

# **San Francisco Ladies' Protection and Relief Society**

Financial Statements

December 31, 2022 and 2021

# San Francisco Ladies' Protection and Relief Society

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Table of Contents  
December 31, 2022

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Balance Sheets	3
Statements of Operations	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

## **Independent Auditors' Report**

To the Board of Directors of  
San Francisco Ladies' Protection and Relief Society

### **Opinion**

We have audited the financial statements of San Francisco Ladies' Protection and Relief Society (dba The Heritage on the Marina) (the Society), which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of operations, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 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 (GAAP).

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Society 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 GAAP 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 the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Society'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 the Society'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.

*Baker Tilly US, LLP*

San Francisco, California  
June 28, 2023

# San Francisco Ladies' Protection and Relief Society

## Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 511,655	\$ 179,684
Accounts receivable:		
Residents	-	22,022
Medicare	358,065	122,006
Entrance fees	-	242,550
Prepaid expenses	340,959	315,682
Investments	60,658,099	80,817,910
Custodian funds	11,270	5,367
	<u>61,880,048</u>	<u>81,705,221</u>
Total current assets		
	61,880,048	81,705,221
<b>Property and Equipment, Net</b>	18,766,947	17,864,349
<b>Other Assets</b>		
Investments, endowment	724,872	902,082
Other	2,524	2,524
	<u>727,396</u>	<u>904,606</u>
Total assets	<u>\$ 81,374,391</u>	<u>\$ 100,474,176</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,048,926	\$ 678,273
Accrued salaries and other expenses	803,101	914,148
Custodian funds	1,451	1,451
	<u>1,853,478</u>	<u>1,593,872</u>
Total current liabilities		
	1,853,478	1,593,872
<b>Deferred Revenue From Entrance Fees</b>	8,179,215	7,662,582
	<u>8,179,215</u>	<u>7,662,582</u>
Total liabilities		
	10,032,693	9,256,454
<b>Net Assets</b>		
Without donor restrictions	70,283,410	90,087,874
With donor restrictions:		
Purpose restrictions	558,288	629,848
Endowments, held in perpetuity	500,000	500,000
	<u>1,058,288</u>	<u>1,129,848</u>
Total net assets with donor restrictions		
	1,058,288	1,129,848
Total net assets	<u>71,341,698</u>	<u>91,217,722</u>
Total liabilities and net assets	<u>\$ 81,374,391</u>	<u>\$ 100,474,176</u>

See notes to financial statements

# San Francisco Ladies' Protection and Relief Society

## Statements of Operations

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Changes In Net Assets Without Donor Restrictions</b>		
Operating revenue:		
Net resident service revenues	\$ 7,389,009	\$ 7,683,505
Guest charges	57,936	34,730
Other income	12,500	171,738
	<u>7,459,445</u>	<u>7,889,973</u>
Total operating revenue		
Operating Expenses:		
Programs	9,666,913	10,899,309
Supporting services:		
General and administrative	3,447,466	3,124,382
Fundraising	197,401	41,045
	<u>13,311,780</u>	<u>14,064,736</u>
Total operating expenses		
Loss from operations	<u>(5,852,335)</u>	<u>(6,174,763)</u>
Other (Loss) Income, Net:		
Net realized and unrealized (loss) gain on investments	(15,052,454)	9,987,595
Dividends and interest	1,271,146	627,795
Investment management fees	(94,212)	(131,794)
Donations and bequests	34,540	33,143
Provider relief funds	-	27,738
Loss on disposal of fixed assets	(104,823)	-
Other	(30,386)	4,395
	<u>(13,976,189)</u>	<u>10,548,872</u>
Total other (loss) income, net		
Net assets released from restrictions	<u>24,060</u>	<u>79,812</u>
Revenues (less than) in excess of expenses and change in net assets without donor restrictions	<u>(19,804,464)</u>	<u>4,453,921</u>
<b>Changes In Net Assets With Donor Restrictions</b>		
Net realized and unrealized (loss) gain on investments	(171,450)	100,502
Dividends and interest	14,668	14,227
Investment management fees	(1,131)	(1,534)
Donations and bequests	110,413	84,682
Net assets released from restrictions	(24,060)	(79,812)
	<u>(71,560)</u>	<u>118,065</u>
Change in net assets with donor restrictions		
Change in net assets	(19,876,024)	4,571,986
<b>Total Net Assets, Beginning</b>	<u>91,217,722</u>	<u>86,645,736</u>
<b>Total Net Assets, Ending</b>	<u>\$ 71,341,698</u>	<u>\$ 91,217,722</u>

See notes to financial statements

## San Francisco Ladies' Protection and Relief Society

Statement of Functional Expenses

Year Ended December 31, 2022

	Programs				Supporting Services			Totals
	Food Service	Housekeeping and Maintenance	Health Center	Activities	Total Programs	General and Administrative	Fundraising	
Salaries	\$ 434,407	\$ 602,679	\$ 2,254,359	\$ 303,550	\$ 3,594,995	\$ 1,380,993	\$ -	\$ 4,975,988
Employee Benefits and Payroll Taxes	148,161	180,516	518,355	83,266	930,298	193,266	-	1,123,564
Food	1,784,407	-	-	-	1,784,407	-	-	1,784,407
Depreciation	80,248	111,333	416,450	56,075	664,106	249,023	5,647	918,776
Personal Protective Equipment	57,992	80,455	300,948	40,523	479,918	179,957	4,081	663,956
Utilities	56,451	78,318	292,954	39,446	467,169	175,177	3,972	646,318
Planning and Development	-	-	-	-	-	491,557	-	491,557
Supplies	131,583	86,406	50,146	-	268,135	-	-	268,135
Security	22,045	30,584	114,401	15,404	182,434	68,408	1,551	252,393
Administrative Dues	-	-	-	-	-	242,078	-	242,078
Insurance	20,784	28,835	107,860	14,523	172,002	64,496	1,463	237,961
Medical	-	-	224,482	-	224,482	-	-	224,482
Contract Maintenance	19,452	202,122	-	-	221,574	-	-	221,574
Building	-	183,917	-	-	183,917	-	-	183,917
Marketing	-	-	-	-	-	-	180,687	180,687
Miscellaneous	5,451	30,684	-	-	36,135	102,078	-	138,213
Legal Fees	-	-	-	-	-	114,847	-	114,847
Outside Services	-	-	114,829	-	114,829	-	-	114,829
Professional Fees	-	13,612	80,418	-	94,030	-	-	94,030
Accounting Fees	-	-	-	-	-	77,212	-	77,212
Program Activities	-	-	-	67,687	67,687	-	-	67,687
Repairs	13,475	37,127	11,295	-	61,897	-	-	61,897
Food Service Management Fees	60,897	-	-	-	60,897	-	-	60,897
Drugs	-	-	54,338	-	54,338	-	-	54,338
Office Supplies	-	-	-	-	-	36,066	-	36,066
Transportation	-	-	-	-	-	29,407	-	29,407
Consulting Fees	-	-	-	-	-	26,996	-	26,996
Telephone	-	-	3,663	-	3,663	12,706	-	16,369
Travel	-	-	-	-	-	3,199	-	3,199
	<u>\$ 2,835,353</u>	<u>\$ 1,666,588</u>	<u>\$ 4,544,498</u>	<u>\$ 620,474</u>	<u>\$ 9,666,913</u>	<u>\$ 3,447,466</u>	<u>\$ 197,401</u>	<u>\$ 13,311,780</u>

See notes to financial statements

## San Francisco Ladies' Protection and Relief Society

### Statement of Functional Expenses

Year Ended December 31, 2021

	Programs				Supporting Services			Totals
	Food Service	Housekeeping and Maintenance	Health Center	Activities	Total Programs	General and Administrative	Fundraising	
Salaries	\$ 537,214	\$ 752,176	\$ 2,946,775	\$ 350,862	\$ 4,587,027	\$ 1,302,906	\$ 30,568	\$ 5,920,501
Employee Benefits and Payroll Taxes	275,105	275,407	802,848	96,222	1,449,582	296,737	-	1,746,319
Food	1,719,106	-	-	-	1,719,106	-	-	1,719,106
Depreciation	85,512	119,728	469,056	55,849	730,145	207,391	4,866	942,402
Utilities	54,653	76,522	299,788	35,695	466,658	132,550	3,110	602,318
Insurance	23,802	33,326	130,561	15,545	203,234	57,727	1,354	262,315
Supplies	126,966	102,525	31,801	-	261,292	-	-	261,292
Planning and Development	-	-	-	-	-	252,003	-	252,003
Outside Services	-	-	223,271	-	223,271	-	-	223,271
Security	20,156	28,221	110,559	13,163	172,099	48,883	1,147	222,129
Contract Maintenance	22,483	193,820	-	-	216,303	-	-	216,303
Legal Fees	-	-	-	-	-	193,114	-	193,114
Building	-	178,034	-	-	178,034	-	-	178,034
Personal Protective Equipment	15,060	21,091	82,600	9,844	128,595	36,884	-	165,479
Marketing	-	-	-	-	-	161,179	-	161,179
Medical	-	-	125,126	-	125,126	-	-	125,126
Accounting Fees	-	-	-	-	-	110,456	-	110,456
Program Activities	-	-	-	104,473	104,473	-	-	104,473
Administrative Dues	-	-	-	-	-	100,044	-	100,044
Miscellaneous	5,367	8,336	-	-	13,703	78,549	-	92,252
Repairs	34,339	40,327	14,922	-	89,588	-	-	89,588
Professional Fees	-	6,393	89,223	-	95,616	-	-	95,616
Drugs	-	-	71,120	-	71,120	-	-	71,120
Consulting Fees	-	-	-	-	-	67,437	-	67,437
Food Service Management Fees	59,123	-	-	-	59,123	-	-	59,123
Office Supplies	-	-	-	-	-	48,038	-	48,038
Transportation	-	-	-	-	-	20,476	-	20,476
Telephone	-	-	5,214	-	5,214	8,003	-	13,217
Travel	-	-	-	-	-	2,005	-	2,005
	<u>\$ 2,978,886</u>	<u>\$ 1,835,906</u>	<u>\$ 5,402,864</u>	<u>\$ 681,653</u>	<u>\$ 10,899,309</u>	<u>\$ 3,124,382</u>	<u>\$ 41,045</u>	<u>\$ 14,064,736</u>

See notes to financial statements



# San Francisco Ladies' Protection and Relief Society

## Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (19,876,024)	\$ 4,571,986
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	918,776	942,402
Loss on disposal of fixed assets	104,823	-
Net realized and unrealized loss (gain) on investments	15,223,904	(10,088,097)
Proceeds from entrance fees	2,274,800	1,766,355
Amortization of entrance fees	(1,515,617)	(1,257,721)
Changes in operating assets and liabilities:		
Accounts receivable	(214,037)	(69,355)
Prepaid expenses	(25,277)	45,311
Accounts payable and accrued expenses	259,605	728,547
Custodian funds	(5,902)	3,488
Net cash used in operating activities	<u>(2,854,949)</u>	<u>(3,357,084)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(1,171,883)	(509,689)
Proceeds from sales of investments	6,285,000	4,945,000
Additions to property and equipment	<u>(1,926,197)</u>	<u>(705,752)</u>
Net cash provided by investing activities	<u>3,186,920</u>	<u>3,729,559</u>
<b>Cash Flows Used In Financing Activities</b>		
Refunds of entrance fees	<u>-</u>	<u>(401,825)</u>
Net change in cash	331,971	(29,350)
<b>Cash, Beginning</b>	<u>179,684</u>	<u>209,034</u>
<b>Cash, Ending</b>	<u>\$ 511,655</u>	<u>\$ 179,684</u>

See notes to financial statements

# San Francisco Ladies' Protection and Relief Society

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Notes to Financial Statements

December 31, 2022 and 2021

## 1. Organization

San Francisco Ladies' Protection and Relief Society (dba The Heritage on the Marina) (the Society) was formed in 1853 as a nonprofit California corporation. The Society owns and operates a continuing care retirement community (the Community) in San Francisco, California consisting of 68 independent living (IL) units, 18 assisted living (AL) units, a 32-bed skilled nursing (SN) facility, and public spaces and amenities.

## 2. Summary of Significant Accounting Policies

### Use of Estimates

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

### Cash and Cash Equivalents

Cash consists of checking and savings accounts. The Society considers all highly liquid investments, with a maturity of three months or less at the time of purchase, to be cash equivalents. At December 31, 2022 and 2021, the Society did not have any cash equivalents. Cash and cash equivalents held in brokerage accounts are included with investments.

### Accounts Receivable and Entrance Fee Receivables

The Society assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable and anticipated collection of the consideration. As of December 31, 2022 and 2021, all accounts receivable were deemed collectible; therefore, no allowance for doubtful accounts was necessary.

Entrance fee receivables are evaluated for collectability prior to residents being admitted to the Community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

### Investments and Investment Risk

Investments primarily include assets set aside for the general use and purposes of the Society.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment return is included in revenues (less than) in excess of expenses unless the investment return is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on the trade date.

The Society's investments are comprised of a variety of financial instruments. The fair values reported in the balance sheets 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 investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the balance sheets could change materially in the near term.

# San Francisco Ladies' Protection and Relief Society

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Notes to Financial Statements  
December 31, 2022 and 2021

## Out and About Endowment Fund

The Society has a \$500,000 endowment fund for the Out and About Program for the residents. This fund's corpus is classified as net assets with donor restrictions. Earnings from the fund are used for program costs.

The Society is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Society has interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the gift. Accordingly, the Society classified the original value of the gift as net assets with donor restrictions held in perpetuity.

Earnings from the donor restricted endowment fund are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed under the law.

From time to time, the fair market value of assets associated with the endowment funds may fall below the level required to be retained as funds of perpetual duration. The Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At December 31, 2022 and 2021, the fair market value of endowment assets exceeded the corpus of the funds.

In accordance with UPMIFA, the Society has adopted investment and spending policies for the endowment assets in order to preserve and enhance the value of the corpus in perpetuity, provide a relatively steady stream of earnings and balance the current and future funding needs of the Out and About Program.

The Society targets a diversified asset allocation to achieve its long-term return objectives, with prudent risk constraints. To satisfy its long-term rate of return objective, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield (interest and dividends). The endowment assets are co-mingled with other marketable investment securities of the Society and are invested in a manner that is intended to earn an average annual rate of return of 3% over and above expenditures of 3% per year.

Annual spending is at the discretion of management with the goal of maintaining the Program, while preserving the corpus of the endowment.

## Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to dispose of a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Society for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the instrument through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

# San Francisco Ladies' Protection and Relief Society

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Notes to Financial Statements  
December 31, 2022 and 2021

## Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted income. Net assets with donor restrictions are reclassified and reported as an increase in net assets without donor restriction when an asset is purchased with the donated funds and placed in service.

Property and equipment will be evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. No impairment losses were recognized in 2022 or 2021.

## Continuing Care Contracts and Entrance Fees

The Society offers both Type A (lifecare) and Type C (fee-for-service) continuing care contracts (CCCs) to prospective IL residents. Residents pay an entrance fee and a monthly fee according to the type of contract, the type of IL unit selected and the number of residents who occupy the IL unit. Under the CCCs, residents have the right to cancel the CCC with or without cause within 90 days of occupancy of the unit. In the case of such cancellation, the Society is obligated to refund the full balance of the entrance fee.

Under the CCCs, the entrance fee will generally be refunded less 1.5 percent of the entrance fee per month of residency for 67 months. After 67 months of residency, no refund is due or payable.

All entrance fee refunds are required to be paid within 14 days after the resident vacates the IL unit and returns possession of the unit to the Society.

The entrance fees received are classified as deferred revenue from entrance fees in the balance sheets. The deferred revenue is amortized to income over the annually adjusted actuarially determined life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services under the CCCs are expected to be transferred to residents and Society's performance obligation to the residents is satisfied.

The gross amount of contractual refund obligations under existing CCCs approximated \$4,728,000 and \$4,281,000 at December 31, 2022 and 2021, respectively.

Amortization of entrance fees was \$1,515,617 in 2022 and \$1,257,721 in 2021. A significant portion of amortization revenue in 2022 and 2021 was included in deferred revenue from entrance fees as of the beginning of each year.

## Obligation to Provide Future Services

The Society annually calculates the present value of the costs of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (future service obligation) with the corresponding charge to expense. There was no liability for a future service obligation at December 31, 2022 or 2021.

# San Francisco Ladies' Protection and Relief Society

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Notes to Financial Statements

December 31, 2022 and 2021

## Net Assets

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:

**Net Assets Without Donor Restrictions** - This classification includes net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

**Net Assets With Donor Restrictions** - This classification includes 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. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

## Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Society expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for the Society's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services due from private pay residents are generally billed monthly in advance. Net resident service fee revenues for ancillary services due from private pay residents are generally billed monthly in arrears. Net resident service revenues due from Medicare and other third-party payor programs are billed monthly in arrears.

Net resident service revenues are primarily comprised of SN, AL, and IL revenue streams, which are primarily derived from providing housing and SN, AL, and IL services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Society has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Society considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, SN, AL, and IL revenues are recognized on a daily or month-to-month basis as services are rendered.

The Society receives revenue for SN services under third-party payor programs, including Medicare and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Society estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends. Retroactive adjustments are recognized in future periods as final settlements are determined.

# San Francisco Ladies' Protection and Relief Society

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Notes to Financial Statements  
December 31, 2022 and 2021

## Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among programs and supporting services benefited based on estimates of employees' time incurred and usage of resources.

## Income Taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d (or other states and code sections, as relevant). Accordingly, it has not provided for income taxes in these financial statements. Effective February 2004, the Society became an exempt private operating foundation as defined in Section 4940(d)(2) of the Internal Revenue Code. The Society is exempt from the 1.39% excise tax imposed on the net investment income of exempt private foundations. Certain other income and support tests must be met each year in order to remain exempt. Management believes the Society continues to meet these tests as of December 31, 2022 and 2021.

Each year, management considers whether the Society has engaged in any activities that could affect the Society's income tax status or result in taxable income. Management believes that any positions the Society has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly, there are no potential tax liabilities to be recorded or disclosed in the financial statements.

In December 2020, the Society filed an application to terminate its private foundation status under Section 507(b)(1)(B). Should the application be approved by the IRS, the Society would be exempt under Section 509(a) and would not be subject to excise taxes. On January 1, 2021, the Society began operating as a public charity, but is currently in a 5-year probationary period to meet requirements to gain public charity status.

## Measure of Operations

The Society's loss from operations includes only those operating revenues and expenses that are an integral part of the Society's operating activities. Nonoperating activities are limited to resources that generate return on investments and other activities considered to be more unusual and nonrecurring in nature.

## Revenues (Less than) in Excess of Expenses

The Society's performance indicator is revenues (less than) in excess of expenses. Changes in net assets without donor restrictions which are excluded from revenues (less than) in excess expenses are consistent with industry practice.

## Recently Issued Accounting Standards

During June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) will be effective for the Society for the year ending December 31, 2023. Early adoption is permitted. The Society is currently evaluating the timing of its adoption of ASU No. 2016-13 (as amended) and its impact on its financial statements.

# San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements  
December 31, 2022 and 2021

## Subsequent Events

The Society evaluated subsequent events for recognition or disclosure through June 28, 2023, the date the financial statements were available to be issued.

## Reclassifications

Certain items in the 2021 financial statements have been reclassified to conform with the 2022 financial statement presentation.

## 3. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 511,655	\$ 179,684
Accounts receivable	358,065	386,578
Investments	<u>60,324,683</u>	<u>80,590,144</u>
Total	<u>\$ 61,194,403</u>	<u>\$ 81,156,406</u>

The Society has assets whose use by the Society has been limited by donors to specific purposes or in perpetuity. These assets are generally not available for general expenditure within the next year and are not reflected in the amounts above.

As part of the Society'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.

## 4. Net Resident Service Revenues

The Society disaggregates revenue from contracts with residents by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Net resident service revenues consist of the following for the years ended December 31:

	<u>2022</u>			
	<u>Skilled Nursing</u>	<u>Assisted Living</u>	<u>Independent Living</u>	<u>Total</u>
Self-pay	\$ 797,113	\$ 1,170,222	\$ 3,349,048	\$ 5,316,383
Medicare and other	557,009	-	-	557,009
Total	<u>\$ 1,354,122</u>	<u>\$ 1,170,222</u>	<u>\$ 3,349,048</u>	
Amortization of entrance fees				<u>1,515,617</u>
Net resident service revenues				<u>\$ 7,389,009</u>

## San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements  
December 31, 2022 and 2021

	2021			Total
	Skilled Nursing	Assisted Living	Independent Living	
Self-pay	\$ 1,213,180	\$ 1,251,130	\$ 2,987,779	\$ 5,452,089
Medicare and other	973,695	-	-	973,695
Total	<u>\$ 2,186,875</u>	<u>\$ 1,251,130</u>	<u>\$ 2,987,779</u>	
Amortization of entrance fees				<u>1,257,721</u>
Net resident service revenues				<u>\$ 7,683,505</u>

The Society has an agreement with Medicare that provides for payments at amounts different from established rates. Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Society's clinical assessment of its residents. The Society is required to clinically assess its residents at predetermined time periods throughout the year which are subject to review and adjustment by Medicare program.

### 5. Investments and Fair Value Measurements

At December 31, 2022, fair values of investments are as follows:

Equity securities:	
Exchange traded funds	\$ 31,506,521
Domestic equity mutual funds	7,858,453
International equity mutual funds	<u>2,425,573</u>
Total equity securities	<u>41,790,547</u>
Fixed income securities:	
Exchange traded funds	14,921,233
Mutual funds	3,039,035
Other	<u>20,659</u>
Total fixed income securities	<u>17,980,927</u>
Cash held for anticipated withdrawals	<u>1,611,497</u>
	<u>\$ 61,382,971</u>



## San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements  
December 31, 2022 and 2021

At December 31, 2021, fair values of investments are as follows:

Equity securities:	
Exchange traded funds	\$ 43,498,942
Domestic equity mutual funds	11,114,574
International equity mutual funds	3,231,863
	<hr/>
Total equity securities	57,845,379
	<hr/>
Fixed income securities:	
Exchange traded funds	18,495,790
Mutual funds	3,751,577
Other	28,599
	<hr/>
Total fixed income securities	22,275,966
	<hr/>
Cash held for anticipated withdrawals	1,598,647
	<hr/>
	\$ 81,719,992

Exchange traded funds and mutual funds are valued at fair value based on quoted market prices in active markets and are, therefore, valued using Level 1 inputs.

There have been no changes in the valuation techniques in 2022 or 2021.

### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land improvements	\$ 1,103,308	\$ 1,103,308
Building and improvements	24,497,133	22,727,320
Equipment and furnishings	4,775,984	4,636,689
	<hr/>	<hr/>
	30,376,425	28,467,317
Less accumulated depreciation	<hr/> (14,521,167)	<hr/> (13,619,480)
	15,855,258	14,847,837
Land	2,911,689	2,911,689
Projects in progress	-	104,823
	<hr/>	<hr/>
	\$ 18,766,947	\$ 17,864,349

# San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements  
December 31, 2022 and 2021

## 7. Net Assets With Donor Restrictions

### Purpose Restrictions

Net assets with purpose restrictions consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Out and About Endowment Fund – Accumulated Unspent Earnings	\$ 224,872	\$ 402,082
Out and About Fund	5,000	5,000
Grace and Favor Program	184,433	167,574
Gorman Fund	25,778	25,885
Technology Fund	18,829	18,829
Employee Appreciation Fund	95,845	4,062
Education and Benevolence Fund	3,531	6,416
	<u>\$ 558,288</u>	<u>\$ 629,848</u>

### Out and About Endowment Fund

Changes in endowment net assets are as follows for 2022 and 2021:

	<u>Accumulated Unspent Endowment Earnings</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ 295,515	\$ 500,000	\$ 795,515
Investment return:			
Interest and dividends	14,227	-	14,227
Gain on investments, net of investment management fees	98,968	-	98,968
Total investment return	<u>113,195</u>	<u>-</u>	<u>113,195</u>
Appropriated for expenditure	<u>(6,628)</u>	<u>-</u>	<u>(6,628)</u>
Endowment net assets, December 31, 2021	402,082	500,000	902,082
Investment return:			
Interest and dividends	14,668	-	14,668
Loss on investments, net of investment management fees	(172,581)	-	(172,581)
Total investment return	<u>(157,913)</u>	<u>-</u>	<u>(157,913)</u>
Appropriated for expenditure	<u>(19,297)</u>	<u>-</u>	<u>(19,297)</u>
Endowment net assets, December 31, 2022	<u>\$ 224,872</u>	<u>\$ 500,000</u>	<u>\$ 724,872</u>

# San Francisco Ladies' Protection and Relief Society

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Notes to Financial Statements

December 31, 2022 and 2021

## 8. Retirement Plan

The Society has a 401(k) plan which is available to eligible employees, twenty-one years and older, generally after 90 days of employment. The Society makes non-elective Safe Harbor contributions to the Plan of 4% of eligible compensation after one year in the contributory portion of the plan.

The Society's contributions to the 401(k) Plan were \$62,216 in 2022 and \$145,535 in 2021.

## 9. Medical Malpractice Claims Coverage

The Society maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Society's insurance coverages or will have a material adverse effect on the financial statements.

## 10. Concentrations of Risk

The Society grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicare and various commercial insurance companies.

The Society maintains cash and cash equivalents accounts, which, at times, may exceed federally insured limits. The Society has not experienced any losses from maintaining cash and cash equivalents accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash and cash equivalents accounts.

## 11. Contingencies

The Society operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverages, have a material adverse effect on the financial statements.

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter, if any, cannot be known with certainty.

## San Francisco Ladies' Protection and Relief Society

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Notes to Financial Statements  
December 31, 2022 and 2021

### 12. Other Disclosures

In accordance with the requirements of the California Department of Social Services, the Society is required to disclose all amounts accumulated for contingencies or accumulated or expended for identified projects or purposes. At December 31, 2022 and 2021, the Society has not accumulated any funds for contingencies or identified projects or purposes.

The Society is required to meet certain annual reserve requirements required by the California Department of Social Services to help assure adequate resources are available to provide for the lifetime welfare of the residents. At December 31, 2022 and 2021, the Society was in compliance with such requirements.