

CHAPARRAL FOUNDATION

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2020 and 2019**

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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, 2020 and 2019, 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

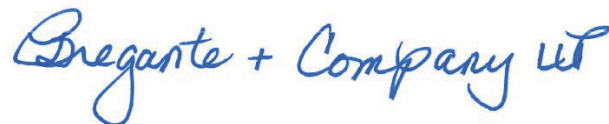
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2020 and 2019, 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

December 1, 2020

www.bcocpa.com

CHAPARRAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,732,924	\$ 956,220
Accounts receivable	706,516	814,305
Prepaid expenses	89,609	88,591
Certificate of deposit	500,000	500,000
Total current assets	3,029,049	2,359,116
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	579,859	567,985
	2,957,601	2,945,727
Less accumulated depreciation	(2,290,831)	(2,228,647)
Property and equipment, net	666,770	717,080
Total assets	\$ 3,695,819	\$ 3,076,196
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 127,255	\$ 67,538
Accrued liabilities	194,557	135,314
Accrued compensated absences	412,475	284,942
Deferred revenue	72,382	49,918
Total current liabilities	806,669	537,712
Other liabilities:		
Deferred revenue - Medi-Cal	59,630	-
Conditional grant - CARES Act	295,986	-
Total liabilities	1,162,285	537,712
Net assets:		
Without donor restrictions	2,533,534	2,538,484
Total liabilities and net assets	\$ 3,695,819	\$ 3,076,196

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue and support:		
Health care services revenue, net	\$ 6,163,205	\$ 5,586,977
Ancillary services and supplies revenue	495,339	485,082
Contributions	51,312	27,658
Other	3,195	172
Investment income, net	<u>1,489</u>	<u>2,032</u>
Total revenue and support	6,714,540	6,101,921
Expenses:		
Program services expenses	6,496,466	5,934,114
General and administrative expenses	209,213	221,408
Development/fundraising expenses	<u>13,811</u>	<u>12,683</u>
Total expenses	<u>6,719,490</u>	<u>6,168,205</u>
Changes in net assets	(4,950)	(66,284)
Net assets, beginning of year	<u>2,538,484</u>	<u>2,604,768</u>
Net assets, end of year	<u>\$ 2,533,534</u>	<u>\$ 2,538,484</u>

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ (4,950)	\$ (66,284)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	62,184	51,034
(Increase) decrease in assets:		
Accounts receivable	107,789	(224,444)
Prepaid expenses	(1,018)	(18,075)
Increase (decrease) in liabilities:		
Accounts payable	59,717	(213,738)
Accrued liabilities	59,243	5,303
Accrued compensated absences	127,533	15,606
Deferred revenue	22,464	49,918
Deferred revenue - Medi-Cal	59,630	-
Conditional grant - CARES Act	295,986	-
	793,528	(334,396)
Total adjustments		
Net cash provided (used) by operating activities	788,578	(400,680)
Cash flows from investing activities:		
Purchase of certificate of deposit	-	(500,000)
Purchases of property and equipment	(11,874)	(128,464)
	(11,874)	(628,464)
Net cash used by investing activities		
Net increase (decrease) in cash	776,704	(1,029,144)
Cash and cash equivalents, beginning of year	956,220	1,985,364
Cash and cash equivalents, end of year	\$ 1,732,924	\$ 956,220

Supplemental disclosure of noncash investing activity:

Fully depreciated property and equipment with an original cost of \$11,779 was retired during the year ended June 30, 2019.

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019

	2020				2019			
	Program Services	General and Administrative	Development/ Fundraising	Total	Program Services	General and Administrative	Development/ Fundraising	Total
Salaries, wages and benefits	\$ 5,041,179	\$ 30,579	\$ 9,794	\$ 5,081,552	\$ 4,692,822	\$ 27,907	\$ 9,117	\$ 4,729,846
Outside services and professional fees	631,460	104,055	-	735,515	564,064	178,795	-	742,859
Supplies	362,950	3,680	919	367,549	292,265	2,960	739	295,964
Occupancy	126,304	2,591	-	128,895	119,476	2,449	555	122,480
Office expense	121,513	1,257	2,511	125,281	109,954	1,138	2,272	113,364
Repairs and maintenance	94,483	1,586	587	96,656	59,074	774	-	59,848
Depreciation	62,184	-	-	62,184	51,034	-	-	51,034
Insurance	56,393	1,145	-	57,538	45,425	922	-	46,347
Bad debt	-	64,320	-	64,320	-	6,463	-	6,463
Total expenses	\$ 6,496,466	\$ 209,213	\$ 13,811	\$ 6,719,490	\$ 5,934,114	\$ 221,408	\$ 12,683	\$ 6,168,205
	96.68%	3.10%	0.21%	99.99%	96.21%	3.58%	0.21%	100.00%

See accompanying notes to the financial statements.

CHAPARRAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019.

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 a single high-quality institution. 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, 2020 and 2019

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 that 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, 2020 or 2019, 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, 2020 and 2019

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, 2020 or 2019. 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, 2020 for general expenditures are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,732,924
Accounts receivable	706,516
Certificate of deposit	<u>500,000</u>
Total financial assets	2,939,440
Less amounts not available to be used within one year:	
Board-designated reserve fund	<u>(175,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,764,440</u>

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE D -- Residents' petty cash

The Foundation acts as custodian for limited amounts of cash belonging to certain residents. The balances at June 30, 2020 and 2019 were \$106 and \$1,361, respectively. The cash is segregated in a separate checking account and cash box. The account is not reflected in the financial statements.

NOTE E – Other liabilities

Deferred revenue – Medi-Cal

Medicaid in California, known as Medi-Cal, increased the reimbursement rate for Skilled Nursing Facilities on March 1, 2020 by 10% based on the rate in effect on March 1, 2020. That rate for Chaparral House prior to March 1, 2020 was \$321.76 per day, and the ten percent increase was \$32.18 per day, making the new Medi-Cal reimbursement rate for Chaparral House \$353.94 per day effective March 1, 2020. When the increase was granted it was said to be help for Skilled Nursing Facilities to help fight Covid-19 and the increased costs associated with that. Since then several additional communications have provided guidance that says these funds should be spent specifically on Medi-Cal residents, and that the expenditure of funds should reflect that Medi-Cal is the payor of last resort for Medi-Cal residents, and that any other funds received to defray the cost of dealing with Covid-19 should be exhausted before using the Medi-Cal funds. As a result of this concept and the lack of any real world regulations or even guidance regarding accounting for these funds, Chaparral Foundation has segregated these funds in order to better and more easily account for their use when such information is forthcoming.

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 \$377,036.01 from four of these distributions – three totaling \$295,986.01 during fiscal year 2019-2020, and one for \$81,050 during fiscal year 2020-2021. The Foundation recorded these funds as a conditional/designated grant.

Beginning in August 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.

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, 2020 and 2019 were \$45,467 and \$51,388, respectively.

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

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, 2021.

Revenue from the third-party payors, the California Department of Health Services and Medicare, accounted for 12% and 59% of the total revenue and support for the years ended June 30, 2020 and 2019, respectively. Accounts receivable from these third-party payors accounted for 34% and 41% of the total receivables at June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Board-designated reserve fund	\$ 175,000	\$ 175,000
Net investment in property and equipment	666,770	717,080
Other unrestricted net assets	<u>1,691,764</u>	<u>1,646,404</u>
Total	<u>\$ 2,533,534</u>	<u>\$ 2,538,484</u>

NOTE I -- Subsequent events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Governmental orders were issued in March 2020 requiring California residents who are non-essential workers to shelter in place due to the COVID-19 outbreak. Chaparral House is considered an essential business and continues to operate. At this time, the facility remains COVID-19 free.

CHAPARRAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE I -- Subsequent events (Continued)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time. Management does not believe the Foundation will sustain significant financial impact as a result.

The date to which events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure is December 1, 2020, which is the date on which the financial statements were available to be issued.