SIERRA VIEW HOMES

Consolidated Financial Statements

December 31, 2021

(With Independent Auditors' Report Thereon)

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HKG LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sierra View Homes
Reedley, California

Opinion

We have audited the accompanying consolidated financial statements of Sierra View Homes (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively "the financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sierra View Homes as of December 31, 2021, 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. 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 Sierra View Homes 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.

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 about the Organization's 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 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 generally accepted 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.

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INDEPENDENT AUDITORS' REPORT
(continued)

In performing an audit in accordance with generally accepted 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 the Organization'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 the Organization'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.

HRG, LLP

Pasadena, California
April 22, 2022

SIERRA VIEW HOMES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current assets		
Cash and cash equivalents	$	674,088
Accounts receivable, net of doubtful collections of $224,900		1,939,987
Loan to Bethel Lutheran Home		57,581
Prepaid expenses		62,582
Marketable short-term investments		1,783,372
Restricted assets, certificate of debt trust agreement, current portion		312,857
Total current assets		4,830,467
Property and equipment		
Land, builldings and improvements		21,960,126
Equipment, furniture and fixtures		2,775,053
Transportation equipment		137,664
		24,872,843
Less accumulated depreciation		(11,080,080)
Total property and equipment, net		13,792,763
Other assets		
Restricted assets, certificate of debt trust agreement, net of current portion		376,009
Investments in captive insurance companies		122,084
Total other assets		498,093
Total assets	$	19,121,323

The accompanying notes are an integral part of this statement

SIERRA VIEW HOMES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(continued)

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 179,253
Wages and related benefits payable	304,249
Interest payable	115,486
Current portion of long-term debt	480,811
Total current liabilities	1,079,799
Long-term liabilities	
Other accrued liabilities	2,336
Deferred revenue from advance care fees	266,388
Long-term debt	
2016 certificate debt - Series A	9,750,000
2016 certificate debt - Series B, net of current portion	260,000
California Health Facilities Financing Authority, net of current portion	747,291
Certificate debt issuance premium, net of accumulated amortization	413,970
Certificate debt issuance costs, net of accumulated amortization	(386,947)
Total long-term debt	10,784,314
Total long-term liabilities	11,053,038
Total liabilities	12,132,837
Net assets	
Without donor restrictions	6,988,486
Total liabilities and net assets	$ 19,121,323

The accompanying notes are an integral part of this statement

SIERRA VIEW HOMES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Revenues without donor restrictions	
Skilled nursing services	$ 4,805,468
Assisted and independing living revenue	3,616,529
Other operating revneue	148,557
Investment income	192,444
Charitable contributions	55,796
Total revenues	8,818,794
Expenses	
Program services	8,991,298
Management and general	1,084,206
Total expenses	10,075,504
Change in net assets from operations	(1,256,710)
Other income (expenses)	
Other income - SBA PPP loan (Note 6)	1,112,607
Other income - HHS provider relief fund	198,132
Provision for doubtful accounts	(177,322)
Total other income	1,133,417
Change in net assets	(123,293)
Net assets - beginning of year	7,111,779
Net assets - end of year	$ 6,988,486

The accompanying notes are an integral part of this statement

SIERRA VIEW HOMES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Support Services - Management and General	
	Skilled Nursing	Assisted and Independent Living	Total		Total
Salaries, wages and related employee expenses	$ 3,817,331	$ 2,217,408	$ 6,034,739	$ 420,036	$ 6,454,775
Depreciation	209,953	487,349	697,302	-	697,302
Dietary food and supplies	208,093	225,433	433,526	-	433,526
Insurance and property taxes	126,592	53,828	180,420	-	180,420
Interest	85,911	285,188	371,099	-	371,099
Licenses	-	218	218	108,522	108,740
Medical therapists, consultants and related expenses	531,401	-	531,401	-	531,401
Office and other operating expenses	-	41,104	41,104	113,886	154,990
Outside service providers	46,741	125,468	172,209	403,865	576,074
Repairs and maintenance	31,723	-	31,723	-	31,723
Supplies	134,774	97,044	231,818	21,323	253,141
Telephone and utilities	124,085	141,654	265,739	16,574	282,313
Total functional expenses	$ 5,316,604	$ 3,674,694	$ 8,991,298	$ 1,084,206	$ 10,075,504
% of total functional expenses	53%	36%	89%	11%	100%

SIERRA VIEW HOMES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash flows provided by (used for) operating activities:		
Cash received from patients and residents	$	8,019,700
Cash paid to suppliers and employees		(9,015,181)
Interest paid		(374,962)
Cash received from payroll protection and provider relief programs		1,310,739
Cash received from other operating revenue		148,557
Investment income received		99,636
Charitable contributions received in cash		55,796
Net cash provided by operating activities		244,285
Cash flows provided by (used for) investing activities:		
Property and equipment purchases		(313,746)
Payments received from loan to Bethel Lutheran Home		58,934
Purchase and maturity of investments		(217,908)
Net cash used for investing activities		(472,720)
Cash flows used for financing activities:		
Principal payments on long-term debt		(471,553)
Net cash used for financing activities		(471,553)
Net decrease in cash and restricted cash		(699,988)
Cash and restricted cash at beginning of year		2,062,942
Cash and restricted cash at end of year	$	1,362,954
Cash and restricted cash as shown on the statement of financial position:		
Cash	$	674,088
Restricted assets, certificate debt trust agreement, current portion		312,857
Restricted assets, certificate debt trust agreement, net of current portion		376,009
Cash and restricted cash at end of year	$	1,362,954

The accompanying notes are an integral part of this statement

1. NATURE OF OPERATIONS

Organization and consolidation

Sierra View Homes, along with its wholly-owned subsidiary Sierra View Residences, LLC, are not-for-profit California entities (the Organization) providing care for the elderly. The Organization owns and operates a skilled nursing facility with 59 licensed beds, an independent living facility with 115 apartments (operated by Sierra View Residences, LLC), and a residential care (assisted living) facility with 78 licensed beds, all located in Reedley, California. All significant transactions between these entities have been eliminated in the financial statements.

Continuing care retirement community (CCRC)

The Organization is licensed as a CCRC for its assisted living and skilled nursing facilities. It is contractually obligated to provide care in assisted living and skilled nursing to those current independent living residents who join the CCRC and pay an advance care fee. As of December 31, 2021, the care fee to be paid in advance is $3,000.

Upon entry into the assisted living or skilled nursing facilities, the advance care fee is applied as a payment against the service fees and recognized as revenue at that time. The resident then pays regular service fees while under care.

The advance care fee is treated as a liability (deferred revenue) at the time received. The advance care fee entitles a resident to receive services in the future. However, this advance care fee is not a payment for lifetime care. Consequently, the Organization does not incur a liability related to an obligation to provide future services to residents. (That is, it expects regular service fees for these residents to exceed costs of care.)

For those who leave the facility without using the assisted living or skilled nursing facilities, the advance care fee is recognized as revenue at the time when they leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

The financial statement presentation is in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, Not-for-Profit Entities, as amended by Accounting Standards Update (ASU) 2016-14. Under FASB ASC 958, as amended, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions. Donor restrictions may result in temporarily restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in permanently restricted net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization’s actions. At December 31, 2021, the Organization does not have any permanently restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash also includes restricted cash.

Uninsured Cash Balances

The Organization maintains its cash balances at financial institutions, which may periodically exceed federally insured limits. The Organization does not consider the risk of loss to be material.

Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Customers (“ASC 606”). In accordance with ASC 606, the Organization recognizes revenue when the services are provided to the recipient in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The standard outlines a five-step model whereby revenue is recognized when performance obligations within a contract are satisfied.

The Organization performed an analysis of all applicable revenue streams, per the authoritative guidance, using FASB ASU 2018-08, “Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)” to distinguish contributions (nonreciprocal transactions) within the scope of FASB ASC 958, from exchange (reciprocal transactions) subject to ASC 606. Accordingly, the Organization has identified certain revenues from skilled nursing and assisted and independent living as exchange transactions subject to ASC 606. The Organization recognizes revenue for these services at the point in time in which these treatments and services are provided, which coincides with the satisfaction of the related performance obligation.

Revenue is reported in the period services are provided by the Organization. A brief description about resident revenue follows:

Skilled nursing revenue:
These are services provided to those individuals not able to care for themselves. Payments from these services come from Medi-Cal (State of California), Medicare (Federal government), and private pay (including insurance). Medi-Cal uses a set daily rate to reimburse the organization. Medicare reimburses for the type of care provided. As a result, the amounts for different types of Medicare services may vary. Private pay uses a set daily rate and includes some additional amounts for prescriptions and other services not included in the set daily rate.

Medi-Cal and Medicare have complex laws and regulations covering their respective programs. In some cases, retroactive adjustments by these agencies occur, including from audits of cost reports. Where possible, those adjustments are recorded when known, or recorded in the future when final settlements are made.

Assisted and independent living revenue:
Assisted living relates to residents who need some care but are mobile and do not need constant care or attention by Organization staff. Independent living revenue is from monthly rents of apartments. These residents can live on their own.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

The Organization bills and records revenue monthly, including any discounts from stated rates, in the month services are provided. This includes reductions for residents not using a full month of services. Payments are due when amounts are billed.

Disaggregation of revenue: below is detail of revenue by resident payor. The Organization believes resident payor detail best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors:

	Skilled Nursing	Assisted and Independent Living	Total
Medi-Cal	$ 2,141,426	$ -	$ 2,141,426
Medicare	1,729,843	-	1,729,843
Private and insurance	934,199	3,616,529	4,550,728
Total revenue from residents	$ 4,805,468	$ 3,616,529	$ 8,421,997

The December 31, 2020 statement of financial position items related to the transactions with residents are as follows:

Accounts receivable, net of $392,030 for doubtful collections (an asset)	$ 1,685,666
Deferred revenue from advance care fees (a liability)	$ 237,042

Contributions and gifts are not a significant source of revenue for the Organization.

Accounts Receivable, net

Accounts receivable are stated at their estimated collectible amount. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for bad debt based on an assessment of the current status of individual accounts. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. Management believes that some accounts receivables may not be collectible, and as a result, the Organization has recorded an allowance for $224,900 at December 31, 2021.

Investments

Investments are reported at fair value. Interest and dividend income are recorded when earned, on the ex-dividend date. Investment gains and losses are recorded based on the trade date. Investment income is reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation if purchased. If donated they are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight line method, over the estimated useful lives of the respective assets. Property and equipment are depreciated over a period between 5 and 45 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Maintenance and repairs are charged to expense when incurred. Betterments and improvements are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in revenue.

Depreciation expense for the year ended December 31, 2021 was $697,302.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using various methods.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization follows the provisions of FASB ASC *Accounting for Uncertainty in Income Taxes*, which prescribes a minimum recognition threshold and measurement methodology for tax positions taken, or expected to be taken, in a tax return prior to recognition in the financial statements. The standard also provides guidance for derecognition, classification, interest and penalties, and accounting in interim periods and disclosure.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, and California Revenue and Taxation Code Section 23701d. Accordingly, a provision for income taxes is not included in the financial statements. The Organization believes that it has appropriate support for the positions taken on its tax returns and the exempt status would be sustained on examination.

The Organization classifies interest and penalties on underpayments of income tax (unrelated business income tax), if applicable, as interest expense and penalties, respectively, both of which would be included in general and administrative expenses. The Organization did not incur any penalties and interest in the current year.

The Organization files tax returns in the United States federal and California state jurisdictions.

Recent Accounting Pronouncements

In February 2016, the FASB issued updated guidance on leases. The new standard requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. A modified retrospective approach should be applied for leases existing at the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for annual and interim periods beginning after December 15, 2021, and early adoption is permitted. The Organization does not believe the adoption of this pronouncement will have a material impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued updated guidance on contributed nonfinancial assets (gifts-in-kind). The new standard requires not-for-profit entities to present gifts-in-kind on a separate line item in the statement of activities, and to disclose a disaggregation by category that depicts the type of gifts-in-kind. For each category, it is also required to disclose how the assets are used or monetized, including any associated donor or grant restrictions, and how they are valued. A retrospective approach should be applied for gifts-in-kind at the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for annual periods beginning after June 15, 2022, and early adoption is permitted. The Organization does not believe the adoption of this pronouncement will have a material impact on the financial statements.

3. INVESTMENTS

The Organization's investments consist of marketable short-term investments, including marketable equity securities and mutual funds, and investments in captive insurance companies.

Marketable short-term investments:		
Equity stocks of utility	$	20,481
Everence Trust Company investments		1,762,891
Total marketable short-term investments	$	1,783,372

Investments in captive insurance companies:
The Organization is currently invested in two captive insurance companies. These companies provide workers compensation and general liability insurance. The Organization, along with other similar facilities, formed these insurance companies in an effort to control insurance costs. These investments were recorded at cost, reduced by subsequent capital contributions returned by the companies.

4. FAIR VALUE MEASUREMENTS

FASB ASC *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under this framework are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology are observable other than level 1 prices, such as quoted prices for similar assets and 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 - Inputs to the valuation measurement are unobservable, supported by little or no market data, and are significant to the fair value of the assets and liabilities.

4. FAIR VALUE MEASUREMENTS (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization also invests in emerging markets, which accounts for a small percentage of its investments, which may be subject to various risk factors including market risk, credit risk, and sovereign risk.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

- *Mutual funds:* The Organization measures fair value of the funds using market prices for identical investments, a Level 1 measurement.
- *Marketable equity securities:* The Organization measures fair value of the equity using quoted prices for similar assets and liabilities, a Level 1 measurement.

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	Level 1	Total
Mutual funds	$ 20,481	$ 20,481
Marketable equity securities	1,762,891	1,762,891
	$ 1,783,372	$ 1,783,372

At December 31, 2021, the Organization had no assets measured at fair value on a nonrecurring basis and no liabilities measured at fair value on a recurring and nonrecurring basis.

5. RESTRICTED ASSETS, CERTIFICATE DEBT TRUST AGREEMENT

The 2016 certificate debt agreement requires the Organization to maintain reserve deposit accounts with The Bank of New York Mellon Trust Company. One reserve account is used to pay annual interest and principal on the debt, with a balance of $312,857 at December 31, 2021. The other reserve account is held until close to maturity of the certificate debt in 2040, with a balance of $376,009 at December 31, 2021.

6. NOTES PAYABLE – SBA PPP LOAN

In April 2021, the Organization received loan proceeds in the amount of $1,112,607 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of qualifying businesses. The PPP loan bears interest at the rate of 1.00% per annum and is payable in monthly principal and interest payments of an amount yet to be determined. The PPP loan matures in April 2026. Under the terms of the PPP, the PPP loan may be forgiven in whole or in part if it is used for qualifying expenses including payroll, benefit, rent and utilities, and the Organization maintains employee and payroll levels. In August 2021, the Organization received formal approval of forgiveness of the PPP loan by the Small Business Administration. As a result, the Organization has recognized $1,112,607 of other income for the year ended December 31, 2021 for the forgiveness of these funds.

7. LONG-TERM DEBT

Long-term debt consists of the following:

Due September 2040; certificate debt (series A) payable in varying annual principal installments beginning 2023; interest payable in semi-annual installments at an effective interest rate of 2.98% per year; secured by real and other property and subject to loan covenants.	$ 9,750,000
Due September 2023; certificate debt (series B) payable in varying annual principal installments; interest payable in semi-annual installments at an effective interest rate of 2.08% per year; secured by real and other property and subject to loan covenants.	660,000
Due November 2024; note payable in monthly principal and interest installments of $5,007 at an effective interest rate of 3.0% per year; secured by real and other property and subject to loan covenants.	162,999
Due September 2039; note payable in monthly principal and interest installments of $3,794 at an effective interest rate of 2.0% per year; secured by real and other property and subject to loan covenants.	676,339
Total principal outstanding on long-term debt	11,249,338
Long-term debt, current portion	(480,811)
Certificate debt issuance premium, net of accumulated amortization	413,970
Certificate debt issuance costs, net of accumulated amortization	(386,947)
Loan costs on note payables, net of accumulated amortization	(11,236)
Long-term debt, net of current portion	$ 10,784,314

Principal maturities for long-term debt are as follows:

December 31,	
2022	$ 480,811
2023	500,409
2024	512,815
2025	464,236
2026	479,927
Thereafter	8,811,140
	$ 11,249,338

7. LONG-TERM DEBT (continued)

During the year ended December 31, 2021, the Organization did not comply with one of its certificate debt covenants. The covenant requires the Organization's income to exceed its debt service times a factor. Debt service is the annual principal and interest the Organization pays on its debt. That amount times 1.25 (the factor) is what income must equal or exceed. The covenant requires the Organization to notify the California Office of Statewide Health Planning and Development, and they have done so. The Office may require the Organization to enlist a management consultant to review or make recommendations to its operations to comply with this covenant in the future.

8. LETTER OF CREDIT

The Organization has a letter of credit with a bank in the amount of $300,000. There was no outstanding balance as of December 31, 2021.

9. RETIREMENT PLAN

The Organization has a retirement plan for its employees known as a 403(b) plan (the Internal Revenue Code section designation). The plan applies to eligible employees. The Organization can contribute up to a maximum of 4% of an eligible employee's wages, and expense for the year ended December 31, 2021 was $65,069.

10. LIQUIDITY AND AVAILABILITY

As of December 31, 2021, the Organization's liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year end:	
Cash and cash equivalents	$ 674,088
Accounts receivable, net	1,939,987
Marketable short-term investments	1,783,372
Total financial assets	4,397,447
Less amounts not available to be used within one year:	-
Financial assets available to meet general expenditures over the next 12 months	$ 4,397,447

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements. The Organization structures its financial assets above to be available when general expenditures, liabilities, and other payment obligations come due. The Organization has no restrictions on the above financial assets. See Note 5 "Restricted Assets, Certificate Debt Trust Agreement" for discussion on use of these reserve deposit accounts for payment of principal and interest on this certificate debt.

11. CONCENTRATIONS

Financial instruments that may subject the Organization to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Organization maintains significant cash deposits at December 31, 2021, with the following financial institutions:

Bank of America	$	105,353
Mechanics Bank	$	568,484

Accounts receivable are for services provided to patients and residents in Reedley, California. The receivables are due from Medicare, Medi-Cal, and private patients and are, generally, unsecured.

Approximately 43% of the Organization's total revenue without donor restrictions comes from Medicare and Med-Cal programs operated by Federal and California government agencies.

12. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Organization to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Organization's business or results of operations at this time.

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 22, 2022, the date the financial statements were available to be issued.