Report of Independent Auditors and
Financial Statements

Atherton Baptist Homes

December 31, 2024 and 2023

MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
Atherton Baptist Homes

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atherton Baptist Homes, which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of operations, changes in net assets without donor restrictions, changes in net assets with donor restrictions, cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Atherton Baptist Homes as of December 31, 2024 and 2023, 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 Atherton Baptist Homes and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Atherton Baptist Homes' ability to continue as a going concern within one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Atherton Baptist Homes' 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 the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Atherton Baptist Homes' 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

Los Angeles, California
April 23, 2025

Financial Statements

Atherton Baptist Homes
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,629,778	$ 5,671,102
Short term investments	18,320,239	13,414,724
Accounts receivable	340,438	581,294
Assets limited as to use, required for current liabilities	1,588,166	1,564,291
Prepaid expenses and other current assets	562,440	517,705
Total current assets	26,441,061	21,749,116
NONCURRENT ASSETS		
Assets limited as to use, net of current portion	12,166,040	12,342,207
Property and equipment, net	35,636,270	34,979,411
Right-of-use asset	50,531	85,382
Investments	140,881	127,797
Other assets	73,554	73,554
Pension assets	1,075,651	199,291
Total noncurrent assets	49,142,927	47,807,642
Total assets	$ 75,583,988	$ 69,556,758

See accompanying notes.

Atherton Baptist Homes
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 472,564	$ 804,269
Accrued liabilities	782,202	796,964
Accrued interest	493,166	519,291
Deposits on entrance fees	1,666,620	1,376,120
Current portion of long-term debt	1,095,000	1,045,000
Workers' compensation liability	-	11,601
Current portion of lease liability	43,844	50,559
Total current liabilities	4,553,396	4,603,804
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	23,861,676	24,966,227
Deferred revenue from entrance fees	20,120,537	18,836,321
Repayable entrance fees liability	16,240,155	14,785,155
Gift annuities payable	1,015,368	1,100,765
Lease liability, net of current portion	20,615	50,529
Liabilities under pooled income funds	10,434	15,630
Total noncurrent liabilities	61,268,785	59,754,627
Total liabilities	65,822,181	64,358,431
NET ASSETS		
Without donor restrictions	9,511,652	4,923,429
With donor restrictions	250,155	274,898
Total net assets	9,761,807	5,198,327
Total liabilities and net assets	$ 75,583,988	$ 69,556,758

See accompanying notes.

Atherton Baptist Homes
Statements of Operations
Years Ended December 31, 2024 and 2023

	2024	2023
REVENUES		
Residential services, including amortization of entrance fees of $3,232,933 and $2,928,646 in 2024 and 2023, respectively	$ 13,871,317	$ 13,074,216
Nursing center revenue	10,147,811	10,820,919
Investment income, net of fees	2,494,838	1,546,018
Gifts	143,542	260,286
Grant revenues	8,000	23,500
Other income	152,023	164,197
Net assets released from restrictions, used for operations	24,540	18,050
Total revenues	26,842,071	25,907,186
OPERATING EXPENSES		
Salaries and benefits	10,945,058	10,023,828
Purchased goods and services	9,819,526	10,290,826
Interest	980,471	1,034,628
Loss on fixed asset disposal	217,552	105,352
Total operating expenses before depreciation	21,962,607	21,454,634
OPERATING INCOME BEFORE DEPRECIATION	4,879,464	4,452,552
Depreciation and amortization	2,623,728	2,581,611
Total operating income	2,255,736	1,870,941
NONOPERATING INCOME		
Change in unrealized gains on equity securities	1,444,362	2,717,875
EXCESS OF REVENUE OVER EXPENSES	$ 3,700,098	$ 4,588,816

See accompanying notes.

Atherton Baptist Homes
Statements of Changes in Net Assets (Deficit)
Years Ended December 31, 2024 and 2023

	2024	2023
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of revenue over expenses	$ 3,700,098	$ 4,588,816
Net assets released from restrictions used for capital projects	418,470	127,515
Change in minimum pension liability	469,655	674,306
Change in net assets without donor restrictions	4,588,223	5,390,637
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Investment income	15,313	5,540
Unrealized gains on investments, net	7,165	9,474
Contributions	399,982	143,878
Change in value associated with obligations under pooled income funds	(4,197)	(5,309)
Net assets released from restrictions		
Used for operations	(24,536)	(18,050)
Used for capital projects	(418,470)	(127,515)
Change in net assets with donor restrictions	(24,743)	8,018
CHANGE IN NET ASSETS	4,563,480	5,398,655
NET ASSETS (DEFICIT), beginning of year	5,198,327	(200,328)
NET ASSETS, end of year	$ 9,761,807	$ 5,198,327

See accompanying notes.

Atherton Baptist Homes
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	$ 18,752,231	$ 18,697,358
Cash received from noncontracted residents	1,783,441	2,195,341
Cash received from deferred entrance fees	3,978,500	3,245,000
Cash received from entrance fees from re-occupancy	2,990,000	835,000
Contributions received	143,542	260,286
Cash received from grants	8,000	23,500
Investment income received, net of fees	2,494,838	1,546,018
Other receipts	371,828	299,884
Processing fees	3,000	3,200
Cash received for services to nonresidents	6,667	5,649
Cash paid to employees, suppliers, and others	(22,061,387)	(21,328,445)
Interest paid	(1,016,147)	(1,069,054)
Repayments of repayable entrance fees from re-occupancy	(595,000)	(325,537)
Cash paid for fundraising costs	(111,106)	(90,790)
Net cash provided by operating activities	6,748,407	4,297,410
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,462,552)	(2,646,333)
Proceeds from sale of property and equipment	15,000	-
Purchases of investments, assets held by bond indenture trustee, and assets limited by Board as to use	(24,712,994)	(20,066,743)
Proceeds from sale of investments, assets held by bond indenture trustee, and assets limited by Board as to use	22,960,124	19,125,449
Change in liabilities under pooled income funds and gift annuities	(90,593)	2,914
Net cash used in investing activities	(5,291,015)	(3,584,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,045,000)	(995,000)
Principal payments on finance leases	(52,365)	(58,069)
Refunds of entrance fees and deposits	(401,351)	(441,119)
Net cash used in financing activities	(1,498,716)	(1,494,188)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,324)	(781,491)
CASH AND CASH EQUIVALENTS, beginning of year	5,671,102	6,452,593
CASH AND CASH EQUIVALENTS, end of year	$ 5,629,778	$ 5,671,102

See accompanying notes.

Atherton Baptist Homes
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ 4,563,480	$ 5,398,655
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,623,728	2,581,611
Amortization of deferred financing costs	97,319	97,318
Amortization of bond premium	(106,870)	(106,869)
Change in minimum pension liability	(469,655)	(674,306)
Loss on fixed asset disposal	217,552	105,352
Amortization of entrance fees	(3,232,933)	(2,928,646)
Unrealized gains on investments, net	(1,451,527)	(2,727,349)
Realized gains on investments, net	(1,561,910)	(770,505)
Changes in operating assets and liabilities		
Accounts receivable	240,856	64,941
Prepaid expenses and other current assets	(44,735)	(11,929)
Pension assets	(876,360)	(199,291)
Accounts payable	(331,705)	(217,863)
Accrued liabilities	(52,488)	89,367
Deposits on entrance fees	290,500	(87,700)
Deferred revenue from entrance fees	3,978,500	3,245,000
Entrance fees from re-occupancy	2,990,000	835,000
Repayments of repayable entrance fees from re-occupancy	(595,000)	(325,537)
Pension liability	469,655	(69,839)
Net cash provided by operating activities	$ 6,748,407	$ 4,297,410

See accompanying notes.

Note 1 – Nature of Organization

Organization and business activity – Atherton Baptist Homes (Atherton) is a not-for-profit corporation, established in 1914 and licensed by the State of California Department of Social Services as a continuing care retirement community, also known as a life plan community. Atherton is also licensed by the State of California Department of Public Health to operate and maintain its skilled nursing facility. Atherton's principal mission is to be a senior community rooted in Christian values, enriching lives and honoring all. Atherton offers four levels of care, namely, 217 residential living units consisting of one-, two-, and three-bedroom cottages or apartments; 32 congregate assisted living units consisting of one and two rooms; a 4-bed memory support care facility; and a 99-bed skilled nursing facility on an approximately 15-acre campus located in Alhambra, California.

Atherton operates primarily under the "continuing care" concept in which residents enter into a residential contract that generally provides for a specified entrance fee, with certain options for refunds, and for monthly service fees throughout the residents' tenancy. Generally, payment of these fees entitles residents to the use and privileges of Atherton for life. Residents are also entitled to certain health care services provided in the Atherton assisted living and skilled nursing facility. The residency agreement does not entitle the residents to an ownership interest in Atherton.

Although Atherton receives no financial assistance directly from the American Baptist Churches, the original sponsoring body, it does receive support from individual churches from that denomination and its successor body and other friends, which is used to subsidize the difference between the amount paid by residents and the actual cost of operating its facilities. In recognition of support from individual churches over the years, ministers and missionaries who have served such churches are given financial assistance upon demonstrated need and as funds are available.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presenting Financial Statements for Not-for-Profit Entities*. Under ASU 2016-14, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Represent unrestricted resources available to support Atherton's operations and temporarily restricted resources that have become available for use by Atherton in accordance with the intention of the donor.

Net assets with donor restrictions – Represent contributions that are limited in use by Atherton in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. 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.

Cash and cash equivalents – Atherton considers all highly liquid instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Workers' compensation – Atherton recognizes in the statements of financial position the estimated liability outstanding for workers' compensation claims as well as the related insurance recoveries in accordance with ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*.

Investments – Investments in equity securities with readily determinable fair values are measured at fair value in the statements of financial position. Fair value is established based on quoted prices from recognized securities exchanges. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless the income is restricted by donor or law.

Atherton recognized unrealized gains on equity investments (other than those under the equity method) at fair value through the performance indicator. Equity investments that do not have readily determinable fair value are excluded from the performance indicator.

Property and equipment – Property and equipment are stated on the basis of cost, less accumulated depreciation. Donated assets are recorded at estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method with lives of 5 to 50 years. Atherton capitalizes all expenditures for property and equipment in excess of $1,000.

Construction in progress – Construction in progress consists of costs incurred on construction projects that have not been completed. Depreciation begins when related assets are placed in service or become available to be placed in service.

Accounting for the impairment of long-lived assets and long-lived assets to be disposed of – Atherton reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. Atherton considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. Fair value is the present value of the associated cash flows. Atherton has determined that no long-lived assets were impaired as of December 31, 2024 and 2023.

Deferred financing costs – Costs incurred in obtaining long-term financing are amortized over the respective terms of the related obligations using the interest method. Deferred financing costs are classified as a component of long-term debt. Amortization expense is included as a component of interest expense.

Repayable and deferred entrance fees – Generally, in return for care to be provided by Atherton, residents pay an initial entrance fee. The initial entrance fees will vary in amount and type depending on where the resident resides.

Repayable contracts – Residents that live in Atherton's courtyard community (Courtyard) pay an entrance fee that is either 75% or 50% repayable to residents. The repayable entrance fees are recorded as repayable entrance fee liability in the statements of financial position. As of December 31, 2024 and 2023, repayable entrance fee liability totaled approximately $16,240,000 and $14,785,000, respectively. The 90% repayable contract type was discontinued in 2016 and the 80% repayable contract type was discontinued in 2020.

Residents who entered into repayable contracts pay an entrance fee ranging from $395,000 for a one-bedroom unit, to between $420,000 and $445,000 for a two-bedroom unit, and an ongoing monthly maintenance fee. There is an additional entrance fee of $20,000 for occupancy of a second person. The entrance fee is refundable if the resident should leave Atherton as follows:

1. During the first ninety days, the entrance fee paid by the resident is refunded in full.
2. If the resident's tenancy terminates subsequent to the first ninety days, Atherton offers the following re-occupancy benefit refunds based on the type of contract to the resident (or their estate) once the unit has been re-occupied:
   - Re-occupancy benefits equal to 50% of the paid entrance fees.
   - Re-occupancy benefits equal to 75% of the paid entrance fees.

Declining refundable contracts – Residents that live in Atherton's independent living units, excluding the Courtyard, pay a one-time entrance fee. The entrance fee is refundable if the resident should leave Atherton, as follows:

1. During the first ninety days, the entrance fee paid by the resident is refunded in full.
2. If the resident's tenancy terminates subsequent to the first ninety days, Atherton offers to refund the paid entrance fees minus two and one-twelfth percent for each month or partial month from the date the resident signed the Agreement until the date the resident made the unit available to Atherton.
3. There shall be no refund after 48 months from the date the resident signed the Agreement.

The refundable portion of entrance fees paid by contracted residents is recorded as deferred revenue from entrance fees in the statements of financial position and is amortized over the estimated remaining life expectancy of the resident. Resident life expectancy is reevaluated annually.

Residents pay for the right to occupy Atherton's units and for access to its services but do not obtain title to any of its real estate.

Obligation to provide future services – Annually, Atherton calculates the present value (using a 5.50% discount rate as of December 31, 2024 and 2023) of the estimated net cost of future services to be provided to current continuing care residents, and, to the extent this amount exceeds the sum of deposits on entrance fees, a liability would be recorded for the obligation to provide future services with a corresponding charge included in the statements of operations. The change in the obligation during a year would be reported as a current year change in obligation to provide future services in the statements of operations and changes in net assets without donor restrictions. No such liability was necessary as of December 31, 2024 and 2023.

The California Health and Safety Code requires continuing care contract providers to establish and maintain statutory and refund reserves to assure financial resources will be available to fulfill contractual obligations to residents. A reserve fund escrow account is not required of Atherton. The California Health and Safety Code Section 1790 mandates a statutory reserve and a liquid asset requirement. The mandates were met for the years ended December 31, 2024 and 2023.

Short-term obligations – In accordance with Accounting Standards Codification (ASC) 470, *Debt*, Atherton assesses the classification for short-term obligations and classifies such obligations as noncurrent if the obligation is refinanced or forgiven subsequent to the year-end statement of financial position date but before the issuance of the financial statements.

Deferred giving programs – Atherton has various arrangements with donors under the following terms:

Gift annuities – As consideration for certain irrevocable gifts made to Atherton for benevolent purposes, Atherton enters into agreements to make fixed annual payments to the donors or their beneficiaries for life. A liability is established for the present value of future payments, discounted at 4%, under the terms of the outstanding annuity contracts, with the difference recorded as unrestricted gifts. Gift annuity assets in excess of the liabilities are available to Atherton for use without approval of the California Department of Insurance. However, the Board of Trustees (the Board) has limited the use of the excess assets until the gift matures (the death of the beneficiary).

Pooled income funds – Various donors have entered into irrevocable gift agreements whereby income earned on the funds is distributed to donor-designated beneficiaries. Under such agreements, contributions are recognized as net assets with donor restrictions based on the fair value of the assets contributed less the present value of the payments expected to be made to the beneficiaries. The pooled income fund obligations are reflected as liabilities discounted at 4%. Upon termination of the irrevocable gift agreements, the remaining assets are transferred to net assets without donor restrictions.

Concentration of credit risk – Atherton maintains its cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution, with the exception of balances at Christian Community Credit Union, which are insured by American Private Insurance up to $250,000. The balances of Atherton's cash balances frequently exceed these insured limits. If any of the financial institutions with whom Atherton does business with were to be placed into receivership, Atherton may be unable to access the cash Atherton has on deposit with such institutions. If Atherton is unable to access its cash and cash equivalents as needed, Atherton's financial position and ability to operate its business could be adversely affected. Atherton has not experienced any losses in such accounts.

Financial instruments, which potentially subject Atherton to concentration of credit risk, consist primarily of investments and receivables. Investments are managed by professional investment managers within the guidelines established by the Board, which, as a matter of policy, limit the amounts that may be invested in any one issuer. Concentration of credit risk with respect to receivables is limited due to the number of payors comprising Atherton's customer base. As of December 31, 2024 and 2023, Atherton had no significant concentration of credit risk.

Donated services – No amounts have been reflected in the financial statements for donated services. Atherton generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Atherton with specific assistance programs.

Grants – Grant revenue is recognized when all eligibility requirements are met.

Reclassifications – Certain 2023 amounts have been reclassified to conform to 2024 presentation.

Revenue recognition – Atherton's revenue streams are as follows:

Residential services revenue – Residential services revenue is reported at the amount that reflects the consideration to which Atherton expects to be entitled to in exchange for the services provided. Under Atherton's resident services agreement, Atherton provides senior living services to residents for a stated monthly fee. Atherton recognizes revenue for senior living services under the residential services agreement for independent living and assisted living in accordance with the provision of ASC 842, *Leases* (ASC 842).

Nursing center revenue – Nursing center revenue is reported at the amount that reflects the consideration to which Atherton expects to be entitled to in exchange for providing care. These amounts are due from patients, net of third-party contractual allowances for Medicare, Medi-Cal, and other programs. Generally, Atherton bills patients and third-party payors at the beginning of each month and sends a final bill or reconciliation at the time of discharge. 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. Atherton 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 Atherton's skilled nursing facility. Atherton 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.

Atherton determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to a third-party. Atherton determines its estimates of contractual adjustments based on contractual agreements and historical experience.

Agreements with third-party payors provide the 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 discharge based on clinical, diagnostic, or other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Therapy services are paid based upon established fee schedules.

Medi-Cal – Medi-Cal typically covers patients that require standard room and board services and provides reimbursement rates that are generally lower than rates earned from other sources. Medi-Cal reimbursement formulas are established by each state with approval of the federal government in accordance with federal guidelines.

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

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by government 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 Atherton'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 Atherton.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces a new accounting model for estimating credit losses on financial assets, including accounts receivable and contract assets. The new model, known as the Current Expected Credit Loss (CECL) model, requires a forward-looking approach to estimating expected credit losses, rather than a previous incurred loss model. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 326: ASU 2018-19, *Codification Improvements to Topic 326;* ASU 2019-04, *Codification Improvements to Topic 326 Financial Instruments – Credit Losses, Topic 815 Derivatives and Hedging, and Topic 825, Financial Instruments;* and ASU 2019-05, *Targeted Transition Relief.*

Effective January 1, 2023, Atherton adopted the CECL standard for accounting for credit losses on financial assets, including accounts receivable. The adoption of the CECL standard resulted in a change in Atherton's accounting policy for credit losses, as it requires a forward-looking approach to estimated expected credit losses, rather than the previous incurred model. Atherton has implemented the CECL standard using a modified retrospective approach, which requires the cumulative effect of the change in accounting policy to be recognized as an adjustment to the opening balance of Atherton's net assets as of the date of adoption. The adoption of the CECL standard did not have a material impact on Atherton's financial position, results of operations, or cash flows.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Atherton 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 resident's ability to pay are recorded as a bad debt expense. Credit loss expense for the years ended December 31, 2024 and 2023, was not significant.

The following table shows nursing center revenue by line of service at December 31:

	2024	2023
Private	$ 5,168,174	$ 5,222,691
Medi-Cal	2,636,721	3,074,492
Medicare	836,441	1,105,914
Share of costs	787,976	907,641
HMO	600,796	372,725
Hospice	117,703	137,456
Total nursing center revenue	$ 10,147,811	$ 10,820,919

Amortization of entrance fees – Residents under the declining refundable contract, excluding Courtyard residents, pay an entrance fee that is 100% nonrefundable. The nonrefundable portion of entrance fees paid by residents is recorded as deferred revenue from entrance fees in the statements of financial position. The basic residency agreement creates a performance obligation to be satisfied over the resident's remaining life at Atherton. Atherton recognizes the revenue associated with the entrance fee using a straight-line method over the actuarially determined estimated life of each resident. Resident life expectancies are reevaluated annually and any changes in the revenue as a result of the revaluation will be recognized in the period noted. As of December 31, 2024 and 2023, Atherton had approximately $20,121,000 and $18,836,000, respectively, in deferred entrance fee revenue to be recognized as the performance obligations are satisfied. See Note 8 for changes in the deferred entrance fee revenue for the years ended December 31, 2024 and 2023. The performance obligation is satisfied upon termination of the residency agreement.

Advertising costs – Advertising costs are charged to operations when incurred. Total advertising expense for the years ended December 31, 2024 and 2023, amounted to approximately $47,000 and $57,000, respectively, and are included in purchased goods and services in the accompanying statements of operations and changes in net assets without donor restrictions.

Performance indicator – Excess of revenue over expenses is the performance indicator. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, include restricted contributions expended during the year for capital and changes in the minimum pension liability.

Income taxes – Atherton is organized as a nonprofit corporation under the general nonprofit corporation laws of the state of California and is exempt from federal income taxation under Internal Revenue Code Section 501(c)(3). Nonprofit organizations are generally not liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

Atherton considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments, and which may not accurately anticipate actual outcomes. Atherton evaluates its uncertain tax positions under the provisions with U.S. GAAP. These standards require management to perform an evaluation of all tax positions taken or expected to be taken in the course of preparing Atherton's tax returns. Management believes the tax positions taken more likely than not will be sustained under examination by the applicable tax authorities. Examples of tax positions include tax-exempt status of Atherton and various positions related to the potential sources of unrelated business taxable income. Since tax matters are subject to some degree of uncertainty, there can be no assurance that Atherton's tax returns will not be challenged by the taxing authorities and that Atherton will not be subject to tax, penalties, and interest as a result of such challenge. Generally, Atherton's tax returns remain open for three years for federal income tax examination and four years for state income tax examination.

Use of estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair value measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements. FASB ASC Topic 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 Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The carrying amounts reported in the statements of financial position for cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, other assets, accrued liabilities, and debt approximate fair value. The fair values of assets limited as to use and investments are disclosed in Note 5.

Leases – Atherton determines if an arrangement is a lease at inception. Right-of-use (ROU) assets and liabilities for operating leases and finance leases are recognized at the commencement date based on the present value of lease payments over the lease term. If the rate implicit in the lease is not known or determinable, the incremental borrowing rate is used to determine the present value of lease payments. The incremental borrowing rate is derived from indicative secured borrowing rates provided by financial institutions. The lease term may include an option to extend or terminate early when exercise of that option is considered reasonably certain. Reductions to operating lease ROU assets are recognized as lease cost on a straight-line basis over the lease term. Short-term leases with terms of less than 12 months are recognized on a straight-line basis over the lease term without recognition of a lease obligation liability and ROU asset.

Going concern – On at least an annual basis, management evaluates whether there is substantial doubt about Atherton's ability to continue as a going concern within one year after the date the financial statements are available for issuance and discloses it appropriately in the financial statements, if necessary.

Note 3 – Assets Limited as to Use

Assets limited as to use are comprised of the following at December 31:

	2024	2023
Assets limited by Board as to use	$ 10,910,017	$ 11,066,168
Assets held by trustee under bond indenture	2,723,581	2,677,600
Restricted by donor for capital projects	120,608	162,730
Total limited assets	$ 13,754,206	$ 13,906,498

Assets limited by Board as to use consist of board-designated funds, including unrestricted gifts received by Atherton. Although such funds are not legally restricted as to use, it is the Board's current intention that these assets would remain intact and that only the interest earned on these assets would be available to subsidize operations. Atherton's Board has designated these assets for this purpose; however, such designation can be changed at any time.

As part of the bond indentures (see Note 13), several restricted funds were established and are maintained by the trustee. These funds consist of cash and cash equivalents and fixed income securities. The balance in each fund is as follows:

	2024	2023
Debt Service Reserve Fund	$ 1,062,825	$ 1,064,350
Interest Fund	532,930	519,291
Principal Fund	1,095,000	1,045,000
Revenue Fund	32,826	48,959
Total restricted funds	2,723,581	2,677,600
Less current portion	1,588,166	1,564,291
Restricted funds, net	$ 1,135,415	$ 1,113,309

Atherton also maintains an Operating Reserve Fund for its own discretion. The Operating Reserve Fund, which totals approximately $4,859,000 and $4,221,000 as of December 31, 2024 and 2023, respectively, is included in the accompanying statements of financial position under assets limited as to use.

Note 4 – Investments

Investments are classified in the accompanying statements of financial position as follows at December 31:

	2024	2023
Short-term investments	$ 18,320,239	$ 13,414,724
Assets held by bond indenture trustee	2,723,581	2,677,600
Assets limited by Board as to use	10,910,017	11,066,168
Assets restricted by donor for capital expenditures	120,608	162,730
Other investments (held under pooled income funds)	140,881	127,797
Total investments	$ 32,215,326	$ 27,449,019

Assets received under gift annuities are included in assets limited by Board as to use and total approximately $1,977,000 and $3,294,000 as of December 31, 2024 and 2023, respectively.

The following table discloses the composition of investment return for the years ended December 31, 2024 and 2023:

	2024	2023
Without donor restriction		
Interest and dividend income	$ 1,144,601	$ 954,233
Realized gains	1,551,395	769,570
Unrealized gains	1,444,362	2,717,875
With donor restriction		
Interest and dividend income	4,798	4,605
Realized gains	10,515	935
Unrealized gains	7,165	9,474
External investment expense	(201,158)	(177,785)
Total investment return	$ 3,961,678	$ 4,278,907

Note 5 – Fair Value Measurements

In accordance with FASB ASC Topic 820, Atherton classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, assets and liabilities at fair value as of December 31:

	Fair Value Measurements as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets				
U.S. equities	$ 17,022,833	$ -	$ -	$ 17,022,833
Certificates of deposit	1,574,682	1,677,482	-	3,252,164
U.S. Treasury securities	-	2,133,391	-	2,133,391
Money market funds	4,521,603	-	-	4,521,603
Exchange traded funds	5,285,335	-	-	5,285,335
Total assets	$ 28,404,453	$ 3,810,873	$ -	$ 32,215,326
Liabilities included in accrued liabilities				
Obligations under gift annuity payable	$ -	$ -	$ 1,015,368	$ 1,015,368
Obligations under pooled income funds	-	-	10,434	10,434
Total liabilities	$ -	$ -	$ 1,025,802	$ 1,025,802

	Level 1	Level 2	Level 3	Total
Assets				
U.S. equities	$ 14,166,560	$ -	$ -	$ 14,166,560
Certificates of deposit	-	2,125,555	-	2,125,555
U.S. Treasury securities	-	2,217,516	-	2,217,516
Money market funds	4,856,066	-	-	4,856,066
Exchange traded funds	4,083,322	-	-	4,083,322
Total assets	$ 23,105,948	$ 4,343,071	$ -	$ 27,449,019
Liabilities included in accrued liabilities				
Obligations under gift annuity payable	$ -	$ -	$ 1,100,765	$ 1,100,765
Obligations under pooled income funds	-	-	15,630	15,630
Total liabilities	$ -	$ -	$ 1,116,395	$ 1,116,395

The following table is a rollforward of the amounts for financial instruments classified within Level 3 of the fair value hierarchy in the accompanying statements of financial position as of and for the years ended December 31:

	2024		
	Obligations Under Gift Annuity Payable	Obligations Under Pooled Income Funds	Total
BALANCE, beginning of year	$ 1,100,765	$ 15,630	$ 1,116,395
Additions	64,184	-	64,184
Sales	(52,851)	-	(52,851)
Amortization for the year	(79,404)	-	(79,404)
Change in value	(17,326)	(5,196)	(22,522)
BALANCE, end of year	$ 1,015,368	$ 10,434	$ 1,025,802

	2023		
	Obligations Under Gift Annuity Payable	Obligations Under Pooled Income Funds	Total
BALANCE, beginning of year	$ 1,103,161	$ 10,320	$ 1,113,481
Additions	59,563	10,884	70,447
Sales	(1,740)	-	(1,740)
Amortization for the year	(60,219)	-	(60,219)
Change in value	-	(5,574)	(5,574)
BALANCE, end of year	$ 1,100,765	$ 15,630	$ 1,116,395

The following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of other investments pursuant to the valuation hierarchy:

U.S. equities, certificates of deposit, money market funds, and exchange-traded funds – Valued at fair value by reference to quoted market prices in active markets for identical assets or liabilities (unadjusted) and other relevant generated market transactions that Atherton has the ability to access at the measurement date.

Charitable gift annuities and pooled income funds – Fair value is estimated using present value techniques. The net present value is determined using investment returns consistent with the composition of the asset portfolios, life expectancies, and the appropriate federal interest rate and is adjusted annually.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used as of December 31, 2024 and 2023.

As part of the Level 3 securities valuation process, management determines the fair value measurement policies and procedures. These policies and procedures are reassessed periodically to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on the current market conditions and other third-party information.

Note 6 – Assets Held in Trust for Residents

Residents can deposit personal-use funds into trust accounts maintained by Atherton. These funds are maintained strictly for use by the residents for their personal expenses, including monthly charges for personal and nursing care at agreed-upon rates. If a resident leaves Atherton, the balance remaining in the fund is returned. Assets held in trust for residents, included in prepaid expenses and other current assets, amounted to approximately $129,000 and $139,000 as of December 31, 2024 and 2023, respectively. As these funds do not represent assets of Atherton, a corresponding trust account liability is included in accrued liabilities.

Note 7 – Property and Equipment

Property and equipment consist of the following:

	2024	2023
Buildings and improvements	$ 61,357,291	$ 66,451,636
Major movable and fixed equipment	9,152,577	13,037,520
Total depreciable assets	70,509,868	79,489,156
Less accumulated depreciation	40,703,416	48,995,932
Depreciable assets, net	29,806,452	30,493,224
Land	3,339,795	3,343,093
Construction in progress	2,490,023	1,143,094
Property and equipment, net	$ 35,636,270	$ 34,979,411

Depreciation expense for the years ended December 31, 2024 and 2023, amounted to approximately $2,573,000 and $2,524,000, respectively. This is included in the depreciation and amortization expense on the statements of operations for the years ended December 31, 2024 and 2023, respectively.

Note 8 – Deferred Revenue from Entrance Fees and Repayable Entrance Fees Liability

A summary of the deferred revenue from entrance fees for the years ended December 31 is as follows:

	2024	2023
BALANCE, beginning of year	$ 18,836,321	$ 18,543,586
New fees received	5,062,250	3,662,500
Entrance fees and deposits refunded	(545,101)	(441,119)
Amortization of entrance fees	(3,232,933)	(2,928,646)
BALANCE, end of year	$ 20,120,537	$ 18,836,321

A summary of the repayable entrance fees liability for the years ended December 31 is as follows:

	2024	2023
BALANCE, beginning of year	$ 14,785,155	$ 14,693,192
New fees received	1,906,250	417,500
Entrance fees refunded	(451,250)	(325,537)
BALANCE, end of year	$ 16,240,155	$ 14,785,155

Based on the past five years, actual refunds have averaged approximately $331,000 per year for the potentially refundable declining period.

Note 9 – Accrued Workers' Compensation Claims

On November 20, 2013, Atherton entered into a guaranteed cost policy insurance program to cover workers' compensation claims. Under the current policy, claims are unlimited on a per claim basis with no deductible. The terms of the policy were renewed on November 20, 2024, through November 20, 2025.

Note 10 – Line of Credit

Atherton has a $500,000 unsecured revolving line of credit that is renewable annually. The line of credit bears interest at 1.5% above the prime rate published in the *Wall Street Journal* (with a floor rate of 4.0%) per annum. The interest rate was 8.0% and 9.0% as of December 31, 2024 and 2023, respectively. No amounts were outstanding as of December 31, 2024 and 2023.

Note 11 – Long-term Debt

In November 2016, Atherton issued $31,390,000 of Series 2016 Insured Revenue Refunding Bonds (Series 2016 Bonds) at a premium of approximately $2,440,000.

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

	2024	2023
Series 2016 Insured Revenue Refunding Bonds with annual principal payments due through 2033, at a stated interest rate of 2.0% to 5.0% per annum. Interest is payable semi-annually on January 1 and July 1.	$ 24,815,000	$ 25,860,000
Less current maturities	1,095,000	1,045,000
Less unamortized deferred financing costs	1,443,556	1,540,875
Plus unamortized bond premium	1,585,232	1,692,102
Total long-term debt	$ 23,861,676	$ 24,966,227

As part of the indenture, Atherton granted to the Trustee the following:

1. First lien on the land and buildings owned by Atherton.
2. Security interest in substantially all assets and gross revenue of Atherton.
3. Assignment of Atherton's right in resident agreements.

Atherton is also required to comply with various restrictive and financial covenants as specified in the indenture, including a debt service coverage ratio, a current ratio, and a cash on hand requirement. Management believes that Atherton is in compliance with all covenants as of December 31, 2024.

Principal payments due are as follows:

Fiscal Year	
2025	$ 1,095,000
2026	1,150,000
2027	1,210,000
2028	1,270,000
2029	1,335,000
Thereafter	18,755,000
Totals	$ 24,815,000

Note 12 – Pension Plans

Atherton has two noncontributory employee retirement plans: a defined contribution plan and a defined benefit plan.

The defined contribution plan covered all employees effective January 1, 2004. The Ministers and Missionaries Benefit Board of the American Baptist Churches maintains this plan. Contributions to this plan are based on a percentage of participating employees' salaries. The defined contribution plan expense for the years ended December 31, 2024 and 2023, totaled approximately $385,000 and $408,000, respectively.

The defined benefit plan (the pension plan) was frozen effective December 31, 2003. However, pension plan funding will continue until the pension plan is terminated and all obligations are satisfied.

The following tables summarize the obligations and funded status of Atherton's pension plan as of December 31:

	2024	2023
Benefit obligation as of December 31	$ 3,734,023	$ 3,737,874
Benefit payments	190,464	182,759
Fair value of plan assets as of December 31	4,809,674	3,937,165
Net funded status of plan	1,075,651	199,291

As of December 31, amounts recognized in the statements of financial position consist of:

	2024	2023
Pension asset	$ 1,075,651	$ 199,291

As of December 31, amounts recognized in the statements of changes in net assets without donor restrictions consist of:

Amounts recognized in the statements of changes in net assets	2024	2023
Actuarial losses	$ (469,655)	$ (674,306)

The projected benefit obligation, accumulated obligation, and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were as follows as of December 31:

	2024	2023
Projected benefit obligation	$ 3,734,023	$ 3,737,874
Accumulated benefit obligation	3,734,023	3,737,874
Fair value of plan assets	4,809,674	3,937,165

The net periodic pension benefit recognized in the statements of changes in net assets without donor restrictions is as follows during the years ended December 31:

	2024	2023
Net periodic pension (benefit) obligation	$ (95,132)	$ 954

Atherton has recognized, in the accompanying statements of financial position, the minimum liability of the unfunded accumulated benefit obligation as unfunded pension liability with an offsetting adjustment to net assets without donor restrictions. For the year ended December 31, 2024, the pension asset was increased by approximately $876,000, resulting in the total pension asset of approximately $1,076,000 as of December 31, 2024. . For the year ended December 31, 2023, the minimum pension liability was decreased by approximately $943,000, resulting in the total unfunded pension liability converting into a pension asset of approximately $199,000 as of December 31, 2023.

Assumptions – The weighted-average assumptions used to determine benefit obligations as of December 31 were as follows:

	2024	2023
Discount rate	5.00%	5.00%
Rate of compensation increase	N/A	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

	2024	2023
Discount rate	5.00%	5.00%
Expected return on plan assets	7.00%	6.50%
Rate of compensation increase	N/A	N/A

The expected return on plan assets was determined based on historical and expected future returns of the various asset classes.

The primary investment objective of Atherton is to preserve and protect the assets of Atherton while earning a rate of return that is appropriate for each fund. After preservation of capital, the objectives of Atherton are (1) the growth of principal and income to offset inflation, and (2) the production of a current income.

To accomplish Atherton's investment objectives, balanced portfolios of equity (common stocks and convertible securities), fixed income, and short-term reserves are utilized. As a guide to accomplishing these objectives, the following maximum and minimum percentage guidelines (percentage of market value) are to be observed as long-term controls:

	Target Allocation (Max/Min)
Asset Class	
Equity	75%/40%
Fixed income	50%/20%
Short-term reserves	30%/5%

Contributions – Atherton assesses funding of contributions to the plan on an annual basis and sets aside general fund assets to fund the pension plan. Atherton contributed approximately $270,000 to the plan for each of the years ended December 31, 2024 and 2023. Atherton expects to contribute approximately $270,000 to its pension plan during the year ending December 31, 2025. The balance of the general fund assets totaled approximately $4,810,000 and $3,937,000 as of December 31, 2024 and 2023, respectively.

Measurement date – The measurement date used to determine pension benefit measures for the plan is December 31.

The fair values of Atherton's plan assets as of December 31 (the measurement date), by asset category, are as follows:

	Fair Value as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 372,841	$ -	$ -	$ 372,841
Equity securities	4,244,645	-	-	4,244,645
Fixed income securities	192,188	-	-	192,188
Net plan assets	$ 4,809,674	$ -	$ -	$ 4,809,674

	Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 473,935	$ -	$ -	$ 473,935
Equity securities	2,790,231	-	-	2,790,231
Fixed income securities	672,999	-	-	672,999
Net plan assets	$ 3,937,165	$ -	$ -	$ 3,937,165

As of December 31, 2024, expected future benefit payments for the next ten years are as follows:

Years Ending December 31,	
2025	$ 314,993
2026	325,158
2027	321,120
2028	318,191
2029	309,123
2030-2034	1,456,656
Total future benefit payments	$ 3,045,241

Note 13 – Net Assets with Donor Restrictions

Net assets are restricted by donors for the following purposes:

	2024	2023
Pooled income fund	$ 130,448	$ 112,167
Capital projects	872	16,343
Employee Emergency Assistance fund	4,919	22,784
Skilled nursing	-	123,504
Technology	113,916	100
Total assets with donor restricted	$ 250,155	$ 274,898

Note 14 – Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of December 31, 2024 and 2023, comprise the following:

	2024	2023
Cash and cash equivalents	$ 5,629,778	$ 5,671,102
Short-term investments	18,320,239	13,414,724
Accounts receivable	340,438	581,294
Total assets without donor restrictions	$ 24,290,455	$ 19,667,120

Atherton has structured its financial assets and liquidity resources to be available within one year for its operating expenses, obligations, and capital construction costs not financed with debt. Atherton maximizes its earnings potential on liquid assets by investing in short-term instruments such as money market funds and certificates of deposit. Atherton is not exposed to significant credit risk on its cash and cash equivalents.

In addition to the financial assets available for general expenditure included in the table above, assets limited by Board as to use of approximately $10,910,000 and $11,066,000 as of December 31, 2024 and 2023, respectively, are available and could be drawn upon by Board approval for unexpected liquidity requirements. No funds were drawn for liquidity needs during the years ended December 31, 2024 and 2023.

Assets limited by donor are available upon completion of specific projects or their intended purposes. Assets released from restrictions and used for operations amounted to approximately $24,000 and $18,000 for the years ended December 31, 2024 and 2023, respectively. Assets released from restrictions and used for capital projects amounted to approximately $418,000 and $128,000 for the years ended December 31, 2024 and 2023, respectively.

Assets limited by the Trustee under bond indenture required for current liabilities are drawn upon for semi-annual scheduled principal and interest payment on the Series 2016 Bonds. Atherton has an unsecured $500,000 line of credit, which could be drawn upon in the event of a liquidity need. No funds were borrowed during the years ended December 31, 2024 and 2023.

Note 15 – Functional Expenses

The financial statements report certain expense categories that are attributable to more than one residential, health care, or support services function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest, and other occupancy costs, are allocated to a function based on a square footage or units of services basis. Expenses related to providing these services are as follows:

	Year Ended December 31, 2024				
	Program Services		Support Services		
	Residential Services	Nursing Center Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ 3,420,813	$ 6,081,259	$ 1,219,192	$ 223,794	$ 10,945,058
Purchased goods and services	4,360,620	4,504,868	867,267	86,771	9,819,526
Interest	704,714	275,757	-	-	980,471
Depreciation and amortization	2,056,277	204,579	362,872	-	2,623,728
Loss of fixed asset disposal	-	-	217,552	-	217,552
Total functional expenses	$ 10,542,424	$ 11,066,463	$ 2,666,883	$ 310,565	$ 24,586,335

	Year Ended December 31, 2023				
	Program Services		Support Services		
	Residential Services	Nursing Center Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ 2,658,121	$ 6,174,820	$ 1,014,520	$ 176,367	$ 10,023,828
Purchased goods and services	4,778,042	4,730,785	731,392	50,607	10,290,826
Interest	743,639	290,989	-	-	1,034,628
Depreciation and amortization	1,923,095	319,146	339,370	-	2,581,611
Loss of fixed asset disposal	-	-	105,352	-	105,352
Total functional expenses	$ 10,102,897	$ 11,515,740	$ 2,190,634	$ 226,974	$ 24,036,245

Note 16 – Contingencies

Atherton is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation of unknown or unasserted regulatory actions. Government activity, with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past resident service revenues. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on Atherton's future financial position or results of operations.

Note 17 – Leases

Atherton has four finance type leases for certain office equipment expiring through April 2029. Quantitative disclosures related to the Company's finance leases are as follows:

	2024	2023
Lease expense		
Finance lease expense		
Amortization of right-of-use assets	$ 50,587	$ 57,354
Interest on lease liabilities	3,572	5,598
Total	$ 54,159	$ 62,952
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ 3,572	$ 5,598
Financing cash flows from financial leases	$ 52,365	$ 58,069
Right-of-use assets obtained in exchange for lease liabilities		
Finance leases	$ 50,531	$ 85,382
Weighted-average remaining lease term (in years)		
Finance leases	2.81	3.03
Weighted-average discount rate		
Finance leases	4.61%	4.50%

The following consists of the minimum lease liabilities in future fiscal years:

Fiscal Year	
2025	$ 45,861
2026	12,984
2027	3,442
2028	3,442
2029	1,147
Total	66,876
Less present value discount	(2,417)
Lease liability	64,459
Current portion of finance lease liabilities	43,844
Finance lease liabilities, net of current portion	$ 20,615

Note 18 – Health and Safety Code Section 1790(a)(3) Disclosure

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code: no reserves are being accumulated for identified projects or contingencies.

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Atherton recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements.

Atherton has evaluated subsequent events through April 23, 2025, which is the date the financial statements were issued, and concluded that there were no additional events or transactions that need to be disclosed.

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