



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**WILLAMETTE VIEW, INC.**

December 31, 2020 and 2019

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## Report of Independent Auditors

The Board of Directors  
Willamette View, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Willamette View, Inc. (the Organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, and cash flows 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.

### ***Auditor's 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 from 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 auditor's 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 Willamette View, Inc. as of December 31, 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.

A handwritten signature in blue ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon  
May 26, 2021

**Willamette View, Inc.**  
**Statements of Financial Position**

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	December 31,	
	2020	2019
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,851,782	\$ 1,706,370
Restricted cash	1,701,492	1,634,797
Accounts receivable, net	2,539,823	3,355,937
Inventories and prepaid expenses	743,206	839,621
Investments	25,319,891	23,382,321
Current portion of assets whose use is limited	436,353	15,628,546
<b>Total current assets</b>	<b>38,592,547</b>	<b>46,547,592</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land improvements	6,916,191	3,965,193
Buildings	52,847,366	52,444,667
Building improvements	101,514,728	98,766,164
Furniture, fixtures and equipment	14,450,930	14,177,068
Automobiles and trucks	487,964	487,964
	176,217,179	169,841,056
Less accumulated depreciation	(70,914,849)	(63,374,118)
	105,302,330	106,466,938
 Land	 669,935	 669,935
Construction in progress	282,800	2,938,838
<b>Net property and equipment</b>	<b>106,255,065</b>	<b>110,075,711</b>
<b>OTHER ASSETS</b>		
Capital deposit with Caring Communities	75,000	-
Assets whose use is limited	4,649,903	8,654,369
Property held for development	4,721,436	4,416,788
<b>Total other assets</b>	<b>9,446,339</b>	<b>13,071,157</b>
<b>Total assets</b>	<b>\$ 154,293,951</b>	<b>\$ 169,694,460</b>

**Willamette View, Inc.**  
**Statements of Financial Position**

	December 31,	
	2020	2019
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 428,302	\$ 2,552,349
Salaries and benefits payable	1,367,910	1,266,744
Accrued interest payable	283,765	340,258
Current portion of refundable entrance fees	899,100	345,081
Current portion of long-term debt	950,000	15,910,000
Total current liabilities	3,929,077	20,414,432
<b>LONG-TERM DEBT</b>	73,852,229	74,782,334
<b>DEFERRED REVENUES AND OTHER LIABILITIES</b>		
Deposits on apartments	335,170	337,300
Refundable entrance fees	17,810,855	18,119,169
Deferred revenue from entrance fees	45,083,759	44,025,189
Total deferred revenues and other liabilities	63,229,784	62,481,658
Total liabilities	141,011,090	157,678,424
<b>NET ASSETS</b>		
Without donor restrictions	12,439,605	11,284,336
With donor restrictions	843,256	731,700
Total net assets	13,282,861	12,016,036
Total liabilities and net assets	\$ 154,293,951	\$ 169,694,460

**Willamette View, Inc.**  
**Statements of Activities**

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	December 31,	
	2020	2019
REVENUES, GAINS, AND OTHER SUPPORT		
Residents' monthly fees	\$ 16,650,652	\$ 15,263,759
Patients and infirmary	8,200,173	8,290,310
Departmental and other income	670,011	1,270,180
Entrance fees earned	5,335,614	6,131,235
Grant revenue - COVID-19 provider relief funds	238,381	-
Property taxes collected from residents	597,485	550,795
Investment income, net	2,758,851	3,348,559
Total revenues	34,451,167	34,854,838
Net assets released from restriction	2,653	7,547
Total revenues, gains, and other support	34,453,820	34,862,385
EXPENSES		
Salaries	11,256,962	11,293,735
Payroll taxes and employee benefits	2,976,436	3,054,451
Resident and patient care	727,095	979,784
Dining costs	1,711,567	1,933,470
COVID-19 related costs	238,381	-
Supplies	505,749	633,691
Office operating expenses	2,247,946	2,385,310
Insurance	579,753	395,064
Utilities	1,621,087	1,463,693
Property taxes	699,865	560,145
Maintenance	302,513	235,596
Depreciation	7,540,731	6,071,390
Interest	3,284,079	2,374,125
Total expenses	33,692,164	31,380,454
OPERATING INCOME	761,656	3,481,931

**Willamette View, Inc.**  
**Statements of Activities**

	December 31,	
	2020	2019
NONOPERATING INCOME (LOSS)		
Gain on disposal of property	8,400	-
Donations without donor restrictions	123,914	157,358
Rent and other income	232,252	277,457
Net assets released from donor restrictions for capital purchases	29,047	3,880
Total nonoperating income	393,613	438,695
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,155,269	3,920,626
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations with donor restrictions	143,256	242,985
Net assets released from donor restriction	(31,700)	(11,427)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	111,556	231,558
TOTAL CHANGE IN NET ASSETS	1,266,825	4,152,184
NET ASSETS, beginning of year	12,016,036	7,863,852
NET ASSETS, end of year	\$ 13,282,861	\$ 12,016,036



**Willamette View, Inc.**  
**Statements of Cash Flows**

	December 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,266,825	\$ 4,152,184
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,540,731	6,071,390
Investment income, net	(2,758,851)	(3,348,559)
Loss on disposal of property	(8,400)	-
Entrance fees earned	(5,335,614)	(6,131,235)
Amortization of deferred bond costs	89,865	238,851
Amortization of bond discount/premium	(69,970)	(5,024)
(Increase) decrease in non-cash current assets		
Accounts receivable	816,114	(1,944,012)
Inventories and prepaid expenses	96,415	121,083
Increase (decrease) in non-cash current liabilities		
Accounts payable and accrued expenses	(2,124,047)	(351,140)
Accrued interest payable	(56,493)	19,112
Salaries and benefits payable	101,166	152,059
Net cash (used in)/from operating activities	(442,259)	(1,025,291)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in assets whose use is limited	19,407,401	11,375,417
Capital expenditures for property and equipment	(4,016,333)	(29,992,687)
Capital deposit with Caring Communities	(75,000)	-
Purchases of investments	(5,693,865)	(6,273,261)
Proceeds from sale of investments	6,304,404	2,015,303
Net cash (used in)/from investing activities	15,926,607	(22,875,228)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on bonds payable	(15,910,000)	(885,000)
Deferred revenue from entrance fees	7,510,578	17,494,646
Increase in refundable entrance fees	483,401	9,118,880
Refunded entrance fees	(1,354,090)	(1,237,104)
Increase (decrease) in deposits on apartments	(2,130)	(1,664,590)
Net cash (used in)/from financing activities	(9,272,241)	22,826,832
<b>NET CHANGE</b>	6,212,107	(1,073,687)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year</b>	3,341,167	4,414,854
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year</b>	\$ 9,553,274	\$ 3,341,167
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 3,649,992	\$ 4,071,298

**Note 1 – Description of Organization**

Willamette View, Inc. (the Organization) is a licensed continuing care retirement community (CCRC), also known as a life plan community, located in the Portland, Oregon metro area. It was founded in 1955, incorporated in 1957 as a not-for-profit corporation under the name Willamette View Manor, Inc. and changed to its current name in 1987.

Today, the Organization is a well-respected single site, non-denominational, Oregon charitable 501(c)(3) corporation. It serves approximately 510 senior residents and employs approximately 320 full and part-time staff. It sits on 27 park-like acres with multiple buildings supporting independent residential housing, licensed healthcare and associated services. The Organization was re-accredited by CARF-CCAC in 2020 for a five-year term expiring in 2025. It is governed as a public benefit corporation by its Board of Directors in accordance with its Bylaws and the Oregon Nonprofit Corporation Act.

In December 2014, the Organization established the Blue Heron Foundation at Willamette View (the Foundation) with the philanthropic purpose of generating resources to enrich and enhance the environment and quality of life for the current and future residents of the Willamette View community. The Foundation is comprised of five priority funds, allowing each charitable contributor the opportunity to direct their giving in a way that is personally meaningful. The Foundation operates as a fund within the scope of the Organization, and the Organization supports the Foundation's mission by providing certain resources at no charge.

In December 2017 the Organization issued the 2017 Series A and B bonds. Proceeds were used to refinance existing bonds; reimburse the Organization for qualifying construction and finance new projects. Between 2018 and 2020, the Organization completed construction of a new dining room and kitchen (Riverview project), the North Pointe Homes and other campus site projects including front entry alignment. As of December 31, 2020, all bond project funds had been utilized as intended.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of accounting**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. "Operating income" as reflected in the accompanying statements of activities and changes in net assets is the performance indicator.

# Willamette View, Inc.

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Cash and restricted cash

The Organization considers all unrestricted, highly liquid investments with an original maturity of three months or less to be cash equivalents. The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows at December 31:

	2020	2019
Cash and cash equivalents	\$ 7,851,782	\$ 1,706,370
Foundation cash	1,293,492	1,226,797
Certificate of deposit	408,000	408,000
Restricted cash	1,701,492	1,634,797
	<u>\$ 9,553,274</u>	<u>\$ 3,341,167</u>

*Foundation cash* – Foundation cash represents cash received with and without donor restrictions.

*Certificate of deposit* – This certificate of deposit is restricted to collateralize a standby letter of credit related to the Organization’s workers’ compensation liability.

#### Assets whose use is limited

Assets whose use is limited is comprised of the following at December 31:

	2020	2019
Project funds	\$ -	\$ 4,263,105
Debt service reserve fund	4,649,903	4,391,264
Entrance fee redemption fund	-	15,067,570
Bond sinking fund – principal escrow account	77,509	76,675
Bond sinking fund – interest escrow account	358,844	484,301
	5,086,256	24,282,915
Less current portion	<u>(436,353)</u>	<u>(15,628,546)</u>
	<u>\$ 4,649,903</u>	<u>\$ 8,654,369</u>

*Project funds* – In connection with the issuance of the 2017 bonds (see Note 6), the Organization was required to establish a trust fund designated as the “Hospital Facility Authority of Clackamas County, Oregon Senior Living Revenue Bonds (Willamette View Project) Project Fund”. The Project fund included initial deposits that reflect the expected costs of the North Pointe Project, the Riverview Project and the Campus Site Project. The Riverview Project was completed during 2018, the North Pointe Project was completed during 2019 and the remaining balance in the project fund was used in 2020 to pay for Campus Site Project costs which include the front entry realignment.

**Note 2 – Summary of Significant Accounting Policies (continued)**

*Debt service reserve fund* – In connection with the issuance of the 2017 bonds (see Note 6), the Organization was required to establish a reserve fund to provide for the payment of principal and interest on the Series 2017A bonds and may only be used to make payments on the bond if the funds in the sinking funds are insufficient to make payments when due.

*Entrance fee redemption fund* – The loan agreement requires the first \$15 million of entrance fees be to redeem the 2017 Series B Bond (See Note 6). The Series B Bond was paid in full in January 2020.

*Bond sinking funds* – The loan agreement for the 2017 Bond Series requires the maintenance of a bond sinking fund. The Organization is required to make a monthly deposit into the bond sinking fund equal to approximately 1/12th of the bond payments that are due in the upcoming 12 months. The funds held in the sinking funds will be used for the semi-annual payments on the bonds.

**Concentrations of credit risk**

The Organization's cash and cash equivalents may subject the Organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Commission (FDIC). The Organization has not experienced any losses in such accounts to date.

**Accounts receivable**

Accounts receivable consist primarily of fees billed monthly to residents, promises to give, and entrance fees. Management periodically assesses collectability of accounts based on historical experience and existing conditions affecting probable collection. As of December 31, 2020 and 2019, an allowance for doubtful accounts was recorded in the amount of \$100,000.

**Inventories and prepaid expenses**

Inventories consist of food and supplies for use in the operation of the Organization and are stated at the lower of cost or market using the first-in, first-out method. Prepaid expenses consist of prepaid insurance and other items that are amortized over the period of service.

**Investments**

Investments in securities with readily determinable fair values are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains or losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Net investment income was comprised of the following for the year ended December 31:

	2020	2019
Interest and dividends	\$ 540,367	\$ 1,214,606
Realized gains and losses	935,586	(90,203)
Unrealized gains and losses	1,282,898	2,224,156
	<u>1,282,898</u>	<u>2,224,156</u>
Investment income, net	<u>\$ 2,758,851</u>	<u>\$ 3,348,559</u>

## **Willamette View, Inc.**

### **Notes to Financial Statements**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

##### **Property and equipment**

Property and equipment is carried at cost, or fair value when received if donated. The Organization capitalizes interest paid on the bonds that are used to fund various construction projects. The Organization capitalized \$329,315 and \$1,950,112 of interest during the years ended December 31, 2020 and 2019, respectively.

Depreciation is provided over the estimated useful lives of the respective asset using the straight-line method as follows:

	<u>Years</u>
Land improvements	3 – 40
Buildings	30 – 40
Building improvements	3 – 20
Furniture, fixtures and equipment	3 – 10
Automobiles and trucks	3 – 10

Expenditures for repairs and maintenance are charged to expense as incurred. Additions and betterments over the \$1,000 threshold are capitalized. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported as current year income or expense.

##### **Property held for development**

Property held for development is carried at the lower of cost or net realizable value and consists of land and buildings being held by the Organization for future development.

##### **Debt issuance costs**

Debt issuance costs related to a recognized debt liability are presented in the statements of financial position as a direct reduction from the carrying amount of that debt liability. These costs are amortized to interest expense over the life of the related debt using the effective interest method.

##### **Deposits on apartments**

Deposits on apartments include both application fee deposits and entrance fee deposits. The Organization requires each applicant for residency to pay a \$1,500 application fee deposit. This deposit will be refunded if the application is denied. If the application is approved but subsequently withdrawn, a portion is refunded. When a unit becomes available, the applicant is also required to pay an entrance fee deposit, which varies in amount, to reserve the unit prior to occupancy. This entrance fee deposit is partially refundable prior to occupancy. Deposits on apartments are recognized as revenue or deferred revenue from entrance fees upon the resident moving in to the apartment. As of December 31, 2020 and 2019, total deposits on apartments were \$335,170 and \$337,300, respectively.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Deferred revenue from entrance fees**

Nonrefundable fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue. The Organization has three different continuing care contracts, which include 80% and 100% refundable contracts and nonrefundable contracts. Under these plans, the resident has limited time to cancel the contract and receive a 100% refund of all entrance fees. This cancellation period vests over a five-year period beginning at the time of move-in. The nonrefundable portion of the entrance fee is amortized to income over the estimated remaining actuarial life expectancy of the resident. Activity in deferred revenue from entrance fees were as follows for the years ended December 31:

	2020	2019
Beginning of year balance	\$ 44,025,189	\$ 33,200,866
New entrance fees received	7,510,578	17,494,646
Amortization of entrance fees	(5,335,614)	(6,131,235)
Entrance fees deemed currently refundable	(1,116,394)	(539,088)
End of year balance	<u>\$ 45,083,759</u>	<u>\$ 44,025,189</u>

**Refundable entrance fees**

Refundable entrance fees are 80–100% refundable upon termination of the contract. Activity of the refundable entrance fees were as follows for the years ended December 31:

	2020	2019
Beginning of year balance	\$ 18,119,169	\$ 10,011,296
New entrance fees received	483,401	9,118,880
Entrance fees deemed currently refundable	(791,715)	(1,011,007)
End of year balance	<u>\$ 17,810,855</u>	<u>\$ 18,119,169</u>

**Current portion of refundable entrance fees**

The Organization refunds both the non-vested portion of the nonrefundable contracts and the refundable entrances fees. Once the fees are deemed currently refundable those balances are tracked in the current portion of refundable entrance fees. The activity of the current portion of the refundable entrance fees were as follows for the years ended December 31:

	2020	2019
Beginning of year balance	\$ 345,081	\$ 32,090
Entrance fees deemed currently refundable	1,908,109	1,550,095
Entrance fees refunded – paid	(1,354,090)	(1,237,104)
End of year balance	<u>\$ 899,100</u>	<u>\$ 345,081</u>

## **Willamette View, Inc.**

### **Notes to Financial Statements**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

##### **Net assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, certain assets for specific use by the Foundation.

*Net assets 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. 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.

##### **Future services obligation**

The obligation to provide future services is reviewed annually by the Organization. The present value of the net cost of future services and use of facilities to be provided to current residents is calculated and compared with the balance of deferred revenue from unamortized entrance fees. The balance of deferred revenue exceeded the present value of the net cost of future services to be provided to current residents at both December 31, 2020 and 2019.

Should the present value of the net cost of future services and use of facilities exceed the deferred revenue, a liability would be recorded (obligation to provide future services and use of facilities) with a corresponding charge to income. The discount rate used in the calculations is based on the expected long-term rate of return on government obligations.

##### **Revenue recognition**

*Residents' monthly fees* – Residents' monthly fee revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for the services provided. Under the Organization's resident services agreement, the Organization provides senior living services to residents for a stated monthly fee. The Organization recognizes revenue for these services under the resident services agreement for independent living and assisted living in accordance with the provisions of ASC 840, *Leases* ("ASC 840").

*Departmental and other income* - Departmental and other income is recognized as the related services are provided and includes guest services income, catering income, and other miscellaneous income.

*Amortization of entrance fees* – The Organization receives an upfront entrance fee when the basic residency agreement is signed. In exchange for this fixed entrance fee and the monthly resident service fees the resident has the right to occupy a unit and continue to live in the Organization. The basic residency agreement creates a performance obligation to be satisfied over the resident's remaining life at the Organization. The Organization recognizes the revenue associated with the entrance fee using a straight-line method over the actuarially determined estimated life of each resident.

**Note 2 – Summary of Significant Accounting Policies (continued)**

Resident life expectancies are reevaluated annually and any changes in the revenue as a result of that revaluation will be recognized in the period noted. Amounts amortized to income relating to these types of contracts were \$5,335,614 and \$6,131,235 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Organization had deferred revenue from entrance fees of \$45,083,759 and \$44,025,189, respectively, which related to entrance fees received that will be recognized as revenue in future years. The performance obligation is satisfied upon termination of the residency agreement.

*Patients and infirmity* – Patient and infirmity revenue by payor type was as follows for the years ended December 31:

	2020	2019
Private pay	\$ 6,823,258	\$ 6,867,547
HMO insurance	556,026	665,684
Medicare	820,889	757,079
	<u>\$ 8,200,173</u>	<u>\$ 8,290,310</u>

Patients and infirmity revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing care. These amounts are due from patients (private pay), third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills patients and third-party payors at the beginning of each month for the prior month of service. Revenue is recognized in the month in which the performance obligations are satisfied.

Revenue for health service performance obligations satisfied over time is recognized based on actual charges incurred. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our skilled nursing facility, memory care facility and licensed assisted living. The Organization measures the performance obligation from admission into the skilled nursing facility to the point when it is no longer required to provide health care services to that resident, which is generally at the time of discharge. The Organization determines the transaction price based on level of care in accordance with CMS guidelines and criteria and provider contracts, reduced by contractual adjustments provided to third-party payors. The Organization determines its estimates of contractual adjustments based on contractual agreements and historical experience. Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

*Medicare* – Certain health care services are paid at prospectively determined rates per level of care based on clinical, diagnostic or other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Services are paid based upon established fee schedules.



## **Willamette View, Inc.**

### **Notes to Financial Statements**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

*Secondary Insurance* – Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using contractually determined rates per discharge, discounts from established charges, and contractually determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization.

Settlements with third-party payors for retroactive adjustments due to audits, review or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2020 or 2019.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident by resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the residents' ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2020 and 2019 was not significant.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Donations and grants**

The Organization reports unconditional donations of cash and other assets at fair value at the date the donation is made. Conditional donations are reported at fair value at the date the conditions are substantially met. Donations are reported as with donor restrictions if they are received with donor conditions that limit the use of the donated assets.

**Advertising costs**

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2020 and 2019 were \$191,272 and \$121,955, respectively.

**Income taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization recognizes interest and penalties related to income tax matters, if any, in other expense.

The Organization had no unrecognized tax benefits at December 31, 2020 or 2019. No interest or penalties were accrued for the years ended December 31, 2020 or 2019. The Organization files an exempt organization return in the U.S. federal jurisdiction.

**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, expenses, gains, and losses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on change in net assets or net assets as previously reported.

## Willamette View, Inc.

### Notes to Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

##### New accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization does not have material lease contracts and Management does not believe this standard will have any impact on the financial statements.

##### Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are issued.

The Organization has evaluated subsequent events through May 26, 2021, which is the date the financial statements were issued.

#### Note 3 – Accounts Receivable

Accounts receivable at December 31 consist of the following:

	2020	2019
Health center patients	\$ 1,422,165	\$ 1,105,955
Residents' entrance fees	1,099,420	2,091,154
Promises to give	55,912	53,758
Residential services	-	110,450
Home services	62,326	94,620
	<u>2,639,823</u>	<u>3,455,937</u>
Less allowance for doubtful accounts	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 2,539,823</u>	<u>\$ 3,355,937</u>

**Note 4 – Liquidity and Availability**

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 as of December 31:

	2020	2019
Cash and cash equivalents	\$ 7,851,782	\$ 1,706,370
Investments	25,319,891	23,382,321
Total cash, cash equivalents and investments	33,171,673	25,088,691
Accounts receivable, net	2,539,823	3,355,937
	<u>\$ 35,711,496</u>	<u>\$ 28,444,628</u>

As part of the liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

**Note 5 – Fair Value Measurements**

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the statements of financial position at December 31, 2020 and 2019, as well as the general classification of such instruments pursuant to the valuation hierarchy.

*Investments* – Investments are comprised of common stock, mutual funds, exchange traded funds (ETFs), Real Estate Investment Trust, corporate bonds, and government bonds and notes. Investments fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

# Willamette View, Inc.

## Notes to Financial Statements

### Note 5 – Fair Value Measurements (continued)

*Money market funds* – Valued at the published daily net asset value (NAV) of \$1.00. The funds are deemed to be actively traded.

Fair values of assets and liabilities measured on a recurring basis were as follows:

Fair Value Measurement at December 31, 2020 Using:				
	Level 1	Level 2	Level 3	Total
Common stock	\$ 5,683,238	\$ -	\$ -	\$ 5,683,238
Mutual funds and ETFs	16,490,802	-	-	16,490,802
Real estate investment trust	-	75,409	-	75,409
Corporate bonds	1,605,159	-	-	1,605,159
Government bonds and notes	1,465,283	-	-	1,465,283
Total investments	25,244,482	75,409	-	25,319,891
Money market funds	5,086,256	-	-	5,086,256
Total assets whose use is limited	5,086,256	-	-	5,086,256
Total	\$ 30,330,738	\$ 75,409	\$ -	\$ 30,406,147

  

Fair Value Measurement at December 31, 2019 Using:				
	Level 1	Level 2	Level 3	Total
Common stock	\$ 4,724,477	\$ -	\$ -	\$ 4,724,477
Mutual funds and ETF's	15,012,450	-	-	15,012,450
Real estate investment trust	-	117,181	-	117,181
Corporate bonds	1,386,015	-	-	1,386,015
Government bonds and notes	2,142,198	-	-	2,142,198
Total investments	23,265,140	117,181	-	23,382,321
Money market funds	24,282,915	-	-	24,282,915
Total assets whose use is limited	24,282,915	-	-	24,282,915
Total	\$ 47,548,055	\$ 117,181	\$ -	\$ 47,665,236

It is the Organization's policy to assess the leveling of the investments and report any change between levels at the end of the year. During the years ended December 31, 2020 and 2019, there were no investments transferred between levels.

**Note 5 – Fair Value Measurements (continued)**

There were no assets measured on a non-recurring basis at December 31, 2020 or 2019. There were no changes in valuation methodologies used by the Organization for the years ended December 31, 2020 or 2019.

**Note 6 – Long-Term Debt**

Long-term debt consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Hospital Facility Authority Senior Living Revenue Bonds 2017 Series A	\$ 76,375,896	\$ 77,355,866
Hospital Facility Authority Senior Living Revenue Bonds 2017 Series B	<u>-</u>	<u>15,000,000</u>
	76,375,896	92,355,866
Less unamortized bond issuance costs	<u>(1,573,667)</u>	<u>(1,663,532)</u>
	74,802,229	90,692,334
Less current portion	<u>(950,000)</u>	<u>(15,910,000)</u>
	<u><u>\$ 73,852,229</u></u>	<u><u>\$ 74,782,334</u></u>

The 2017 Series A and B Bonds were issued in December 2017 to refinance the Oregon Facilities Authority Series 2010 A and 2010 B Bonds and to finance the construction, acquisition, development, renovation and equipping of the North Pointe project, the Riverview project, and the Campus Site project. The Series Bonds are secured by a security interest in property, cash collateral, and gross revenues.

The 2017 Series A Bonds were issued for \$75,065,000 at a premium of \$4,051,914. The Series A Bonds mature semi-annually in varying amounts through November 15, 2052. Interest is paid on the Series A Bonds at 3.00% through November 2019, 4.00% through November 2027, and 5% through maturity.

The 2017 Series B Bonds were issued for \$15,000,000 at a discount of \$101,400. The Series B Bonds were paid in full in January 2020. Interest was paid on the Series B Bonds at 3.00%.

The Bonds contain financial covenants which require the Organization to maintain certain financial ratios. The Organization is required to measure and report the covenants quarterly and annually.

## **Willamette View, Inc.**

### **Notes to Financial Statements**

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#### **Note 6 – Long-Term Debt (continued)**

Maturities of principal related to the 2017 Bond Series as of December 31, 2020 for the next five years are as follows:

	Series A
Years ending December 31, 2021	\$ 950,000
2022	985,000
2023	1,025,000
2024	1,070,000
2025	1,115,000
Thereafter	71,230,896
	<u>\$ 76,375,896</u>

The loan agreement for the 2017 Bond Series requires the maintenance of a bond sinking fund. The Organization is required to make a monthly principal and interest deposit into the bond sinking fund equal to approximately 1/12th of the total bond payments that are due in the upcoming 12 months. The funds held in the sinking fund will be used for the semi-annual payments on the bonds. The estimated required deposits to the bond sinking fund for the next five years are as follows:

Years ending December 31, 2021	\$ 4,491,150
2022	4,487,650
2023	4,487,850
2024	4,491,550
2025	4,493,150
	<u>\$ 22,451,350</u>

#### **Note 7 – Workers' Compensation**

The Organization directly assumed the responsibility for providing compensation due to injured employees and their beneficiaries in 1990. The accrual of \$194,489 and \$116,575 at December 31, 2020 and 2019, respectively, represents the estimated cost of reported and unreported claims and related expenses at the end of the year. Management believes this estimated liability is adequate to cover the ultimate liability. However, such estimates may be more or less than the amount ultimately paid when claims are settled.

Workers' compensation expense totaled \$288,088 and \$356,570 for the years ended December 31, 2020 and 2019, respectively.

The Organization has excess reinsurance covering workers' compensation claims. This coverage is for individual claims in excess of \$400,000 per occurrence up to a maximum coverage of \$1,000,000. There is aggregate coverage up to a maximum coverage of \$2,000,000. The certificate of deposit discussed in Note 2 is restricted to cover the first \$408,000 in claims.

**Willamette View, Inc.**  
**Notes to Financial Statements**

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**Note 8 – 401(k) Plan**

The Organization has a 401(k) plan that covers all eligible employees of Willamette View, Inc. For the years ended December 31, 2020 and 2019, the Organization's contributions were \$308,407 and \$300,699, respectively.

**Note 9 – Schedule of Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, professional services, office operating expenses, dining costs, resident and patient care insurance and maintenance, and other, which are allocated on the basis of estimates of time and effort. Currently interest and depreciation have not been allocated are recorded within management and administration.

Schedule of functional expenses for the year ended December 31, 2020:

	Supporting Services		Program Services		Total
	Management and Administrative	Resident and Campus Services	Health Care Services	Home Care	
EXPENSES					
Salaries	\$ 2,334,999	\$ 3,311,294	\$ 4,674,435	\$ 936,234	\$ 11,256,962
Payroll taxes and employee benefits	555,345	914,613	1,252,492	253,986	2,976,436
Resident and patient care	-	106,445	619,743	907	727,095
Dining costs	-	1,241,433	470,134	-	1,711,567
Supplies	69,449	208,734	222,565	5,001	505,749
Office operating expenses	1,304,464	880,599	46,763	16,120	2,247,946
COVID-19 related costs	94,924	54,092	89,365	-	238,381
Insurance	-	371,075	208,678	-	579,753
Utilities	-	1,121,944	499,143	-	1,621,087
Property taxes	-	615,909	83,956	-	699,865
Maintenance	-	287,244	15,269	-	302,513
Depreciation	7,540,731	-	-	-	7,540,731
Interest	3,284,079	-	-	-	3,284,079
Allocations to other departments	18,000	(669,463)	651,463	-	-
Total expenses	<u>\$ 15,201,991</u>	<u>\$ 8,443,919</u>	<u>\$ 8,834,006</u>	<u>\$ 1,212,248</u>	<u>\$ 33,692,164</u>



# Willamette View, Inc.

## Notes to Financial Statements

### Note 9 – Schedule of Functional Expenses (continued)

Schedule of Functional Operations for the year ended December 31, 2019:

	Supporting Services	Program Services			
	Management and Administrative	Resident and Campus Services	Health Care Services	Home Care	Total
EXPENSES					
Salaries	\$ 2,178,184	\$ 3,566,048	\$ 4,653,502	\$ 896,001	\$ 11,293,735
Payroll taxes and employee benefits	548,394	1,025,939	1,242,131	237,987	3,054,451
Resident and patient care	-	176,993	801,360	1,431	979,784
Dining costs	-	1,464,601	468,869	-	1,933,470
Supplies	87,255	279,467	260,299	6,670	633,691
Office operating expenses	1,365,193	902,001	87,834	30,282	2,385,310
Insurance	-	254,040	141,024	-	395,064
Utilities	-	1,005,302	458,391	-	1,463,693
Property taxes	-	492,957	67,188	-	560,145
Maintenance	-	213,936	21,660	-	235,596
Depreciation	6,071,390	-	-	-	6,071,390
Interest	2,374,125	-	-	-	2,374,125
Allocations to other departments	18,900	(668,082)	649,182	-	-
Total expenses	\$ 12,643,441	\$ 8,713,202	\$ 8,851,440	\$ 1,172,371	\$ 31,380,454

### Note 10 – Net Assets

Net assets without donor restrictions as of December 31:

	2020	2019
Undesignated	\$ (24,549,723)	\$ (32,908,282)
Assets whose use is limited	5,086,256	24,282,915
Designated foundation	450,236	526,326
Invested in property and equipment, net of debt	31,452,836	19,383,377
	<u>\$ 12,439,605</u>	<u>\$ 11,284,336</u>

Net assets with donor restrictions are restricted for the following purpose as of December 31:

Riverview project	\$ 229,419	\$ 280,551
Memory care	415,913	305,649
Capital improvements	101,539	95,391
Scholarships	30,612	11,839
Resident programs	65,773	38,270
	<u>\$ 843,256</u>	<u>\$ 731,700</u>

**Note 10 – Net Assets (continued)**

Net assets were released from donor restrictions when a time restriction or donor restriction is met. Net assets were released from restrictions for the following purposes at December 31:

	2020	2019
Riverview project	\$ 29,016	\$ 3,300
Capital improvements	31	580
Release for capital purchases	<u>29,047</u>	<u>3,880</u>
Scholarships	1,265	2,500
Resident programs	1,388	5,047
Release for operations	<u>2,653</u>	<u>7,547</u>
	<u>\$ 31,700</u>	<u>\$ 11,427</u>

**Note 11 – Oregon State Reserve Requirements**

In accordance with Oregon Revised Statutes Chapter 101.060(1), the Organization must maintain a debt service liquid reserve (as defined) in an amount exceeding the total of all principal and interest payments due during the next 12 months as well as an operating liquid reserve (as defined) in an amount equal to or exceeding the total projected operating expenses for three months. At December 31, 2020 and 2019, management believes the Organization was in compliance with these reserve requirements.

**Note 12 – Commitments and Contingencies**

The Organization is party to various claims and legal actions in the normal course of business. In the opinion of management, the Organization has substantial defenses to pending or threatened litigation and, based on current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of the Organization.

**Insurance** – Effective January 1, 2020, the Organization became a member of Caring Communities, a reciprocal Risk Retention Group. Caring Communities professional, general, and excess liability insurance protection, education, and risk management services to not-for-profit senior citizen care organization. The membership required a one-time capital investment of \$75,000. The Organization pays annual premiums for professional, general and excess auto liability coverage. Members of Caring Communities share in any annual profits in accordance with a dividend and equity allocation formula.

Property, inland marine and management liability insurance are covered through third party providers.

## **Willamette View, Inc.**

### **Notes to Financial Statements**

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#### **Note 13 – COVID-19**

On January 31, 2020, the Secretary of the United States Department of Health and Human Services declared a public health emergency for the United States. On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic.

The CARES Act, signed into law on March 27, 2020, and Paycheck Protection Program and Health Care Enhancement Act, signed into law on April 24, 2020, provide liquidity and financial relief to certain businesses, among other things. The impacts of certain provisions of the CARES Act are summarized below.

During the year ended December 31, 2020, the Organization accepted approximately \$238,000 of cash for grants from the Provider Relief Fund under which grants have been made available to eligible healthcare providers for healthcare related expenses or lost revenues attributable to COVID-19. Grants received from the Provider Relief Fund are subject to the terms and conditions of the program, including that such funds may only be used to prevent, prepare for, and respond to COVID-19 and will reimburse only for healthcare related expenses or lost revenues that are attributable to COVID-19 and have not been reimbursed from other sources or that other sources are not obligated to reimburse. The permissible uses of grants from the Nursing Home Infection Control Distribution are further limited to certain infection control expenses. The program requires the Organization to report to HHS on its use of the grants, and reporting is subject to audit. During the year ended December 31, 2020, the Organization recognized approximately \$238,000 of the grants as other operating income based upon estimates of the satisfaction of the conditions of the grants during such period.

HHS continues to evaluate future allocations of, and regulation and guidance regarding, grants made under the Provider Relief Fund. The Organization intends to pursue additional funding that may become available. However, there can be no assurance that it will qualify for, or receive, grants in the amount expected, that additional restrictions on the permissible uses or terms and conditions of the grants will not be imposed by HHS, or that future funding programs will be made available for which the Organization qualifies. Subsequent to December 31, 2020, the Organization received and accepted an additional \$447,000 of cash for grants from the Provider Relief Fund subject to similar terms and conditions explained above.

The ultimate effect COVID-19 has on the Organization depends on the breadth and duration of the pandemic. Future impacts may include, and are not limited to, disruptions or restrictions on employees' ability to work, potential shortages of supplies, unforeseen business expenses incurred responding to COVID-19, the availability of adequate testing for the virus, lost revenue from operating services and the financial impact on current and prospective residents. Due to the uncertainty of this pandemic, the full impact is unknown and cannot be reasonably estimated at this time.

