

CHAPARRAL FOUNDATION

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2021 and 2020**

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Independent Auditors' Report

Board of Directors
Chaparral Foundation

We have audited the accompanying financial statements of Chaparral Foundation, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chaparral Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



San Francisco, California

September 2, 2022

CHAPARRAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,199,504	\$ 1,732,924
Accounts receivable	922,667	706,516
Prepaid expenses	88,851	89,609
Certificate of deposit	502,107	500,000
Total current assets	3,713,129	3,029,049
Property and equipment:		
Land	165,000	165,000
Land improvements	111,490	111,490
Building and improvements	2,101,252	2,101,252
Equipment and furnishings	606,754	579,859
	2,984,496	2,957,601
Less accumulated depreciation	(2,353,198)	(2,290,831)
Property and equipment, net	631,298	666,770
Total assets	\$ 4,344,427	\$ 3,695,819
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 100,018	\$ 127,255
Accrued liabilities	260,599	194,557
Accrued compensated absences	492,158	412,475
Deferred revenue	85,069	72,382
Total current liabilities	937,844	806,669
Other liabilities:		
Deferred revenue - Medi-Cal	133,032	59,630
Conditional grant - CARES Act	458,650	295,986
Total liabilities	1,529,526	1,162,285
Net assets - without donor restrictions	2,814,901	2,533,534
Total liabilities and net assets	\$ 4,344,427	\$ 3,695,819

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue and support:		
Health care services revenue, net	\$ 6,331,935	\$ 6,163,205
Ancillary services and supplies revenue	574,093	495,339
Contributions	50,741	51,312
Other	38,801	3,195
Investment income, net	<u>24,358</u>	<u>1,489</u>
Total revenue and support	7,019,928	6,714,540
Expenses:		
Program services expenses	6,568,001	6,496,466
General and administrative expenses	156,772	209,213
Development/fundraising expenses	<u>13,788</u>	<u>13,811</u>
Total expenses	<u>6,738,561</u>	<u>6,719,490</u>
Changes in net assets	281,367	(4,950)
Net assets, beginning of year	<u>2,533,534</u>	<u>2,538,484</u>
Net assets, end of year	<u>\$ 2,814,901</u>	<u>\$ 2,533,534</u>

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 281,367	\$ (4,950)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	62,367	62,184
Accrued interest on certificate of deposit	(2,107)	-
(Increase) decrease in assets:		
Accounts receivable	(216,151)	107,789
Prepaid expenses	758	(1,018)
Increase (decrease) in liabilities:		
Accounts payable	(27,237)	59,717
Accrued liabilities	66,042	59,243
Accrued compensated absences	79,683	127,533
Deferred revenue	12,687	22,464
Deferred revenue - Medi-Cal	73,402	59,630
Conditional grant - CARES Act	162,664	295,986
	212,108	793,528
Total adjustments		
Net cash provided by operating activities	493,475	788,578
Cash flows from investing activities:		
Proceeds from maturity of certificate of deposit	500,000	-
Purchase of certificate of deposit	(500,000)	-
Purchases of property and equipment	(26,895)	(11,874)
	(26,895)	(11,874)
Net cash used by investing activities		
Net increase in cash	466,580	776,704
Cash and cash equivalents, beginning of year	1,732,924	956,220
Cash and cash equivalents, end of year	\$ 2,199,504	\$ 1,732,924

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Program Services	General and Administrative	Development/ Fundraising	Total	Program Services	General and Administrative	Development/ Fundraising	Total
Salaries, wages and benefits	\$ 5,252,103	\$ 32,323	\$ 10,204	\$ 5,294,630	\$ 5,041,179	\$ 30,579	\$ 9,794	\$ 5,081,552
Outside services and professional fees	446,332	113,940	-	560,272	631,460	104,055	-	735,515
Supplies	457,098	4,634	1,157	462,889	362,950	3,680	919	367,549
Occupancy	131,805	2,703	612	135,120	126,304	2,591	587	129,482
Office expense	88,580	910	1,815	91,305	121,513	1,257	2,511	125,281
Repairs and maintenance	62,868	905	-	63,773	94,483	1,586	-	96,069
Depreciation	62,367	-	-	62,367	62,184	-	-	62,184
Insurance	66,848	1,357	-	68,205	56,393	1,145	-	57,538
Bad debt	-	-	-	-	-	64,320	-	64,320
Total expenses	<u>\$ 6,568,001</u>	<u>\$ 156,772</u>	<u>\$ 13,788</u>	<u>\$ 6,738,561</u>	<u>\$ 6,496,466</u>	<u>\$ 209,213</u>	<u>\$ 13,811</u>	<u>\$ 6,719,490</u>
	97.48%	2.32%	0.20%	100.00%	96.69%	3.10%	0.21%	100.00%

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A -- Description of organization

In the early 1970s, former Berkeley Mayor Wally Johnson, his wife Marion Johnson, who was a member of the Executive Board of the Berkeley Senior Housing Association, and a prominent Berkeley physician, Dr. Leela Stevens Craig, who eventually joined the organization as its founding Medical Director, identified the need for a non-profit high-quality eldercare community in Berkeley, California.

In response, the Chaparral Foundation (the Foundation) was established in 1971 as a California non-profit corporation. To further its mission, the Foundation worked to create a home for aging seniors over the next seven years and opened Chaparral House in 1978.

In 1996, in response to new regulations and a greater need for a higher level of care, the Board of Directors upgraded Chaparral House from intermediate care to skilled nursing.

Today, Chaparral House is the only independent, non-profit, skilled nursing eldercare community in the city of Berkeley.

The philosophy of the Foundation is to provide the residents of Chaparral House individualized care and services in a warm, cheerful, homelike atmosphere wherein: a meaningful life experience is preserved; individuality, independence, and self-esteem are fostered; freedom of choice and expression are affirmed; security and stability are ensured; the right of privacy is respected; and, opportunities for participation and contribution are encouraged.

The success of Chaparral House is reflected in its sterling reputation throughout the Bay Area medical community and by its Rating from the Centers for Medicare and Medicaid Services, which is based on the California Department of Health Services' annual survey, that rates Chaparral House in the top tier of all skilled nursing facilities in California.

In 2014, Chaparral House earned accreditation by the Joint Commission, the leading hospital accrediting organization in the United States and Worldwide, as well as special Certification in Post-Acute Care. Also in 2014, Chaparral House became the first skilled nursing facility in the United States to receive special Certification in Memory Care from the Joint Commission.

NOTE B -- Summary of significant accounting policies

Basis of accounting

The financial statements are presented using the accrual basis of accounting.

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE B -- Summary of significant accounting policies (continued)

Revenue and support recognition

The Foundation recognizes resident care revenue and other fee revenue in the period services are provided. The Foundation has agreements with third-party payors that provide for payments to the Foundation at amounts different from its established rates. Health care services revenue from third-party payors is reported at the net realizable amount. The Foundation believes that all accounts receivable are collectible and accordingly no allowance for doubtful accounts has been provided.

The Foundation records contributions upon the earlier of receipt or when a pledge agreement has been executed. Contributions that have donor-imposed restrictions based on use or time are required to be reported as increases in net assets with donor restrictions and are then reclassified to net assets without donor restrictions when the restrictions have been satisfied.

The state-mandated Quality Assurance Fee (QAF) is passed-through to private-pay residents and is not included in net revenues or expenses.

Cash and cash equivalents

The Foundation considers most highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation has no cash equivalents as of June 30, 2021 and 2020.

Certificates of deposit

Certificates of deposit with an initial maturity exceeding three months are reflected on the Statements of Financial Position at fair value with interest income included in the Statements of Activities.

Concentration of credit risk

Financial instruments that potentially subject the Foundation to credit risk consist principally of cash on deposit, accounts receivable and a certificate of deposit. The Foundation maintains its cash balances and the certificate of deposit in various accounts at high-quality institutions. The balances often exceed federally insured limits. Accounts receivable consist primarily of fees for services. The Foundation grants credit to residents and generally requires no collateral. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes the Foundation is not exposed to any significant credit risk with respect to these accounts.

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE B -- Summary of significant accounting policies (continued)

Net assets

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for non-profit organizations. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a reserve fund.

With donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation had no net assets with donor restrictions at June 30, 2021 or 2020, respectively.

Functional allocation of expenses

The cost of providing program services and supporting activities is summarized in the Statements of Activities and detailed in the Statements of Functional Expenses. Expenses that can be directly identified with a specific function are allocated directly to that function. Since the sole program activity of the Foundation is the operation of Chaparral House, management has allocated those operating expenses to program services. Expenses that cannot be directly identified with a specific function are allocated among the program services and the supporting activities benefited based on allocation methods and estimates made by management.

Property and equipment

The land, donated in 1974, is recorded at fair market value on the date of donation. The building, completed in 1978, and equipment are recorded at cost. The building is being depreciated over an estimated useful life of 40 years on a straight-line basis. Equipment and furnishings are depreciated over estimated useful lives using the American Hospital Association Standards. The Foundation generally capitalizes assets with an original cost over \$3,500.

Income tax status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and 23701d of the California Revenue and Taxation Code, respectively. Therefore, no provision for federal or California income tax is reflected in the financial statements.

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE B -- Summary of significant accounting policies (continued)

Income tax status (continued)

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Foundation does not believe its financial statements include any uncertain tax positions.

The Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

In-kind contributions

Donated materials and certain contributed services required to be recognized are recorded at their fair value on the date of donation. The Foundation did not receive any in-kind contributions required to be recorded for the years ended June 30, 2021 or 2020. In addition, a number of individuals have donated amounts of their time to the Foundation. A dollar valuation of their effort is not reflected in the financial statements since it does not meet the criteria for recognition under the applicable accounting principles.

Use of estimates

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

NOTE C -- Liquidity and availability of resources

The Foundation's financial assets available within one year of the Statement of Financial Position at June 30, 2021 for general expenditures are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 2,199,504
Accounts receivable	922,667
Certificate of deposit	<u>502,107</u>
Total financial assets	3,624,278
Less amounts not available to be used within one year:	
Board-designated reserve fund	<u>(300,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,324,278</u>

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE D -- Residents' petty cash

The Foundation acts as custodian for limited amounts of cash belonging to certain residents. The balances at June 30, 2021 and 2020 were \$1,137 and \$106, respectively. The cash is segregated in a separate checking account and cash box. The account is not reflected in the financial statements.

NOTE E – 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act distributions

By Act of Congress, between April and August 2020 the Centers for Medicare and Medicaid (CMS) released several tranches of funds to healthcare providers who participate in the Medicare and Medicaid programs to cover the cost of Covid-19 operations. These funds were distributed without specifics for spending other than to be used for Covid-19 related expenses. The Foundation received a total of \$458,650 from seven of these distributions – three totaling \$295,986 during fiscal year 2019-2020, and four totaling \$162,664 during fiscal year 2020-2021. The Foundation recorded these funds as a conditional/designated grant.

Beginning in August 2020 CMS began releasing more specific language regarding the use of these funds. The Foundation is complying with those accounting guidelines in order to provide a report to whomever is designated to audit these funds whenever they are designated. In September of 2020 CMS stated that any funds not used according to their guidelines may be subject to repayment. While it is not expected that any amount will be subject to repayment, the Foundation will return any funds reclaimed by CMS.

The Employee Retention Credit (ERC), part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act allows eligible employers to apply for refundable federal payroll tax credits, subject to certain criteria. Eligible employers are allowed to apply for ERC retroactively for 2020. The Foundation applied for credits through June 30, 2021 totaling \$33,030, of which \$15,345 is included in accounts receivable at June 30, 2021.

NOTE F -- Pension plan

The Foundation maintains a defined contribution pension plan for all administrative personnel who have earned a minimum of \$400 in annual compensation and for all eligible union employees. The total pension expenses for the years ended June 30, 2021 and 2020 were \$41,980 and \$45,467, respectively.

NOTE G -- Concentrations

Substantially all of the Foundation's non-management services and nursing employees are covered by a collective bargaining agreement. The current agreement with Service Employees International Union Local 250 expired on June 30, 2021 and was renewed through June 2024 in July 2021.

Revenue from the third-party payors, the California Department of Health Services and Medicare, accounted for 46% and 48% of the total revenue and support for the years ended June 30, 2021 and 2020, respectively. Accounts receivable from these third-party payors accounted for 57% and 34% of the total receivables at June 30, 2021 and 2020, respectively.

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE G – Concentrations (continued)

For services that are paid under cost-reimbursed contractual arrangements with Medicare, Chaparral House is paid at an interim rate during the year. The difference between the interim rate and the actual reimbursement based on defined allowable costs results in a receivable from or a payable to third-party agencies.

The Medicare program's administrative procedures preclude final determination of amounts receivable from or payable to the Medicare program until after Chaparral House's annual cost reports have been audited or otherwise reviewed and settled by Medicare. The estimated settlement receivable/payable for unsettled cost reports is included in the financial statements.

NOTE H -- Net assets without donor restrictions

Components of net assets without donor restrictions at June 30 are:

	<u>2021</u>	<u>2020</u>
Board-designated reserve fund	\$ 300,000	\$ 175,000
Net investment in property and equipment	631,298	666,770
Other unrestricted net assets	<u>1,883,603</u>	<u>1,691,764</u>
Total	<u>\$ 2,814,901</u>	<u>\$ 2,533,534</u>

NOTE I -- Subsequent events

As discussed in Note G, the Foundation renewed its contract with Service Employees International Union Local 250 in July 2021.

The date to which events occurring after June 30, 2021, have been evaluated for possible adjustments to the financial statements or disclosure is September 2, 2022, which is the date on which the financial statements were available to be issued.