



*Reports of Independent Auditors and  
Consolidated Financial Statements with  
Supplementary Information*

**Bethany Center Senior Housing, Inc.,  
and Subsidiary  
(a California Nonprofit Public Benefit Corporation)  
HUD Project No. 121-35963**

*March 31, 2021 and 2020*

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## **Report of Independent Auditors**

The Board of Directors  
Bethany Center Senior Housing, Inc., and Subsidiary  
(a California Nonprofit Public Benefit Corporation)

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

We have audited the accompanying consolidated financial statements of Bethany Center Senior Housing, Inc., and Subsidiary (a California nonprofit public benefit corporation) (the "Project"), HUD Project No. 121-35963, which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bethany Center Senior Housing, Inc. and Subsidiary as of March 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Supplementary Information Required by HUD***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 21 to 30 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 35 required by Title 2 *U.S. Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying consolidating statement of financial position and consolidating statement of activities and changes in net assets as of and for the year ended March 31, 2021, on pages 32 through 34, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2021, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control over financial reporting and compliance.

*Moss Adams LLP*

San Francisco, California  
June 29, 2021

**Consolidated Financial Statements**

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**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Consolidated Statements of Financial Position**  
**March 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,805,748	\$ 1,698,668
Accounts receivable	7,914	14,114
Investments	1,855,548	2,109,492
Prepaid expenses	108,145	113,975
Total current assets	<u>4,777,355</u>	<u>3,936,249</u>
TENANT SECURITY DEPOSITS	<u>49,526</u>	<u>50,500</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Replacement reserves	1,361,225	1,276,478
Miscellaneous reserves	92,655	257,507
Total restricted deposits and funded reserves	<u>1,453,880</u>	<u>1,533,985</u>
PROPERTY AND EQUIPMENT		
Land and land improvements	6,600,774	6,600,774
Buildings and improvements	18,334,730	18,275,039
Furniture and fixtures	400,744	400,744
Office and other equipment	198,745	846
Construction in progress	168,327	10,850
Total property and equipment	<u>25,703,320</u>	<u>25,288,253</u>
Accumulated depreciation	<u>(1,381,249)</u>	<u>(747,014)</u>
Total property and equipment, net	<u>24,322,071</u>	<u>24,541,239</u>
TOTAL ASSETS	<u>\$ 30,602,832</u>	<u>\$ 30,061,973</u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Consolidated Statements of Financial Position (Continued)**  
**March 31, 2021 and 2020**

	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 27,913	\$ 184,769
Accounts payable - affiliated organizations	246,893	455,606
Accrued wages payable	190,058	98,480
Current portion of mortgage payable	262,133	251,620
Other Liabilities	2,614	1,679
Total current liabilities	729,611	992,154
<b>TENANT SECURITY DEPOSITS</b>	49,526	50,500
<b>MORTGAGE PAYABLE</b>	22,510,083	22,767,231
Total liabilities	23,289,220	23,809,885
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Board-Designated net assets:		
Restricted deposits and funded reserves	1,453,880	1,533,985
Undesignated	5,859,732	4,718,103
Total net assets without donor restrictions	7,313,612	6,252,088
Total net assets	7,313,612	6,252,088
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 30,602,832</b>	<b>\$ 30,061,973</b>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Consolidated Statements of Activities and Changes in Net Assets**  
**Years Ended March 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and support:		
Residential rental revenue, net of vacancy loss of \$22,900 in 2021 and \$99,342 in 2020	\$ 734,931	\$ 663,102
HUD assistance income	3,641,349	3,543,582
Investment return, net	682,224	(140,921)
Laundry and other	6,748	2,458
Miscellaneous income	20,208	24,710
Grant and contribution income	<u>6,152</u>	<u>75,639</u>
Total revenues and support	<u>5,091,612</u>	<u>4,168,570</u>
Expenses:		
Administrative	718,170	859,245
Utilities	427,913	331,800
Operating and maintenance	800,535	1,048,827
Taxes and insurance	188,519	185,712
Fundraising	225,868	189,174
Interest	1,034,848	886,757
Depreciation	<u>634,235</u>	<u>442,734</u>
Total expenses	<u>4,030,088</u>	<u>3,944,249</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,061,524</u>	<u>224,321</u>
NET ASSETS, beginning of year	<u>6,252,088</u>	<u>6,027,767</u>
NET ASSETS, end of year	<u><u>\$ 7,313,612</u></u>	<u><u>\$ 6,252,088</u></u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Consolidated Statements of Cash Flows**  
**Years Ended March 31, 2021 and 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Rental receipts	\$ 4,382,480	\$ 4,168,341
Investment returns	1,128	78,603
Grants and contributions	6,152	75,639
Other operating receipts	26,956	27,168
Total receipts	4,416,716	4,349,751
Administrative	(170,915)	(92,083)
Utilities	(347,221)	(331,800)
Management fee	(114,912)	(114,912)
Salaries and wages	(423,875)	(653,756)
Operating and maintenance	(484,678)	(623,782)
Real estate taxes	(3,005)	(2,186)
Property insurance	(56,970)	(31,613)
Miscellaneous taxes and insurance	(153,850)	(200,092)
Other operating expenses	(659,337)	(157,612)
Tenant security deposits	11,426	31,643
Fundraising expenses	(225,868)	(189,174)
Miscellaneous financial	(1,034,848)	(886,757)
Total disbursements	(3,664,053)	(3,252,124)
Cash provided by operating activities	752,663	1,097,627
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	935,040	-
Purchases of property and equipment	(415,067)	(1,816,686)
Cash provided by (used in) investing activities	519,973	(1,816,686)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws on mortgage payable	-	1,790,252
Payments on mortgage payable	(246,635)	(221,842)
Cash (used in) provided by financing activities	(246,635)	1,568,410
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,026,001	849,351
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year</b>	3,283,153	2,433,802
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year</b>	\$ 4,309,154	\$ 3,283,153
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Cash - operations	\$ 2,805,748	\$ 1,698,668
Restricted cash - tenant security deposits	49,526	50,500
Restricted cash - restricted deposits and funded reserves	1,453,880	1,533,985
<b>TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	\$ 4,309,154	\$ 3,283,153

See accompanying notes.

# **Bethany Center Senior Housing, Inc., and Subsidiary**

## **HUD Project No. 121-35963**

### **Notes to Consolidated Financial Statements**

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#### **NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of operations** – Bethany Center Senior Housing, Inc. (“Bethany Center”), is a California nonprofit public benefit corporation organized in 1966 to provide housing and personal care programs for the elderly. Bethany Center Foundation of San Francisco (“Foundation”) is a nonprofit public benefit corporation organized in 2007 to provide financial, administrative, programmatic, and other forms of support to its sole member, Bethany Center. The financial statements of Bethany Center and Subsidiary (collectively the “Project”), are included in the accompanying consolidated financial statements. The Project affiliated with Covia Affordable Communities (“Affordable Communities”) on April 1, 2018.

The Project owns and operates a 135-unit apartment project with 90% of the units eligible for low-income elderly and 10% of the units for disabled people in San Francisco, California. The Project is operated under Section 223(f) of the National Housing Act. The Project is regulated by the U.S. Department of Housing and Urban Development (“HUD”) as to rent charges, operating methods, and other matters. Bethany Center entered into a Section 8 Housing Assistance Payments (“HAP”) Program Contract with HUD for all of the apartments. The Project generates its revenue primarily from rental income. Rental fee increases are subject to HUD approval.

**Affiliated organizations** – The Project, through its sole member, Affordable Communities, a management and fundraising support organization, is affiliated with: Community Housing, Inc. (“CHI”), which operates Lytton Gardens I and II; Lytton IV Housing Corporation; Oak Center Towers; Presidio Gate Apartments; Jennings Senior Housing, Inc.; and Shires Memorial Center, all of which are affordable senior housing communities. Through Affordable Communities’ sole member, Covia Group (“Group”), a California nonprofit public benefit corporation, the Project is also affiliated with Covia Communities (“Communities”), which operates five life plan communities, and Covia Foundation (“Foundation”), a fundraising and supporting organization to Communities (collectively, the “Affiliates”). All of the Affiliates are California nonprofit public benefit corporations. Some of the Affiliates share common officers, directors, and management and, at times, provide various support services to one another. The Affiliates’ financial statements are not included in the accompanying consolidated financial statements of the Project.

**Basis of presentation** – The accompanying consolidated financial statements include the accounts of Bethany Center and Foundation. Bethany Center is the sole member of the Foundation. The Project shares management functions. All significant intercompany balances and transactions have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred, consistent with accounting principles generally accepted in the United States of America.

**Cash and cash equivalents** – Cash and cash equivalents includes cash on hand and cash held in demand deposit, sweep, and savings accounts, and certain investments in highly liquid instruments with original maturities of three months or less. Not included in cash and cash equivalents are funds restricted as to their use, regardless of liquidity, such as security deposits and operating and replacement reserves.

**Concentration of risk** – Financial instruments potentially subjecting the Project to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation limits.

**Account receivables** – The Project receives payment from residents and HUD for services provided. The Project uses the specific write-off method to provide for doubtful accounts because past experience and management’s estimation indicates an adequate allowance for such accounts is immaterial.

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

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**Restricted deposits and funded reserves** – Assets whose use is limited are funded reserves for replacement of the Project. Such assets consist of cash and cash equivalents carried at fair value based on quoted market prices (Note 4).

**Property and equipment** – Property and equipment are stated at cost. Acquisitions of \$7,500 or more and with a useful life of more than one year are capitalized. Depreciation is based upon the straight-line method at rates based on the estimated useful lives of the various classes of property, which range from 3 to 40 years. The Project periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the years ended March 31, 2021 and 2020.

**Investments and investment return** – Investments are measured at fair value. Investment income or loss (including interest, dividends, realized gains and losses on investments, and unrealized gains and losses on investments) are included in the change in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investment return includes dividend, interest, and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

The fair value of private equity funds is based on net asset value (“NAV”) information provided by external fund managers and investment advisors. These securities, which include dynamic asset allocation overlays, are based on valuations provided by the external investment managers, adjusted for receipts and disbursements of cash and distributions of securities if the date of valuation is prior to the project’s fiscal year end. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. The Project believes the carrying amounts of these financial instruments are a reasonable estimate of their fair value.

**Tenant security deposits** – In accordance with government regulations for the Project, the Project must maintain on deposit funds equal to the related liability for tenant security deposits. Security deposits are held in a separate interest-bearing account in the name of Bethany Center.

**Net assets** – The Project classifies net assets as follows:

*Net assets without donor restrictions* represent unrestricted resources available to support the Project’s operations net assets with donor restrictions that have become available for use by the Project in accordance with the intention of the donor.

*Net assets with donor restrictions* represent contributions that are limited in use by the Project in accordance with temporary donor-imposed stipulations or to be maintained in perpetuity. These stipulations may expire with time or may be satisfied by the actions of the Project according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for assistance and capital projects as designated by the donors. At March 31, 2021 and 2020, the Project had no net assets with donor restrictions.

# Bethany Center Senior Housing, Inc., and Subsidiary

## HUD Project No. 121-35963

### Notes to Consolidated Financial Statements (Continued)

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**Revenue recognition** – Rental income is shown at its maximum gross potential. Rental income is derived from rental rates subject to HUD approval. Vacancy loss is shown as a reduction in rental income. The Project recognized revenue for services under resident agreements in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) (*Topic 842*), *Leases*, which is recognized as the services are performed. Revenue is recognized as earned when rental are invoiced. Rental units occupied by employees are included in rental income as an expense of operations. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other charges, and is recorded when earned.

**Contributions** – Contributions are measured at fair value and reported as an increase in net assets. The Project reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

**Shared costs** – Allocations of common costs and expenses incurred are made by management based on estimates of time, square footage, number of full-time employees, and usage of services.

**Tax-exempt status** – The Project is managed under Affordable Communities, which is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Project applies the provisions of Accounting Standards Codification (“ASC”) Topic 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. The Project 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 Project recognizes interest and penalties related to income tax matters in operating expenses. At March 31, 2021 and 2020, the Project had no unsettled tax matters.

**Property taxes** – The Project has filed and received an exemption from certain property taxes in accordance with Section 214 of the California Revenue and Taxation Code.

**Use of estimates** – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Fair value of financial instruments** – The Financial Accounting Standards Board (“FASB”) ASC Topic 820, *Fair Value Measurements and Disclosures* (“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 fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC Topic 820 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.

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

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**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.

Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values. The Project’s policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period.

**Economic concentrations** – The future operations of the Project could be affected by changes in the economic or other conditions in the geographic area of San Francisco, California, or by changes in federal low-income housing subsidies or the demand for such housing.

**New accounting pronouncements** – In the current year, the Project adopted FASB Accounting Standards Update (“ASU”) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which improves the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by generally accepted accounting principles. The adoption of ASU 2018-13 did not have a significant impact on the consolidated financial statements.

In September 2020, the FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. ASU 2020-07 is effective for the Project for the fiscal year beginning April 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the consolidated financial statements.

**NOTE 2 – INVESTMENTS**

Investments by asset class are as follows at March 31, 2021 and 2020:

	2021	2020
Mutual funds		
Equity funds	\$ 429,675	\$ 440,628
Fixed income funds	513,185	656,035
Equities	350,947	386,191
Dynamic asset allocation overlay	557,701	616,133
Other short-term investment	4,040	10,505
Total	\$ 1,855,548	\$ 2,109,492

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

Investment return, net, consists of the following for the years ended March 31, 2021 and 2020:

	2021	2020
Interests and dividends, net	\$ 43,091	\$ 68,631
Realized gain	210,580	9,972
Unrealized gain (loss)	428,553	(219,524)
<b>Total</b>	<b>\$ 682,224</b>	<b>\$ (140,921)</b>

**NOTE 3 – FAIR VALUE**

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position at March 31, 2021 and 2020, as well as the general classification of such instruments pursuant to the valuation hierarchy.

**Marketable securities** – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange-traded equities and cash equivalents included in money market funds. The Project has an investment committee that meets periodically with management and the investment advisors to review the strategy and ongoing performance of all investments, including analyzing changes in fair value measurements from period to period.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at March 31, 2021 and 2020:

	March 31, 2021				Net Asset Value
	Total	Level 1	Level 2	Level 3	
Mutual funds					
Equity funds	\$ 429,675	\$ 429,675	\$ -	\$ -	\$ -
Fixed income funds	513,185	513,185	-	-	-
Equities	350,947	350,947	-	-	-
Dynamic asset allocation overlay	557,701	-	-	-	557,701
Other short-term investments	4,040	4,040	-	-	-
<b>Total</b>	<b>\$ 1,855,548</b>	<b>\$ 1,297,847</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 557,701</b>

  

	March 31, 2020				Net Asset Value
	Total	Level 1	Level 2	Level 3	
Mutual funds					
Equity funds	\$ 440,628	\$ 440,628	\$ -	\$ -	\$ -
Fixed income funds	656,035	656,035	-	-	-
Equities	386,191	386,191	-	-	-
Dynamic asset allocation overlay	616,133	-	-	-	616,133
Other short-term investments	10,505	10,505	-	-	-
<b>Total</b>	<b>\$ 2,109,492</b>	<b>\$ 1,493,359</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 616,133</b>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

The Project uses the NAV and ownership interest in partners' capital to which a proportionate share of net assets is attributed to determine the fair value of all the underlying investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. At March 31, 2021 and 2020, the timing of liquidation of these assets and the date when restrictions from redemption might lapse are unknown.

The following tables provide the fair value, redemption terms, and restrictions for investments as of March 31, 2021 and 2020:

March 31, 2021				
	Value	Unfunded Commitments	Redemption Frequently (if currently eligible)	Redemption Notice Period
Dynamic asset allocation overlay				
Overlay A Portfolio Class 1 <sup>(a)</sup>	\$ 335,743	\$ -	Daily	Daily
Overlay BA Portfolio Class 1 <sup>(b)</sup>	221,958	-	Daily	Daily
Total	\$ 557,701	\$ -		
March 31, 2020				
	Value	Unfunded Commitments	Redemption Frequently (if currently eligible)	Redemption Notice Period
Dynamic asset allocation overlay				
Overlay A Portfolio Class 1 <sup>(a)</sup>	\$ 357,576	\$ -	Daily	Daily
Overlay BA Portfolio Class 1 <sup>(b)</sup>	258,557	-	Daily	Daily
Total	\$ 616,133	\$ -		

<sup>(a)</sup> The Portfolio may invest in a diversified portfolio of securities and other financial instruments, including derivative instruments that provide exposure to a variety of asset classes. The investment objective is to manage the volatility of an equity-oriented asset allocation over the long term, as part of the overall asset allocation managed by Bernstein.

<sup>(b)</sup> The Portfolio may invest in a diversified portfolio of securities and other financial instruments, including derivative instruments that provide exposure to a variety of asset classes. The investment objective is to manage the volatility of a fixed-income oriented asset allocation over the long term, as part of the overall asset allocation managed by Bernstein.

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

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**NOTE 4 – RESTRICTED DEPOSITS AND FUNDED RESERVES**

**Replacement reserves** – The Project has remaining reserves from its previous mortgage. As of October 1, 2018, in accordance with the HUD regulatory agreement, the Project is required to maintain a reserve for replacement and repair of property and equipment, held by the mortgagor. The reserve is required to be funded in the amount of \$6,986 per month. The funds are held in an interest-bearing account. All withdrawals require prior written approval by HUD. The replacement reserve account activity for the fiscal years ended March 31 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance at April 1,	\$ 1,276,478	\$ 1,190,514
Total deposits	83,835	76,849
Bank interest, net of bank fees	<u>912</u>	<u>9,115</u>
Ending balance at March 31,	<u>\$ 1,361,225</u>	<u>\$ 1,276,478</u>

**Other reserves** – The Project has a deposit held in a separate interest-bearing account as working capital escrow as determined by the mortgage loan agreement. Withdrawals are subject to HUD approval.

**NOTE 5 – MORTGAGES PAYABLE**

U.S. Department of Housing and Urban Development Section 221(d)(4) mortgage loan agreement with CBRE loan services for borrowings up to \$23,533,400 for the construction and rehabilitation of Bethany Center project. Note dated January 1, 2017, with an initial term of 41 years, bearing interest of 4.11% per annum. Principal and interest are due in full on October 1, 2058.

The Project's mortgages payable consisted of the following at March 31:

	<u>2021</u>	<u>2020</u>
Loan commitments	\$ 22,943,906	\$ 23,194,943
Total mortgages payable	22,943,906	23,194,943
Less: current portion	(262,133)	(251,620)
Less: cost of issuance, net of amortization	<u>(171,690)</u>	<u>(176,092)</u>
	<u>\$ 22,510,083</u>	<u>\$ 22,767,231</u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

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Scheduled maturities are as follows:

2022		\$	262,133
2023			273,085
2024			284,494
2025			296,380
2026			303,763
Thereafter			21,524,051
			21,524,051
		\$	22,943,906

**NOTE 6 – HOUSING ASSISTANCE PAYMENTS PROGRAM CONTRACT**

The Project has entered into a Section 8 Housing Assistance Payments (“HAP”) Program Contract with HUD for 123 units. The contract was most recently renewed on February 28, 2017, and is effective for 20 years from the date of renewal. HAP program revenue totaled \$3,641,349 and \$3,543,582 for the years ended March 31, 2021 and 2020.

**NOTE 7 – RELATED-PARTY TRANSACTIONS**

The Project entered into a service agreement with Affordable Communities to provide certain administrative, accounting, fundraising, and other general management services and the employment of personnel on a shared basis. The Project incurred \$1,939,772 and \$470,367 of shared costs during the years ended March 31, 2021 and 2020.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**HUD regulations** – In connection with the HUD agreements, there are certain restrictions on occupancy of the units, which include maximum income limitations and maximum rents chargeable. In addition, these agreements require the maintenance of security deposits, and replacement and other reserves that are to be held by the mortgagee (Notes 1 and 5).

**Employee benefit plan** – The Project has implemented a 403(b) tax deferred annuity plan (the “Plan”). Eligible employees who have satisfied the age and service requirements are allowed to make salary reduction contributions with a maximum contribution of up to the statutory limit. Affordable Communities pays for all the administrative expenses to operate the Plan. Effective August 1, 2018, Affordable Communities amended the Plan, terminating the employer match and adopting a 10% employer 403(b) contribution to the employee’s individual plan accounts in accordance with HUD Notice H 5-08 across all Affordable Communities projects. Employees are not required to contribute and certain age and service requirements apply. The Project’s contribution for the years ended March 31, 2021 and 2020, totaled \$69,007 and \$56,670.

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

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**Litigation** – The Project is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, it is management’s opinion that the liability, if any, from these actions will not have a material adverse effect on the Project’s financial position.

**COVID-19** – In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operation of many businesses and organizations, including the Project’s. It is not possible for the Project to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the Project’s operations and financial results at this time.

**NOTE 9 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of March 31, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,805,748	\$ 1,698,668
Investments	1,855,548	2,109,492
Accounts receivable	<u>7,914</u>	<u>14,114</u>
	<u>\$ 4,669,210</u>	<u>\$ 3,822,274</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. The Project has a goal to maintain a current ratio greater than 1:1 in order to meet general expenditures, liabilities, and other obligations as they come due.

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

**NOTE 10 – FUNCTIONAL EXPENSES**

The costs of providing residential services and supporting activities are summarized on a functional basis as follows:

	Year Ended March 31, 2021			
	Residential Services	Fundraising	General and Administrative	Total
Salaries and benefits	\$ 246,531	\$ 174,002	\$ 491,235	\$ 911,768
Supplies	3,052	2,314	5,219	10,585
Other purchased services	108,699	34,920	95,705	239,324
Repairs and maintenance	396,359	-	44,040	440,399
Utilities	384,549	-	43,364	427,913
Depreciation and amortization	570,811	-	63,424	634,235
Other	62,408	14,632	253,976	331,016
Interest	-	-	1,034,848	1,034,848
	<u>\$ 1,772,409</u>	<u>\$ 225,868</u>	<u>\$ 2,031,811</u>	<u>\$ 4,030,088</u>

	Year Ended March 31, 2020			
	Residential Services	Fundraising	General and Administrative	Total
Salaries and benefits	\$ 325,519	\$ 153,922	\$ 381,291	\$ 860,732
Supplies	19,640	279	15,058	34,977
Other purchased services	435,261	31,152	64,724	531,137
Repairs and maintenance	394,337	-	43,815	438,152
Utilities	298,620	-	33,180	331,800
Depreciation and amortization	398,460	-	44,274	442,734
Interest	-	-	886,757	886,757
Other	216,551	3,821	197,588	417,960
	<u>\$ 2,088,388</u>	<u>\$ 189,174</u>	<u>\$ 1,666,687</u>	<u>\$ 3,944,249</u>

Salaries and benefits are allocated based on time and effort. All other expenses are allocated based on direct costs. 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 service basis.

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Notes to Consolidated Financial Statements (Continued)**

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**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before consolidated financial statements are available to be issued. The Project 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 Project'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 consolidated financial statements were available to be issued.

On June 1, 2020, the Board of Directors for Front Porch, Covia Communities and Covia Group voted to affiliate. The affiliation was approved and completed on April 1, 2021.

The Project has evaluated subsequent events through June 29, 2021, which is the date the consolidated financial statements were available to be issued.

## **Supplementary Information Required by HUD**

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**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Balance Sheet Data**  
**March 31, 2021**

<u>Account</u>	<u>Description</u>	<u>Value</u>
1120	Cash - Operations	\$ 443,811
1125	Cash - Entity	1,857,122
1130	Tenant/member accounts receivable (co-ops)	<u>7,914</u>
1130N	Net tenant accounts receivable	7,914
1200	Prepaid expenses	<u>107,645</u>
1100T	Total current assets	<u>2,416,492</u>
1191	Tenant/patient deposits - held in trust	<u>49,526</u>
1320	Replacement reserve	1,361,225
1330	Other reserves	92,655
	Details - Other reserves	
	1330-010 - Description - Property insurance	
	1330-020 - Amount	63,829
	1330-010 - Description - Mortgage insurance premium	
	1330-020 - Amount	28,639
	1330-030 - Description - other	
	1330-030 - Amount	187
1300T	Total deposits	<u>1,453,880</u>
1410	Land	6,600,774
1420	Buildings	18,334,730
1430	Computer software	197,899
1460	Furnishings	391,824
1490	Miscellaneous fixed assets	<u>168,327</u>
	Details - Miscellaneous fixed assets	
	1490-010 - Description - Construction in progress	
	1490-020 - Amount	168,327
1400T	Total fixed assets	<u>25,693,554</u>
1495	Accumulated depreciation	<u>(1,371,483)</u>
1400N	Net fixed assets	<u>24,322,071</u>
1000T	Total assets	<u>\$ 28,241,969</u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Balance Sheet Data (Continued)**  
**March 31, 2021**

<u>Account</u>	<u>Description</u>	<u>Value</u>
2110	Accounts payable	\$ 27,913
2120	Accrued wages payable	190,058
2170	Mortgage payable - first mortgage (short-term)	262,133
2190	Miscellaneous current liabilities	<u>225,840</u>
	Details - Miscellaneous current liabilities	
	2190-010 - Description - Related-party payable	
	2190-020 - Amount	223,226
	2190-010 - Description - Other accrued liabilities	
	2190-020 - Amount	2,614
2122T	Total current liabilities	<u>705,944</u>
2191	Tenant/patient deposits held in trust (contra)	<u>49,526</u>
2320	Mortgage payable - first mortgage (long-term)	<u>22,510,083</u>
2000T	Total liabilities	<u>23,265,553</u>
3131	Net assets without donor restrictions	<u>4,976,416</u>
3130	Total net assets	<u>4,976,416</u>
2033T	Total liabilities and equity/net assets	<u>\$ 28,241,969</u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Profit and Loss Data**  
**Year Ended March 31, 2021**

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<u>Account</u>	<u>Description</u>	<u>Value</u>
REVENUES		
5120	Rent revenue - gross potential	\$ 757,831
5121	Tenant assistance payments	3,641,349
5100T	Total rent revenue	4,399,180
5220	Apartments	22,900
5200T	Total vacancies	22,900
5152N	Net rental revenue (rent revenue less vacancies)	4,376,280
5410	Financial revenue - project operations	30
5430	Revenue from investments - residual receipts	187
5440	Revenue from investments - replacement reserve	911
5400T	Total financial revenue	1,128
5910	Laundry and vending revenue	6,748
5990	Miscellaneous revenue	20,208
	Details - Miscellaneous administrative revenue	
	5990-020 - Amount	20,208
5900T	Total other revenue	26,956
5000T	Total revenue	\$ 4,404,364

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Profit and Loss Data (Continued)**  
**Year Ended March 31, 2021**

Account	Description	Value
EXPENSES:		
6311	Office expenses	\$ 153,048
6320	Management fee	114,912
6340	Legal expense - Project	8,432
6350	Audit expense	29,391
6351	Bookkeeping fees/accounting services	8,379
6370	Bad debts	970
6263T	Total administrative expenses	<u>315,132</u>
6450	Electricity	100,055
6451	Water	73,076
6452	Gas	69,531
6453	Sewer	104,559
6400T	Total utilities expense	<u>347,221</u>
6510	Payroll	515,453
6515	Supplies	123,264
6520	Contracts	473,543
6525	Garbage and trash removal	62,530
6500T	Total operating and maintenance expenses	<u>1,174,790</u>
6710	Real estate taxes	3,005
6711	Payroll taxes (Project's share)	35,993
6720	Property and liability insurance (hazard)	56,970
6722	Workers' compensation	51
6723	Health insurance and other employee benefits	123,636
6700T	Total taxes and insurance	<u>219,655</u>
6820	Interest on second mortgage payable	952,160
6850	Mortgage insurance premium/service charge	82,688
6800T	Total financial expenses	<u>1,034,848</u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Profit and Loss Data (Continued)**  
**Year Ended March 31, 2021**

<u>Account</u>	<u>Description</u>	<u>Value</u>
6000T	Total cost of operations before depreciation	<u>\$ 3,091,646</u>
5060T	Profit (loss) before depreciation	1,312,718
6600	Depreciation expenses	<u>634,235</u>
5060N	Operating profit or (loss)	<u>678,483</u>
3247	Change in net assets without donor restrictions	<u>678,483</u>
3250	Change in total net assets from operations	<u><u>\$ 678,483</u></u>

<u>Account</u>	<u>Description</u>	<u>Value</u>
S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held and HUD-insured first mortgages.	<u>\$ 246,635</u>
S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	<u>\$ 83,835</u>

<u>Account</u>	<u>Description</u>	<u>Value</u>
S1100-060	Previous year net assets without donor restrictions	\$ 4,297,933
3247	Change in net assets without donor restrictions	678,483
S1100-065	Other changes in net assets without donor restrictions	<u>-</u>
3131	Net assets without donor restrictions	<u>\$ 4,976,416</u>
S1100-050	Previous year total net assets	\$ 4,297,933
3250	Change in total net assets from operations	<u>678,483</u>
3130	Total net assets	<u><u>\$ 4,976,416</u></u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Statement of Cash Flows Data**  
**Year Ended March 31, 2021**

Account	Description	Value
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
S1200-010	Rental receipts	\$ 4,382,480
S1200-020	Interest receipts	1,128
S1200-030	Other operating receipts	<u>26,956</u>
S1200-040	Total receipts	<u>4,410,564</u>
S1200-050	Administrative	(170,915)
S1200-070	Management fee	(114,912)
S1200-090	Utilities	(347,221)
S1200-100	Salaries and wages	(423,875)
S1200-120	Real estate taxes	(3,005)
S1200-140	Property insurance	(56,970)
S1200-150	Miscellaneous taxes and insurance	(153,850)
S1200-170	Other operating expenses	(659,337)
S1200-220	Miscellaneous financial	<u>(1,034,848)</u>
S1200-230	Total disbursements	<u>(2,964,933)</u>
S1200-240	Net cash provided by operating activities	<u>1,445,631</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
S1200-250	Net deposits to the reserve for replacement account	(84,747)
S1200-255	Net withdrawals from other reserves	164,852
	Details - net withdrawals from other reserves	
	S1200-256 - Description - property insurance	
	S1200-257 - Amount	104,143
	S1200-259 - Description - mortgage insurance premium	
	S1200-258 - Amount	60,709
S1200-330	Net purchase of fixed assets	<u>(415,067)</u>
S1200-350	Net cash used in investing activities	<u>(334,962)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
S1200-360	Principal payments - first mortgage (or bonds)	<u>(246,635)</u>
S1200-460	Net cash used in financing activities	<u>(246,635)</u>
S1200-470	Net increase in cash and cash equivalents	864,034
S1200-480	Beginning of period cash and cash equivalents	<u>1,436,899</u>
S1200T	End of period cash and cash equivalents	<u><u>\$ 2,300,933</u></u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Schedule of Surplus Cash**  
**As of March 31, 2021**

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<u>Account</u>	<u>Description</u>	<u>Value</u>
S1300-010	Cash	\$ 493,337
S1300-040	Total cash	<u>493,337</u>
S1300-075	Accounts payable - 30 days	27,913
S1300-100	Accrued expenses (not escrowed)	190,058
2191	Tenant/patient deposits held in trust (contra)	49,526
S1300-110	Other current obligations	225,840
	Details - Other current obligations	
	1300-120 - Description - Related-party payable	
	1300-130 - Amount	223,226
	1300-120 - Description - Other accrued liabilities	
	1300-130 - Amount	2,614
S1300-140	Total current obligations	<u>493,337</u>
S1300-150	Surplus cash	<u>\$ -</u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Schedule of Changes in Fixed Asset Accounts**  
**Year Ended March 31, 2021**

Account	Description	Value
1410P	Beginning balance for 1410	\$ 6,600,774
1410	Land	<u>6,600,774</u>
1420P	Beginning balance for 1420	18,275,039
1420AT	Additions for 1420	<u>59,691</u>
	Details - Additions for 1420	
	1420A-010 - Reclassed - Apartment renovations	
	1420A-030 - Total amount	59,691
1420	Buildings and building improvements	<u>18,334,730</u>
1460P	Beginning balance for 1460	391,824
1460	Furnishings	<u>391,824</u>
1465P	Beginning balance for 1465	-
1465AT	Additions for 1465	<u>197,899</u>
	Details - Additions for 1465	
	1465A-010 - Computer software	
	1465A-030 - Total amount	197,899
1430	Office furniture and equipment	<u>197,899</u>
1490P	Beginning balance for 1490	10,850
1490AT	Additions for 1490	<u>351,031</u>
	Details - Additions for 1490	
	1490A-010 - Building Rehab	
	1490A-030 - Total amount	351,031
1490DT	Deductions for 1490	<u>193,554</u>
	Details - Deductions for 1465	
	1490D-010 - Reclassed - Computer software	
	1490D-030 - Total amount	133,863
	1490D-010 - Reclassed - Building improvements	
	1490D-030 - Total amount	59,691
1490	Miscellaneous fixed assets	<u>168,327</u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Schedule of Changes in Fixed Asset Accounts (Continued)**  
**Year Ended March 31, 2021**

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<u>Account</u>	<u>Description</u>	<u>Value</u>
1400PT	Total beginning balance for fixed assets	25,278,487
1400AT	Total assets additions	608,621
1400DT	Total assets deductions	193,554
1400T	Total fixed assets	<u>25,693,554</u>
1495P	Beginning balance for 1495	737,248
6600	Total provisions	<u>634,235</u>
1495	Ending balance for accumulated depreciation	<u>1,371,483</u>
1400N	Total net book value	<u><u>\$ 24,322,071</u></u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Schedule of Reserve Accounts**  
**Year Ended March 31, 2021**

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<u>Account</u>	<u>Description</u>	<u>Value</u>
1320P	Balance at beginning of year	\$ 1,276,478
1320DT	Total monthly deposits	83,835
1320INT	Interest on replacement reserve accounts	<u>912</u>
1320	Balance at end of year	<u>\$ 1,361,225</u>
1320R	Deposits suspended or waived indicator	N

## **Supplementary Information**

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**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Consolidating Statement of Financial Position**  
**March 31, 2021**

	Bethany Center Senior Housing, Inc.	Bethany Center Foundation of San Francisco	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,300,933	\$ 504,815	\$ -	\$ 2,805,748
Accounts receivable	7,914	-	-	7,914
Investments	-	1,855,548	-	1,855,548
Prepaid expenses	107,645	500	-	108,145
<b>Total current assets</b>	<b>2,416,492</b>	<b>2,360,863</b>	<b>-</b>	<b>4,777,355</b>
<b>TENANT SECURITY DEPOSITS</b>	<b>49,526</b>	<b>-</b>	<b>-</b>	<b>49,526</b>
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>				
Replacement reserves	1,361,225	-	-	1,361,225
Other reserves	92,655	-	-	92,655
<b>Total restricted deposits and funded reserves</b>	<b>1,453,880</b>	<b>-</b>	<b>-</b>	<b>1,453,880</b>
<b>PROPERTY AND EQUIPMENT</b>				
Land and land improvements	6,600,774	-	-	6,600,774
Buildings and building improvements	18,334,730	-	-	18,334,730
Furniture and fixtures	391,824	8,920	-	400,744
Office and other equipment	197,899	846	-	198,745
Construction in progress	168,327	-	-	168,327
	25,693,554	9,766	-	25,703,320
Accumulated depreciation	(1,371,483)	(9,766)	-	(1,381,249)
<b>Total property and equipment, net</b>	<b>24,322,071</b>	<b>-</b>	<b>-</b>	<b>24,322,071</b>
<b>TOTAL ASSETS</b>	<b>\$ 28,241,969</b>	<b>\$ 2,360,863</b>	<b>\$ -</b>	<b>\$ 30,602,832</b>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Consolidating Statement of Financial Position (Continued)**  
**March 31, 2021**

	Bethany Center Senior Housing, Inc.	Bethany Center Foundation of San Francisco	Eliminations	Total
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 27,913	\$ -	\$ -	\$ 27,913
Accounts payable - affiliated organizations	223,226	23,667	-	246,893
Accrued aages payable	190,058	-	-	190,058
Current portion of mortgage payable	262,133	-	-	262,133
Other accrued liabilities	2,614	-	-	2,614
<b>Total current liabilities</b>	<b>705,944</b>	<b>23,667</b>	<b>-</b>	<b>729,611</b>
<b>TENANT SECURITY DEPOSITS</b>	<b>49,526</b>	<b>-</b>	<b>-</b>	<b>49,526</b>
<b>LONG-TERM LIABILITIES</b>				
Mortgages payable	22,510,083	-	-	22,510,083
<b>Total long-term liabilities, net of current portion</b>	<b>22,510,083</b>	<b>-</b>	<b>-</b>	<b>22,510,083</b>
<b>Total liabilities</b>	<b>23,265,553</b>	<b>23,667</b>	<b>-</b>	<b>23,289,220</b>
<b>NET ASSETS</b>				
Net assets without donor restrictions				
Board-designated net assets:				
Restricted deposits and funded reserves	1,453,880	-	-	1,453,880
Undesignated	3,522,536	2,337,196	-	5,859,732
<b>Total net assets without donor restrictions</b>	<b>4,976,416</b>	<b>2,337,196</b>	<b>-</b>	<b>7,313,612</b>
<b>Total net assets</b>	<b>4,976,416</b>	<b>2,337,196</b>	<b>-</b>	<b>7,313,612</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 28,241,969</b>	<b>\$ 2,360,863</b>	<b>\$ -</b>	<b>\$ 30,602,832</b>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Consolidating Statement of Activities and Changes in Net Assets**  
**Year Ended March 31, 2021**

	Bethany Center Senior Housing, Inc.	Bethany Center Foundation of San Francisco	Eliminations	Total
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Revenues and support				
Residential rental revenue, net of vacancy loss of \$22,900 in 2021	\$ 734,931	\$ -	\$ -	\$ 734,931
HUD assistance income	3,641,349	-	-	3,641,349
Investment return, net	1,128	681,096	-	682,224
Laundry and other	6,748	-	-	6,748
Miscellaneous income	20,208	-	-	20,208
Grant and contribution Income	-	6,152	-	6,152
Total revenues and support	<u>4,404,364</u>	<u>687,248</u>	<u>-</u>	<u>5,091,612</u>
Expenses				
Administrative	672,068	46,102	-	718,170
Utilities	427,913	-	-	427,913
Operating and maintenance	800,535	-	-	800,535
Taxes and insurance	156,282	32,237	-	188,519
Fundraising	-	225,868	-	225,868
Interest	1,034,848	-	-	1,034,848
Depreciation	634,235	-	-	634,235
Total expenses	<u>3,725,881</u>	<u>304,207</u>	<u>-</u>	<u>4,030,088</u>
INCOME BEFORE CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	<u>678,483</u>	<u>383,041</u>	<u>-</u>	<u>1,061,524</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>678,483</u>	<u>383,041</u>	<u>-</u>	<u>1,061,524</u>
NET ASSETS, beginning of year	<u>4,297,933</u>	<u>1,954,155</u>	<u>-</u>	<u>6,252,088</u>
NET ASSETS, end of year	<u>\$ 4,976,416</u>	<u>\$ 2,337,196</u>	<u>\$ -</u>	<u>\$ 7,313,612</u>

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended March 31, 2021**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development ("HUD")			
Direct awards:			
Section 221(d)(4) Mortgage Insurance for the Purchase or Refinance of Existing Multifamily Housing Projects No. 121-35963 Outstanding mortgage balance with continuing compliance requirements, beginning balance	14.155	N/A	\$ 23,194,943
Section 8 Project-Based Cluster Section 8 Housing Assistance Payments Program	14.195	N/A	3,641,349
Passed Through City and County of San Francisco Section 8 Housing Assistance Payments Program	14.195	CA39L000071	<u>103,076</u>
Total Section 8 project-based cluster			<u>3,744,425</u>
Total expenditures of federal awards			<u>\$ 26,939,368</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Basis of presentation** – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant and loan activity of the Project under programs of the federal government for the year ended March 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Project.

**Summary of significant accounting policies** – Expenditures in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* and the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Subrecipients** – The Project did not provide any federal awards to subrecipients during the year ended March 31, 2021.

**Indirect costs** – The Project has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Loan balance** – The federal loan program is administered directly by the Project, and balances and transactions relating to this program are included in the Project’s basic consolidated financial statements. Loans outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at March 31, 2021, was \$22,943,906.

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
Bethany Center Senior Housing, Inc., and Subsidiary  
(a California Nonprofit Public Benefit Corporation)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Bethany Center Senior Housing, Inc., and Subsidiary (the "Project"), HUD Project No. 121-35963 (a California nonprofit public benefit corporation), which comprise the statement of financial position as of March 31, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 29, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Project's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Project's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

San Francisco, California  
June 29, 2021

## **Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Bethany Center Senior Housing, Inc., and Subsidiary  
(a California Nonprofit Public Benefit Corporation)

### **Report on Compliance for the Major Federal Program**

We have audited Bethany Center Senior Housing, Inc., and Subsidiary's (the "Project"), HUD Project No. 121-35963 (a California nonprofit public benefit corporation), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Project's major federal programs for the year ended March 31, 2021. The Project's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Project's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Project's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Bethany Center Senior Housing, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2021.

### **Report on Internal Control over Compliance**

Management of the Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Moss Adams LLP*

San Francisco, California  
June 29, 2021

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Schedule of Findings and Questioned Costs**  
**Year Ended March 31, 2021**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

**Identification of Major Federal Programs and Type of Auditor’s Report Issued on Compliance for Major Federal Programs:**

<i>Assistance Listing Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
14.155	Section 221(d)(4) Mortgage Insurance for the Purchase or Refinance of Existing Multifamily Housing Projects	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II – Financial Statement Findings**

None reported

**Section III – Federal Award Findings and Questioned Costs**

None reported

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Summary Schedule of Prior Audit Findings**  
**March 31, 2021**

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There are no prior audit findings to report on.

**Bethany Center Senior Housing, Inc. and Subsidiary**  
**HUD Project No. 121-35963**  
**Mortgagor's Certification**  
**Year Ended March 31, 2021**

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Account	Description	Value
		We hereby certify that we have examined the accompanying financial statements and supplemental data and, to the best of our knowledge and belief, the same is complete and accurate.
S2900-010	Narrative	
S2900-020	Name of Signatory #1	Ronald Schaefer
S2900-025	Title of Certifying Official #1	Chief Operating Officer
S2900-030	Name of Signatory #2	Jonathan Casey
S2900-035	Title of Certifying Official #2	Vice President of Finance for Affordable Housing
S2900-040	Auditee Telephone Number	(925) 956-7400
S2900-050	Date of Certification	June 29, 2021
S2900-080	Auditee Name	Bethany Center Senior Housing
S2900-090	Auditee Street Address Line 1	2185 N. California Blvd., #215
S2900-110	Auditee City	Walnut Creek
S2900-120	Auditee State	CA
S2900-130	Auditee Zip Code	94596
S2900-150	Auditee Contact Name	Jonathan Casey
S2900-160	Auditee Contact Title	Vice President of Finance for Affordable Housing
S2900-170	Auditee Contact FAX Number	(925) 407-0060
S2900-180	Auditee Contact E-mail	jc Casey@covia.org

**Bethany Center Senior Housing, Inc. and Subsidiary**  
**HUD Project No. 121-35963**  
**Management Agent's Certification**  
**Year Ended March 31, 2021**

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Account	Description	Value
S3000-010	Narrative	We hereby certify that we have examined the accompanying financial statements and supplemental data and, to the best of our knowledge and belief, the same is complete and accurate.
S3000-020	Name of Managing Agent	
S3000-030	Name of Signatory	
S3000-040	Name of Agent TIN	
S3000-050	Name of Individual (i.e., Property Manager)	
		Covia Affordable Communities Ronald Schaefer 77-0324027 Benson Lee

**Bethany Center Senior Housing, Inc., and Subsidiary**  
**HUD Project No. 121-35963**  
**Transmittal Letter of Auditor**  
**Year Ended March 31, 2021**

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Account	Description	Value
S3200-005	Audit Firm ID (UII)	71730
S3200-010	Audit Firm	Moss Adams LLP - Sacramento
S3200-020	Lead Auditor First Name	Brian
S3200-030	Lead Auditor Middle Name	P
S3200-040	Lead Auditor Last Name	Conner
S3200-045	Auditor Contact Title	Partner
S3200-050	Auditor Street Address Line 1	2882 Prospect Park Drive
S3200-060	Auditor Street Address Line 2	Suite 300
S3200-070	Auditor City	Rancho Cordova
S3200-080	Auditor State	CA
S3200-090	Auditor Zip Code	95670
S3200-100	Auditor Zip Code Extension	6059
S3200-110	Telephone Number	(205) 955-6114
S3200-120	Auditor Finn TIN	91-0189318
S3200-130	Date of Independent Auditor's Report	June 29, 2021
S3200-140	Auditor Contact FAX Number	(205) 955-6199
S3200-150	Auditor Contact E-mail	brian.conner@mossadams.com

