

San Francisco Ladies' Protection and Relief Society

Financial Statements

December 31, 2024 and 2023

San Francisco Ladies' Protection and Relief Society

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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 Heritage on the Marina) (the Society), which comprise the balance sheets as of December 31, 2024 and 2023 and the related statements of operations and changes in net assets, 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, 2024 and 2023, and the results of its operations and changes in 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 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 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
May 29, 2025

San Francisco Ladies' Protection and Relief Society

Balance Sheets

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	\$ 319,067	\$ 1,028,012
Accounts receivable	170,656	246,125
Prepaid expenses	368,469	280,462
Investments	63,371,766	61,938,710
Custodian funds	14,557	10,817
Total current assets	64,244,515	63,504,126
Property and Equipment, Net	18,940,112	18,685,893
Other Assets		
Investments, endowment	947,220	853,056
Other	2,524	2,524
Total assets	<u>\$ 84,134,371</u>	<u>\$ 83,045,599</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 628,163	\$ 332,717
Accrued salaries and other expenses	765,368	741,824
Accrued settlement expense	725,000	725,000
Total current liabilities	2,118,531	1,799,541
Deferred Revenue From Entrance Fees	8,292,371	8,340,964
Total liabilities	<u>10,410,902</u>	<u>10,140,505</u>
Net Assets		
Without donor restrictions	<u>72,240,165</u>	<u>71,614,974</u>
With donor restrictions:		
Purpose restrictions	983,304	790,120
Endowments, held in perpetuity	500,000	500,000
Total net assets with donor restrictions	<u>1,483,304</u>	<u>1,290,120</u>
Total net assets	<u>73,723,469</u>	<u>72,905,094</u>
Total liabilities and net assets	<u>\$ 84,134,371</u>	<u>\$ 83,045,599</u>

See notes to financial statements

San Francisco Ladies' Protection and Relief Society

Statements of Operations and Changes in Net Assets

Years Ended December 31, 2024 and 2023

	2024	2023
Changes in Net Assets Without Donor Restrictions		
Operating revenue:		
Net resident service revenues	\$ 6,395,464	\$ 6,536,986
Guest charges	92,471	113,211
Other revenue	31,250	7,500
Net assets released from restrictions	-	7,437
Total operating revenue	<u>6,519,185</u>	<u>6,665,134</u>
Operating expenses:		
Programs	8,737,270	8,798,026
Supporting services:		
General and administrative	<u>5,023,467</u>	<u>6,288,988</u>
Total operating expenses	<u>13,760,737</u>	<u>15,087,014</u>
Loss from operations	<u>(7,241,552)</u>	<u>(8,421,880)</u>
Nonoperating income (loss), net:		
Net realized and unrealized gain (loss) on investments	6,248,324	7,639,179
Dividends and interest	1,659,190	1,425,343
Investment management fees	(86,107)	(83,826)
Donations and bequests	21,065	1,036,845
Loss on disposal of property and equipment	-	(340,898)
Other	<u>24,271</u>	<u>76,801</u>
Total nonoperating income, net	<u>7,866,743</u>	<u>9,753,444</u>
Revenues in excess of expenses and change in net assets without donor restrictions	<u>625,191</u>	<u>1,331,564</u>
Changes in Net Assets With Donor Restrictions		
Net realized and unrealized gain (loss) on investments	76,346	111,591
Dividends and interest	18,875	20,611
Investment management fees	(1,057)	(1,224)
Donations and bequests	99,020	108,291
Net assets released from restrictions	<u>-</u>	<u>(7,437)</u>
Change in net assets with donor restrictions	<u>193,184</u>	<u>231,832</u>
Change in net assets	<u>818,375</u>	<u>1,563,396</u>
Net Assets, Beginning	<u>72,905,094</u>	<u>71,341,698</u>
Net Assets, Ending	<u><u>\$ 73,723,469</u></u>	<u><u>\$ 72,905,094</u></u>

See notes to financial statements

San Francisco Ladies' Protection and Relief Society

Statement of Functional Expenses

Year Ended December 31, 2024

	Programs					Supporting Service	
	Housekeeping and				Total	General and	
	Food Service	Maintenance	Health Center	Activities	Programs	Administrative	Totals
Salaries	\$ -	\$ 713,188	\$ 1,576,672	\$ 198,592	\$ 2,488,452	\$ 1,698,511	\$ 4,186,963
Outside services	1,624,306	2,209	548,232	-	2,174,747	551,185	2,725,932
Depreciation	19,410	130,142	403,135	80,445	633,132	435,411	1,068,543
Employee benefits and payroll taxes	-	247,778	465,096	58,784	771,658	271,982	1,043,640
Utilities	12,642	84,767	279,907	52,397	429,713	298,128	727,841
Professional fees	-	430,952	33,613	-	464,565	239,188	703,753
Planning and development	-	-	-	-	-	686,457	686,457
Contract maintenance	22,600	466,721	-	-	489,321	-	489,321
Food	451,687	-	-	-	451,687	-	451,687
Supplies	133,624	131,236	32,955	-	297,815	-	297,815
Security	5,287	35,454	109,824	21,916	172,481	118,617	291,098
Insurance	-	-	-	-	-	285,689	285,689
Marketing	-	-	-	-	-	222,327	222,327
Repairs	32,532	109,156	-	-	141,688	-	141,688
Office supplies	10,352	2,372	3,531	415	16,670	59,665	76,335
Administrative dues	-	-	3,776	-	3,776	62,652	66,428
Food service management fees	64,605	-	-	-	64,605	-	64,605
Transportation	-	57,496	331	-	57,827	391	58,218
Program activities	-	-	-	56,090	56,090	-	56,090
Credit loss expense	-	-	-	-	-	40,164	40,164
Miscellaneous	4,515	12	121	-	4,648	20,628	25,276
Travel	-	-	2,998	-	2,998	17,855	20,853
Personal protective equipment	330	2,211	6,848	1,367	10,756	7,397	18,153
Telephone	-	71	3,557	-	3,628	7,220	10,848
Outside medical	-	-	1,013	-	1,013	-	1,013
	<u>\$ 2,381,890</u>	<u>\$ 2,413,765</u>	<u>\$ 3,471,609</u>	<u>\$ 470,006</u>	<u>\$ 8,737,270</u>	<u>\$ 5,023,467</u>	<u>\$ 13,760,737</u>

See notes to financial statements

San Francisco Ladies' Protection and Relief Society

Statement of Functional Expenses

Year Ended December 31, 2023

	Programs					Supporting Service	Totals
	Food Service	Housekeeping and Maintenance	Health Center	Activities	Total Programs	General and Administrative	
Salaries	\$ 78,849	\$ 528,671	\$ 1,637,636	\$ 326,789	\$ 2,571,945	\$ 1,768,748	\$ 4,340,693
Outside services	1,631,326	27,798	418,261	-	2,077,385	75,464	2,152,849
Employee benefits and payroll taxes	36,638	178,302	394,497	86,258	695,695	323,749	1,019,444
Depreciation	17,055	114,352	354,223	70,685	556,315	382,583	938,898
Planning and development	-	-	-	-	-	932,988	932,988
Professional fees	-	333,306	91,704	-	425,010	291,752	716,762
Legal settlement fees	-	-	-	-	-	725,000	725,000
Utilities	12,084	81,023	250,982	50,083	394,172	271,076	665,248
Personal protective equipment	9,797	65,685	203,468	40,602	319,552	219,758	539,310
Food	523,357	-	-	-	523,357	-	523,357
Repairs	43,311	427,685	8,648	-	479,644	-	479,644
Insurance	-	-	-	-	-	340,076	340,076
Security	5,288	35,458	109,836	21,918	172,500	118,630	291,130
Miscellaneous	4,099	109	-	-	4,208	240,806	245,014
Office supplies	12,688	-	2,995	-	15,683	207,919	223,602
Credit loss expense	-	-	-	-	-	194,983	194,983
Contract maintenance	25,093	142,130	1,461	-	168,684	-	168,684
Marketing	-	-	-	-	-	161,846	161,846
Supplies	122,061	25,565	7,752	-	155,378	-	155,378
Food service management fees	62,723	-	-	-	62,723	-	62,723
Program activities	-	-	-	44,394	44,394	-	44,394
Transportation	-	39,897	-	-	39,897	791	40,688
Drugs	-	-	40,485	-	40,485	-	40,485
Outside medical	-	-	38,067	-	38,067	1,006	39,073
Travel	-	-	11,394	-	11,394	18,636	30,030
Administrative dues	-	-	-	-	-	7,497	7,497
Telephone	-	-	1,538	-	1,538	5,680	7,218
	<u>\$ 2,584,369</u>	<u>\$ 1,999,981</u>	<u>\$ 3,572,947</u>	<u>\$ 640,729</u>	<u>\$ 8,798,026</u>	<u>\$ 6,288,988</u>	<u>\$ 15,087,014</u>

See notes to financial statements

San Francisco Ladies' Protection and Relief Society

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Resident fees	\$ 5,053,068	\$ 4,903,487
Proceeds from new entrance fees	1,701,501	2,130,175
Donations and bequests	120,085	1,145,136
Interest and dividend income	1,678,065	1,445,954
Other cash receipts	123,721	120,711
Cash paid for salaries and benefits	(5,216,723)	(5,421,414)
Cash paid to suppliers	(7,311,121)	(8,532,955)
Net cash used in operating activities	(3,851,404)	(4,208,906)
Cash Flows From Investing Activities		
Purchases of investments	(1,587,551)	(1,360,884)
Proceeds from sales of investments	6,385,000	7,702,859
Additions to property and equipment	(1,322,762)	(1,198,742)
Net cash provided by investing activities	3,474,687	5,143,233
Cash Flows From Financing Activities		
Refunds of refundable entrance fees	(332,228)	(417,970)
Net change in cash	(708,945)	516,357
Cash, Beginning	1,028,012	511,655
Cash, Ending	<u>\$ 319,067</u>	<u>\$ 1,028,012</u>

See notes to financial statements

San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements

December 31, 2024 and 2023

1. Organization

San Francisco Ladies' Protection and Relief Society (dba 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 and public spaces and amenities.

In April 2023, with approvals from California Department of Health Care Access and Information (HCAI) and the Centers for Medicare & Medicaid Services (CMS) through the Medicare Administrative Contractor, Noridian, the Society closed its 32-bed skilled nursing (SN) facility. During 2023, activity related to skilled nursing was minimal. The Society has opted for an Age-In-Place model to support residents in the IL and AL units.

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, 2024 and 2023, cash and cash equivalents held in brokerage accounts are included with investments.

Accounts Receivable

The Society assesses collectability on all resident accounts prior to providing services. An allowance for expected credit losses 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. Accounts are written off through credit loss when the Society has exhausted all collection efforts and accounts are deemed impaired.

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 in excess of (less than) 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

Notes to Financial Statements

December 31, 2024 and 2023

Out and About Endowment Fund

The Society has a \$500,000 endowment fund for the Out and About Program (the 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, 2024 and 2023, 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 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% beyond the 3% increase in annual expenditures.

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

Notes to Financial Statements

December 31, 2024 and 2023

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 2024 or 2023.

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. In 2019, the Society ceased offering the Type A contract.

Under the CCCs, the entrance fee will generally be refunded less 1.5% 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 IL 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 \$4,660,245 and \$4,961,000 at December 31, 2024 and 2023, respectively.

Amortization of entrance fees was \$1,417,866 in 2024 and \$1,550,456 in 2023. A significant portion of amortization revenue in 2024 and 2023 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 cost 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, 2024 or 2023.

San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements

December 31, 2024 and 2023

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 AL and IL revenue streams, which are primarily derived from providing housing, 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, AL and IL revenues are recognized on a daily or month-to-month basis as services are rendered.

Through April 2023, the Society received 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 estimated 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

Notes to Financial Statements

December 31, 2024 and 2023

Contract Assets and Liabilities

Contract assets represent the Society's rights to consideration in exchange for goods or services that the Society has transferred to a resident when that right is conditioned on something other than the passage of time (for example, the Society's future performance). Contract liabilities represent the Society's obligation to transfer goods or services to a resident for which the Society has received consideration (or the amount is due) from the resident.

At December 31, 2024 and 2023, opening and closing balances of contract assets consisting of accounts receivable and contract liabilities consisting of deferred revenue were as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Accounts receivable, net	\$ 170,656	\$ 246,125	\$ 358,065
Deferred revenue from entrance fees	8,292,371	8,340,964	8,179,215

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, 2024 and 2023.

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 five-year probationary period to meet requirements to gain public charity status.

San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements

December 31, 2024 and 2023

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 in Excess of (Less than) Expenses

The Society's performance indicator is revenues in excess of expenses. Changes in net assets without donor restrictions which are excluded from revenues in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets, if any).

Subsequent Events

The Society evaluated subsequent events for recognition or disclosure through May 29, 2025, the date the financial statements were available to be issued.

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:

	2024	2023
Cash	\$ 319,067	\$ 1,028,012
Accounts receivable	170,656	246,125
Investments	62,835,682	61,501,646
Total	<u>\$ 63,325,405</u>	<u>\$ 62,775,783</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.

San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements

December 31, 2024 and 2023

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:

2024				
	Skilled Nursing	Assisted Living	Independent Living	Total
Self-pay	\$ -	\$ 1,058,624	\$ 3,918,974	\$ 4,977,598
Total	<u>\$ -</u>	<u>\$ 1,058,624</u>	<u>\$ 3,918,974</u>	
Amortization of entrance fees				1,417,866
Net resident service revenues				<u>\$ 6,395,464</u>
2023				
	Skilled Nursing	Assisted Living	Independent Living	Total
Self-pay	\$ 111,625	\$ 1,215,680	\$ 3,615,577	\$ 4,942,882
Medicare and other	43,648	-	-	43,648
Total	<u>\$ 155,273</u>	<u>\$ 1,215,680</u>	<u>\$ 3,615,577</u>	
Amortization of entrance fees				1,550,456
Net resident service revenues				<u>\$ 6,536,986</u>

Through March 2023, the Society had an agreement with Medicare that provided for payments at amounts different from established rates. Nursing and ancillary services provided to Medicare Part A beneficiaries were paid at prospectively determined rates per day. These rates varied according to a resident-specific classification system that was based on clinical, diagnostic and other factors and the reimbursement methodology was subject to various limitations and adjustments.

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

San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements

December 31, 2024 and 2023

5. Investments and Fair Value Measurements

At December 31, 2024, fair values of investments are as follows:

Equity securities:	
Exchange traded funds	\$ 37,557,242
Domestic equity mutual funds	6,364,399
	<hr/>
Total equity securities	43,921,641
	<hr/>
Fixed income securities:	
Exchange traded funds	15,482,682
Mutual funds	3,272,414
Other	18,554
	<hr/>
Total fixed income securities	18,773,650
	<hr/>
Cash held for anticipated withdrawals	1,623,695
	<hr/>
	\$ 64,318,986

At December 31, 2023, fair values of investments are as follows:

Equity securities:	
Exchange traded funds	\$ 32,497,076
Domestic equity mutual funds	8,687,188
International equity mutual funds	2,480,793
	<hr/>
Total equity securities	43,665,057
	<hr/>
Fixed income securities:	
Exchange traded funds	15,249,663
Mutual funds	3,077,315
Other	19,891
	<hr/>
Total fixed income securities	18,346,869
	<hr/>
Cash held for anticipated withdrawals	779,840
	<hr/>
	\$ 62,791,766

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 2024 or 2023.

San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements

December 31, 2024 and 2023

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2024	2023
Land improvements	\$ 1,103,308	\$ 1,103,308
Building and improvements	24,490,606	23,452,987
Equipment and furnishings	1,403,574	1,118,432
	26,997,488	25,674,727
Less accumulated depreciation	(10,970,187)	(9,900,523)
	16,027,301	15,774,204
Land	2,911,689	2,911,689
	<u>\$ 18,938,990</u>	<u>\$ 18,685,893</u>

7. Net Assets With Donor Restrictions

Purpose Restrictions

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

	2024	2023
Out and About Endowment Fund - Accumulated Unspent Earnings	\$ 447,220	\$ 353,056
Out and About Fund	5,000	5,000
Grace and Favor Program	202,733	201,733
Gorman Fund	25,778	25,778
Technology Fund	19,829	19,829
Employee Appreciation Fund	282,744	184,724
	<u>\$ 983,304</u>	<u>\$ 790,120</u>

San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements

December 31, 2024 and 2023

Out and About Endowment Fund

Changes in endowment net assets are as follows for 2024 and 2023:

	Accumulated Unspent Endowment Earnings	Corpus	Total
Endowment net assets, December 31, 2022	\$ 224,872	\$ 500,000	\$ 724,872
Investment return:			
Interest and dividends	20,611	-	20,611
Net realized and unrealized loss on investments, net of investment management fees	110,367	-	110,367
Total investment return	130,978	-	130,978
Appropriated for expenditure	(2,974)	-	(2,974)
Endowment net assets, December 31, 2023	353,056	500,000	853,056
Investment return:			
Interest and dividends	18,875	-	18,875
Net realized and unrealized gain on investments, net of investment management fees	75,289	-	75,289
Total investment return	94,164	-	94,164
Appropriated for expenditure	-	-	-
Endowment net assets, December 31, 2024	\$ 447,220	\$ 500,000	\$ 947,220

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 nonelective Safe Harbor contributions to the Plan of 4% of eligible compensation after 90 days in the contributory portion of the plan.

The Society's contributions to the 401(k) Plan were \$201,426 in 2024 and \$81,128 in 2023.

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.

San Francisco Ladies' Protection and Relief Society

Notes to Financial Statements

December 31, 2024 and 2023

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.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Certain investment accounts are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. At December 31, 2024 and 2023 held investments in excess of the SIPC insurance limits.

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 Society was presented with a claim in the form of a class action lawsuit alleging several causes of action in July of 2023. In March of 2024, the parties held a mediation to come to a monetary resolution of those claims. In January of 2025, the Superior Court of California approved of settlement and as a result the Society has settled all class and Private Attorney General Act (PAGA) action. The settlement amount was paid in full in February of 2025.

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.

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, 2024 and 2023, the Society has not accumulated any funds for 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, 2024 and 2023, the Society was in compliance with such requirements.