Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

Elder Care Alliance and Subordinate Corporations

June 30, 2022 and 2021

MOSSADAMS

Table of Contents

Report of Independent Auditors

The Board of Directors
Elder Care Alliance and Subordinate Corporations

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Elder Care Alliance and Subordinate Corporations, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of Elder Care Alliance and Subordinate Corporations as of June 30, 2022 and 2021, and the results of their operations and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Elder Care Alliance and Subordinate Corporations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Elder Care Alliance and Subordinate Corporations' ability to continue as a going concern within 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 consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the 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 Elder Care Alliance and Subordinate Corporations' internal control. Accordingly, no such opinion is expressed.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elder Care Alliance and Subordinate Corporations' consolidated financial statements. The consolidating statements of financial position and the consolidating statements of activities and statements of changes in net assets information are presented for purposes of additional analysis and are not a required part of the basic 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 audit of the basic 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 auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements of financial position and the consolidating statements of activities and statements of changes in net assets information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Moss Adams LLP

San Francisco, California
October 31, 2022

Consolidated Financial Statements

Elder Care Alliance and Subordinate Corporations
Consolidated Statements of Financial Position
June 30, 2022 and 2021
(In Thousands)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 16,403	$ 20,667
Patient and resident accounts receivable, net	2,219	1,807
Pledge and other receivables	1,852	1,836
Prepaid expenses and other assets	1,110	1,065
Total current assets	21,584	25,375
INTEREST RATE SWAPS (Note 7)	1,514	-
INVESTMENTS	11,883	15,445
ASSETS LIMITED AS TO USE		
Held by mortgagee under loan agreement:		
Reserve for replacements	1,771	1,687
Escrow deposits	1,961	1,081
Externally restricted by security agreements	-	975
Restricted by donor (Note 8)	4,913	6,144
Total assets limited as to use	8,645	9,887
PROPERTY AND EQUIPMENT, net	136,133	129,651
OTHER ASSETS	362	422
Total assets	$ 180,121	$ 180,780

See accompanying notes.

(In Thousands)

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 4,265	$ 3,356
Accrued expenses and other current liabilities	4,327	5,090
Current maturities of long-term debt	25,022	2,755
Total current liabilities	33,614	11,201
LONG-TERM DEBT, net of current maturities	93,733	114,360
ASSET RETIREMENT OBLIGATIONS	-	169
Total liabilities	127,347	125,730
NET ASSETS		
Without donor restrictions	45,573	43,341
With donor restrictions	7,201	11,709
Total net assets	52,774	55,050
Total liabilities and net assets	$ 180,121	$ 180,780

See accompanying notes.

Elder Care Alliance and Subordinate Corporations
Consolidated Statements of Activities and Changes in Net Assets
Year Ended June 30, 2022
(In Thousands)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORTS			
Monthly rent	$ 30,353	$ -	$ 30,353
Net health services revenue	14,432	-	14,432
In-kind food contributions	3,687	-	3,687
Provider relief funds	777	-	777
Other resident services revenue	656	-	656
Other revenue, net	74	-	74
Net assets released from restrictions for operations	1,614	(1,614)	-
Total revenues, gains, and other support	51,593	(1,614)	49,979
EXPENSES AND LOSSES			
Salaries and benefits	27,958	-	27,958
Purchased services and other	11,993	-	11,993
Donated food	3,687	-	3,687
Supplies	3,424	-	3,424
Depreciation and amortization	5,018	-	5,018
Interest and fees	4,203	-	4,203
Total expenses and losses	56,283	-	56,283
OPERATING LOSS	(4,690)	(1,614)	(6,304)
OTHER INCOME			
Contribution revenue	420	1,600	2,020
Investment return, net of investment expenses	(2,202)	(1,056)	(3,258)
Loss on disposal of property and equipment	(300)	-	(300)
Gain from loan forgiveness	4,052	-	4,052
Unrealized gains on interest rate swaps	1,514	-	1,514
Total other income	3,484	544	4,028
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	(1,206)	(1,070)	(2,276)
NET ASSETS RELEASED FROM RESTRICTION FOR BUILDING IMPROVEMENTS AND EQUIPMENT	3,438	(3,438)	-
CHANGE IN NET ASSETS	2,232	(4,508)	(2,276)
NET ASSETS, beginning of year	43,341	11,709	55,050
NET ASSETS, end of year	$ 45,573	$ 7,201	$ 52,774

 See accompanying notes.

Elder Care Alliance and Subordinate Corporations
Consolidated Statements of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2021
(In Thousands)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORTS			
Monthly rent	$ 29,507	$ -	$ 29,507
Net health services revenue	15,352	-	15,352
In-kind food contributions	3,667	-	3,667
Provider relief funds	1,431	-	1,431
Other resident services revenue	470	-	470
Other revenue, net	16	-	16
Net assets released from restrictions for operations	1,724	(1,724)	-
Total revenues, gains, and other support	52,167	(1,724)	50,443
EXPENSES AND LOSSES			
Salaries and benefits	29,006	-	29,006
Purchased services and other	10,124	-	10,124
Donated food	3,667	-	3,667
Supplies	3,266	-	3,266
Depreciation and amortization	4,452	-	4,452
Interest and fees	4,190	-	4,190
Total expenses and losses	54,705	-	54,705
OPERATING LOSS	(2,538)	(1,724)	(4,262)
OTHER INCOME			
Contribution revenue	423	4,844	5,267
Investment return, net of investment expense	3,244	1,292	4,536
Total other income	3,667	6,136	9,803
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,129	4,412	5,541
NET ASSETS RELEASED FROM RESTRICTIONS FOR BUILDING IMPROVEMENTS AND EQUIPMENT	897	(897)	-
CHANGE IN NET ASSETS	2,026	3,515	5,541
NET ASSETS, beginning of year	41,315	8,194	49,509
NET ASSETS, end of year	$ 43,341	$ 11,709	$ 55,050

Elder Care Alliance and Subordinate Corporations
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(In Thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,276)	$ 5,541
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loss on disposal of property and equipment	301	-
Depreciation and amortization	5,018	4,452
Amortization of deferred debt issuance costs	79	79
Depletion of asset retirement obligations	(29)	(5)
Interest capitalized	(345)	(173)
Gain from loan forgiveness	(4,052)	-
Contributions restricted for buildings and equipment	(20)	(1,303)
Unrealized gains on interest rate swaps	(1,514)	-
Unrealized losses (gains) on investments	3,984	(1,471)
In-kind food contributions	3,687	(3,667)
Distribution of food received in-kind	(3,687)	3,667
Changes in operating assets and liabilities:		
Patient and resident accounts receivable	(412)	(600)
Pledge and other receivables	128	(695)
Prepaid expenses and other assets	(45)	(218)
Other assets	(84)	(40)
Accounts payable	912	510
Accrued expenses and other current liabilities	(882)	686
Asset retirement obligations	-	(416)
Net cash provided by operating activities	763	6,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments and assets limited as to use	(1,330)	(1,753)
Proceeds from sale of investments and assets limited as to use	3,113	1,988
Purchases of property and equipment	(11,455)	(12,954)
Net cash used in investing activities	(9,672)	(12,719)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in buildings and equipment	20	1,303
Payment of debt issuance costs	(87)	(157)
Proceeds from construction note payable	7,978	11,424
Principal paid on mortgage payable	(2,302)	(2,218)
Proceeds from issuance of PPP loans payable	-	4,966
Net cash provided by financing activities	5,609	15,318
CHANGES IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,300)	8,946
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	23,435	14,489
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 20,135	$ 23,435

See accompanying notes.

(In Thousands)

	2022	2021
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and cash equivalents	$ 16,403	$ 20,667
Restricted cash - reserve for replacements	1,771	1,687
Restricted cash - escrow deposits	1,961	1,081
Total cash, cash equivalents, and restricted cash, end of year	$ 20,135	$ 23,435
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 4,395	$ 4,111
Property and equipment acquisitions included in accounts payable	$ -	$ 780

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – Elder Care Alliance ("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").

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.

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.

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 residents enter 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.

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.

The following entities are California nonprofit public benefit corporations organized for the purpose of developing residential care facilities for the elderly ("RCFE") to provide residences and assistance with daily living needs for elderly persons and generate its revenues primarily from residential care fees.

They are subordinate corporations to ECA-Corporate and operate under a common management team through ECA-Corporate:

Elder Care Alliance of Camarillo ("AVC") – doing business under the name of "AlmaVia of Camarillo", operates an 85-unit RCFE with 25 units designated for dementia care in Camarillo, California.

Elder Care Alliance of San Francisco ("AVSF") – doing business under the name of "AlmaVia of San Francisco", operates a 135-unit RCFE with 41 units designated for dementia care in San Francisco, California.

Elder Care Alliance of San Rafael ("AVSR") – doing business under the name "AlmaVia of San Rafael", operates a 136-unit RCFE with 22 units designated for dementia care in San Rafael, California.

Elder Care Alliance of San Mateo (“VSM”) – doing business under the name “Villa at San Mateo”, operates a 135-unit independent living community in San Mateo, California.

Hereinafter, ECA-Corporate and its subordinate corporations are collectively referred to as “ECA.”

Basis of consolidation – The accompanying consolidated financial statements include the accounts of ECA-Corporate and its subordinate corporations: MRCC, AVC, AVSF, AVSR, and VSM. All significant transactions and accounts between the entities have been eliminated.

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 financial statements and the reported amounts of revenues and expenses during the reporting period. 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, ECA provides care to residents even though they may participate in programs that do not pay full charges, or they may lack adequate insurance or private means. ECA manages their private resources and/or collection risk by regularly reviewing their 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. Accounts receivable are due in full when billed and are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

For receivables associated with services provided to patients who have third-party coverage, ECA 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, ECA 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. The ECA’s management evaluates the need for an allowance for uncollectible contributions receivable based on various factors including an assessment of the creditworthiness of its donors, aging of the amounts due, and historical experience. As of June 30, 2021 and 2020, there was no allowance for uncollectible contributions.

Investments and investment return – Investments 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") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of 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 statements 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 internally designated by the Board of Directors for payment of workers' compensation claims, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held in escrow for payment of property taxes, property insurance, mortgage insurance premium, occupancy stabilization, debt service, collateral reserve, and reserves for replacements pursuant to the loan agreements; and assets restricted by donors.

Property and equipment, net – Property and equipment acquisitions are recorded at cost and depreciated using the straight-line method based over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. ECA 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
Buildings 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 restrictions. 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 restrictions.

Long-lived asset impairment – ECA 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 flow is expected to result from the use, and eventual disposition of the asset is 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 years ended June 30, 2022 and 2021.

Asset retirement obligations – FASB Accounting Standards Codification ("ASC") 410-20, *Asset Retirement and Environmental Obligations—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. During 2020, ECA began abatement of asbestos at MRCC and has paid approximately $748,000 in asset retirement obligations since 2019. As of June 30, 2022 and 2021, MRCC recognized approximately $0 and $169,000, respectively, of conditional asset retirement obligations included in the consolidated statements of financial position. During the years ended June 30, 2022 and 2021, there were reductions of the asset retirement obligations, which resulted in a total accretion expense for the years then ended. Depletion expense of the asset retirement obligation totaled approximately $29,000 and $5,000 for the years ended June 30, 2022 and 2021, respectively.

Professional liability insurance – ECA 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. Professional liability claims are described more fully in Note 12.

Workers' compensation insurance – ECA 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. Workers' compensation liability claims are described more fully in Note 12.

Health reimbursement arrangement – ECA 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 12.

Interest rate swaps – MRCC has entered into three interest rate swaps to manage interest rate risks on its notes 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 statements 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 statements of activities and changes in net assets.

Net assets – ECA classifies net assets as follows:

Net assets without donor restrictions – Represent resources available to support ECA's operations and donor-restricted resources that have become available for use by ECA in accordance with the intention of the donor. Certain net assets have been designated by the board for specific use in future periods. At June 30, 2022 and 2021, there are no board designated net assets without donor restrictions.

Net assets with donor restrictions – Represent contributions that are limited in use by ECA in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of ECA 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 ECA in perpetuity. Generally, the donors of these assets permit ECA to use all or part of the income earned on related investments for general or specific purposes.

Revenue recognition – ECA has assessed the predominant component of monthly lease payments for independent living, 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. ECA will therefore recognize monthly rent as lease income under ASC 840, *Leases*. ECA further determined that net health services 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 ECA 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.

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.

Other resident services revenue includes revenues from housekeeping, laundry, transportation, personal supplies, and other revenues from residents. ECA 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.

ECA 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 years ended June 30, 2022 and 2021:

	2022				
	Independent Living	Assisted Living / Memory Care	Skilled Nursing	Ancillary	Total
Monthly rent	$ 17,840	$ 12,075	$ -	$ -	$ 29,915
Net health services revenue	3,278	2,122	7,666	1,804	14,870
Other resident services revenue	-	-	-	656	656
	$ 21,118	$ 14,197	$ 7,666	$ 2,460	$ 45,441

	2021				
	Independent Living	Assisted Living	Skilled Nursing	Ancillary	Total
Monthly rent	$ 3,907	$ 25,600	$ -	$ -	$ 29,507
Net health services revenue	-	5,443	8,068	1,841	15,352
Other resident services revenue	-	-	-	470	470
	$ 3,907	$ 31,043	$ 8,068	$ 2,311	$ 45,329

Payment terms and conditions for ECA's resident contracts vary by contract type, although terms generally include payment to be made within 30 days. Monthly rental fees and assisted living 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 arrears. Other resident services revenue is generally billed monthly in arrears.

MRCC, AVC, AVSF, AVSR, and VSM have agreements with the residents at established monthly rates.

MRCC has agreements with third-party payors that provide for payments for skilled nursing at amounts different from its established rates. Net health service 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 approximately $2,587,000 and $3,684,000, respectively, for the year ended June 30, 2022, and approximately $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 – ECA 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 funded by releases from restriction for the years ended June 30, 2022 and 2021, were approximately $386,000 and $466,000, respectively.

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 with 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 and $1.67 per pound for the years ended June 30, 2022 and 2021, respectively. This valuation is based on a study conducted for Feeding America.

(Deficiency) excess of revenues over expenses – ECA 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 restriction, 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, and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets).

Income taxes – ECA-Corporate and its subordinates are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and have been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board. However, ECA-Corporate and its subordinates are subject to federal income tax on any unrelated business taxable income.

ECA-Corporate and its subordinates file tax returns in the U.S. federal and State of California jurisdictions.

Property taxes – AVC, AVSF, AVSR, VSM, and MRCC have 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 ECA. ECA's management is currently evaluating the impact of adoption on the consolidated 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. The adoption did not have a material impact on the consolidated 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. ASU 2020-07 is 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 ECA. ASU No. 2020-07 has been applied retrospectively. The adoption did not have a material impact on the consolidated financial statements.

NOTE 2 – COVID-19 PANDEMIC

ECA, 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"). ECA 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 approximately $777,000 and $1,431,000 for the years ended June 30, 2022 and 2021, respectively, and is included on the statements 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. ECA 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 Association'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 may only be used for ECA'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 loans are accounted for as debt instruments in accordance with ASC 470, *Debt* (see Note 6(F)). All the proceeds of the PPP Loan were used by ECA to pay eligible payroll costs, and ECA maintained its headcount and otherwise complied with the terms of the PPP Loan. In 2022, four of the five PPP Loans were forgiven. The full amount of the four forgiven loans and accrued interest, totaling $4,052,000 was recognized as gain from loan forgiveness. and is included on the statement of activities and changes in net (deficit) 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 consolidated financial statements. The actual impact of COVID-19 on ECA's consolidated financial statements may differ significantly from the assumptions and estimates made for the year ended June 30, 2022.

NOTE 3 – CONCENTRATION OF CREDIT RISK

ECA grants credit without collateral to its patients and residents. The mix of receivables from patients, residents, and third-party payors at June 30, 2022 and 2021, was:

	2022	2021
Medicare	21%	21%
Medi-Cal	28%	30%
Other third-party payors	26%	18%
Self pay	25%	31%
	100%	100%

Financial instruments, which could potentially subject ECA to significant concentrations of credit risk, consist primarily of investments in marketable securities. ECA, 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 ECA 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 **and 2021**, ECA's cash accounts exceeded federally insured limits by approximately $12,968,000 and $17,855,000, respectively.

NOTE 4 – INVESTMENTS, ASSETS LIMITED AS TO USE, AND INVESTMENT RETURN

Composition of investments and assets limited as to use at June 30, 2022 and 2021, are summarized in the following table (in thousands):

	2022	2021
Equities	$ 9,878	$ 13,747
Fixed income securities:		
U.S. agencies and treasuries	697	1,159
Corporate debt securities	1,847	1,472
Mortgage-backed securities	1,335	592
Mutual funds	1,934	3,374
Cash and cash equivalents:		
Money market mutual funds	764	636
Cash and cash equivalent	-	5
Certificates of deposit	341	1,579
Replacement reserve and escrow deposits held by mortgagee under loan agreement	3,732	2,768
	$ 20,528	$ 25,332

Investments and assets limited as to use reflected in the consolidated statements of financial position were as follows (in thousands):

	2022	2021
Investments	$ 11,883	$ 15,445
Assets limited as to use:		
Held by mortgagee under loan agreement:		
Reserve for replacements	1,771	1,687
Escrow deposits	1,961	1,081
Externally restricted by security agreements	-	975
Restricted by donor (Note 8)	4,913	6,144
Total assets limited as to use	8,645	9,887
	$ 20,528	$ 25,332

Total investment return at June 30, 2022 and 2021, was comprised of the following (in thousands):

	2022	2021
Investment return, net		
Interest and dividend income	$ 673	$ 617
Realized gains	184	2,588
Unrealized gains (losses)	(4,015)	1,471
Less: investment expenses	(100)	(140)
	$ (3,258)	$ 4,536

Total investment return is reflected in the consolidated statements of activities and changes in net assets as follows (in thousands):

	2022	2021
Net assets without donor restrictions		
Investment return, net of investment expenses	$ (2,202)	$ 3,244
Net assets with donor restrictions		
Investment return, net of investment expenses	(1,056)	1,292
	$ (3,258)	$ 4,536

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net included on the consolidated statements of financial position was as follows (in thousands):

	2022	2021
Land, land lease and land improvements	$ 44,439	$ 43,535
Buildings and leasehold improvements, building improvements, and building service equipment	123,128	116,238
Equipment	11,019	7,744
	178,586	167,517
Less: accumulated depreciation	(43,446)	(40,734)
Construction in progress	993	2,868
	$ 136,133	$ 129,651

Land lease includes a capitalized land lease of $8,097,501 required by the ground lease agreement with the Roman Catholic Archbishop of San Francisco. This consists of the original land lease of $4,092,477 and an extension of the land lease agreement of $4,005,024 executed on October 1, 2011. The lease expires March 2075 and has no options to extend the term of the lease. Six months prior to the end of the AVSF ground lease term, the lessor will determine whether it will accept the premises in their existing condition or require that ECA demolish the improvements and return the land to its original condition. The amounts are being amortized over the remaining lease term from the date of execution. The land lease has accumulated amortization of $2,393,000 and $2,284,000 at June 30, 2022 and 2021, respectively, and a net land lease balance at June 30, 2022 and 2021, of $5,723,000 and $5,814,000, respectively.

Land lease includes property that was purchased by AVSR from the Lutheran Synod for the purpose of constructing the AVSR facility. The Lutheran Synod has the right to repurchase the property for one dollar, ten years after full payment of the existing mortgage payable, not to exceed 60 years. The land lease is being amortized ratably over 45 years, resulting in accumulated amortization of $608,000 and $571,000 at June 30, 2022 and 2021, respectively, and a net land lease balance at June 30, 2022 and 2021, of $1,042,000 and $1,079,000, respectively.

At June 30, 2022, ECA’s construction in progress balance of $993,003 was composed primarily of renovations at MRCC and smaller projects at other campuses. The projects currently in progress are expected to be completed through 2022 with $1,242,000 additional costs to complete.

As described in Note 6, portions of the above property and equipment were pledged as collateral on ECA’s long-term debt. Interest capitalized during 2022 and 2021 was $373,000 and $173,000, respectively.

NOTE 6 – LONG-TERM DEBT

Long-term debt included on the consolidated statements of financial position were as follows (in thousands):

	2022	2021
AVC promissory note payable ("A")	$ 10,077	$ 10,343
AVSF promissory note payable ("B")	31,467	32,251
AVSR promissory note payable ("C")	26,788	27,530
VSM promissory note payable ("D")	28,715	29,224
MRCC construction note payable ("E")	22,819	14,860
PPP loans payable ("F")	957	4,966
	120,823	119,174
Less: unamortized debt issuance costs	(2,068)	(2,059)
Less: current maturities	(25,022)	(2,755)
Long-term portion of notes payable	$ 93,733	$ 114,360

(A) AVC – Held by a commercial entity, insured by the U.S. Department of Housing and Urban Development ("HUD") under Section 232 of the National Housing Act, in the original amount of $12,416,000. The mortgage matures in June 2047, payable in monthly installments of approximately $48,000 including interest at 3.0%, secured by a first lien on the AVC property. Under the terms of the note, AVC is required to maintain certain escrow deposits and reserve accounts for replacements that are included in assets limited as to use. It is also subject to restrictions on acquisition, use, and disposition of the mortgaged property and revenues derived therefrom.

(B) AVSF – Held by a commercial entity, insured by HUD under Section 232 of the National Housing Act, in the original amount of $38,485,000. The mortgage matures in November 2046, payable in monthly installments of approximately $162,000 including interest at 3.65%, secured by a first lien on the AVSF property. Under the terms of the note, AVSF is required to maintain certain escrow deposits and reserve accounts for replacements that are included in assets limited as to use. The lender required a five-year debt service escrow, which is covered by an irrevocable standby letter of credit with a financial institution in the amount of approximately $975,000, which is subject to automatic annual extensions with a final expiration of October 31, 2021. The lender requires the debt service escrows to continue to be maintained until minimum debt service coverage ratios are met. It is also subject to restrictions on acquisition, use, and disposition of the mortgaged property and revenues derived therefrom.

(C) AVSR – Held by a commercial entity, insured by HUD under Section 232 of the National Housing Act in the original amount of $32,878,000. The mortgage is payable in monthly installments of approximately $144,000, including interest at 3.6% through April 1, 2045, and is secured by a first lien on the AVSR property. Under the terms of the mortgage, AVSR is required to maintain certain escrow deposits and reserve accounts for replacements that are included in assets limited as to use. It is also subject, under the terms of the mortgage, to restrictions on acquisition, use, and disposition of the mortgaged property, and revenues derived therefrom.

(D) VSM entered into a $30,358,000 mortgage with a commercial entity in December 2016. The note bears interest at a fixed rate of 4.69%. The note requires monthly interest-only payments from February 2017 through January 2019, and monthly principal and interest payments of approximately $157,000 starting in February 2019 until the mortgage is fully paid in January 2027. The note is guaranteed by ECA-Corporate and secured by the mortgaged property.

(E) 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.

(F) ECA entered into five PPP loans totaling $4,966,000 with a financial institution on dates from February 22, 2021 through March 24, 2021. The loans accrue interest at a rate of 1%, starting 10 months and 24 weeks after the loan is distributed. The loans have an original maturity date of five 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 March 22, 2022 through April 26, 2022, unless forgiven. In 2022, four of the five PPP Loans were forgiven. The full amount of the four forgiven loans and accrued interest, totaling $4,052,000, was recognized as gain from loan forgiveness and is included on the statements of activities and changes in net assets for the year ended June 30, 2022.

Unamortized debt issuance costs of $2,068,000 and $2,059,000 at June 30, 2022 and 2021, respectively, are related to the outstanding long-term debt of ECA. The costs are amortized to interest expense over the term of the related debt.

Aggregate annual maturities of long-term debt at June 30, 2022, are as follows (in thousands):

Year Ending June 30,	
2023	$ 25,022
2024	3,058
2025	2,775
2026	2,874
2027	2,971
Thereafter	84,124
	$ 120,824

NOTE 7 – 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 (in thousands):

	Notional value	Interest rate	Date executed	Maturity date	Fair value at June 30,2022	Unrealized (loss) gain for the year ended June 30,2022
2019 Swap	$ 10,000,000	2.86%	3/26/2019	3/24/2032	$ (13)	$ (13)
2020 Swap	$ 10,000,000	1.09%	5/1/2020	3/24/2032	1,376	1,376
2020 Swap #2	$ 2,000,000	1.20%	5/4/2020	3/24/2027	151	151
					$ 1,514	$ 1,514

Note that the 2020 Swap #2 includes options to terminate early, in $500,000 increments annually from March 24, 2023 through 2025 and $355,000 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 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of donor restricted contributions and grants at June 30, 2022 and 2021, for the following purposes (in thousands):

	2022	2021
Building renovations and equipment	$ 1,315	$ 4,281
Charitable care and other	1,365	2,682
Food distribution to low income seniors	881	1,099
Endowment corpus	3,640	3,647
	$ 7,201	$ 11,709

During the years ended June 30, 2022 and 2021, approximately $5,052,000 and $2,621,000, respectively, 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 9 – ENDOWMENTS

ECA’s endowment consists of approximately eight individual funds established to support ECA’s nonprofit mission. The endowment consists of donor-restricted 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.

ECA'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, ECA 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 temporarily restricted net assets until those amounts are appropriated for expenditure by ECA in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, ECA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of ECA 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 ECA
- Investment policies of ECA

The composition of net assets for the endowment fund at June 30, 2022 and 2021, were as follows (in thousands):

	2022		
	Available for Release	Corpus	Total
Donor-restricted endowment funds	$ 1,266	$ 3,647	$ 4,913

	2021		
	Available for Release	Corpus	Total
Donor-restricted endowment funds	$ 2,497	$ 3,647	$ 6,144

Changes in endowment net assets for the years ended June 30, 2022 and 2021, were as follows (in thousands):

	2022		
	Available for Release	Corpus	Total
Endowment net assets, beginning of year	$ 2,497	$ 3,647	$ 6,144
Investment return, net			
Investment loss	(1,001)	-	(1,001)
Net apppreciation	91	-	91
Less: investment manager expense	(55)	-	(55)
Total investment return	(965)	-	(965)
Appropriation of endowment assets for expenditure	(266)	-	(266)
Endowment net assets, end of year	$ 1,266	$ 3,647	$ 4,913

	2021		
	Available for Release	Corpus	Total
Endowment net assets, beginning of year	$ 1,320	$ 3,647	$ 4,967
Investment return, net			
Investment gain	1,417	-	1,417
Net appreciation	198	-	198
Less: investment manager expense	(112)	-	(112)
Total investment return	1,503	-	1,503
Appropriation of endowment assets for expenditure	(326)	-	(326)
Endowment net assets, end of year	$ 2,497	$ 3,647	$ 6,144

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, 2022 and 2021.

ECA 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 ECA must hold in perpetuity or for donor-specified periods. ECA 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, ECA 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). ECA 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.

ECA 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, ECA considered the long-term expected return on its endowment. This is consistent with ECA'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 10 – 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 and 2021, comprise the following (in thousands):

	2022	2021
Cash and cash equivalents	$ 16,403	$ 20,667
Patient and resident accounts receivable, net	2,219	1,807
Investments	11,883	15,445
	$ 30,505	$ 37,919

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. ECA 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 11 – FUNCTIONAL EXPENSES

The expenses for providing residential and assisted living services activities of ECA 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 years ended June 30, 2022 and 2021, were as follows:

	2022						
	Residential Services	Assisted Living / Memory Care	Skilled Nursing	Brown Bag Program	Fundraising	General and Administrative	Total
Salaries and benefits	$ 10,923	$ 9,177	$ 3,732	$ 525	$ 225	$ 3,376	$ 27,958
Purchased services and other	671	6,541	2,171	80	49	2,481	11,993
Donated food	-	-	-	3,687	-	-	3,687
Supplies	6	2,164	813	406	6	29	3,424
Depreciation and amortization	4,940	-	-	-	-	78	5,018
Interest and fees	-	-	-	-	-	4,203	4,203
	$ 16,540	$ 17,882	$ 6,716	$ 4,698	$ 280	$ 10,167	$ 56,283

	2021						
	Residential Services	Assisted Living / Memory Care	Skilled Nursing	Brown Bag Program	Fundraising	General and Administrative	Total
Salaries and benefits	$ 5,917	$ 12,360	$ 4,932	$ 463	$ 310	$ 5,024	$ 29,006
Purchased services and other	3,066	2,390	1,742	86	21	2,819	10,124
Donated food	-	-	-	3,667	-	-	3,667
Supplies	230	1,806	771	383	6	70	3,266
Depreciation and amortization	4,413	-	-	-	-	39	4,452
Interest and fees	-	-	-	-	-	4,190	4,190
	$ 13,626	$ 16,556	$ 7,445	$ 4,599	$ 337	$ 12,142	$ 54,705

NOTE 12 – PROFESSIONAL, WORKERS' COMPENSATION, AND HEALTH REIMBURSEMENT ARRANGEMENT LIABILITY CLAIMS

Professional liability claims – ECA 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 healthcare provider to accrue reported and unreported incidents, if any, occurring during the year by estimating the probable ultimate costs of the incidents. Based upon ECA'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 – ECA is insured for workers' compensation claims under a fully-insured policy. There is no deductible under this policy, as all claims are handled by the carrier from the first dollar. Prior to the enactment of the fully-insured policy on July 1, 2014, ECA was insured for workers' compensation claims under a claims-made policy with a $250,000 deductible for each claim. Claims incurred under the former policy continue to be processed and the accrual for these costs includes the unpaid portion of claims that have been reported and estimates of amounts for claims that have been incurred but not reported, and is included in accrued expenses in the consolidated statements of financial position. Management recognizes an estimated liability based upon the historical claims experience within stop-loss coverage limits. Workers' compensation claims liabilities included in accrued expense and other on the statements of financial position were $828,000 and $591,000 at June 30, 2022 and 2021, respectively. Insurance recovery receivables included in other receivables on the statements of financial position were $614,000 and $287,000 at June 30, 2022 and 2021, respectively.

Health reimbursement arrangement – ECA purchases a high deductible health and dental insurance plan for ECA employees on a calendar year basis. ECA has a commitment to fund $3,500 per employee to a health savings account, which was increased to $5,500 per employee on July 1, 2021. ECA estimates the remaining utilization of the health reimburse arrangement based on historical experience of claims paid from the ECA employee's health savings account. The remaining estimated health reimbursement accrued expense is included in accrued expenses and other current liabilities in the accompanying statements of financial position was approximately $209,000 and $327,000 at June 30, 2022 and 2021, respectively.

NOTE 13 – RETIREMENT PLANS

ECA-Corporate sponsors a defined contribution plan, in which ECA-Corporate and subordinate company employees can participate. Additionally, ECA-Corporate and subordinate companies have adopted incentive plan that covers all employees, respectively. Employees are eligible for participation in the defined contribution plan at the date of hire and ECA 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, ECA-corporate and subordinate company employees are eligible for the incentive plan after the completion of one year of service each respective company contributes a discretionary amount of their employees' salary. For the years ended June 30, 2022 and 2021, none of the companies contributed to the incentive plan. During the years ended June 30, 2022 and 2021, ECA-Corporate and subordinate companies collectively contributed a total of $321,000 and $344,000, respectively, to the defined contribution plan on behalf of their respective employee participants.

NOTE 14 – CONTINUING CARE RESERVE REQUIREMENT

The State of California Health 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 2021, and was exempt from the refund reserve requirement at June 30, 2022 and 2021.

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 progress (see Note 5), 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 active 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements 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 years ended June 30, 2022 and 2021.

Investments – Where quoted market 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. ECA 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 consolidated statements 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 and 2021 (in thousands):

	2022			
	Fair Value	Level 1	Level 2	Level 3
Equities	$ 9,878	$ 9,878	$ -	$ -
Fixed income securities:				
U.S. agencies and treasuries	697	697	-	-
Corporate debt securities	1,847	-	1,847	-
Mortgage-backed securities	1,335	1,335	-	-
Mutual funds	1,934	1,934	-	-
Money market mutual funds	764	764	-	-
Certificates of deposit	341	-	341	-
Cash and cash equivalents	-	-	-	-
	$ 16,796	$ 14,608	$ 2,188	$ -
Investments	$ 11,883			
Assets limited as to use:				
Internally designated	-			
Externally restricted by security agreement	-			
Restricted by donor (Note 8)	4,913			
	$ 16,796			
Interest rate swaps	$ 1,514,203	$ -	$ 1,514,203	$ -

	2021			
	Fair Value	Level 1	Level 2	Level 3
Equities	$ 13,747	$ 13,747	$ -	$ -
Fixed income securities:				
U.S. agencies and treasuries	1,159	1,159	-	-
Corporate debt securities	1,472	-	1,472	-
Mortgage-backed securities	592	592	-	-
Mutual funds	3,374	3,374	-	-
Money market mutual funds	636	636	-	-
Certificates of deposit	1,579	-	1,579	-
Cash and cash equivalents	5	5	-	-
	$ 22,564	$ 19,513	$ 3,051	$ -

Investments	$ 15,445
Assets limited as to use:	
Internally designated	-
Externally restricted by security agreement	975
Restricted by donor (Note 8)	6,144
	$ 22,564

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 ECA 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, ECA is, from time to time, subject to allegations that may or do result in litigation. ECA 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 – ECA 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 consolidated statements 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 statements of financial position.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before consolidated financial statements are available to be issued. ECA recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of consolidated financial position, including the estimates inherent in the process of preparing the consolidated financial statements. ECA's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the consolidated statement of financial position date and before consolidated 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 Note 6.

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

Supplementary Information

Elder Care Alliance and Subordinate Corporations
Consolidating Statements of Financial Position
June 30, 2022
(In Thousands)

	ECA - Corporate	Mercy Retirement and Care Center	AlmaVia of Camarillo	AlmaVia of San Francisco	AlmaVia of San Rafael	Villa at San Mateo	Eliminations	Total Consolidated
CURRENT ASSETS								
Cash and cash equivalents	$ 3,654	$ 5,427	$ 1,690	$ 1,181	$ 3,170	$ 1,281	$ -	$ 16,403
Patient and resident accounts receivable, net	-	1,983	37	84	82	33	-	2,219
Due from related parties	1,696	-	-	-	-	-	(1,696)	-
Pledge and other receivables	64	559	156	731	229	113	-	1,852
Prepaid expenses and other assets	507	218	27	104	126	128	-	1,110
Total current assets	5,921	8,187	1,910	2,100	3,607	1,555	(1,696)	21,584
INTEREST RATE SWAPS (Note 7)	-	1,514	-	-	-	-	-	1,514
INVESTMENTS	3,756	7,017	-	-	1,110	-	-	11,883
ASSETS LIMITED AS TO USE								
Held by mortgagee under loan agreement								
Reserve for replacements	-	-	637	592	542	-	-	1,771
Escrow deposits	-	-	126	1,086	605	144	-	1,961
Restricted by donor (Note 8)	1,265	3,253	-	-	395	-	-	4,913
Total assets limited as to use	1,265	3,253	763	1,678	1,542	144	-	8,645
PROPERTY AND EQUIPMENT, net	750	40,203	8,833	21,588	17,647	47,112	-	136,133
OTHER ASSETS								
Related party note receivable	7,922	-	-	-	-	-	(7,922)	-
Other assets	17,095	-	10	-	40	-	(16,783)	362
Total other assets	30,788	51,987	9,606	23,266	20,339	47,256	(24,705)	158,537
Total assets	$ 36,709	$ 60,174	$ 11,516	$ 25,366	$ 23,946	$ 48,811	$ (26,401)	$ 180,121

Elder Care Alliance and Subordinate Corporation
Consolidating Statements of Financial Position (Continued)
June 30, 2022
(In Thousands)

	ECA - Corporate	Mercy Retirement and Care Center	AlmaVia of Camarillo	AlmaVia of San Francisco	AlmaVia of San Rafael	Villa at San Mateo	Eliminations	Total Consolidated
CURRENT LIABILITIES								
Accounts payable	$ 368	$ 2,429	$ 82	$ 1,045	$ 190	$ 152	$ (1)	$ 4,265
Accrued expenses and other current liabilities	797	1,082	484	711	757	496	-	4,327
Current maturities of long-term debt	-	22,939	275	814	961	533	(500)	25,022
Due to related parties	-	333	247	204	314	26	(1,124)	-
Total current liabilities	1,165	26,783	1,088	2,774	2,222	1,207	(1,625)	33,614
DUE TO RELATED PARTIES	-	-	-	1,092	-	-	(1,092)	-
RELATED PARTY NOTE PAYABLE	-	1,500	1,519	3,882	-	-	(6,901)	-
LONG-TERM DEBT, net of current maturities	-	-	9,463	29,634	26,567	28,069	-	93,733
Total liabilities	1,165	28,283	12,070	37,382	28,789	29,276	(9,618)	127,347
NET ASSETS								
Without donor restrictions	34,268	26,417	(566)	(12,064)	(5,234)	19,535	(16,783)	45,573
With donor restrictions	1,276	5,474	12	48	391	-	-	7,201
Total net assets	35,544	31,891	(554)	(12,016)	(4,843)	19,535	(16,783)	52,774
Total liabilities and net assets	$ 36,709	$ 60,174	$ 11,516	$ 25,366	$ 23,946	$ 48,811	$ (26,401)	$ 180,121

(In Thousands)

	ECA - Corporate	Mercy Retirement and Care Center	AlmaVia of Camarillo	AlmaVia of San Francisco	AlmaVia of San Rafael	Villa at San Mateo	Eliminations	Total Consolidated
CURRENT ASSETS								
Cash and cash equivalents	$ 2,864	$ 8,556	$ 1,651	$ 2,798	$ 3,615	$ 1,183	$ -	$ 20,667
Patient and resident accounts receivable, net	-	1,610	19	99	60	19	-	1,807
Due from related parties	3,571	-	-	-	-	-	(3,571)	-
Pledge and other receivables	113	1,517	71	-	133	2	-	1,836
Prepaid expenses and other assets	879	31	2	73	76	4	-	1,065
Total current assets	7,427	11,714	1,743	2,970	3,884	1,208	(3,571)	25,375
INVESTMENTS	5,826	8,487	-	-	1,132	-	-	15,445
ASSETS LIMITED AS TO USE								
Internally designated	-	-	-	-	-	-	-	-
Held by mortgagee under loan agreement								
Reserve for replacements	-	-	586	545	505	51	-	1,687
Escrow deposits	-	-	200	230	494	157	-	1,081
Externally restricted by security agreements	975	-	-	-	-	-	-	975
Restricted by donor (Note 8)	1,560	3,891	-	-	693	-	-	6,144
Total assets limited as to use	2,535	3,891	786	775	1,692	208	-	9,887
PROPERTY AND EQUIPMENT, net	209	32,045	9,148	22,393	18,355	47,501	-	129,651
OTHER ASSETS								
Related party note receivable	6,003	-	-	-	-	-	(6,003)	-
Other assets	17,095	60	10	-	40	-	(16,783)	422
Total other assets	23,098	60	10	-	40	-	(22,786)	422
Total assets	$ 39,095	$ 56,197	$ 11,687	$ 26,138	$ 25,103	$ 48,917	$ (26,357)	$ 180,780

(In Thousands)

	ECA - Corporate	Mercy Retirement and Care Center	AlmaVia of Camarillo	AlmaVia of San Francisco	AlmaVia of San Rafael	Villa at San Mateo	Eliminations	Total Consolidated
CURRENT LIABILITIES								
Accounts payable	$ 882	$ 1,789	$ 134	$ 129	$ 245	$ 177	$ -	$ 3,356
Accrued expenses and other current liabilities	967	1,487	524	856	904	352	-	5,090
Current maturities of long-term debt	32	292	295	840	791	505	-	2,755
Due to related parties	-	2,102	324	291	317	27	(3,061)	-
Total current liabilities	1,881	5,670	1,277	2,116	2,257	1,061	(3,061)	11,201
DUE TO RELATED PARTIES	-	-	-	1,112	-	-	(1,112)	-
RELATED PARTY NOTE PAYABLE	-	-	1,519	3,882	-	-	(5,401)	-
LONG-TERM DEBT, net of current maturities	455	16,042	10,267	31,500	27,513	28,583	-	114,360
ASSET RETIREMENT OBLIGATIONS	-	169	-	-	-	-	-	169
Total liabilities	2,336	21,881	13,063	38,610	29,770	29,644	(9,574)	125,730
NET ASSETS								
Without donor restrictions	35,168	25,018	(1,387)	(12,588)	(5,360)	19,273	(16,783)	43,341
With donor restrictions	1,591	9,298	11	116	693	-	-	11,709
Total net assets	36,759	34,316	(1,376)	(12,472)	(4,667)	19,273	(16,783)	55,050
Total liabilities and net assets	$ 39,095	$ 56,197	$ 11,687	$ 26,138	$ 25,103	$ 48,917	$ (26,357)	$ 180,780

Elder Care Alliance and Subordinate Corporation
Consolidating Statements of Activities Information
June 30, 2022
(In Thousands)

	ECA - Corporate	Mercy Retirement and Care Center	AlmaVia of Camarillo	AlmaVia of San Francisco	AlmaVia of San Rafael	Villa at San Mateo	Eliminations	Total Consolidated
REVENUES, GAINS, AND OTHER SUPPORT								
Monthly rent	$ -	$ 4,329	$ 4,681	$ 8,528	$ 8,394	$ 4,421	$ -	$ 30,353
Net health services revenue	397	9,676	1,027	1,757	1,575	-	-	14,432
In-kind food contributions	-	3,687	-	-	-	-	-	3,687
Provider relief funds	-	151	235	211	180	-	-	777
Other resident services revenue	-	39	74	299	243	1	-	656
Other revenue, net	3,254	-	24	36	5	5	(3,250)	74
Net assets released from restrictions for operations	25	1,153	16	224	196	-	-	1,614
Total revenues, gains, and other support	3,676	19,035	6,057	11,055	10,593	4,427	(3,250)	51,593
EXPENSES AND LOSSES								
Salaries and benefits	4,133	9,925	3,012	5,798	4,564	526	-	27,958
Purchased services and other	259	4,458	1,280	2,298	2,418	1,280	-	11,993
Donated food	-	3,687	-	-	-	-	-	3,687
Supplies	16	1,868	368	587	580	5	-	3,424
Depreciation and amortization	78	1,734	417	939	1,041	809	-	5,018
Interest and fees	3	113	366	1,329	993	1,399	-	4,203
Management fee	-	1,222	430	777	677	111	(3,217)	-
Intercompany expense	-	33	-	-	-	-	(33)	-
Total expenses and losses	4,489	23,040	5,873	11,728	10,273	4,130	(3,250)	56,283
OPERATING (LOSS) INCOME	(813)	(4,005)	184	(673)	320	297	-	(4,690)
OTHER INCOME								
Contribution revenue	(37)	264	61	75	57	-	-	420
Investment return, net of investment expenses	(542)	(1,464)	2	-	(198)	-	-	(2,202)
Loss on disposal of property and equipment	-	(203)	(4)	(5)	(53)	(35)	-	(300)
Gain from loan forgiveness	492	1,855	578	1,127	-	-	-	4,052
Unrealized gains on interest rate swaps	-	1,514	-	-	-	-	-	1,514
Total other income	(87)	1,966	637	1,197	(194)	(35)	-	3,484
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	$ (900)	$ (2,039)	$ 821	$ 524	$ 126	$ 262	$ -	$ (1,206)

Elder Care Alliance and Subordinate Corporation
Consolidating Statements of Activities Information (Continued)
June 30, 2021
(In Thousands)

	ECA - Corporate	Mercy Retirement and Care Center	AlmaVia of Camarillo	AlmaVia of San Francisco	AlmaVia of San Rafael	Villa at San Mateo	Eliminations	Total Consolidated
REVENUES, GAINS, AND OTHER SUPPORT								
Monthly rent	$ -	4,209	$ 4,485	$ 8,352	$ 8,554	$ 3,907	$ -	$ 29,507
Net health services revenue	378	10,426	964	1,634	1,584	366	-	15,352
In-kind food contributions	-	3,667	-	-	-	-	-	3,667
Provider relief funds	-	422	246	324	439	-	-	1,431
Other resident services revenue	-	17	17	236	200	-	-	470
Other revenue, net	3,018	-	-	-	-	14	(3,016)	16
Net assets released from restriction	223	1,108	20	169	204	-	-	1,724
Total revenues, gains, and other support	3,619	19,849	5,732	10,715	10,981	4,287	(3,016)	52,167
EXPENSES AND LOSSES								
Salaries and benefits	4,476	10,041	3,079	5,839	5,052	519	-	29,006
Purchased services and other	(292)	4,163	1,235	1,809	2,092	1,117	-	10,124
Donated food	-	3,667	-	-	-	-	-	3,667
Supplies	19	1,676	365	565	631	10	-	3,266
Depreciation and amortization	38	1,315	438	945	1,049	667	-	4,452
Interest and fees	2	5	381	1,368	1,011	1,423	-	4,190
Management fee	-	1,140	371	685	703	107	(3,006)	-
Intercompany expense	-	10	-	-	-	-	(10)	-
Total expenses and losses	4,243	22,017	5,869	11,211	10,538	3,843	(3,016)	54,705
OPERATING (LOSS) INCOME	(624)	(2,168)	(137)	(496)	443	444	-	(2,538)
OTHER INCOME								
Contribution revenue	319	104	-	-	-	-	-	423
Investment return, net of investment expenses	1,020	2,026	-	-	198	-	-	3,244
Total income	1,339	2,130	-	-	198	-	-	3,667
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 715	$ (38)	$ (137)	$ (496)	$ 641	$ 444	$ -	$ 1,129

Elder Care Alliance and Subordinate Corporation
Consolidating Statement of Changes in Net Assets
June 30, 2022
(In Thousands)

	ECA - Corporate		Mercy Retirement and Care Center		AlmaVia of Camarillo		AlmaVia of San Francisco	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions
BALANCE, July 1, 2021	$ 35,168	$ 1,591	$ 25,018	$ 9,298	$ (1,387)	$ 11	$ (12,588)	$ 116
Excess (deficiency) of revenues over expenses	(900)	-	(2,039)	-	821	-	524	-
Net assets released from restriction for building improvements and equipment	-	-	3,438	(3,438)	-	-	-	-
Donor-restricted contribution revenue	-	5	-	1,406	-	17	-	156
Investment return, net of investment expenses	-	(295)	-	(639)	-	-	-	-
Net assets released from restriction for operations	-	(25)	-	(1,153)	-	(16)	-	(224)
BALANCE, June 30, 2022	$ 34,268	$ 1,276	$ 26,417	$ 5,474	$ (566)	$ 12	$ (12,064)	$ 48

	AlmaVia of San Rafael		Villa at San Mateo		Elimination		Total Consolidated	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions
BALANCE, July 1, 2021	$ (5,360)	$ 693	$ 19,273	$ -	$ (16,783)	$ -	$ 43,341	$ 11,709
Excess (deficiency) of revenues over expenses	126	-	262	-	-	-	(1,206)	-
Net assets released from restriction for building improvements and equipment	-	-	-	-	-	-	3,438	(3,438)
Donor-restricted contribution revenue	-	16	-	-	-	-	-	1,600
Investment return, net of investment expenses	-	(122)	-	-	-	-	-	(1,056)
Net assets released from restriction for operations	-	(196)	-	-	-	-	-	(1,614)
BALANCE, June 30, 2022	$ (5,234)	$ 391	$ 19,535	$ -	$ (16,783)	$ -	$ 45,573	$ 7,201

Elder Care Alliance and Subordinate Corporations
Consolidating Statement of Changes of Net Assets (Continued)
June 30, 2021
(In Thousands)

	ECA - Corporate		Mercy Retirement and Care Center		AlmaVia of Camarillo		AlmaVia of San Francisco	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions
BALANCE, July 1, 2020	$ 34,453	$ 1,268	$ 24,159	$ 6,162	$ (1,250)	$ 14	$ (12,092)	$ 51
Excess (deficiency) of revenues over expenses	715	-	(38)	-	(137)	-	(496)	-
Net assets released from restriction for building improvements and equipment	-	-	897	(897)	-	-	-	-
Donor-restricted contribution revenue	-	222	-	4,351	-	17	-	234
Investment return, net of investment expenses	-	324	-	790	-	-	-	-
Net assets released from restriction for operations	-	(223)	-	(1,108)	-	(20)	-	(169)
BALANCE, June 30, 2021	$ 35,168	$ 1,591	$ 25,018	$ 9,298	$ (1,387)	$ 11	$ (12,588)	$ 116

	AlmaVia of San Rafael		Villa at San Mateo		Elimination		Total Consolidated	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions
BALANCE, July 1, 2020	$ (6,001)	$ 699	$ 18,829	$ -	$ (16,783)	$ -	$ 41,315	$ 8,194
Excess (deficiency) of revenues over expenses	641	-	444	-	-	-	1,129	-
Net assets released from restriction for building improvements and equipment	-	-	-	-	-	-	897	(897)
Donor-restricted contribution revenue	-	20	-	-	-	-	-	4,844
Investment return, net of investment expenses	-	178	-	-	-	-	-	1,292
Net assets released from restriction for operations	-	(204)	-	-	-	-	-	(1,724)
BALANCE, June 30, 2021	$ (5,360)	$ 693	$ 19,273	$ -	$ (16,783)	$ -	$ 43,341	$ 11,709

MOSSADAMS