

Sierra View Homes and Subsidiary

Consolidated Financial Statements
and Supplementary Information

Year Ended December 31, 2024



Independent Auditor's Report

Board of Directors
Sierra View Homes and Subsidiary
Reedley, California

Opinion

We have audited the accompanying consolidated financial statements of Sierra View Homes and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sierra View Homes and Subsidiary as of December 31, 2024, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are required to be independent of Sierra View Homes and Subsidiary 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.

Prior Period Financial Statements

The financial statements of Sierra View Homes and Subsidiary as of December 31, 2023 were audited by other auditors whose report dated June 6, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The statement of patient revenue, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wipfli LLP

Wipfli LLP

Minneapolis, Minnesota
May 14, 2025

Sierra View Homes and Subsidiary

Consolidated Statement of Financial Position

December 31, 2024

Current assets:	
Cash and cash equivalents	\$ 287,971
Resident accounts receivable - Net of allowances for doubtful accounts of \$570,000	1,032,425
Other accounts receivable	751,458
Investments	1,722,314
Current portion of assets limited as to use - Held by trustee under trust agreement	414,599
Prepaid expenses	23,574
Total current assets	4,232,341
Assets limited as to use - Held by trustee under trust agreement	380,546
Property and equipment - Net	12,698,846
Investments in captive insurance companies	1,396,415
TOTAL ASSETS	\$ 18,708,148
Current liabilities:	
Current maturities of long-term debt	\$ 464,236
Accounts payable - Other	662,227
Accrued compensation	408,531
Accrued interest	106,155
Due to third-party reimbursement programs	208,304
Total current liabilities	1,849,453
Long-term liabilities:	
Long-term debt, less current maturities	9,304,843
Deferred revenue	321,639
Refundable deposits	1,955
Total long-term liabilities	9,628,437
Total liabilities	11,477,890
Net Assets without donor restrictions	7,230,258
TOTAL LIABILITIES AND NET ASSETS	\$ 18,708,148

See accompanying notes to consolidated financial statements.

Sierra View Homes and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2024

Revenue:

Resident service revenue:

Skilled nursing services \$ 6,435,215

Assisted and independent living 3,788,118

Other operating income 114,718

Contributions 194,287

Total revenue 10,532,338

Expenses:

Program services 9,837,621

Management and general 974,049

Total expenses 10,811,670

Loss from operations (279,332)

Other revenue - investment income 420,668

Revenue in excess of expenses and change in net assets without donor restrictions 141,336

Net assets without donor restrictions at beginning 7,088,922

Net assets without donor restrictions at end \$ 7,230,258

See accompanying notes to consolidated financial statements.

Sierra View Homes and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2024	Program Services			Support Services	
	Skilled Nursing	Assisted and Independent Living	Total	Management and general	Total
Salaries and wages	\$ 3,548,074	\$ 1,561,480	\$ 5,109,554	\$ 404,136	\$ 5,513,690
Employee benefits	743,875	629,632	1,373,507	66,425	1,439,932
Contract services	536,704	62,602	599,306	232,831	832,137
Supplies	852,327	52,023	904,350	8,186	912,536
Insurance	174,076	44,562	218,638	-	218,638
Telephone and utilities	194,203	168,774	362,977	17,862	380,839
Repairs and maintenance	54,875	107,708	162,583	-	162,583
Other operating expenses	13,804	52,952	66,756	244,609	311,365
Interest	74,164	262,535	336,699	-	336,699
Depreciation	213,710	489,541	703,251	-	703,251
Total functional expenses	\$ 6,405,812	\$ 3,431,809	\$ 9,837,621	\$ 974,049	\$ 10,811,670

See accompanying notes to consolidated financial statements.

Sierra View Homes and Subsidiary

Consolidated Statement of Cash Flows

Year Ended December 31, 2024

Cash flows from operating activities:

Cash received from residents	\$ 10,406,279
Payments to employees and suppliers	(9,246,006)
Payments for interest	(339,739)
Cash received from other operating revenue	82,560
Investment income received	240,253
Charitable contributions received	194,287

Net cash from operating activities 1,337,634

Cash flows from investing activities:

Purchases of property and equipment	(246,998)
Distributions received from investment in captive insurance companies	185,464
Purchase of investments	(480,985)

Net cash from investing activities (542,519)

Cash flows from financing activities:

Principal payments on long-term debt	(512,815)
Net change in refundable deposits	(56,428)

Net flows from financing activities (569,243)

Net change in cash and restricted cash 225,872

Cash and cash equivalents at beginning 857,244

Cash and cash equivalents at end \$ 1,083,116

Sierra View Homes and Subsidiary

Consolidated Statement of Cash Flows (Continued)

Year Ended December 31, 2024

Reconciliation of change in net assets to net cash from operating activities:

Change in net assets without donor restrictions	\$	141,336
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Adjustments to reconcile change in net assets without donor restrictions to net cash from operating activities:

Depreciation		703,251
Amortization of deferred financing costs		20,212
Amortization of bond issuance premium		(20,418)
Allocation of income for investment in captive insurance companies		(188,625)
Net realized and unrealized losses on investments		8,209
Changes in operating assets and liabilities:		
Resident accounts receivable - Net		(42,877)
Other accounts receivable		(32,158)
Prepaid expenses		10,905
Accounts payable		400,106
Accrued compensation		114,703
Accrued interest		(2,834)
Due to third-party reimbursement programs		203,978
Deferred revenue		21,846

Total adjustments		1,196,298
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Net cash from operating activities	\$	1,337,634
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Reconciliation of cash and cash equivalents to consolidated statement of financial position:

Cash and cash equivalents	\$	287,971
Current portion of assets limited as to use - Held by trustee under trust agreement		414,599
Assets limited as to use - Held by trustee under trust agreement		380,546

Total	\$	1,083,116
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See accompanying notes to consolidated financial statements.

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Sierra View Homes and Subsidiary, (the "Organization"), a nonprofit organization, located in Reedley, California, provides care for the elderly. The Organization includes Sierra View Homes and its wholly owned subsidiary, Sierra View Residences, LLC. The Organization owns and operates a 59 licensed bed skilled nursing facility, a 115 apartment independent living facility (operated by Sierra View Residences, LLC), and a 78 licensed bed residential care (assisted living) facility.

Basis of Consolidation

The consolidated financial statements include the accounts of Sierra View Homes and Sierra View Residences, LLC. Sierra View Residences, LLC is a nonprofit organization that is wholly owned and under common operational control of Sierra View Homes. All transactions among the entities have been eliminated in the consolidated financial statements.

Financial Statement Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States of America (GAAP) to be applied to nongovernmental entities.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts held as short-term investments in the Organization's investment portfolio and amounts reported in assets limited as to use.

Resident Receivables and Credit Policy

Resident receivables are reported at the amount that reflects the consideration to which the Organization expects to be entitled, in exchange for providing resident care services and rent. Resident receivables are recorded in the accompanying consolidated statement of financial position net of allowances for doubtful accounts based on historical experience and estimates of collectability of resident receivables balances. The initial estimate of the transaction price is determined based on contracted rates, negotiated agreements, historical experience, and current market conditions.

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Resident Receivables and Credit Policy (Continued)

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Management estimates probable uncollectible amounts for residents through a charge to operations and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. The Organization does not have a policy to charge interest on past due accounts.

Resident receivables are recorded in the accompanying consolidated statement of financial position net of the allowance for doubtful accounts. Patient and resident accounts receivable as of January 1, 2024 totaled \$989,548.

Investments and Investment Income

Investments and assets limited as to use are classified as trading securities and are recorded at fair value in the accompanying consolidated statement of financial position. All investment income (including realized and unrealized gains and losses, interest and dividends) is reported as nonoperating revenue unless the income is restricted by donor or law. Realized gains or losses are determined by specific identification. Investment-related fees are recorded as a reduction in investment earnings.

Assets Limited as to Use

Assets limited as to use include funds held by trustees under indenture agreements. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Organization measures fair value of its financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. These tiers included Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as observable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measure level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation

Property and equipment are recorded at cost, or if donated, at fair value at date of donation. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Estimated useful lives range from 10 to 40 years for buildings and improvements, and 5 to 30 years for furniture and equipment.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support with donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired long-lived assets are placed into service. The Organization received no gifts of long-lived assets in 2024.

The Organization periodically evaluates whether events and circumstances have occurred that may affect the carrying value of property and equipment. If such events or circumstances indicate the carrying value may not be recoverable, impairment is determined by comparing the carrying value with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Organization would recognize an impairment loss. During 2024, the Organization determined that no evaluations of recoverability were necessary.

Deferred Financing Costs

Costs related to obtaining long-term financing and original issue premiums and discounts related to the issuance of long-term debt are deferred and are amortized on the straight-line method over the term of the related debt. Amortization of financing costs and original issue premiums and discounts are included with interest expense in the accompanying consolidated statement of activities and changes in net assets.

Deferred Revenue

The Organization is licensed as a Continuing Care Retirement Community (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.

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. For those who leave the facility without using the assisted living or skilled nursing facilities, the advance care fee is recognized as revenue upon move out of the resident.

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets without donor restrictions are those not subject to donor-imposed stipulations and include those expendable resources which have been designated for special use by the Board of Directors. Net assets with donor restrictions are those whose use by Organization has been limited by donors to a specific time period or purpose. As of December 31, 2024, the Organization has not net assets with donor restriction.

Resident Service Revenue

Resident service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care services including services provided in the nursing home, assisted living, and independent living. These amounts are due from residents and third-party payors (including health insurers and government programs). For residents with third-party insurance, the Organization bills the third-party payors after the end of a month when the services were performed, or when the resident is discharged from the facility. For uninsured residents, the Organization bills the resident at the beginning of the month services are provided to the resident.

Performance obligations are determined based on the nature of the resident services provided. Revenue from performance obligations satisfied over time are recognized based a predetermined rate formula under a contractual arrangement with the third-party payor or the uninsured resident. Generally, performance obligations satisfied over time relate to residents receiving post-acute care services since the residents simultaneously receive and consume the benefits of the services provided. In this case, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Each day a resident receives services is a separate contract and performance obligation based on the fact the resident has a unilateral right to terminate the contract after each day with no penalty or compensation due. Since the contract can be terminated by either party at any time without compensating the other party for the termination (that is other than paying amounts due as a result of services transferred up to the termination date), the duration of the contract does not extend beyond the services already transferred. The Organization determined there is not a material right performance obligation for the daily option to renew the contract since the price of the renewal is a price consistent with the daily rate charged to other residents. Because the Organization's performance obligations relate to contracts with a duration of less than one year, it has elected to apply the optional exemption; therefore, it is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors based on contractual agreements.

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Resident Service Revenue (Continued)

For the nursing home, the Organization has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors for the nursing home are as follows:

- *Medicare*: Reimbursement is based on a predetermined rate per resident day that varies depending on the resident's level of care and the types of services provided.
- *Medi-Cal*: Reimbursement is based on a predetermined rate formula under a contractual arrangement with the Medi-Cal program. Rate adjustments under this program are reflected in income when determinable.
- *Commercial insurance and other*: The Organization also has entered into agreements with commercial insurance carriers and other organizations. The basis for payment for resident services under these agreements includes prospectively determined daily rates and discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. Because of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Organization. The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Organization has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, the contracts that the Organization has with commercial payors also provide for retroactive audit and review of claims. Adjustments arising from a change in the transaction price decreased Organization's net resident service revenue by approximately \$251,000 due to adjustments made to prior year estimates in 2024.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured residents. The Organization assesses uninsured residents' ability to pay for the services prior to admission and sometimes receives payment in advance of the services. The Organization considers these advance payments contract liabilities. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Resident Service Revenue (Continued)

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

The Organization has elected the practical expedient in which all incremental customer contract acquisition costs are expensed as they are incurred since the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions are reported as support without donor restrictions if the restriction is satisfied in the year the contribution is received.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Supporting services expenses are allocated to program services systematically based on the program benefited. Those expenses, including salaries and wages, employee benefits, facility costs, depreciation and amortization, and interest, are allocated to supporting functions based on an appropriate statistical basis.

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income taxes on related income. Federal and state income taxes are paid on nonexempt unrelated business income in accordance with the Code.

Current accounting guidelines require an organization to determine whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements.

The Organization recorded no assets or liabilities related to uncertain tax positions. Tax returns for tax years 2021 and beyond remain subject to examination by the taxing authorities

Subsequent Events

Subsequent events have been evaluated through May 14, 2025, which is the date the consolidated financial statements were issued. See Note 5 for subsequent events information.

Note 2: Investments and Assets Limited as to Use

Investments and assets limited as to use consisted of the following at December 31, 2024:

Investments

Money market funds	\$ 122,061
Bond mutual funds	587,140
Equity mutual funds	1,013,113
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Total investments	\$ 1,722,314

Assets Limited as to Use

Held by trustee for Series 2016A debt service - Money market funds	\$ 414,599
Held by trustee for Series 2016A reserve account - Money market funds	380,546
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Total assets limited as to use	795,145
Less - Current portion	414,599
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Long-term portion of assets limited as to use	\$ 380,546

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 2: Investments and Assets Limited as to Use (Continued)

Investments, including those in assets limited as to use, in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Note 3: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds: Valued using a net asset value (NAV) of \$1.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 917,206	\$ -	\$ -	\$ 917,206
Mutual funds:				
Bond	587,140	-	-	587,140
Equity	1,013,113	-	-	1,013,113
Total investments and assets limited as to use at fair value	\$ 2,517,459	\$ -	\$ -	\$ 2,517,459

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 4: Investments in Captive Insurance Companies

The Organization is invested in three captive insurance plans:

- Peace Church Workers Safety Program which provides workers compensation insurance
- Peace Church Risk Retention Group which provides general and professional liability insurance
- Peach Church Health Insurance Program which provides health insurance

The Organization, along with other similar facilities, formed these insurance companies in an effort to control insurance costs. The Organization's investments in the captive insurance companies are recorded at cost, increased for net income allocations to the Organization, and reduced by distributions paid by the captive insurance plans.

Activity in the Organization's investments in captive insurance companies during the year ended December 31, 2024, is as follows:

Paid in Capital Accounts:	
Balance, beginning of year	\$ 466,579
Contributions	22,237
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Balance, end of year	488,816
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Subscriber Savings Accounts:	
Balance, beginning of year	926,676
Net income allocation	166,387
Distribution	(185,464)
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Balance, end of year	907,599
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Total investments in captive insurance companies	\$ 1,396,415

Note 5: Investment Income

Investment income for the year ended December 31, 2024, consists of the following:

Interest and dividends	\$ 240,253
Realized gains and losses - net	9,425
Change in unrealized gains and losses - net	(17,634)
Income from captive insurance	188,624
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Total	\$ 420,668

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 6: Employee Retention Tax Credit

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created and funded the Employee Retention Tax Credit (ERTC) to aid employers that were negatively impacted by the COVID-19 pandemic. The ERTC was designed to provide an incentive to retain employees throughout the pandemic.

During the year ended December 31, 2022, the Organization applied for three calendar quarters of the ERTC related to one quarter in 2020 and two quarters in 2021. As the Organization felt they met the qualifications to earn the ERTC, the total amount of estimated ERTC for the three quarters of \$1,848,325 was recorded as revenue in 2022. During 2023, \$1,210,707 of the ERTC for two quarters was received. At December 31, 2024, the remaining quarter of \$647,618 is included in other accounts receivable on the accompanying consolidated statement of financial position. Subsequent to December 31, 2024, payment was received for this last remaining quarter.

Note 7: Liquidity

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital items, were as follows at December 31, 2024:

Cash and cash equivalents	\$ 287,971
Resident accounts receivable - Net	1,032,425
Other accounts receivable	751,458
Investments	1,722,314
Current portion of assets limited as to use - Held by trustee under trust agreement	414,599
Less - Refundable deposits	(1,955)
Total	\$ 4,206,812

Note 8: Property and Equipment

Property and equipment consisted of the following at December 31, 2024:

Land and improvements	\$ 150,122
Buildings and improvements	22,221,947
Furniture and equipment	2,970,687
Total property and equipment	25,342,756
Less - Accumulated depreciation	12,643,910
Total	\$ 12,698,846

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 9: Long-Term Debt

Long-term debt consisted of the following at December 31, 2024:

City of Reedley, California, Insured Revenue Certificates of Participation, Series 2016A, dated June 2016, annual principal payments and semiannual interest payments at an effective rate of 2.98%, with final payment due September 2040, secured by the Organization's real and other property.	\$ 9,175,000
Note payable, secured by the Organization's real and other property, dated May 2019, payable in monthly installments of \$3,794, with interest at 2.0%, maturing September 2039	580,303
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Total long-term debt	9,755,303
Plus - Unamortized bond premium	321,579
Less - Unamortized financing costs	(307,803)
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Total long-term debt, net of unamortized bond premium and financing costs	9,769,079
Less - Current portion	(464,236)
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Long-term portion of long-term debt	\$ 9,304,843
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The Certificates of Participation agreements require the establishment of certain funds to be held by the trustee that are unavailable for general corporate purposes. Required funds have been established and are included in assets limited as to use in the accompanying consolidated statement of financial position.

The Certifications of Participation and notes payable contains various covenants and restrictions on the Organization, including requirements that the Organization maintain minimum debt service coverage and liquidity ratios. At December 31, 2024, the Organization was not in compliance with all covenants. Per the regulatory agreement, the Organization is required to hire a consultant to assist with plans to bring the Organization back into compliance. The debt is not callable as a result of the noncompliance.

Required payments of principal on long-term debt at December 31, 2024, including current maturities, are as follows:

2025	\$ 464,236
2026	479,927
2027	495,632
2028	516,351
2029	537,085
Thereafter	7,262,072
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Total	\$ 9,755,303
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Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 10: Resident Service Revenue

Resident service revenue by payor consisted of the following for the year ended December 31, 2024:

	Skilled Nursing	Assisted and Independent Living	Total
Medi-Cal	\$ 4,244,526	\$ -	\$ 4,244,526
Medicare	1,134,357	-	1,134,357
Private and insurance	1,257,206	3,749,799	5,007,005
Totals	6,636,089	3,749,799	10,385,888
Less - Contractual adjustments and other deductions	200,874	(38,319)	162,555
Net resident service revenue	\$ 6,435,215	\$ 3,788,118	\$ 10,223,333

Note 11: Contingencies

Professional Liability

The Organization's professional liability insurance covers professional liability claims of less than \$1,000,000 per claim and \$3,000,000 per year reported during a policy year ("claims-made" coverage). The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending through January 1, 2026. Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the Organization. Although there exists the possibility of claims arising from services provided to patients through December 31, 2024, which have not been asserted, the Organization is unable to determine the ultimate cost, if any, of such possible claims and, accordingly, no provision has been made for them.

In addition, umbrella coverage is maintained for claims in excess of professional liability limits to a maximum of \$1,000,000 per occurrence of \$1,000,000 per year.

Litigation, Claims, and Disputes

The Organization is subject to various contingencies in the normal course of operations. Management assesses probabilities of unfavorable outcomes for litigation, claims, and disputes in process and whether settlements can be estimated in determining whether a contingent liability is recorded or disclosed.

Note 12: Retirement Plan

The Organization sponsors a 403(b) defined contribution retirement plan for all eligible employees pursuant to the plan's eligibility criteria. Employer contributions to the plan are discretionary with a 50% match of employee contribution up to a maximum of 4% of an eligible employee's wages. The Organization's retirement expense under the plan was \$69,413 in 2024.

Sierra View Homes and Subsidiary

Notes to Consolidated Financial Statements

Note 13: Concentrations

Credit Risk

Financial instruments that potentially subject the Organization to possible credit risk consist principally of cash deposits in excess of insured limits and accounts receivable.

Bank Deposits

The Organization maintains depository relationships with various financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains cash in accounts at these institutions which are insured by the FDIC up to \$250,000. At times, the Organization's deposits may exceed FDIC-insured limits. Investments and investments classified as assets limited as to use held by financial institutions are uninsured.

Accounts Receivable

The Organization grants credit without collateral to its residents. The mix of gross receivables from residents and third-party payors was as follows at December 31:

Medicare	69 %
Medi-Cal	16
Private-pay and other insurance	15
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Totals	100 %
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Supplementary Information

Sierra View Homes
Statement of Patient Revenue
For the Year Ended December 31, 2024

Line No.	GROSS REVENUE	Account Number	Medicare		Medi-Cal		Self-Pay		Managed Care		Other Payers		Total	
			(1) Inpatient .04	(2) Outpatient .44	(3) Inpatient .05	(4) Outpatient .45	(5) Inpatient .00	(6) Outpatient .40	(7) Inpatient .01	(8) Outpatient .41	(9) Inpatient .09	(10) Outpatient .49	(11) Inpatient (cs. 1,3,5,7,9)	(12) Outpatient (cs. 2,4,6,8,10)
	Routine Services:													
5	Skilled Nursing Care	3100	1,134,357		4,244,349		950,434				305,737		6,634,877	
10	Intermediate Care	3200												
15	Mentally Disordered Care	3300												
20	Developmentally Disabled Care	3400												
25	Sub-Acute Care	3500												
30	Sub-Acute Care - Pediatric	3520												
35	Transitional Inpatient Care	3560												
40	Hospice Inpatient Care	3600												
45	Other Routine Services	3900												
70	Subtotal (Lines 5 through 45)		1,134,357		4,244,349		950,434		0		305,737		6,634,877	
	Ancillary Services:													
105	Patient Supplies	4100												
110	Specialized Support Surfaces	4150												
115	Physical Therapy	4200												
120	Respiratory Therapy	4220												
125	Occupational Therapy	4250												
130	Speech Pathology	4280												
135	Pharmacy	4300												
140	Laboratory	4400												
145	Home Health Services	4800												
155	Other Ancillary Services	4900												
170	Subtotal (Lines 105 through 155)		0	0	0	0	0	0	0	0	0	0	0	0
175	Total (Lines 70 and 170)		1,134,357	0	4,244,349	0	950,434	0	0	0	305,737	0	6,634,877	0

Line No.	DEDUCTIONS FROM REVENUE	Account Number	(1) Amount
205	Charity Adjustments	5100	
210	Administrative Adjustments	5200	
215	Contractual Adjustments - Medicare	5310	386,026
220	Contractual Adjustments - Medi-Cal	5320	(526,593)
222	Contractual Adjustments - Managed Care	5330	
225	Contractual Adjustments - Other	5340	26,539
230	Other Deductions from Revenue	5400	(88,186)
240	Total (Lines 205 through 230)		(202,214)

See independent auditor's report on supplementary information.