NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC. AND SUPPORTING ORGANIZATION

CONSOLIDATED FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020

McGILLOWAY, RAY, BROWN & KAUFMAN

ACCOUNTANTS & CONSULTANTS

CONTENTS

MRBK
McGilloway | Ray
Brown | Kaufman
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road
Suite A180
Monterey, CA 93940
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

3478 Buskirk Avenue
Suite A1000
Pleasant Hill, CA 94523
831-373-3337
Fax 831-373-3437

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northern California Congregational Retirement
Homes, Inc. and Supporting Organization
Carmel, California

We have audited the accompanying consolidated financial statements of Northern California Congregational Retirement Homes, Inc. (a nonprofit organization) and Supporting Organization, which comprise the consolidated statement of financial position as of December 31, 2020, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Sukhdev Singh, CPA
Laura Armbruster, CPA | Rose Maxwell, CPA

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern California Congregational Retirement Homes, Inc. and Supporting Organization as of December 31, 2020, and the results of its activities and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules for the statement of financial position, consolidating schedules for the statement of activities and changes in net assets, schedule of funds and purpose, combining schedules of net assets with donor restrictions and the combining schedules of designated net assets are presented for the purpose 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.

McGilloway, Ray, Brown & Kaufman

McGilloway, Ray, Brown & Kaufman
Salinas, California
April 30, 2021

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

Assets	
Current Assets	
Cash and cash equivalents	$ 9,584,411
Accounts receivable	423,736
Current portion of contributions receivable	47,000
Prepaid expenses	330,911
Total current assets	10,386,058
Contributions receivable, less current portion	10,000
Investments	32,549,789
Property and equipment, net	34,592,741
Total assets	$77,538,588
Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Accounts payable	$ 533,652
Accrued liabilities	886,272
Advances from applicants	893,002
Deferred revenue	484,634
Current portion of post-retirement obligation	75,000
Current portion of long-term debt	145,071
Total current liabilities	3,017,631
Long-term debt, less current portion	3,189,364
Deferred income from entrance fees, net	31,906,884
Annuity obligations	685,816
Post-retirement obligation, less current portion	71,429
Total liabilities	38,871,124
Net Assets	
Without donor restrictions, including quasi-endowment funds $7,594,487	30,186,655
With donor restrictions	8,480,809
Total net assets	38,667,464
Total liabilities and net assets	$77,538,588

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

Changes in Net Assets Without Donor Restrictions	
Revenues and support	
Income from Operations	
Resident care fees	$ 12,386,289
Amortization of entrance fees	5,266,585
Other resident services and operating income	272,664
Total income from operations	17,925,538
Other Income (expense)	
Investment return, net	2,444,040
Contributions	481,639
Other income (expense)	(7,968)
Payroll Protection Program conditional grant	1,652,900
Total other income	4,570,611
Net Assets Released from Restrictions	
Endowment income distribution	305,880
Remainder of terminated annuity trusts	76,027
Resident entertainment	6,000
Total released from restrictions	387,907
Total revenue and other support	22,884,056
Expenses	
Program	
Nursing, assisted living, and medical services	4,986,636
Resident services	2,876,605
Dining services	4,826,789
Facility operations, maintenance, and utilities	2,745,204
Environmental services	1,207,575
Total program	16,642,809
Management and general	3,511,836
Total expenses	20,154,645
Change in net assets without donor restrictions	2,729,411

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Changes in Net Assets With Donor Restrictions	
Other Income	
Investment return, net	849,473
Change in value of split interest trusts	(69,558)
Total revenue and support	779,915
Net Assets Released from Restrictions	
Endowment income distribution	(305,880)
Remainder of terminated annuity trusts	(76,027)
Resident entertainment	(6,000)
Total released from restrictions	(387,907)
Change in net assets with donor restrictions	392,008
Change in Net Assets	3,121,419
Net Assets, Beginning of Year	
Without donor restrictions	27,457,244
With donor restrictions	8,088,801
Total net assets, beginning of year	35,546,045
Net Assets, End of Year	
Without donor restrictions	30,186,655
With donor restrictions	8,480,809
Total Net Assets, End of Year	$ 38,667,464

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Nursing, Assisted Living, & Medical Services	Resident Services	Dining Services	Facility Operations, Maintenance & Utilities	Environ-mental Services	Total Program	Management & General	Total Expenses
Salaries and compensation	$ 3,072,587	$ 515,175	$ 2,411,181	$ 863,342	$ -	$ 6,862,285	$ 994,737	$ 7,857,022
Employee benefits and taxes	1,136,325	211,640	1,108,766	353,100	18,123	2,827,954	470,461	3,298,415
Outside services	95,102	3,976	8,047	16,937	1,144,724	1,268,786	163,687	1,432,473
Professional fees	-	-	-	-	-	-	438,383	438,383
Bank and processing fees	-	-	-	-	-	-	91,306	91,306
Advertising and promotion	-	-	-	-	-	-	62,944	62,944
Office	-	-	-	-	-	-	19,408	19,408
Information technology	-	-	-	-	-	-	61,419	61,419
Occupancy	2,252	-	-	1,025,845	-	1,028,097	25,266	1,053,363
Travel	198	11,578	1,589	-	-	13,365	11,564	24,929
Conferences and meetings	-	-	-	-	-	-	3,690	3,690
Interest	-	-	-	-	-	-	156,820	156,820
Depreciation	458,301	2,122,686	79,405	21,396	2,089	2,683,877	13,814	2,697,691
Insurance	-	-	-	-	-	-	717,633	717,633
Uniforms	3,976	256	21,102	4,512	2,118	31,964	-	31,964
Supplies	127,475	2,013	165,186	19,088	38,375	352,137	26,347	378,484
Repairs and maintenance	246	3,987	-	361,229	1,186	366,648	-	366,648
Landscaping	-	-	-	59,999	-	59,999	-	59,999
Food	-	-	1,018,338	-	-	1,018,338	2,611	1,020,949
Cleaning and maintenance	42	-	2,865	-	960	3,867	-	3,867
License and permits	-	3,220	177	2,951	-	6,348	53,959	60,307
Pharmacy and medical	77,760	-	-	-	-	77,760	-	77,760
Education	10,226	125	1,172	675	-	12,198	2,184	14,382
Dues and subscriptions	282	-	120	-	-	402	37,947	38,349
COVID-19 Testing	-	-	-	-	-	-	71,600	71,600
Miscellaneous	1,864	1,949	2,458	16,130	-	22,401	4,399	26,800
Resident moving	-	-	-	-	-	-	10,832	10,832
Recruiting and fingerprinting	-	-	-	-	-	-	35,872	35,872
Party, music, and activity	-	-	6,383	-	-	6,383	-	6,383
Collateral production	-	-	-	-	-	-	34,953	34,953
Total expenses	$ 4,986,636	$ 2,876,605	$ 4,826,789	$ 2,745,204	$ 1,207,575	$16,642,809	$ 3,511,836	$20,154,645

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.
AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities	
Cash received for resident care fees	$ 12,166,114
Cash received from entrance fees	4,354,003
Cash received for other resident services and operating income	213,325
Cash received for services to nonresidents	59,339
Unrestricted investment income received	967,756
Unrestricted contributions received	481,639
Cash received from operations	3,042
Cash received from government grants	2,137,534
Cash paid for suppliers, employees and others	(16,893,121)
Interest paid	(156,820)
Net cash provided by operating activities	3,332,811
Cash Flows from Investing Activities	
Proceeds from sale of investments	4,234,726
Purchase of investments	(4,778,355)
Purchase of property and equipment	(3,215,409)
Net cash used by investing activities	(3,759,038)
Cash Flows from Financing Activities	
Repayment of long-term debt	(138,111)
Restricted contributions - perpetual endowment	275,444
Investment income restricted for reinvestment	219,268
Investment income released from restrictions	(305,880)
Payment of annuity obligations	(136,710)
Payment of remainder of interest in annuity trusts	(76,027)
Net cash used by financing activities	(162,016)
Net decrease in cash and cash equivalents	(588,243)
Cash and cash equivalents, beginning of year	10,172,654
Cash and cash equivalents, ending of year	$ 9,584,411

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Northern California Congregational Retirement Homes, Inc. (the "Manor") and the Carmel Valley Manor Foundation (the "Foundation") are separate nonprofit public benefit corporations located in Carmel, California.

The Northern California Congregational Retirement Homes, Inc. operates Carmel Valley Manor, a life care facility located in Carmel, California. The Manor opened in October 1963 and consists of 148 independent living units including five single-family homes adjacent to the original Manor property, 24 assisted living units and 36 medical center beds. The Manor provides meals, lodging, most medical care and miscellaneous services to approximately 207 residents.

The Carmel Valley Manor Foundation is a Type I supporting organization of the Manor. The Foundation was incorporated in August of 2017 by a Board resolution of the Manor, to provide fundraising and other financial support for the charitable activities of the Manor, including (1) providing financial assistance to qualified low income residents of retirement facilities through the Grace and Favor program and (2) engaging in additional planned giving.

Principles of Consolidation

The consolidated financial statements include the accounts of the Manor and its supporting organization, the Foundation (collectively, the "Organization"). The Manor shares a common governing board with and has an ongoing economic interest in the Foundation. As a result, these entities are financially interrelated, and consolidation is required under accounting principles generally accepted in the United States. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements of the Organization are presented using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP). In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity, resulting in the use of cash, respectively.

Fund Accounting

The accounts of the Organization have been maintained in accordance with principles of fund accounting. Under these principles, resources are classified for accounting purposes into funds established according to their nature and purpose.

Classes of Net Assets

The classification of a not-for-profit entity's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. Therefore, it requires that the amounts for each of the classes of net assets with donor restrictions and without donor restrictions be displaced in the consolidated statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the consolidated statement of activities. The classes of net assets are defined as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions over which the Board of Trustees have discretionary control in carrying out the operations of the Organizations.

Net assets with donor restrictions – Net assets subject to donor or grantor-imposed restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Accounting Estimates

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

Cash and Cash Equivalents

For the purposes of the consolidated statement of financial position and the consolidated statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as money market funds, with an original maturity of three months or less when purchased.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consists principally of cash. The Organization maintains cash accounts exceeding the federally insured limit of $250,000. The Organization also maintains cash in brokerage accounts that are not federally insured. At December 31, 2020, cash and cash equivalents exceeded the Federal Deposit Insurance Corporation maximum insured by $608,173. Management believes the Organization is not exposed to significant credit risk relating to cash.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists primarily of amounts due from residents for the monthly care fees and routine medical services and are subject to credit risk. Risk associated with these receivables is mitigated by periodic review of the resident accounts.

When necessary, the Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. The Organization has determined there is no need for an allowance for doubtful accounts at December 31, 2020.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Management has determined that all contribution receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided.

At December 31, 2020, the amount contributions receivable due within one year is $47,000 and $10,000 is due to be received between one and two years. The fair value of the payments due in more than one year, approximate the carrying amounts and no present value discount was considered necessary.

Investments

Investments in common stock, bond and equity mutual funds, and alternative investments are measured at fair value, which is the price that would be received if the investment was sold in an orderly transaction between market participants at the measurement date. Prana Realty Company I (Prana) investments are valued at the amounts reported to the Organization by Prana and the Organization’s investment advisors. These amounts are generally reported at carrying value, which the Organization believes is a reasonable approximation of fair value.

Increases or decreases in fair value are recognized in the period in which they occur. Investment return is presented net of investment fees.

The Organization’s investments are managed by investment advisors. The fair values are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investments securities and the level of uncertainty related to changes in fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Property and Equipment

Property and equipment are carried at cost, if purchased, or at fair value at the date of the gift if donated, less accumulated depreciation. It is the Organization’s policy to capitalize property and equipment purchases over $5,000 and a minimum useful life of two years. Major additions, alterations and improvements are capitalized. Repairs and maintenance are charged to expense as incurred. The cost and accumulated depreciation of items disposed of are removed from the accounts, and any gain or loss is included in the consolidated statements of activities and changes in net assets.

Depreciation is provided using the straight-line method at rates based on the estimated economic useful lives of the individual classes of assets ranging from five to 40 years.

Advances from Applicants

Advances from applicants consist of deposits received from applicants who have not signed a continuing care contract as of December 31, 2020. Deposits are 100% refundable prior to establishing occupancy. When residency is established, deposited amounts are applied to the remaining entrance fee payment.

Deferred Income from Entrance Fees

Entrance fees are those paid by the resident as a condition of admission to the Manor for future services and use of the facilities, as specified in the Resident Agreement (Agreement). The entrance fees entitle the resident to the use of the residential facilities; access to amenities and social services; and the provision of, or access to, certain health care services.

Entrance fees are 100% refundable within 90 days of occupancy. Subsequent to the initial 90 days of occupancy, in which either the Organization or the resident can cancel, the Organization will refund entrance fees upon termination of contract, minus a charge of 1.5% percent of the entrance fee for each month or partial month from the date the resident signed the Agreement until the date the resident makes their unit available to the Organization. No entrance fees were refunded during the year ended December 31, 2020. As of December 31, 2020, the Organization had $14,721,540 of deferred entrance fees that are contractually refundable based upon the terms of the Organization’s refund policy. Based upon the Organization’s history of issuing refunds, a refund reserve is not considered necessary as of December 31, 2020.

The nonrefundable portion of the entrance fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. A resident's actuarially determined life expectancy is adjusted on the resident's date of birth, permanent move to a different level of care and, if applicable, upon the death of the other resident who is a party to the continuing care contract. Entrance fees nonrefundable, net totaled $17,185,344 at December 31, 2020.

Obligation to Provide Future Services

The Organization records a liability for the obligation to provide future services and the use of facilities to current residents when such costs are estimated to exceed anticipated revenues and the balance of unamortized entrance fees. Costs are comprised of per capita costs for all residents plus depreciation expense. For December 31, 2020, the per capita costs are calculated based upon a 3 percent annual increase in costs multiplied by a life expectancy factor for each resident. Anticipated revenues from the few contracts for which there are no fee increases, are calculated as current monthly fees multiplied by a life expectancy factor for each resident. For December 31, 2020, anticipated revenues for all other contracts are calculated as current monthly fees with a 3 percent annual increase multiplied by a life expectancy factor for each resident.

For December 31, 2020, the present value of future cash inflows and outflows is calculated with a discount rate of 5 percent. Amortization expense is computed based upon expense per average number of residents multiplied by a total annuity factor for all residents.

The California Health and Safety Code Section 1790 mandates a statutory reserve and a liquid asset requirement. The mandates were met for the year ended December 31, 2020. A reserve fund escrow is not required for the Organization.

As of December 31, 2020, future revenues were estimated to exceed costs to provide future services, therefore, no long-term care commitment liability is necessary.

Annuity Trusts

Annuity obligations consists of the remaining principal amounts of annuity gifts to the Organization. Under individual trust agreements, the Organization is required to pay stipulated annuities to the donor over the donor's lifetime. The contribution portion of the gift is determined in the year the trust is established and recorded on the consolidated statement of activities and changes in net assets, as the difference between the fair value of the trust assets and the present value of the estimated annuity payments to be paid over the expected life of the annuitant using a discount rate of 7.31% in 2020, which is recorded as a liability on the consolidated statement of financial position.

Subsequent to initial recognition, the liability is adjusted for discount amortization and revaluations of future payments to beneficiaries based on life expectancies, which are recognized as the change in value of split interest agreements on the consolidated statement of activities and changes in net assets. The remaining liability reverts to the Organization upon death of the donor. The annuitants have designated that, upon termination, the remaining principal of each Annuity Trust be transferred to either Part A or Part B of the Organization's endowment. Assets held in the charitable remainder trusts totaled $1,018,665 at December 31, 2020 and are reported at fair value in the consolidated statement of financial position.

Revenue Recognition

Resident Care Fees

The Organization operates primarily under the "continuing care" concept in which residents enter into a residential contract that generally provides for a specified entrance fee, with certain options for refunds, and for monthly service fees throughout the residents' tenancy. Generally, payment of these fees entitles residents to the use and privileges of the Manor for life. Residents are also entitled to certain health care services provided in the Manor assisted living and skilled nursing facility at the same monthly fee as paid in independent living. The residency agreement does not entitle the residents to an ownership interest in the Manor. The fees charged under this contract includes periodic resident care fees and advance entrance fees.

Resident care fees revenue is the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for standing ready to provide services to the residents under a continuing care contract. Revenue is recognized in the month in which the performance obligations are satisfied.

Other Resident Services

Other resident services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing these services. The transaction price charged to the resident is based on personal preference or usage of optional services provided by the Organization. Fees are based on published rates, paid monthly for services not covered by the monthly periodic resident care fees and are billed in arrears.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. 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. The Organization measures performance obligation for resident care fees as a series of distinct services that are considered one performance obligation that is satisfied over time.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party. The Organization determines its estimates of contractual adjustments based on contractual agreements and historical experience.

Third-Party Payors

Agreements with third-party payors provide the payment at amounts less than established charges. As summary of the payment arrangements with third-party payors follows:

Medicare – The Organization provides care to residents under the Medicare Part B program. Revenue from Medicare accounts for approximately 0.5% of the resident care fees revenue for the year ended December 31, 2020. Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodology subject to certain limits. Physical services are paid based on established fee schedules.

Secondary Insurance - Payment agreements with certain commercial insurance carriers, health maintenance organization and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts for established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result, compliance with such laws and regulations may be subject to future government review and interpretation as well as regulatory action, including fines, penalties, and potential exclusion from the related program. 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 would have upon the Organization. The Organization believes that is in compliance with all applicable laws and regulations.

Amortization of Entrance Fees

Residents under the declining refundable contract, pay an entrance fee that provides a 100% refund upon death or withdrawal during the first three months of occupancy. Subsequent to the initial 90 days of occupancy, the refund declines by 1.5% per month of occupancy. The non-refundable portion of entrance fees paid by residents are recorded as deferred revenue from entrance fees in the consolidated statement of financial position. The basic residency agreement creates a performance obligation to be satisfied over the resident's remaining life at the Organization. The Organization recognizes the revenue associated with the entrance fee using a straight-line method over the actuarially determined life of each resident. Resident life expectancies are reevaluated annually and changes in the revenue as a result of the revaluation will be recognized in the period noted. As of December 31, 2020, the Organization had approximately $31,906,884 in deferred entrance fee revenue to be recognized as the performance obligations are satisfied. See Note 8 for changes in the deferred entrance fee revenue for the year ended December 31, 2020. The performance obligation is satisfied upon termination of the residency agreement.

Contract service revenue related balances as of December 31, 2020 were as follows:

	Beginning Balance	Ending Balance
Accounts receivable	$ 201,206	$ 423,736

Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Contribution revenue is recorded as an increase in net assets without donor restrictions unless their use is limited by time or donor-imposed restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor stipulations. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Gifts and investment income that are originally restricted by donor and for which the restriction is met in the same period are recorded with donor restrictions and then released from restriction. Donations of investments are reported at fair value at the time of gift.

Government Grants

Support and revenue from governmental grants are recognized as revenue when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and have other performance and/or control barriers that must be met to be entitled to the funds. For this reason, the Organization's grant revenues are considered to be conditional, and revenue is recognized as funds are utilized for programmatic activities specified in the grant agreement. Accordingly, amounts received, but not recognized as revenue, are classified in the consolidated statement of financial position as deferred revenues. Government grants received during the year include $1,652,900 for the Payroll Protection Program, recognized in the Statement of Activities, and $484,634 from Health and Human Services, which has been recorded as deferred revenue.

Measure of Operations

The consolidated statement of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, and other activities considered to be of a more unusual or nonrecurring nature.

Advertising

Advertising costs are expensed as incurred and amounted to $62,944 for the year ended December 31, 2020.

Income Tax

The Manor and the Foundation are exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and the corresponding California provisions, except to the extent of unrelated business income ("UBIT") as defined by the IRC.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2020.

Presentation of Certain Taxes

The Organization collects sales and occupancy taxes and remits these amounts to applicable taxing authorities. The Organization's accounting policy is to exclude these taxes from revenues and expenses.

Upcoming Accounting Standards Updates (ASU)

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, which amends the FASB Accounting Standards Codification and creates Topic 842, *Leases*, requiring organizations to recognize lease assets and lease liabilities on the statement of net position and requiring disclosure of key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2021. ASU No. 2016-02, as amended, mandates a modified retrospective transition method. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements and expects the impact to be de minimis.

ASU 2018-08

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying *the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958- 605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The amendments provide for additional clarifying guidance resulting in greater consistency in application and make the accounting for contributions more operable. The guidance is effective for periods beginning after December 15, 2019. The amendments in this Update should be applied on a modified prospective basis. Retrospective application is permitted. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements and expects the impact to be de minimis.

ASU 2020-07

In September 2020, the FASB issued ASU No. 2020-07 (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The guidance is effective for periods beginning after June 15, 2021. The amendment in this Update is required to be applied on a retrospective basis. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements and expects the impact to be de minimis.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and in the consolidated statement of functional expenses. An individual expense is allocated to the underlying activity through which it was incurred. The consolidated statement of activities and changes in net assets and in the consolidated statement of functional expenses includes certain expenses which must be allocated on a reasonable basis which has been consistently applied: an allocation of portions of depreciation. Depreciation expense has been allocated based on a square footage basis.

Reclassification

Certain amounts in the consolidated statement of financial position, consolidated statement of activities and changes in net assets, and consolidated statement of cash flows have been reclassified to conform to current year presentation. These reclassifications did not have an effect on the net assets.

2. Financial Assets Available and Liquidity

The following reflects the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general expenditure due to contractual or donor-imposed restrictions within one year. Amounts not available include amounts set aside for long-term investing in quasi-endowment funds that could be drawn only upon approval of the Board of Directors.

Cash and cash equivalents	$ 9,584,411
Accounts receivable	433,736
Contributions receivable	47,000
Investments	32,549,789
Financial assets as of December 31, 2019	42,614,936
Less:	
Amounts subject to donor restrictions	(8,082,880)
Quasi-endowment funds	(7,594,477)
Amounts restricted for Annuity Fund	(1,018,665)
Amounts restricted for Residents' Association Fund	(104,504)
Amounts set aside for liquidity reserve	(8,000,000)
Amounts set aside for debt service reserve	(294,931)
Amounts not due within one year	(466,720)
Financial assets available to meet cash needs for general expenditures within one year	$17,052,759

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization, has designated a portion of its operating surplus to its liquidity reserve that is on average six months of operating expenses, which was $8,000,000 as of December 31, 2020. This reserve was established through approval of the Board of Directors to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

3. Investments

The Organization's investment portfolio consists of the following as of December 31, 2020:

Mutual bond funds	$ 4,890,807
Mutual equity funds	10,050,782
Beneficial interest in assets held by Community Foundation	14,783,552
Alternative investments	1,521,124
Prana Realty Company I common stock	1,303,525
	$32,549,790

4. Fair Value Measurements

The Organization adopted the provisions of fair value measurements, which defines fair value, establishes a framework for measuring fair value and also expands the disclosures about fair value measurements. 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 the fair value hierarchy are described as follows:

- Level 1 inputs are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access. Examples of these are investments in common stocks and mutual funds.
- Level 2 inputs are based on quoted prices in markets that are not active and other valuation methodologies or model inputs that are observable either directly or indirectly as of the measurement date. Examples of these investments include corporate and municipal bonds that trade infrequently.
- Level 3 inputs are based on prices or valuation techniques that are unobservable for the investment and include situations where there is little, if any, market activity. These inputs reflect assumptions of management about in pricing the investments or life expectancies. Examples of these investments are certain private equity investments and annuity obligations.

There were no changes in the valuation methodologies and no transfers of investments between levels during the year ended December 31, 2020.

Assets and liabilities measured at fair value on a recurring basis have been categorized into a hierarchy based on the observable and unobservable inputs used to determine fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual bond funds	$ 4,890,807	$ -	$ -	$ 4,890,807
Mutual equity funds	10,050,782	-	-	10,050,782
Beneficial interest in assets held by Community Foundation	-	-	14,783,552	14,783,552
Alternative investments	1,521,124	-	-	1,521,124
Total recurring fair value measurements	$ 16,462,713	$ -	$ 14,783,552	31,246,265
Prana Realty Company I measured at NAV				1,303,525
Total investments				$ 32,549,790
Liabilities:				
Annuity obligations:				
Annuity trusts	$ -	$ -	$ 685,816	$ 685,816
Post-retirement obligation	-	-	146,429	146,429
Total	$ -	$ -	$ 832,245	$ 832,245

The following is a description of the Organization's valuation methodologies for assets and liabilities measured at fair value:

Mutual Bond and Equity Funds, and Alternative Investments

Valued at the closing price as reported on the active market on which individual securities or funded are traded.

Community Foundation for Monterey County – Endowment Fund

The Organization has a beneficial interest in assets at Community Foundation for Monterey County (CFMC) in the amount of $14,783,552 at December 31, 2020, which consists of funds contributed by the Organization and includes earnings thereon, net of distributions received. CFMC may make annual distributions from the fund if requested by the Organization. The Organization may terminate the fund and receive payment equal to the fund's total value by submitting a resolution authorizing such action approved by three-fourths of the directors of the Organization's board. In the event the Organization cease operations as a qualified 501(c)(3) the CFMC board of directors, in consultation with the board of directors of the Organization, may designate other qualified charitable organization as successor beneficiaries of the fund, so long as such successor beneficiaries are qualified by the IRS as 501(c)(3) organizations.

The following table presents a rollforward of activity for assets held by Community Foundation:

Beginning balance	$ -
Transfers-in (stocks only)	12,349,058
Transfers-in (cash)	155,488
Additional unrealized gains/(losses) upon transfer	321,030
Receipt of terminated CRATs	76,027
Contributed stocks and cash	156,374
Investment income (interest and dividends)	365,634
Realized gains/(losses)	(336,146)
Unrealized gains/(losses)	2,217,786
Distributions	(477,430)
Investment fees	(44,469)
	$ 14,783,352

The unobservable inputs to the valuation are the underlying assets at the CFMC; therefore, these investments are classified as Level 3 assets within the fair value hierarchy.

Annuity Obligations

On an annual basis the Organization revalues the liability to make distributions to the designated beneficiaries of the Annuity Trusts based on actuarial assumptions. The present value of the estimated future payments for Annuity Trusts is calculated using a discount rate of 7.31 percent and the remaining life expectancy of the beneficiaries based on applicable mortality tables.

Post-retirement Obligations

The present value of the estimated future payments to the former Chief Executive Officer of the Organization is calculated using a discount rate of 5 percent and a retirement date in 2020.

The following table sets forth a summary of changes in the fair value of the Organizations level 3 liabilities at December 31, 2020:

	Annuity Trusts	Post-Retirement Obligation	Total
Balance, beginning of year	$ 752,969	$ 83,344	$ 836,313
Additions	-	146,429	146,429
Payments on post-retirement obligation	-	(83,344)	(83,344)
Payments of annuity trusts	(136,709)	-	(136,709)
Change in value of annuity trusts	69,557	-	69,557
Balance, end of year	$ 685,817	$ 146,429	$ 832,246

Prana Realty Company I Measured at NAV

The Manor purchased the Class A common stock of Prana Realty Company I (the Company) in an initial offering in 2007. The Company, through City Partners I (the Partnership), is engaged in the acquisition, operating and the eventual sale of properties.

The periodic valuation of the Company's total portfolio serves as the basis for determining the Company's net asset value, which the Company uses in determining the market value per share for purposes of issuing additional shares or buying back outstanding shares. The market value per share is determined by dividing the Company's net asset value by the number of shares outstanding. At December 31, 2020, the Company has valued each share at $100,851. This investment is not readily marketable, in part due to regulatory transfer restrictions placed by Prana.

The Organization uses net asset value to determine fair value of the investment in the Company as follows as of December 31, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Realty Company I	$1,303,525	$ -	Semi-annually	95 days advance notice required

5. Post-Retirement Obligations

The Organization entered into a contract with the former Chief Executive Officer of the Organization, James Valentine, in which he served as a consultant to the Organization after he retired in 2012. Under the agreement, Mr. Valentine received an annual payment of $25,000 for 11 years beginning January 2013 for a total of $275,000. If he died or was disabled before the full $275,000 was paid, the remaining balance was to be paid in full to his trust. Mr. Valentine passed away in March 2020 and the remaining obligation of $83,344 was paid in full to his trust in April 2020.

The Organization entered into an agreement with former President and Chief Executive Officer of the Organization, Jane Ipsen, in October 2020. Under the agreement, Mrs. Ipsen will receive, as severance compensation, an annual payment of $75,000 for two years beginning January 2021, for a total of $150,000. Using a present value discount of five percent and an annual payment of $75,000, the post-retirement obligation at December 31, 2020 is $146,429, of which $75,000 is a current liability.

6. Property and Equipment, net

The major categories of property and equipment and accumulated depreciation thereon are as follows as of December 31, 2020:

Buildings and improvements	$ 47,915,465
Hillcrest assisted living center	4,477,622
Medical center	4,681,580
Administrative and activity building	2,320,464
Pavement resurfacings	486,640
Sprinkler system and well	71,286
Septic drain	161,709
Furnishings and carpeting	559,978
Computer equipment	375,965
Furniture	705,935
Health center equipment	266,592
Kitchen equipment	635,643
Maintenance equipment	203,432
Artwork and collections	145,245
Miscellaneous equipment	1,363,724
Motor vehicles	435,237
Landscaping	1,255,236
Telephone equipment	446,082
Water well	1,450,385
Total depreciable property and equipment	67,958,220
Less accumulated depreciation	(35,281,095)
Net depreciable property and equipment	32,677,125
Land	403,575
Construction in progress	1,512,041
Total property and equipment, net	$ 34,592,741

Depreciation expense for year ended December 31, 2020 was $2,697,691.

7. Long-Term Debt

On December 28, 2011, the Organization entered into a $4.35 million note payable with a financial institution. The note was payable in monthly installments of $25,081, including principal and interest at a fixed rate of 4.85 percent from December 28, 2011 to September 23, 2015. On September 24, 2015, the note payable was modified to reduce the interest rate to 4.60 percent and reduce the monthly payment to $24,616, including principal and interest. The note payable matures on January 5, 2022, at which time a one-time balloon payment estimated to be $3,189,364 is due. The note payable is secured by a Deed of Trust as defined in the loan agreement. As of December 31, 2020, the outstanding balance is $3,334,435. The note payable requires the Organization to comply with certain financial covenants, all of which were met at December 31, 2020.

Current maturities on the long-term debt at December 31, 2020 are as follows:

Years ending December 31,		
2021	$	145,071
2022		3,189,364
	$	3,334,435

8. Deferred Income from Entrance Fees, net

The changes in the deferred income from entrance fees are as follows as of December 31, 2020:

Balance, beginning of year	$ 32,088,801
New fees received	5,272,710
Recognition of fees	(5,266,585)
Refunds	(188,042)
Balance, end of year	$ 31,906,884

9. Employee Retirement Plan

The Organization has a Section 403(b)(7) retirement savings plan. All full-time and part-time employees become eligible to participate in the Plan on their hire date. On-call employees, who work less than 1,000 hours per year, are not eligible to participate in the Plan.

The Organization may match a full-time employee's contribution dollar for dollar up to a maximum of 3 percent of a participant's compensation. To qualify for the employer discretionary matching contribution, the participant must be a full-time employee and a participant in the Plan for a continuous period of two years with no breaks in service. Part-time employees are not eligible for the employer discretionary matching contribution. The amount of matched contributions made by the Organization was $121,276 in 2020.

10. Net Assets - With Donor Restrictions

Donor restricted net assets consist for the following purposes as of December 31, 2020:

Subject to expenditure for specified purpose:	
Resident entertainment	$ 65,080
Subject to Organization's spending policy and appropriation:	
Income earned on perpetual endowment	
General operating support	1,425,986
Subject to appropriation and expenditure when a specified event occurs:	
Terminated annuity trust funds	332,849
Not subject to appropriation or expenditure:	
Endowment funds in perpetuity (including original gift amount of $5,625,425 as of December 31, 2020)	6,656,894
Balance, end of year	$ 8,480,809

Releases from donor restricted net assets for the year ended December 31, 2020, are as follows:

Releases from restrictions:	
Subject to expenditure for specified purpose:	
Resident entertainment	$ 6,000
Subject to the Organization's spending policy and appropriation:	
General operating support	305,880
Subject to appropriation and expenditure when a specified event occurs:	
Remainder of terminated annuity trusts	76,027
	$ 387,907

11. Board Designated Net Assets

The board designated net assets are comprised of the following at December 31, 2020:

Without donor restrictions	
Designated by the Board for:	
Quasi-endowment	$ 7,594,487
Resident welfare	104,504
Net assets	$ 7,698,991

12. Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by California in 2008 as SB 1329 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations of earnings or losses to the permanent endowment. The remaining portion of the endowment fund not classified as net assets with donor restrictions is classified as net assets without donor restrictions, board designated. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Investment Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for the endowment fund. Under this policy, the endowment assets are invested in a manner that is intended to achieve the balanced accomplishment of current income with the growth and conservation of principal with interest and dividend income to be used to help meet operating expenses. In managing risk within the endowment fund, the objective is to earn a return that allows a significant distribution of grants while striving to preserve the principal, allowing for inflation and expenses, and fulfill the Organization's philanthropic goals into the future.

Strategies Employed for Achieving Objectives

The Organization's investment strategy involves under- and over-weighting various asset classes based on an assessment of the risk and return potential specific to each asset class at any point in time.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year four percent of the average closing market value of all Endowment Fund investments for the three preceding years to be available for general operating purposes. The four percent may be adjusted up or down in the future in order to maintain a fiscally prudent program for distribution consistent with the Organization's objective to grow and conserve principal in the endowment fund with interest and dividend income to be used to help meet the operating expenses, but not the non-operating requirements, of the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds, may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020.

Endowment net assets composition by type of fund as of December 31, 2020:

Net assets without donor restrictions:	
Board designated quasi endowment funds	$ 7,594,487
Net assets with donor restrictions:	
Perpetual endowment to provide income to the Manor and Foundation (Supporting Organization)	5,625,425
Accumulated gains on perpetual endowment	2,457,455
Total net assets with donor restrictions	8,082,880
Total net endowment assets	$15,677,367

As of December 31, 2020, the endowment fund is comprised of:

	Without Donor Restrictions	With Donor Restrictions	Total
Assets:			
Investments	$ 7,594,477	$ 8,025,880	$15,620,357
Contribution receivable	-	57,000	57,000
Total assets	$ 7,594,477	$ 8,082,880	$15,677,357

Changes in endowment net assets for the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 7,123,948	$ 7,647,040	$14,770,988
Investment income, net	151,632	173,702	325,334
Net realized and unrealized losses	495,848	568,018	1,063,866
Contributions	90,086	-	90,086
Amount appropriated for expenditure	(267,027)	(305,880)	(572,907)
Endowment net assets, end of year	$ 7,594,487	$ 8,082,880	$15,677,367

13. Health and Safety Code Section 1790 (A)(3) Disclosure (Unaudited)

Improvements made during December 31, 2020 include (a) facilities and building of $2,892,180 which consists of unit renovations and structural improvements to the Manor buildings, walkways and landscaping; (b) carpets, furnishings, and floor coverings of $92,747; (c) computer equipment of $36,993; and $138,872 on equipment. The balance in work in progress as of December 31, 2020 was $1,512,041 which consists mainly of unit renovations in progress.

These improvements are necessary and consistent with the Organization's tax-exempt purpose to maintain and provide facilities to meet the housing, health care and other needs of their residents.

14. Related Parties

Contribution from Affiliate

Per the Board approval of the distribution of endowment earnings, the Foundation paid a distribution in the amount of $524,916 to the Manor during the year ended December 31, 2020.

Board Member Transactions

One current Board member is an owner of a company that provides architectural services. In 2020, $48,565 was paid to the architectural services company.

Another Board member is an employee of a company that provides insurance brokerage services to the Organization. Each year competitive bids are obtained from several insurance companies. In 2020, $357,610 was paid for premiums to insurance companies represented by the Board member.

15. Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus, COVID-19, as a pandemic, which continues to spread throughout the United States. The Organization has taken measures to comply followed and implemented requirements and guidance from the CDC and CADPH and have placed an emphasis on infection protection including social distancing, limited visitation, sanitizing stations throughout the community and limited group activities.

The Organization is currently tracking the expenses incurred due to COVID-19 and has seen an increase in expenses to help manage the pandemic but has not drawn on any lines of credit. Additional measures will be taken to safeguard the financial position of the Organization if necessary. The Organization cannot reasonably estimate the length or severity of this pandemic and therefore, at this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

16. Subsequent Events

The Organization has evaluated all subsequent events through April 30, 2021, which is the date the financial statements are available to be issued.

In March of 2021, the Organization renegotiated the real estate term loan in the amount of $3,311,126 for five additional years and obtained a revolving line of credit for the Sewer Extension capital project in the amount of $7,000,000. As of April 30, 2021, there have been no draws against the line of credit.