

CHAPARRAL FOUNDATION

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2022 and 2021**

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Independent Auditors' Report

Board of Directors
Chaparral Foundation

Opinion

We have audited the accompanying financial statements of Chaparral Foundation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chaparral Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chaparral Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chaparral Foundation'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.

Bregante + Company LLP

San Francisco, California

May 17, 2023

CHAPARRAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,180,537	\$ 2,199,504
Accounts receivable	1,084,401	922,667
Prepaid expenses	80,580	88,851
Certificate of deposit	504,120	502,107
Total current assets	3,849,638	3,713,129
Property and equipment:		
Land	165,000	165,000
Land improvements	144,641	111,490
Building and improvements	2,121,214	2,101,252
Equipment and furnishings	614,679	606,754
	3,045,534	2,984,496
Less accumulated depreciation	(2,404,673)	(2,353,198)
Property and equipment, net	640,861	631,298
Total assets	\$ 4,490,499	\$ 4,344,427

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION (Continued)
June 30, 2022 and 2021

	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 65,012	\$ 100,018
Accrued liabilities	121,091	260,599
Accrued compensated absences	529,932	492,158
Deferred revenue	46,547	85,069
Total current liabilities	762,582	937,844
Other liabilities:		
Deferred revenue - Medi-Cal	278,263	133,032
Conditional grant - CARES Act	-	458,650
Total liabilities	1,040,845	1,529,526
Net assets:		
Without donor restrictions	3,449,654	2,814,901
Total liabilities and net assets	\$ 4,490,499	\$4,344,427

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue and support:		
Health care services revenue, net	\$ 7,248,391	\$ 6,331,935
Ancillary services and supplies revenue	582,393	574,093
Grant income - CARES Act	458,650	-
Contributions	58,056	50,741
Other	1,376	38,801
Investment income, net	<u>4,128</u>	<u>24,358</u>
 Total revenue and support	 8,352,994	 7,019,928
Expenses:		
Program services expenses	7,453,543	6,568,001
General and administrative expenses	249,519	156,772
Development/fundraising expenses	<u>15,179</u>	<u>13,788</u>
 Total expenses	 <u>7,718,241</u>	 <u>6,738,561</u>
 Changes in net assets	 634,753	 281,367
 Net assets, beginning of year	 <u>2,814,901</u>	 <u>2,533,534</u>
 Net assets, end of year	 <u>\$ 3,449,654</u>	 <u>\$ 2,814,901</u>

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ 634,753	\$ 281,367
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	67,135	62,367
Accrued interest on certificate of deposit	(2,013)	(2,107)
Grant income - CARES Act	(458,650)	-
(Increase) decrease in assets:		
Accounts receivable	(161,734)	(216,151)
Prepaid expenses	8,271	758
Increase (decrease) in liabilities:		
Accounts payable	(35,006)	(27,237)
Accrued liabilities	(139,508)	66,042
Accrued compensated absences	37,774	79,683
Deferred revenue	(38,522)	12,687
Deferred revenue - Medi-Cal	145,231	73,402
Conditional grant - CARES Act	-	162,664
Total adjustments	(577,022)	212,108
Net cash provided by operating activities	57,731	493,475
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	(76,698)	(26,895)
Net cash used by investing activities	(76,698)	(26,895)
Net increase (decrease) in cash	(18,967)	466,580
Cash and cash equivalents, beginning of year	2,199,504	1,732,924
Cash and cash equivalents, end of year	\$ 2,180,537	\$ 2,199,504

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2022 and 2021

Supplemental disclosure of noncash operating and investing activity

The Foundation disposed of fully depreciated improvements and equipment with an original cost totaling \$15,660 during the year ended June 30, 2022.

Conditions were met to recognize the conditional federal grant funds under the CARES Act as income effective June 30, 2022.

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2022 and 2021

	2022			2021				
	Program Services	General and Administrative	Development/ Fundraising	Total	Program Services	General and Administrative	Development/ Fundraising	Total
Salaries, wages and benefits	\$ 5,916,736	\$ 37,340	\$ 11,495	\$ 5,965,571	\$ 5,252,103	\$ 32,323	\$ 10,204	\$ 5,294,630
Outside services and professional fees	502,039	200,674	-	702,713	446,332	113,940	-	560,272
Supplies	491,353	4,981	1,243	497,577	457,098	4,634	1,157	462,889
Occupancy	142,172	2,916	661	145,749	131,805	2,703	612	135,120
Office expense	86,609	892	1,780	89,281	88,580	910	1,815	91,305
Repairs and maintenance	75,229	1,178	-	76,407	62,868	905	-	63,773
Depreciation	67,135	-	-	67,135	62,367	-	-	62,367
Insurance	75,764	1,538	-	77,302	66,848	1,357	-	68,205
Unreimbursed Charity care	96,506	-	-	96,506	-	-	-	-
Total expenses	\$ 7,453,543	\$ 249,519	\$ 15,179	\$ 7,718,241	\$ 6,568,001	\$ 156,772	\$ 13,788	\$ 6,738,561
	96.58%	3.22%	0.20%	100.00%	97.48%	2.32%	0.20%	100.00%

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021.

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.

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:

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

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

Net assets (continued)

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, 2022 or 2021, 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.

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.

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

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

Income tax status (continued)

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, 2022 or 2021. 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 Statements of Financial Position at June 30, 2022 for general expenditures are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 2,180,537
Accounts receivable	1,084,401
Certificate of deposit	<u>504,120</u>
Total financial assets	3,769,058
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>\$ 3,469,058</u>

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE D -- Residents' petty cash

The Foundation acts as custodian for limited amounts of cash belonging to certain residents. The balances at June 30, 2022 and 2021 were \$1,235 and \$1,137, 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 conditional/designated grants and reported the funds as Conditional grant – CARES Act on the Statements of Financial Position at June 30, 2021 and 2020.

Beginning in August 2020, CMS began releasing more specific language regarding the use of these funds. The Foundation complied with the various accounting guidelines issued regarding the appropriate expenditure of the funds during the period from inception through June 20, 2022. Effective June 30, 2022, the Foundation met the conditions of the grant requirements and submitted the final expenditure reports. The final expenditure report was approved on September 19, 2022. For the year ended June 30, 2022, the Foundation recognized \$458,650 of CARES Act grant income in the Statements of Activities.

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, 2022 and 2021 were \$58,130 and \$41,980, 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 expires on June 30, 2024.

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE G – Concentrations (continued)

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, 2022 and 2021, respectively. Accounts receivable from these third-party payors accounted for 51% and 57% of the total receivables at June 30, 2022 and 2021, respectively.

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>2022</u>	<u>2021</u>
Board-designated reserve fund	\$ 300,000	\$ 300,000
Net investment in property and equipment	640,861	631,298
Other unrestricted net assets	<u>2,508,793</u>	<u>1,883,603</u>
Total	<u>\$ 3,449,654</u>	<u>\$ 2,814,901</u>

NOTE I -- Subsequent events

The date to which events occurring after June 30, 2022, have been evaluated for possible adjustments to the financial statements or disclosure is May 17, 2023, which is the date on which the financial statements were available to be issued.