,359 (1,988,063)	40,361 - 101,865 5,103,654 9,986,006	(6,1 115,9 94,4 7777,3 465,0
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets Total Investments Fixed Assets FA - Land FA - Construction in Progress		34,216 115,992 196,337 5,880,984 10,451,104 201,489	26,264 - 157,978 7,869,047 10,269,972 201,489	7,952 115,992 38,359 (1,988,063) 181,132	40,361 - 101,865 5,103,654 9,986,006 201,489	(6,1 115,9 94,4 7777,3 465,0
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets Total Investments Exed Assets FA - Land FA - Construction in Progress FA - Capitalize Interest (CIP)		34,216 115,992 196,337 5,880,984 10,451,104 201,489	26,264 - 157,978 7,869,047 10,269,972 201,489 504,875	7,952 115,992 38,359 (1,988,063) 181,132	40,361 - 101,865 5,103,654 9,986,006 201,489	(6,1 115,9 94,4 7777,3 465,0
Total Current Assets		34,216 115,992 196,337 5,880,984 10,451,104 201,489 814,218 -	26,264 - 157,978 7,869,047 10,269,972 201,489 504,875 (0)	7,952 115,992 38,359 (1,988,063) 181,132 - 309,343 0	40,361 - 101,865 5,103,654 9,986,006 201,489 1,192,829 -	(6,1 115,9 94,4 7777,3 465,0 (378,6
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets Total Investments FA - Land FA - Construction in Progress FA - Capitalize Interest (CIP) FA - Land Improvements FA - Buildings Main		34,216 115,992 196,337 5,880,984 10,451,104 201,489 814,218 - 2,759,859	26,264 - 157,978 7,869,047 10,269,972 201,489 504,875 (0) 2,757,943	7,952 115,992 38,359 (1,988,063) 181,132 - 309,343 0 1,916	40,361 - - 101,865 5,103,654 9,986,006 9,986,006 201,489 1,192,829 - 2,759,859	(6,1 115,5 94,4 7777,3 465,0 (378,6 131,7
Prepaid - Other Inventory - Convenience Store Total Other Current Assets Total Current Assets Total Investments Fixed Assets FA - Land FA - Construction in Progress FA - Capitalize Interest (CIP) FA - Land Improvements		34,216 115,992 196,337 5,880,984 10,451,104 201,489 814,218 - 2,759,859 34,070,474	26,264 - 157,978 7,869,047 10,269,972 201,489 504,875 (0) 2,757,943 33,351,144	7,952 115,992 38,359 (1,988,063) 181,132 181,132 - 309,343 0 1,916 719,330	40,361 - - 101,865 5,103,654 - 9,986,006 - 201,489 1,192,829 - - 2,759,859 33,938,751	(6,1 115,9 94,4 777,3

20 (MRCC) Last Closed Month: Jun, FY2023

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	FY2023	FY2022		FY2023	
	Jun YTD	Jun YTD	Difference	May YTD	Difference
FA - Equipment	1,097,901	1,018,794	79,107	1,082,903	14,998
FA - Communications Equip	606,616	574,681	31,935	606,616	-
FA - IT Equip & Systems	611,725	467,786	143,939	566,720	45,005
FA - Vehicles	630,188	355,574	274,614	630,188	-

FA - Land Improvements Accum Depr	(353,651)	(215,673)	(137,977)	(342,151)	(11,499
FA - Buildings Main Accum Depr	(3,101,916)	(2,253,544)	(848,372)	(3,030,126)	(71,78
FA - Buildings Improvement Accum Depr	(2,328,805)	(1,975,896)	(352,909)	(2,293,554)	(35,25
FA - Room Turnover Accumulated Depre	(272,509)	(138,237)	(134,273)	(261,315)	(11,19
FA - Furniture Accum Depr	(663,438)	(509,257)	(154,181)	(650,911)	(12,52
FA - Equipment Accum Depr	(734,142)	(551,813)	(182,329)	(718,816)	(15,32
FA - Commun Equip Accum Depr	(379,004)	(285,966)	(93,038)	(370,539)	(8,46
FA - IT Equip & Systems Accum Depr	(434,478)	(397,761)	(36,718)	(428,120)	(6,35
FA - Vehicles Accum Depreciation	(404,293)	(352,552)	(51,741)	(399,599)	(4,69
Total Accumulated Depreciation	(8,672,234)	(6,680,697)	(1,991,537)	(8,495,132)	(177,10
Net Fixed Assets	40,136,173	40,203,444	(67,271)	40,246,151	(109,97
Other LT Assets					
Financing Costs	395,632	380,176	15,456	395,632	
ROU Asset Operating Lease	5,095	-	5,095	-	5,09
Refundable Deposits	-	59,610	(59,610)	-	
Other Receivable - LT	40,592	258,416	(217,824)	158,416	(117,82
	2,528,241	1,527,146	1,001,096	2,244,162	284,08

Liabilities

Accounts Payable					
Aasta Davabla Trada	200 555	677 000	(070 707)	424 676	(22.40)
Accts Payable - Trade Accts Payable - (Manual Accruals)	398,555	677,282	(278,727)	431,676	(33,12
Accounts Payable - (Manual Accruais) Accounts Payable - Other #1 - Medicare Advance	454,516	1,754,249	(1,299,733)	45,786	408,73
Accounts Payable - Other #1 - Medicare Advance	-	0	(0)	-	
Total Accounts Payable	853,072	2,431,531	(1,578,459)	477,462	375,61
Intercompany Payable					
Inter-company Payables Affiliate -ECA	234,486	303,552	(69,065)	381,900	(147,41
Total Intercompany Payable	234,486	303,552	(69,065)	381,900	(147,413
Payroll Liabilities Payable					
Accrued Payroll	340,839	263,810	77,029	285,612	55,22
California PR Taxes Payable - SDI	83	33	50	-	8
Federal PR Taxes Payable - EE/ER FICA & Medicare	1,407	453	954	-	1,40
California PR Taxes Payable - SIT Witholding	207	42	165	-	20
Federal PR Taxes Payable - FIT Witholding	744	184	560	-	74
Garnishment - Creditor	-	(65)	65	(267)	26
Garnishment - FTB	-	572	(572)	-	
403B Contribution/401A Match Payable	19,763	15,820	3,943	18,936	82
Total Payroll Liabilities Payable	363,043	280,849	82,194	304,281	58,762
Accrued Employee Related Liabilities					
Accrued Bonus	0	19,050	(19,050)	21,602	(21,60)
Accrued Paid Time Off (PTO)	427,123	455,892	(28,769)	433,367	(6,24
Life Insurance W/H	(0)	0	(0)	10,479	(10,47
Accrued Medical Claims & Premiums	35,372	74,250	(38,878)	113,129	(77,75
Accrued Dental Claims	12,707	12,445	262	36,830	(24,12
Accrued Vision Claims	1,781	2,302	(521)	4,139	(2,35

20 (MRCC) Last Closed Month: Jun, FY2023

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	FY2023	FY2022		FY2023	
	Jun YTD	Jun YTD	Difference	May YTD	Difference
Accrued Workers Comp Payable	170,898	110,000	60,898	197,398	(26,500)
Supplemental Insurance #1	0	29	(29)	(1,164)	1,164
FSA withholdings - Navia	7,985	9,836	(1,851)	8,100	(115)
Other Benefits - PayActiv_Commuter	-	-	-	4	(4)

Deferred Revenue	81,605	-	81,605	85,775	(4,169)
Resident Funds	4,270	43,650	(39,380)	3,647	623
Lease Liability ST	4,148	-	4,148	-	4,148
Wait List	1,000	2,000	(1,000)	1,000	-
Total Other Current Liabilites	91,024	45,650	45,373	90,422	602
Total Current Liabilities	26,966,761	4,613,286	22,353,475	26,642,936	323,825

Total Notes payable - LT, including Interco	1,537,500	2,029,167	(491,667)	1,534,375	3,12
Other LT Liabilities					
Abandon Property - CA Operating Cks	(0)	8,244	(8,244)	3,813	(3,81
Abandon Property - CA Payroll Cks	347	(63)	410	(2,611)	2,95
Interest Rate Swap - Liability (form. Attrition)	(0)	12,943	(12,943)	(0)	
Lease Liability LT	945	-	945	-	94
Total Other LT Liabilities	1,292	21,123	(19,831)	1,202	9
Total Liabilities	28,505,553	28,677,810	(172,257)	28,178,514	327,039
Net Assets					
			_	_	
Net Assets Without Donor Restrictions			_		
	26,417,509	25,018,488	1,399,021	26,417,509	
Without Donor Restrictions	26,417,509 (838,004)	25,018,488 1,399,021	1,399,021 (2,237,026)	26,417,509 (1,684,391)	846,38
Without Donor Restrictions Unrestricted Net Assets					846,38 846,38
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss)	(838,004)	1,399,021	(2,237,026)	(1,684,391)	
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions	(838,004) 25,579,504	1,399,021 26,417,509	(2,237,026) (838,005)	(1,684,391) 24,733,117	846,38
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions Temp Restr - Cap Campaign (20);	(838,004) 25,579,504 179,198	1,399,021 26,417,509 373,710	(2,237,026) (838,005) (194,513)	(1,684,391) 24,733,117 184,448	<b>846,38</b> (5,25
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions	(838,004) <b>25,579,504</b> 179,198 726,045	1,399,021 26,417,509 373,710 312,674	(2,237,026) (838,005) (194,513) 413,372	(1,684,391) 24,733,117 184,448 566,817	<b>846,38</b> (5,25
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions Temp Restr - Cap Campaign (20); Temp Restr - Charitable Care	(838,004) 25,579,504 179,198	1,399,021 26,417,509 373,710	(2,237,026) (838,005) (194,513)	(1,684,391) 24,733,117 184,448	<b>846,38</b> (5,25
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions Temp Restr - Cap Campaign (20); Temp Restr - Charitable Care Temp Restr - Employee Holiday Fund	(838,004) <b>25,579,504</b> 179,198 726,045 4,906	1,399,021 <b>26,417,509</b> 373,710 312,674 2,895	(2,237,026) (838,005) (194,513) 413,372 2,011	(1,684,391) 24,733,117 184,448 566,817 4,906	<b>846,38</b> (5,25
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions Temp Restr - Cap Campaign (20); Temp Restr - Charitable Care Temp Restr - Employee Holiday Fund Temp Restr - Wish List	(838,004) 25,579,504 179,198 726,045 4,906 20,862	1,399,021 <b>26,417,509</b> 373,710 312,674 2,895 20,862	(2,237,026) (838,005) (194,513) 413,372 2,011 - 125	(1,684,391) 24,733,117 184,448 566,817 4,906 20,862	<b>846,38</b> (5,25
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions Temp Restr - Cap Campaign (20); Temp Restr - Charitable Care Temp Restr - Employee Holiday Fund Temp Restr - Wish List Temp Restr - Chaplaincy Temp Restr - Capital Campaign (formerly Building Fund)	(838,004) 25,579,504 179,198 726,045 4,906 20,862 125	1,399,021 26,417,509 373,710 312,674 2,895 20,862	(2,237,026) (838,005) (194,513) 413,372 2,011 - 125 (914,023)	(1,684,391) <b>24,733,117</b> 184,448 566,817 4,906 20,862 125	<b>846,38</b> (5,25
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions Temp Restr - Cap Campaign (20); Temp Restr - Charitable Care Temp Restr - Employee Holiday Fund Temp Restr - Wish List Temp Restr - Chaplaincy	(838,004) 25,579,504 179,198 726,045 4,906 20,862 125 -	1,399,021 <b>26,417,509</b> 373,710 312,674 2,895 20,862 - 914,023 27,204	(2,237,026) (838,005) (194,513) 413,372 2,011 - 125	(1,684,391) <b>24,733,117</b> 184,448 566,817 4,906 20,862 125 - 406,041	<b>846,38</b> (5,25 159,22
Without Donor Restrictions Unrestricted Net Assets Unrestricted Net Income (Loss) Total Without Donor Restrictions With Donor Restrictions Temp Restr - Cap Campaign (20); Temp Restr - Charitable Care Temp Restr - Employee Holiday Fund Temp Restr - Wish List Temp Restr - Chaplaincy Temp Restr - Capital Campaign (formerly Building Fund) Temp Restr - Chaple/HVAC	(838,004) 25,579,504 179,198 726,045 4,906 20,862 125 - 406,041	1,399,021 26,417,509 373,710 312,674 2,895 20,862 - 914,023	(2,237,026) (838,005) (194,513) 413,372 2,011 - 125 (914,023) 378,837	(1,684,391) 24,733,117 184,448 566,817 4,906 20,862 125 -	

20 (MRCC)

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Last Closed Month: Jun, FY2023					
	FY2023	FY2023 FY2022			
	Jun YTD	Jun YTD	Difference	May YTD	Difference
Total With Donor Restrictions	5,352,765	5,472,492	(119,728)	5,222,391	130,374
Total Net Assets	30,932,269	31,890,001	(957,732)	29,955,509	976,760
Total Liabilities and Net Assets	59,437,822	60,567,811	(1,129,989)	58,134,022	1,303,800

## **Detailed Income Statement - Comparative**

20 (MRCC) All Departments All Payors

Last Closed Month: Jun, FY2023

	Actual	Budget	Monthly Variance		Actual - YTD	Budget - YTD	YTD Variance		Actual YTD	YTD Varian	се
	Jun FY2023	Jun FY2023	Amount %		Jun FY2023	Jun FY2023	Amount %		Jun FY2022	Amount	0
perating Revenue											
[-] Operating Revenue	1,504,584	1,747,937	(243,353)	-14%	18,589,019	19,906,143	(1,317,123)	-7%			
[+] Room and Board Revenue, Net	1,228,165	1,329,692	(101,527)	-8%	14,290,391	15,202,119	(911,729)	-6%			
[+] Level of Care	163,628	202,139	(38,511)	-19%	1,838,936	2,169,697	(330,760)	-15%			
[+] Ancillaries Revenue	32,203	49,192	(16,989)	-35%	293,834	591,136	(297,302)	-50%			
[+] Other Resident Fees and Charges	19,532	20,339	(806)	-4%	177,566	182,065	(4,498)	-2%			
[+] Other Operating Revenue	61,056	146,575	(85,519)	-58%	1,988,291	1,761,126	227,165	13%			
TOTAL Operating Revenue	1,504,584	1,747,937	(243,353)	-14%	18,589,019	19,906,143	(1,317,123)	-7%	15,879,450	2,709,569	
perating Expense											
	1,356,018	1,682,521	326,503	19%	20,756,093	20,148,780	(607,313)	-3%	17,870,030	(2,886,063)	
	833,052	978,565	145,513	15%	11,627,630	11,824,351	196,721	2%	9,925,726	(1,701,904)	
	749,315	978,565	229,250	23%	10,333,766	11,824,351	1,490,585	13%	9,557,512	(776,254)	
									8,131,056	(570,628)	
									1,426,456	(205,625)	
[-] Outside Labor	83,736	-	(83,736)	0%	1,293,864	-	(1,293,864)	0%	368,213	(925,651)	
[*] 510010 (Labor O/S - RN)	1,710	-	(1,710)	0%	59,639	-	(59,639)	0%	25,294	(34,345)	
[*] 510020 (Labor O/S - LVN)	18,014	-	(18,014)	0%	743,845	-	(743,845)	0%	175,207	(568,638)	
[*] 510030 (Labor O/S - Aides)	36,786	-	(36,786)	0%	169,905	-	(169,905)	0%	93,555	(76,351)	
[*] 510040 (Labor 0/S - Other)	27,227	-	(27,227)	0%	320,474	-	(320,474)	0%	74,157	(246,317)	
[+] General and Administrative Expenses	120,172	159,152	38,980	24%	1,925,684	1,917,042	(8,642)	0%	1,918,870	(6,814)	
[+] Plant Expenses	255,516	76,630	(178,886)	-233%	1,840,653	919,558	(921,095)	-100%	1,127,385	(713,269)	
[+] Culinary Expenses	56,479	90,718	34,239	38%	897,775	1,038,546	140,771	14%	889,619	(8,156)	
[+] Ancillaries Expense	80,323	103,101	22,778	22%	938,564	1,237,213	298,649	24%	1,087,435	148,871	
[+] Promotion and Sales	(46,941)	18,837	65,778	349%	234,704	226,050	(8,654)	-4%	152,276	(82,428)	
[+] Medical Supplies	22,518	20,094	(2,425)	-12%	272,308	241,126	(31,182)	-13%	259,794	(12,515)	
[+] Other Operating Expenses	25,163	18,141	(7,022)	-39%	251,088	217,693	(33,395)	-15%	233,744	(17,343)	
[+] Bad Debt Expense	(125,238)	3,000	128,238	4275%	389,616	36,000	(353,616)	-982%	282,921	(106,695)	
[+] ECA Expense Allocation - Interco	22,149	86,222	64,072	74%	994,609	1,034,661	40,052	4%	749,300	(245,309)	
[+] Management and Consulting Fee Expense - Interco	112,823	128,060	15,237	12%	1,383,462	1,456,540	73,078	5%	1,242,960	(140,502)	

## **Detailed Income Statement - Comparative**

20 (MRCC) All Departments All Payors Last Closed Month: Jun, FY2023

	Actual	Budget	Monthly Varian	се	Actual - YTD	Budget - YTD	YTD Variance	;	Actual YTD YTD Variar		
	Jun FY2023	Jun FY2023	Amount %		Jun FY2023	Jun FY2023	Amount %		Jun FY2022	Amount	%
TOTAL Operating Expense	1,356,018	1,682,521	326,503	19%	20,756,093	20,148,780	(607,313)	-3%	17,870,030	(2,886,063)	-16
Net Operating Income(Loss)	148,567	65,417	83,150	127%	(2,167,074)	(242,638)	(1,924,436)	793%	(1,990,580)	(176,494)	ę
Margin %	9.9%	3.7%			-11.7%	-1.2%			-12.5%		
ther Income											
10000 (Interest & Dividend Income, net of fees)	16,857	6,604	10,253	155%	180,812	79,250	101,562	128%	165,787	15,025	ç
10500 (Realized Gain/(Loss) on Investments)	(8,960)	11,917	(20,876)	-175%	(185,157)	143,000	(328,157)	-229%	9,970	(195,126)	-1957
10600 (Unrealized Gain/(Loss)on Investments)	294,242	12,833	281,409	2193%	812,756	154,000	658,756	428%	(1,639,510)	2,452,266	-150
20000 (Gifts & Contributions)	324,631	25,000	299,631	1199%	464,412	1,200,000	(735,588)	-61%	93,573	370,838	396
20500 (In-kind Revenue)	602,949	334,000	268,949	81%	4,465,410	4,008,000	457,410	11%	3,686,564	778,846	21
90100 (Gain/(Loss) on sale of assets)		-	-	0%	-	-	-	0%	(203,415)	203,415	-100
90300 (Gain on extinguishment of Debt)		-	-	0%	-		-	0%	1,854,593	(1,854,593)	-100
90800 (Restricted Fund Releases - Cap Ex)	5,250	800,000	(794,750)	-99%	1,879,856	800,000	1,079,856	135%	3,437,747	(1,557,890)	-45
90900 (Misc. Income)	(5,199)	-	(5,199)	0%	1,531	-	1,531	0%	7,347	(5,816)	-79
	1,229,771	1,190,354	39,417	3%	7,619,619	6,384,250	1,235,369	19%	7,412,656	206,963	3

TOTAL Other Expense	531,951	648,832	116,881	18%	6,290,550	7,712,542	1,421,992	18%	4,023,055	(2,267,495)	-56%
990900 (Misc. Expense)	-	-	-	0%	27,696		(27,696)	0%	2,948	(24,748)	-840%
990400 (Unrealized (Gain)/ Loss on Derivatives)	(284,080)	-	284,080	0%	(1,014,038)	-	1,014,038	0%	(1,514,203)	(500,165)	33%
990100 (Professional Non-Operating)	-	17	17	100%	-	200	200	100%	513	513	100%
920600 (Inkind Donation - Waste)	9,723	-	(9,723)	0%	9,723	-	(9,723)	0%	-	(9,723)	0%
920500 (In-kind Expense - Donated Food)	479,814	334,000	(145,814)	-44%	4,342,275	4,008,000	(334,275)	-8%	3,686,564	(655,711)	-18%
920300 (Accretion Expense)	-	-	-	0%	-	-	-	0%	(28,714)	(28,714)	100%
920200 (Depreciation Expense)	177,102	243,760	66,658	27%	1,991,537	2,854,842	863,305	30%	1,763,212	(228,325)	-13%
920100 (Amortization Expense)		1,056	1,056	100%	-	9,500	9,500	100%	-	-	0%
910800 (Interest Expense-Intercompany)	3,125	-	(3,125)	0%	37,500	-	(37,500)	0%	29,167	(8,333)	-29%
		. 0,000	(. 0,201)	10070	000,000	0.0,000	(00,000)	1.70	00,000	(0.2,200)	012/0

## **Detailed Income Statement - Comparative**

20 (MRCC) All Departments All Payors

Last Closed Month: Jun, FY2023

	Actual	Budget	Monthly Va	ariance	Actual - YTD	Budget - YTD	YTD Varianc	e	Actual YTD	YTD Varian	ice
	Jun FY2023	Jun FY2023	Amount	%	Jun FY2023	Jun FY2023	Amount %		Jun FY2022	Amount	%
UNRESTRICTED NET INCOME (LOSS)	846,387	606,939	239,448	39%	(838,005)	(1,570,930)	732,925	-47%	1,399,021	(2,237,026)	-160
Restricted Net Income (Loss)		-									
490350 (Restricted Donations)	153,880	-	153,880	0%	2,573,810	-	2,573,810	0%	1,404,532	1,169,277	83
810650 (Restricted Investment Income (Loss))	163,166	-	163,166	0%	430,880	-	430,880	0%	(638,594)	1,069,475	-1679
490850 (Restricted Releases (contra account))	(296,586)	-	(296,586)	0%	(3,124,437)	-	(3,124,437)	0%	(4,591,174)	1,466,737	-32%
TOTAL Restricted Net Income (Loss)	20,460	-	20,460	0%	(119,747)		(119,747)	0%	(3,825,236)	3,705,489	-97%
NET INCOME (LOSS)	866,846	606,939	259,908	43%	(957,752)	(1,570,930)	613,178	-39%	(2,426,215)	1,468,463	-61%

### Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

### Exhibit 37-D

# Detailed Income Statement - Budget - Trailing 12 Months 20 (MRCC) All Departments, CELDERCARE ALLIANCE

		ALLIANCE											
	Budget Jul-FY24	Budget Aug-FY24	Budget Sep-FY24	Budget Oct-FY24	Budget Nov-FY24	Budget Dec-FY24	Budget Jan-FY24	Budget Feb-FY24	Budget Mar-FY24	Budget Apr-FY24	Budget May-FY24	Budget Jun-FY24	Budget Total
Operating Revenue													
[-] Operating Revenue	1,864,693	1,881,382	1,882,282	1,968,801	1,986,580	2,011,072	2,036,470	1,934,401	2,037,197	1,957,643	1,972,423	1,942,101	
[+] Room and Board Revenue, Net	1,435,275	1,450,575	1,449,057	1,517,879	1,536,701	1,556,170	1,579,162	1,487,478	1,584,262	1,500,057	1,517,795	1,487,843	
[+] Level of Care	187,085	194,309	199,125	208,758	215,982	218,390	220,798	223,206	223,206	223,206	225,614	225,614	
[+] Ancillaries Revenue	41,596	41,596	41,530	41,464	41,331	41,397	41,331	41,331	41,331	41,530	41,596	41,596	
[+] Other Resident Fees and Charges	23,639	17,839	17,839	23,639	17,839	17,839	17,139	11,339	11,339	17,139	11,339	11,339	
[+] Other Operating Revenue	177,098	177,062	174,731	177,062	174,728	177,276	178,041	171,047	177,060	175,711	176,078	175,709	
TOTAL Operating Revenue	1,864,693	1,881,382	1,882,282	1,968,801	1,986,580	2,011,072	2,036,470	1,934,401	2,037,197	1,957,643	1,972,423	1,942,101	23,475,0
Operating Expense													
[-] Operating Expense	1,744,574	1,757,745	1,716,939	1,762,353	1,746,554	1,818,873	1,833,322	1,750,075	1,807,382	1,746,587	1,751,221	1,735,074	21,170,6
[-] Wages, Benefits & OS Labor	1,009,250	1,009,592	980,176	1,015,933	990,691	1,039,129	1,038,198	939,248	1,025,385	992,339	996,479	988,261	12,024,0
[+] Wages and Benefits	1,009,250	1,009,592	980,176	1,015,933	990,691	1,039,129	1,038,198	939,248	1,025,385	992,339	996,479	988,261	12,024,
[+] General and Administrative Expenses	169,558	169,887	169,731	170,762	170,786	177,764	171,536	170,058	171,657	172,321	171,349	170,252	2,055,
[-] Plant Expenses	98,912	108,635	98,104	95,410	103,414	116,022	134,710	166,556	120,899	102,433	100,333	98,233	1,343,
[+] Maintenance & Repairs	41,125	41,125	41,125	41,125	41,125	41,125	41,125	41,125	41,125	41,125	41,125	41,125	493,
[+] Utilities	57,787	67,510	56,979	54,285	62,289	74,897	93,585	125,431	79,774	61,308	59,208	57,108	850,
[+] Culinary Expenses	93,046	94,570	93,800	98,632	98,714	101,171	102,187	95,176	102,695	98,714	101,171	98,714	1,178,
[+] Ancillaries Expense	86,369	86,369	86,369	86,369	86,369	86,369	86,369	86,369	86,369	86,369	86,369	86,369	1,036,4
[+] Promotion and Sales	21,411	21,411	21,411	21,411	21,411	21,411	21,411	21,411	21,411	21,411	21,411	21,411	256,9
[+] Medical Supplies	21,625	21,625	21,625	21,625	21,625	21,625	21,625	21,625	21,625	21,625	21,625	21,625	259,5
[+] Other Operating Expenses	19,133	19,133	19,133	19,133	19,133	19,133	19,133	19,133	19,133	19,133	19,133	19,133	229,6
[+] Bad Debt Expense	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,0
[+] ECA Expense Allocation - Interco	85,245	85,245	85,245	85,245	85,245	85,245	85,245	85,245	85,245	85,245	85,245	85,245	1,022,9
[+] Management and Consulting Fee Expense - In	135,025	136,276	136,344	142,833	144,166	146,003	147,908	140,253	147,963	141,996	143,104	140,830	1,702,7
TOTAL Operating Expense	1,744,574	1,757,745	1,716,939	1,762,353	1,746,554	1,818,873	1,833,322	1,750,075	1,807,382	1,746,587	1,751,221	1,735,074	21,170,6
Net Operating Income	120,119	123,637	165,343	206,448	240,026	192,200	203,148	184,326	229,815	211,057	221,202	207,027	2,304,34
Margin %	6.4%	6.6%	8.8%	10.5%	12.1%	9.6%	10.0%	9.5%	11.3%	10.8%	11.2%	10.7%	9
Other Income													
810000 (Interest & Dividend Income, net of fees)	6,604	6,604	6,604	6,604	6,604	6,604	6,604	6,604	6,604	6,604	6,604	6,604	79,2
820000 (Gifts & Contributions)	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,0
820500 (In-kind Revenue)	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	4,008,0
890800 (Restricted Fund Releases - Cap Ex)	-	-	-	-	430,000	198,000	-	-	-	-	-	125,000	753,0
TOTAL Other Income	365,604	365,604	365,604	365,604	795,604	563,604	365,604	365,604	365,604	365,604	365,604	490,604	5,140,2
Other Expense													
910000 (Interest Expense - Non operating)	94,000	94,000	94,000	94,000	94,000	94,000	94,000	94,000	94,000	94,000	94,000	94,000	1,128,
910800 (Interest Expense-Intercompany)	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	37,
920200 (Depreciation Expense)	187,089	187,610	189,864	190,968	193,433	198,523	198,628	199,065	199,169	199,273	199,794	199,898	2,343,
920500 (In-kind Expense - Donated Food)	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	334,000	4,008,

Detailed Inco 20 (MRCC) All Departments,	ome Statement		- Trailing ERCARE Alliance		hs									
<ul><li></li><li></li></ul>		Budget Jul-FY24	Budget Aug-FY24	Budget Sep-FY24	Budget Oct-FY24	Budget Nov-FY24	Budget Dec-FY24	Budget Jan-FY24	Budget Feb-FY24	Budget Mar-FY24	Budget Apr-FY24	Budget May-FY24	Budget Jun-FY24	Budget Total
	NET INCOME Cumulative Net Income	<b>(132,491)</b> (132,491)	<b>(129,493)</b> (261,984)	<b>(90,042)</b> (352,026)	<b>(50,041)</b> (402,068)	<b>411,071</b> 9,003	<b>126,155</b> 135,159	<b>(61,000)</b> 74,158	(80,260) (6,102)	<b>(34,875)</b> (40,977)	<b>(53,738)</b> (94,714)	<b>(44,113)</b> (138,827)	<b>66,608</b> (72,219)	<b>(72,219)</b> (72,219)

### Mercy Retirement and Care Center – Supplement to Application for Approval of Change of Control

Exhibit 39

Prepaid - Worker's Comp



	FY2024	FY2023	
	Dec YTD	Jun YTD	Difference
	990	790	20
	40	40	
	210,843	158,653	52,19
	-	0	(
	4,270	4,270	
	3,046,272	1,406,029	1,640,24
		(206,869)	(473,17
	,		(761,16
	46,639	45,202	1,43
-			(139,08
			(355,82
			(11,96
Medi-Cal			(834,96
Hospice - MediCal			(103,46
			(111,38
			(31,45
		(648,515)	38,54
		-	g
		0	43
Medicare A		-	3,49
	1,729,789	3,275,361	(1,545,57
	759,148	798,648	(39,50
	196	51,638	(51,44
	24,050	14,181	9,86
	783,394	864,467	(81,07
	170,900	170,900	
laims	170,900	170,900	
	2,593	-	2,59
	2,593	-	2,59
	165,971	46,128	119,84
	ALLIANCE ALLIANCE	FY2024 Dec YTD           990           40           210,843           -           4,270           3,046,272           (680,042)           (795,364)           46,639           412,864           40,999           Medicare A           328,214           40,939           414,062           411,062           411,062           411,062           411,062           411,062           411,062           411,062	Proof         Proof <th< td=""></th<>

(19,505)

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20 (MRCC) Last Closed Month: Dec, FY2024

	FY2024	FY2023	
	Dec YTD	Jun YTD	Difference
Prepaid - Other	40,481	34,216	6,264
Inventory - Convenience Store	115,992	115,992	
Total Other Current Assets	302,940	196,337	106,603
Total Current Assets	4,823,265	5,880,984	(1,057,71
nvestments			
UBS - Pledged(10);Innovation(20);Char Care(33)			
UBS - Char Care & Unrestricted			
Total Investments	10,450,155	10,451,104	(95)
Fixed Assets			
FA - Land	201,489	201,489	
FA - Construction in Progress	802,391	814,218	(11,82
FA - Land Improvements	2,759,859	2,759,859	( )
FA - Buildings Main	34,070,474	34,070,474	
FA - Building Improvements	5,629,968	5,629,968	
FA - Room Turnover	671,688	671,688	
FA - Furniture	1,714,281	1,714,281	
FA - Equipment	1,097,901	1,097,901	
FA - Communications Equip	606,616	606,616	
FA - IT Equip & Systems	611,725	611,725	
FA - Vehicles	630,188	630,188	
Total Fixed Assets	48,796,580	48,808,408	(11,82
Accumulated Depreciation			
FA - Land Improvements Accum Depr	(376,649)	(353,651)	(22,99
FA - Buildings Main Accum Depr	(3,244,106)	(3,101,916)	(142,19
FA - Buildings Improvement Accum Depr	(2,390,221)	(2,328,805)	(61,41
FA - Room Turnover Accumulated Depre	(294,899)	(272,509)	(22,39
FA - Furniture Accum Depr	(687,352)	(663,438)	(23,91
FA - Equipment Accum Depr	(762,896)	(734,142)	(28,75
FA - Commun Equip Accum Depr	(394,969)	(379,004)	(15,96
FA - IT Equip & Systems Accum Depr	(445,037)	(434,478)	(10,55
FA - Vehicles Accum Depreciation	(413,679)	(404,293)	(9,38

Other LT Assets			
Financing Costs	395,332	395,632	(300)
ROU Asset Operating Lease	5,095	5,095	-
Other Receivable - LT	40,592	40,592	-
Interest Rate Swap - Asset	2,735,801	2,528,241	207,560

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20 (MRCC) Last Closed Month: Dec, FY2024

			Difference
Total Other LT Assets	3,176,821	2 060 561	207,260
	5,170,021	2,969,561	207,200
Total Assets	58,237,012	59,437,822	(1,200,810
iabilities			
Accounts Payable			
ntercompany Payable			
Total Intercompany Payable	455,192	234,486	220,70
Payroll Liabilities Payable			
Accrued Payroll	177,662	340,839	(163,17
California PR Taxes Payable - SDI	7	83	(7
Federal PR Taxes Payable - EE/ER FICA & Medicare	122	1,407	(1,28
California PR Taxes Payable - SIT Witholding	-	207	(20
Federal PR Taxes Payable - FIT Witholding	-	744	(74
Garnishment - Creditor	686	-	68
Garnishment - FTB	(484)	-	(48
403B Contribution/401A Match Payable	42,405	19,763	22,64
Total Payroll Liabilities Payable	220,398	363,043	(142,64
Accrued Employee Related Liabilities			
Accrued Bonus	19,747	0	19,74
Accrued Paid Time Off (PTO)	434,775	427,123	7,65
Life Insurance W/H	4,153	(0)	4,15
Accrued Medical Claims & Premiums	58,003	35,372	22,63
Accrued Dental Claims	25,119	12,707	12,41
Accrued Vision Claims	4,158	1,781	2,37
Supplemental Insurance #1	33	0	3
FSA withholdings - Navia	11,017	7,985	3,03
Accrued 401A Discretionary Incentive	48,168	-	48,16
Insurance Claims Payable			
	170 808	170,898	
Insurance Claims Payable - Workers Comp	170,898		

#### **Balance Sheet - C** 4.5.1

20 Last

(MRCC) t Closed Month: Dec, FY2024	e E		
	FY2024 Dec YTD	FY2023 Jun YTD	Difference
Current Debt & Interest Payable			
Nation Original Link Plans			
Other Current Liabilites			
Total Other Current Liabilites	121,851	91,024	30,828
Total Current Liabilities	26,211,884	26,987,330	(775,446)
lotes Payable - LT, including Interco			
Other LT Liabilities			_
let Assets			
Vithout Donor Restrictions			

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With Donor Restrictions			
Temp Restr - Cap Campaign (20);	151,698	179,198	(27,500)
Temp Restr - Charitable Care	712,944	726,045	(13,101)
Temp Restr - Employee Holiday Fund	4,906	4,906	0
Temp Restr - Wish List	20,862	20,862	-



20 (MRCC) Last Closed Month: Dec, FY2024

	FY2024	FY2023	
	Dec YTD	Jun YTD	Difference
Temp Restr - Chaplaincy	225	125	100
Temp Restr - Capital Campaign (formerly Building Fund)	150	-	150
Temp Restr- Chapel/HVAC	398,953	406,041	(7,088)
Temp Restr - Brown Bag	997,411	1,053,715	(56,304)
Temp Restr - Mobile Pantry	22,000	22,000	-
Permanently Restricted - Char Care	2,939,874	2,939,874	-
Total With Donor Restrictions	5,249,021	5,352,765	(103,743)
Total Net Assets	30,476,961	30,911,700	(434,739)
Total Liabilities and Net Assets	58,237,012	59,437,822	(1,200,810