REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

WILLAMETTE VIEW, INC.

December 31, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
Willamette View, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Willamette View, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Willamette View, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Willamette View, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Willamette View, Inc.’s ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 Willamette View, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Willamette View, Inc.'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.

Moss Adams LLP

Portland, Oregon
May 26, 2022

Willamette View, Inc.
Consolidated Statements of Financial Position

	December 31, 2021	December 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 2,401,474	$ 7,851,782
Restricted cash	1,775,950	1,701,492
Accounts receivable	2,280,445	2,539,823
Inventories and prepaid expenses	880,372	743,206
Investments	38,755,133	25,319,891
Current portion of assets whose use is limited	374,424	436,353
Total current assets	46,467,798	38,592,547
PROPERTY AND EQUIPMENT		
Land improvements	6,939,990	6,916,191
Buildings	52,847,367	52,847,366
Building improvements	104,490,456	101,514,728
Furniture, fixtures and equipment	14,821,971	14,450,930
Automobiles and trucks	491,376	487,964
	179,591,160	176,217,179
Less accumulated depreciation	(78,473,132)	(70,914,849)
	101,118,028	105,302,330
Land	669,935	669,935
Construction in progress	1,016,376	282,800
Net property and equipment	102,804,339	106,255,065
OTHER ASSETS		
Capital deposit with Caring Communities	75,000	75,000
Assets whose use is limited	4,503,830	4,649,903
Property held for development	4,721,436	4,721,436
Total other assets	9,300,266	9,446,339
Total assets	$ 158,572,403	$ 154,293,951

See accompanying notes.

	December 31, 2021	December 31, 2020
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 740,742	$ 428,302
Salaries and benefits payable	1,563,647	1,367,910
Accrued interest payable	293,203	283,765
Current portion of refundable entrance fees	342,644	899,100
Current portion of long-term debt	985,000	950,000
Total current liabilities	3,925,236	3,929,077
LONG-TERM DEBT	72,878,788	73,852,229
DEFERRED REVENUES AND OTHER LIABILITIES		
Deposits on apartments	434,320	335,170
Refundable entrance fees	18,132,161	17,810,855
Deferred revenue from entrance fees	48,412,565	45,083,759
Total deferred revenues and other liabilities	66,979,046	63,229,784
Total liabilities	143,783,070	141,011,090
NET ASSETS		
Without donor restrictions	13,253,265	12,439,605
With donor restrictions	1,536,068	843,256
Total net assets	14,789,333	13,282,861
Total liabilities and net assets	$ 158,572,403	$ 154,293,951

Willamette View, Inc.
Consolidated Statements of Activities

	Years Ended December 31, 2021	2020
REVENUES, GAINS, AND OTHER SUPPORT		
Residents' monthly fees	$ 16,605,893	$ 16,650,652
Patients and infirmary	6,983,165	8,200,173
Departmental and other income	822,139	670,011
Entrance fees earned	6,554,569	5,335,614
Property taxes collected from residents	652,139	597,485
Investment income, net	3,085,457	2,758,851
Total revenues	34,703,362	34,212,786
Net assets released from restriction	449,879	241,034
Total revenues, gains, and other support	35,153,241	34,453,820
EXPENSES		
Salaries	11,477,260	11,256,962
Payroll taxes and employee benefits	2,597,214	2,976,436
Resident and patient care	425,979	727,095
Dining costs	1,835,454	1,711,567
COVID-19 related costs	87,752	238,381
Supplies	641,170	505,749
Office operating expenses	3,129,512	2,247,946
Insurance	601,917	579,753
Utilities	1,632,606	1,621,087
Property taxes	701,979	699,865
Maintenance	460,774	302,513
Depreciation	7,558,283	7,540,731
Interest	3,573,146	3,284,079
Total expenses	34,723,046	33,692,164
OPERATING INCOME	430,195	761,656

See accompanying notes.

	Years Ended December 31, 2021	2020
NONOPERATING INCOME		
Gain on disposal of property	$ 600	$ 8,400
Donations without donor restrictions	97,440	123,914
Rent and other income	261,049	232,252
Net assets released from donor restrictions for capital purchases	24,376	29,047
Total nonoperating income	383,465	393,613
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	813,660	1,155,269
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations with donor restrictions - traditional donors	225,978	143,256
Donations with donor restrictions - Provider Relief Funds	941,089	238,381
Net assets released from donor restriction	(474,255)	(270,081)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	692,812	111,556
TOTAL CHANGE IN NET ASSETS	1,506,472	1,266,825
NET ASSETS, beginning of year	13,282,861	12,016,036
NET ASSETS, end of year	$ 14,789,333	$ 13,282,861

Willamette View, Inc.
Consolidated Statements of Cash Flows

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,506,472	$ 1,266,825
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,558,283	7,540,731
Investment income, net	(3,085,457)	(2,758,851)
Gain on disposal of property	(600)	(8,400)
Entrance fees earned	(6,554,569)	(5,335,614)
Amortization of deferred bond costs	89,865	89,865
Amortization of bond discount/premium	(78,306)	(69,970)
(Increase) decrease in non-cash current assets		
Accounts receivable	259,378	816,114
Inventories and prepaid expenses	(137,166)	96,415
Increase (decrease) in non-cash current liabilities		
Accounts payable and accrued expenses	312,440	(2,124,047)
Accrued interest payable	9,438	(56,493)
Salaries and benefits payable	195,737	101,166
Net cash from/(used in) operating activities	75,515	(442,259)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in assets whose use is limited	418,744	19,407,401
Capital expenditures for property and equipment	(4,106,957)	(4,016,333)
Capital deposit with Caring Communities	-	(75,000)
Purchases of investments	(12,828,520)	(5,693,865)
Proceeds from sale of investments	2,267,993	6,304,404
Net cash (used in)/from investing activities	(14,248,740)	15,926,607
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on bonds payable	(950,000)	(15,910,000)
Deferred revenue from entrance fees	10,494,800	7,510,578
Increase in refundable entrance fees	450,061	483,401
Refunded entrance fees	(1,296,636)	(1,354,090)
Increase (decrease) in deposits on apartments	99,150	(2,130)
Net cash from/(used in) financing activities	8,797,375	(9,272,241)
NET CHANGE	(5,375,850)	6,212,107
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	9,553,274	3,341,167
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	$ 4,177,424	$ 9,553,274
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 3,552,149	$ 3,649,992

See accompanying notes.

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.

The Organization has a wholly owned subsidiary, Hillside Senior Services (HSS). During 2021, all property held for development was transferred to the subsidiary. The Organization plans to utilize the property held for development for future senior living alternatives.

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, 2021, all bond project funds had been utilized as intended.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and consolidation
The consolidated financial statements include the wholly owned subsidiary, HSS. The consolidated 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. All significant intercompany transactions and accounts have been eliminated.

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:

	2021	2020
Cash and cash equivalents	$ 2,401,474	$ 7,851,782
Blue Heron Foundation cash	1,367,950	1,293,492
Certificate of deposit	408,000	408,000
Restricted cash	1,775,950	1,701,492
	$ 4,177,424	$ 9,553,274

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:

	2021	2020
Debt service reserve fund	$ 4,503,830	$ 4,649,903
Bond sinking fund – principal escrow account	81,678	77,509
Bond sinking fund – interest escrow account	292,746	358,844
	4,878,254	5,086,256
Less current portion	(374,424)	(436,353)
	$ 4,503,830	$ 4,649,903

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.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. It is reasonably possible, given the level of risk associated with investment securities, that changes in the values of the investments in the near term could materially affect the Organizations asset values on the consolidated statement of financial position and the investment income reported on the future consolidated statement of activities.

Accounts receivable

Accounts receivable consist primarily of fees billed monthly to residents, promises to give, and entrance fees. Management assesses collectability of accounts based on historical experience and existing conditions affecting probable collection at the time the revenue is initially recorded and periodically adjusts until the balance is collected. As of December 31, 2021 and 2020, an allowance for doubtful accounts was recorded in the amount of $250,000 and $100,000, respectively.

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:

	2021	2020
Interest and dividends	$ 675,376	$ 540,367
Realized gains	899,108	935,586
Unrealized gains	1,510,973	1,282,898
Investment income, net	$ 3,085,457	$ 2,758,851

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 $0 and $329,315 of interest during the years ended December 31, 2021 and 2020, respectively. The Organization capitalized $544,216 and $544,746 of staffing related costs during the years ended December 31, 2021 and 2020, respectively.

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

	Years
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, 2021 and 2020, total deposits on apartments were $434,320 and $335,170, 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:

	2021	2020
Beginning of year balance	$ 45,083,759	$ 44,025,189
New entrance fees received	10,494,800	7,510,578
Amortization of entrance fees	(6,554,569)	(5,335,614)
Entrance fees deemed currently refundable	(611,425)	(1,116,394)
End of year balance	$ 48,412,565	$ 45,083,759

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:

	2021	2020
Beginning of year balance	$ 17,810,855	$ 18,119,169
New entrance fees received	638,560	483,401
Entrance fees deemed currently refundable	(317,254)	(791,715)
End of year balance	$ 18,132,161	$ 17,810,855

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:

	2021	2020
Beginning of year balance	$ 899,100	$ 345,081
Entrance fees deemed currently refundable	740,180	1,908,109
Entrance fees refunded – paid	(1,296,636)	(1,354,090)
End of year balance	$ 342,644	$ 899,100

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, 2021 and 2020.

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 $6,554,569 and $5,335,614 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, the Organization had deferred revenue from entrance fees of $48,412,565 and $45,083,759, 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 infirmary – Patient and infirmary revenue by payor type were as follows for the years ended December 31:

	2021	2020
Private pay	$ 6,334,716	$ 6,823,258
HMO insurance	311,161	556,026
Medicare	337,288	820,889
	$ 6,983,165	$ 8,200,173

Patients and infirmary 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. The services provided during a stay represent a bundle of goods and services that are distinct and accounted for as a single performance obligation. Generally, performance obligations satisfied over time relate to residents in the 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.

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 2021 or 2020.

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, 2021 and 2020 was not significant.

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, 2021 and 2020 were $386,113 and $191,272, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2021 or 2020. No interest or penalties were accrued for the years ended December 31, 2021 or 2020. The Organization files an exempt organization return in the U.S. federal jurisdiction.

Use of estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of consolidated 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.

New accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 consolidated financial statements of lessees. The Organization does not have material lease contracts and management does not believe this standard has any impact on the consolidated financial statements.

Subsequent events

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

The Organization has evaluated subsequent events through May 26, 2022, which is the date the consolidated financial statements were issued.

Note 3 – Accounts Receivable

Accounts receivable at December 31 consist of the following:

	2021	2020
Health center patients	$ 1,181,761	$ 1,422,165
Residents' entrance fees	1,267,690	1,099,420
Promises to give	34,122	55,912
Home services	46,872	62,326
	2,530,445	2,639,823
Less allowance for doubtful accounts	(250,000)	(100,000)
	$ 2,280,445	$ 2,539,823

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:

	2021	2020
Cash and cash equivalents	$ 2,401,474	$ 7,851,782
Investments	38,755,133	25,319,891
Total cash, cash equivalents and investments	41,156,607	33,171,673
Accounts receivable	2,280,445	2,539,823
	$ 43,437,052	$ 35,711,496

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, 2021 and 2020, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Common Stock and Exchange Traded Funds (ETF) – Valued at the closing price reported on the active market on which the individual securities or fund are traded.

Mutual Funds and Money Market Funds – Registered investment companies (mutual funds) and money market mutual funds – Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission.

Corporate bonds, Government Bonds and Notes - Valued using pricing models maximizing the use of observable inputs for similar securities, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Note 5 – Fair Value Measurements (continued)

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

	Fair Value Measurement at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Common stock	$ 11,998,373	$ -	$ -	$ 11,998,373
Mutual funds and ETFs	21,471,236	-	-	21,471,236
Corporate bonds	2,814,083	-	-	2,814,083
Government bonds and notes	2,471,441	-	-	2,471,441
Total investments	38,755,133	-	-	38,755,133
Money market funds	4,878,254	-	-	4,878,254
Total assets whose use is limited	4,878,254	-	-	4,878,254
Total	$ 43,633,387	$ -	$ -	$ 43,633,387

	Fair Value Measurement at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Common stock	$ 5,758,647	$ -	$ -	$ 5,758,647
Mutual funds and ETF's	16,490,802	-	-	16,490,802
Corporate bonds	1,605,159	-	-	1,605,159
Government bonds and notes	1,465,283	-	-	1,465,283
Total investments	25,319,891	-	-	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	$ 30,406,147	$ -	$ -	$ 30,406,147

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, 2021 and 2020, there were no investments transferred between levels.

There were no assets measured on a non-recurring basis at December 31, 2021 or 2020. There were no changes in valuation methodologies used by the Organization for the years ended December 31, 2021 or 2020.

Note 6 – Long-Term Debt

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

	2021	2020
Hospital Facility Authority Senior Living Revenue Bonds 2017 Series A	$ 75,347,590	$ 76,375,896
Less unamortized bond issuance costs	(1,483,802)	(1,573,667)
	73,863,788	74,802,229
Less current portion	(985,000)	(950,000)
	$ 72,878,788	$ 73,852,229

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.

Maturities of principal related to the 2017 Bond Series A as of December 31, 2021 for the next five years are as follows:

		Series A
Years ending December 31,	2022	$ 985,000
	2023	1,025,000
	2024	1,070,000
	2025	1,115,000
	2026	1,155,000
	Thereafter	69,997,590
		$ 75,347,590

Note 6 – Long-Term Debt (continued)

The loan agreement for the 2017 Bond Series A 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,	2022	$ 4,487,650
	2023	4,487,850
	2024	4,491,550
	2025	4,493,150
	2026	4,488,250
		$ 22,448,450

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 $214,553 and $194,489 at December 31, 2021 and 2020, respectively, represents the estimated cost of reported and unreported claims and related expenses at the end of the year and is included in the accounts payable and accrued expenses line item on the consolidated statement of financial position. 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 $271,837 and $288,088 for the years ended December 31, 2021 and 2020, 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.

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, 2021 and 2020, the Organization's contributions were $302,694 and $308,407, respectively.

Note 9 – Schedule of Functional Expenses

The consolidated 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, 2021:

	Supporting Services	Program Services			
	Management and Administrative	Resident and Campus Services	Health Care Services	Home Care	Total
EXPENSES					
Salaries	$ 2,529,819	$ 3,552,040	$ 4,613,164	$ 782,237	$ 11,477,260
Payroll taxes and employee benefits	549,187	827,301	1,024,985	195,741	2,597,214
Resident and patient care	-	40,041	385,944	(6)	425,979
Dining costs	-	1,452,934	382,520	-	1,835,454
COVID-19 related costs	87,752	-	-	-	87,752
Supplies	70,498	318,115	246,654	5,903	641,170
Office operating expenses	1,948,022	1,118,849	57,184	5,457	3,129,512
Insurance	-	385,227	216,690	-	601,917
Utilities	2,373	1,140,925	489,308	-	1,632,606
Property taxes	-	617,770	84,209	-	701,979
Maintenance	-	438,587	22,187	-	460,774
Depreciation	7,558,283	-	-	-	7,558,283
Interest	3,573,146	-	-	-	3,573,146
Allocations to other departments	18,000	(698,277)	680,277	-	-
Total expenses	$ 16,337,080	$ 9,193,512	$ 8,203,122	$ 989,332	$ 34,723,046

Schedule of Functional Operations for the year ended December 31, 2020:

	Supporting Services	Program Services			
	Management and Administrative	Resident and Campus Services	Health Care Services	Home Care	Total
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
COVID-19 related costs	94,924	54,092	89,365	-	238,381
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
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	$ 15,201,991	$ 8,443,919	$ 8,834,006	$ 1,212,248	$ 33,692,164

Note 10 – Net Assets

Net assets without donor restrictions as of December 31:

	2021	2020
Undesignated	$ (20,948,561)	$ (24,549,723)
Assets whose use is limited	4,878,254	5,086,256
Designated foundation	383,021	450,236
Invested in property and equipment, net of debt	28,940,551	31,452,836
	$ 13,253,265	$ 12,439,605

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

	2021	2020
Riverview project	$ 229,419	$ 229,419
Memory care	447,624	415,913
Capital improvements	128,807	101,539
Scholarships	52,727	30,612
Resident programs	142,962	65,773
COVID relief - Provider Relief Funds	534,529	-
	$ 1,536,068	$ 843,256

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:

	2021	2020
Riverview project	$ -	$ 29,016
Capital improvements	24,376	31
Release for capital purchases	24,376	29,047
Scholarships	-	1,265
Resident programs	12,567	1,388
COVID relief - Provider Relief Funds	437,312	238,381
Release for operations	449,879	241,034
	$ 474,255	$ 270,081

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, 2021 and 2020, 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 provides professional, general, and excess liability insurance protection, education, and risk management services to not-for-profit senior citizen care organizations. 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.

Provider Relief Funds

The Company received Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. Unspent funds will be expected to be repaid.

These funds are recorded as a restricted contribution when received and are released from restriction as all terms and conditions are considered met. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is a possibility that recorded estimates could change by a material amount in the near term.

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