

Ararat Home of Los Angeles, Inc.

Financial Statements

Years Ended December 31, 2023 and 2022



Ararat Home of Los Angeles, Inc.
Years Ended December 31, 2023 and 2022

Table of Contents

Independent Auditor’s Report.....	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-26

Independent Auditor's Report

To the Board of Trustees
Ararat Home of Los Angeles, Inc.
Mission Hills, California

Opinion

We have audited the accompanying financial statements of Ararat Home of Los Angeles, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ararat Home of Los Angeles, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ararat Home of Los Angeles, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Ararat Home of Los Angeles, Inc.'s 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 Ararat Home of Los Angeles, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ararat Home of Los Angeles, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Wipfli LLP

Wipfli LLP

June 21, 2024

Irvine, California

Ararat Home of Los Angeles, Inc.

Statements of Financial Position

<i>As of December 31,</i>	2023	2022
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 8,027,125	\$ 14,184,006
Accounts receivable, net	8,536,145	4,131,165
Short-term investments	-	5,482,613
Assets limited as to use, current	490,944	-
Prepaid expenses and other current assets	1,131,399	1,384,271
Total current assets	18,185,613	25,182,055
Other assets:		
Endowment fund	19,200,035	16,433,468
Capital replacement fund	262,545	249,999
Assets limited as-to use, net of current portion	4,700,902	-
Property and equipment, net	58,122,312	43,404,773
Total other assets	82,285,794	60,088,240
Total assets	\$ 100,471,407	\$ 85,270,295
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 1,291,472	\$ 1,252,385
Accrued payroll and benefits	2,346,600	1,961,337
Accrued expenses	491,516	1,824
Current portion of bonds payable	305,000	-
Total current liabilities	4,434,588	3,215,546
Long-term liabilities:		
Refundable entrance fees	301,500	-
Deferred revenue from entrance fees	623,150	-
Bonds payable, net of current portion and unamortized bond premium, discount, and issuance costs	9,811,047	-
Total liabilities	15,170,285	3,215,546
Net assets:		
Without donor restrictions:		
Board-designated	19,462,580	16,683,467
Undesignated	65,011,819	63,967,062
Total net assets without donor restrictions	84,474,399	80,650,529
With donor restrictions	826,723	1,404,220
Total net assets	85,301,122	82,054,749
Total liabilities and net assets	\$ 100,471,407	\$ 85,270,295

See accompanying notes to financial statements.

Ararat Home of Los Angeles, Inc.

Statements of Activities

Years Ended December 31,	2023	2022
Revenues, gains, and other support:		
Patient care and resident revenue	\$ 50,612,940	\$ 37,453,354
Resident entrance fee revenue	191,133	-
Donations	780,171	388,800
Donations - endowment fund	39,388	11,131
Special events	162,885	191,274
Interest income	39,574	115,222
Interest and dividend income - endowment fund	657,483	729,980
Other income	61,779	33,956
Net assets released from restrictions	677,497	658,821
Operating revenues	53,222,850	39,582,538
Operating expenses:		
Program expenses:		
Skilled nursing	39,217,692	33,547,651
Assisted and independent living	11,318,624	4,838,359
Total program expenses	50,536,316	38,386,010
Management and general expenses	802,115	724,494
Fundraising expenses	176,385	166,089
Total expenses	51,514,816	39,276,593
Income before nonoperating gain (loss)	1,708,034	305,945
Nonoperating gain (loss)		
Net realized and unrealized gain (loss) on investments	2,115,836	(4,399,229)
Change in net assets without donor restrictions		
Net income (loss)	3,823,870	(4,093,284)
Net assets with donor restrictions:		
Restricted donations	100,000	125,000
Net assets released from restrictions	(677,497)	(658,821)
Change in net assets	3,246,373	(4,627,105)
Net assets - Beginning of year	82,054,749	86,681,854
Net assets - End of year	\$ 85,301,122	\$ 82,054,749

See accompanying notes to financial statements.

Ararat Home of Los Angeles, Inc.

Statements of Functional Expenses

Year Ended December 31, 2023	Program Expenses				Supporting Services			Total
	Skilled Nursing -	Skilled Nursing -	Skilled Nursing -	Assisted and	Management	Fundraising		
	Mission Hills	Eagle Rock	Ararat Gardens	Independent Living	and General			
Salaries and benefits	\$ 21,806,544	\$ 3,444,885	\$ 1,780,931	\$ 6,021,523	\$ 304,168	\$ 55,303	\$ 33,413,354	
Supplies and ancillary services	3,872,110	653,468	327,273	1,055,836	34,789	8,697	5,952,173	
Taxes and licenses	1,942,247	281,224	-	9,652	1,110	333	2,234,566	
Depreciation	838,115	56,490	138,376	1,195,043	81,253	20,313	2,329,590	
Utilities	839,830	63,468	149,277	509,481	22,934	-	1,584,990	
Purchased services	1,398,384	269,615	364,767	1,124,529	16,166	4,041	3,177,502	
Insurance	419,223	66,970	29,492	623,465	56,359	6,262	1,201,771	
Interest	-	-	-	-	193,110	-	193,110	
Administration	159,596	34,919	24,434	158,321	2,265	2,265	381,800	
Events	-	-	-	-	-	15,484	15,484	
Property costs	101,160	26,908	50,156	446,107	30,602	7,651	662,584	
Professional fees	57,476	1,379	18,974	174,668	7,166	-	259,663	
Special events	-	-	-	-	-	56,036	56,036	
Transaction costs	-	-	-	-	52,193	-	52,193	
Total expenses	\$ 31,434,685	\$ 4,899,326	\$ 2,883,681	\$ 11,318,624	\$ 802,115	\$ 176,385	\$ 51,514,816	

Year Ended December 31, 2022	Program Expenses				Supporting Services			Total
	Skilled Nursing -	Skilled Nursing -	Skilled Nursing -	Assisted Living	Management	Fundraising		
	Mission Hills	Eagle Rock	Ararat Gardens	and general				
Salaries and benefits	\$ 19,887,688	\$ 3,212,173	\$ -	\$ 2,145,125	\$ 271,223	\$ 49,313	\$ 25,565,522	
Supplies and ancillary services	3,824,273	588,872	-	368,880	32,789	8,197	4,823,011	
Taxes and licenses	1,736,762	236,958	-	9,169	1,054	316	1,984,259	
Depreciation	793,579	52,919	-	910,536	80,937	20,234	1,858,205	
Utilities	844,630	51,132	-	203,103	22,567	-	1,121,432	
Purchased services	1,157,607	188,019	-	345,550	14,549	3,637	1,709,362	
Insurance	380,959	62,705	-	527,863	52,786	5,865	1,030,178	
Administration	134,337	29,544	-	77,303	1,610	1,610	244,404	
Events	-	-	-	-	-	21,925	21,925	
Property costs	102,430	11,515	-	186,475	16,576	4,144	321,140	
Professional fees	110,860	140,689	-	64,355	3,387	-	319,291	
Special events	-	-	-	-	-	50,848	50,848	
Transaction costs	-	-	-	-	227,016	-	227,016	
Total expenses	\$ 28,973,125	\$ 4,574,526	\$ -	\$ 4,838,359	\$ 724,494	\$ 166,089	\$ 39,276,593	

See accompanying notes to financial statements.

Ararat Home of Los Angeles, Inc.

Statements of Cash Flows

<i>Years Ended December 31,</i>	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 3,246,373	\$ (4,627,105)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,329,590	1,858,205
Amortization on bonds payable	7,166	-
Amortization of resident entrance fees	(191,133)	-
Net realized and unrealized (gains) losses on investments	(2,115,836)	4,399,229
Provision for implicit price concessions	172,900	445,797
Changes in operating assets and liabilities:		
Accounts receivable	(4,577,880)	839,246
Prepaid expenses and other current assets	252,872	(698,452)
Accounts payable	39,087	415,537
Accrued payroll and benefits	385,263	(29,307)
Accrued expenses	489,692	1,824
Net cash from operating activities	38,094	2,604,974
Cash flows from investing activities:		
Purchases of investments	-	(807,557)
Proceeds from the sale of investment	2,086,457	100,914
Purchases of property and equipment	(1,431,346)	(673,192)
Acquisition of Windsor Manor (see Note 3)	(14,500,000)	-
Net cash from investing activities	(13,844,889)	(1,379,835)
Cash flows from financing activities:		
Proceeds on issuance of bonds	10,108,881	-
Net cash from financing activities	10,108,881	-
Net change in cash and cash equivalents	(3,697,914)	1,225,139
Cash and cash equivalents and restricted cash and cash equivalents - Beginning of year	17,855,849	16,630,710
Cash and cash equivalents and restricted cash and cash equivalents - End of year	\$ 14,157,935	\$ 17,855,849

See accompanying notes to financial statements.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 1: Organization

Nature of Operations

Ararat Home of Los Angeles, Inc. (the "Home") is a nonprofit and nondenominational organization founded in 1949 to care for elderly Armenians in Southern California. Since its early inception, the Home has expanded in both size and scope. Today, the Home exists to provide assisted and independent living, skilled nursing and convalescent care facilities, primarily for the Armenian community, and to promote Armenian heritage and culture in America. The Board of Trustees oversees the management of the Home.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Home have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Asset Classifications

Contributions of cash and other assets are classified as one of the following two categories:

Without Donor Restrictions – Represents unconditional promises to give by donors without any use or time restrictions. Included within net assets without donor restrictions are board-designated funds, named the Endowment and Capital Replacement Funds. The Board of Trustees is authorized to spend the principal, income and appreciation of these funds as it shall deem reasonable, in order to further the mission and purpose of the Home. Board designated funds at December 31, 2023 and 2022, respectively, consisted of the following:

	2023	2022
Endowment Fund	\$ 19,200,035	\$ 16,433,468
Capital Replacement Fund	262,545	249,999
Total	\$ 19,462,580	\$ 16,683,467

With Donor Restrictions – Represents unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. This category also includes net assets subject to donor-imposed stipulations that are to be maintained by the Home in perpetuity. The Home had no net assets required to be maintained in perpetuity as of December 31, 2023 or 2022. Contribution revenue is recognized in the appropriate net asset classification when the gift is unconditionally promised.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Performance Indicator

"Net Income (Loss)" as reflected in the accompanying statements of activities is the performance indicator. The performance indicator reflects the Home's operational performance excluding net realized and unrealized gain (loss) on investments and receipt of restricted donations.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimated amounts.

Cash and Cash Equivalents

The Home considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. The Home maintains cash in bank deposit accounts which, at times, may exceed federally insured limits.

Accounts Receivable

Substantially all of the Home's accounts receivable are related to providing assisted and independent living, skilled nursing and convalescent care to patients. Accounts receivable are reduced by contractual adjustments and estimated implicit price concessions by each major payor type based on historical experience of collections and contractual write downs. Management regularly reviews data about these major payors in evaluating the sufficiency of the estimate for implicit price concession. For receivables associated with services provided to patients with third-party coverage, the Home analyzes contractually due amounts and provides an allowance, if necessary (for example, for payors who are known to be having financial difficulties that make the collection of receivables unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Home estimates uncollectible amounts based on its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. These amounts are considered implicit price concessions and are recorded as a reduction to revenue.

As of December 31, 2023 and 2022, the allowance for implicit price concessions was \$33,500 and \$38,029, respectively. Account balances are charged against the allowance after reasonable collection efforts have been exhausted and the potential for recovery is considered remote. Interest is not charged on past due amounts. Accounts receivable, net of contractual adjustments and an allowance for implicit price concessions of \$38,029, totaled \$5,416,208 as of January 1, 2022.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values. The Home's policy is to recognize transfers in and transfers out of Level I and Level II as of the end of the reporting period. Refer to Note 7 for fair value hierarchy disclosures of investments.

Investments

Investments are carried at fair value. The cost of investments sold is determined on an average cost basis. Investment income includes interest and dividend earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity, or sale of investments, net of any investment fees. Investment earnings or loss and realized and unrealized gains or losses are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date.

Assets Limited as to Use

Assets limited as to use consist of investments that are restricted in use by a trust agreement. These accounts are interest-bearing cash and money market mutual funds, which were established pursuant to the trust agreement executed in connection with the issuance of the Insured Revenue Bonds, Series 2023 (see Note 11). Assets limited as to use are carried at fair value. Assets limited as to use, current represents amounts that will fund current debt service liabilities.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method of depreciation. The Home estimates the useful lives of the respective classes of property and equipment as follows:

Building and improvements	10-40 Years
Furniture and equipment	5-20 years
Transportation equipment	5-15 years

Expenditures for maintenance and repairs are charged to operations when incurred.

Impairment of Long-Lived Assets

The Home reviews its long-lived assets whenever events or circumstances indicate that the carrying amounts of such assets may not be recoverable. Impairment is evaluated by comparing the carrying value of the assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Home would recognize an impairment loss at that date for the amount by which the carrying amount of the asset exceeds its fair value. Management determined that no such impairment currently exists for the years ended December 31, 2023 and 2022.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Capital Replacement Fund

The Capital Replacement Fund is composed of Board-designated investments for the acquisition of new or the replacement of obsolete or worn-out equipment, the performance of major repairs, and construction of additions to, or improvements of, the Home's facilities.

Patient Care and Resident Revenue

Patient care and resident revenue is reported at the amount that reflects the consideration to which the Home expects to be entitled in exchange for providing services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Home bills the residents and third-party payors several days after the services are performed or the resident no longer needs care. Revenue is recognized as performance obligations are satisfied.

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

Performance obligations are determined based on the nature of the services provided by the Home. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Home believes that 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 are related to residents in the Home's facilities receiving in-resident post-acute and convalescent care services or residents receiving services in their homes (assisted and independent living). The Home measures the performance obligation from the effective date on the Residence Agreement contract to the point when it is no longer required to provide services to that resident, which is generally at the time the resident elects to move from the facility or passes away. Revenue for performance obligations satisfied at a point in time is generally recognized when ancillary and other services are provided to the Home's residents.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for skilled nursing facility services rendered to Medicare program beneficiaries are based on prospectively determined daily rates, which vary according to a patient diagnostic classification system. The Home is paid for certain reimbursable services at the approved rate with final settlement determined after submission of the annual cost report and audit thereof by the Medicare fiscal intermediary. Annual cost reports are submitted to the designated intermediary; however, they will not contain a cost settlement.

Medi-Cal: Payments for skilled nursing facility services rendered to Medi-Cal program beneficiaries are based on an annually established daily reimbursement rate for eligible stays. The rate is adjusted annually on January 1. The final settlement is determined after submission of an annual cost report and audits thereof by Medi-Cal.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Patient Care and Resident Revenue (Continued)

Other: Payments for services rendered to health maintenance organizations (HMO), private pay, and other patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations, and preferred provider organizations, which provide for various discounts from the established 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 governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Home's compliance with these laws and regulations, and it is not possible to determine the impact (if any) of such claims, or penalties would have upon the Home. In addition, the contracts the Home has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Home's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2023 and 2022.

The composition of patient care and resident revenue by primary payors for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
HMO	\$ 25,281,066	\$ 22,602,074
Medicare	13,995,707	10,371,585
Rent - assisted and independent living	9,423,379	2,878,583
Private	802,147	1,255,533
Medi-Cal	726,186	192,676
Other	333,069	105,416
Ancillary	51,386	47,487
Total	\$ 50,612,940	\$ 37,453,354

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Patient Care and Resident Revenue (Continued)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Home estimates the transaction price for residents 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, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care and resident revenue in the period of the change.

The Home does not charge an entrance fee to new residents. As disclosed in Note 3, certain residents had contracts with entrance fee liabilities that were assumed by the Home as part of the Windsor Manor acquisition.

The Home has applied the practical expedient provided by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 340-40-25-4, and all incremental resident contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Home otherwise would have recognized is one year or less in duration.

The Home provides a comprehensive range of health care services to patients and residents. Patient care and resident revenue consists of the following categories:

Skilled Nursing:

The most significant portion of the operations is the Home's operation of the skilled nursing facilities at the Mission Hills, Eagle Rock, and Glendale campuses. Caregivers provide residents with comprehensive, individualized care 24 hours a day. In addition, the facilities provide licensed therapy services, quality nutrition services, social services, activities, and housekeeping and laundry services.

Assisted Living and Independent Living:

The Home's assisted living facility provides personal care services and assistance with general activities of daily living such as dressing, bathing, meal preparation, and medication management. Resident assessments are performed to determine what services are desired or required and residents are encouraged to participate in a range of activities.

During the years ended December 31, 2023 and 2022, patient care and resident revenue consisted of the following:

	2023	2022
Skilled nursing and convalescent care revenues	\$ 41,163,359	\$ 34,527,284
Assisted and independent living revenues	9,398,195	2,878,583
Ancillary revenues	51,386	47,487
Total	\$ 50,612,940	\$ 37,453,354

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Resident Entrance Fees

As disclosed in Note 3, certain residents had contracts with entrance fees that were assumed by the Home. The Home does not charge an entrance fee to new residents. For those residents with an entrance fee contract, the Home is obligated to provide future care as defined in the agreement. The terms of the agreement between the Home and the residents contain two forms of payment – an entrance fee and monthly fees. The entrance fee, which may vary in amount depending upon the agreement, is paid at the time the contract is signed. Based on the agreement, the entrance fee or a portion of the entrance fee may be nonrefundable. The refundable portion of the resident agreements are not part of the transaction price and are recorded as a refundable entrance fee liability in the accompanying statements of financial position. The nonrefundable entrance fee provides the resident with a material right to access health services at the facility over the remaining life span of the resident or until the contract is terminated. The monthly fees are specified in the resident's agreement. The monthly fees entitle the residents to the use of the facilities.

Under the resident agreement, the Home's performance obligation is to stand ready each month to provide a service such that the resident can continue to live at the facility and access the appropriate level of care based on the resident's needs. The services a resident will receive under that resident agreement are dependent on the resident's health and life span along with their decision to continue to reside at the facility. The Home recognizes the monthly fee over the month the services are provided as the resident simultaneously receives and consumes the benefits of occupying the unit. In this case, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Home believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation. Each month the resident occupies the unit is a separate contract and performance obligation based on the fact the resident has a unilateral right to terminate the contract after each month with no penalty or compensation due. Since the contract can be terminated by either party at any time without compensating the other party for the termination (that is, other than paying amounts due as a result of services transferred up to the termination date), the duration of the contract does not extend beyond the services already transferred.

The nonrefundable entrance fee included in the resident agreement provides a material right performance obligation for the resident to receive additional health services at any time based on the resident's needs. The Home recognizes the nonrefundable entrance fee for the material right associated with access to future services using a time-based measurement (i.e., resident's life-expectancy). This results in equal amounts allocated to each month because the nature of the Home's performance is to have various residential, social, or health care services available to the resident on a when-and-if needed basis each month for as long as the resident remains in the facility. Recognizing the material right performance obligation over the resident's life expectancy, using the most currently available life tables, provides a faithful depiction of the transfer of services over the term of the performance obligation. At the end of the reporting periods, management's estimate of the unsatisfied performance obligation of the nonrefundable entrance fee is reported as a contract liability in the accompanying balance sheet. Subsequent changes to management's estimate of the transaction price, including changes in the resident's life-expectancy, are recognized as an adjustment to revenue and were not significant in the year ended December 31, 2023.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Resident Entrance Fees (Continued)

The Home does not adjust the promised amount of consideration from residents for the effects of a significant financing component as the primary purpose for the nonrefundable payment is to provide the resident with assurance that the Home will have available the health care services needed to serve the residents satisfactorily under the contract and thus no significant financing component exists.

Donations

Donations are recognized at fair value when the donor makes an unconditional promise to give and are reported as donor support without restrictions unless they are received with donor stipulations that limit the use of the donated assets. Donations received with donor stipulations are reported as donor support with restrictions. When donor restrictions are satisfied, net assets are released and reported as an increase in net assets without donor restrictions.

Donated goods are recognized at their fair values at the dates of donation. Contributed services are also recognized at fair value when they are received, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Home receives substantial contributed services from constituents, the general public and the members of the Board of Trustees who give their time and expertise to the Home in a wide variety of areas. These contributions, despite their considerable value to the mission of the Home, are not recorded in the accompanying financial statements unless the services meet the requirements for recognition.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses which are not directly identifiable by program or supporting services, are allocated based on the best estimates of management.

Unamortized Bond Issuance Costs, Discount, and Original Issue Premium

The Home recognized bond issuance costs, discount, and original issue premium related to the issuance of the Insured Revenue Bonds, Series 2023, disclosed in Note 11. The unamortized balances are netted with bonds payable on the statements of financial position and the balances are amortized over the life of the related debt using the straight-line method. The amortization expense is included with interest expense in the accompanying statements of activities.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Home is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and by the California Franchise Tax Board pursuant to Section 23701(d) of the Revenue and Taxation Code.

The Home follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes – Overall*. Under that guidance, the Home may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Home and positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Home has assessed its federal and state tax positions and determined that there were no UBTI and no uncertainties or possible related effects that need to be recorded as of or for the year ended December 31, 2023.

Adoption of Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard was delayed in 2019 and was effective for fiscal years beginning after December 15, 2022. Implementation of this new standard had no significant impact on financial reporting for the year ended December 31, 2023.

Subsequent Events

Subsequent events have been evaluated through the date of the independent auditor's report, the date the financial statements were issued.

Note 3: Business Combination

Windsor Manor Acquisition

On March 1, 2023, the Home acquired the real property, the facility, and the business operations of "Windsor Manor" under a Purchase and Sale agreement for total monetary consideration of \$14,500,000. The Home has renamed this facility Ararat Gardens. The total purchase price was allocated to land, building, improvements, furniture, and equipment. As part of the acquisition, the Home also assumed resident contract liabilities. The Home paid a \$500,000 deposit which was included in prepaid expenses on the statement of financial position as of December 31, 2022. The Home incurred \$52,193 and \$227,016, respectively, in related transaction expenses as disclosed on the statement of functional expenses for the years ended December 31, 2023 and 2022.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 3: Business Combination (Continued)

Windsor Manor Acquisition (Continued)

The following table summarizes the total cost of the acquisition:

Consideration	
Purchase price	\$ 14,500,000
Buyer's transaction expenses	279,209
Total Purchase Price	\$ 14,779,209

The Home funded the transaction with its own cash and liquid investments. In October 2023, the Home issued bonds to maintain its liquidity position. See note 11 for disclosure of bonds payable.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of March 1, 2023:

Building and improvements	\$ 14,834,396
Land	395,172
Furniture and equipment	386,209
Total assets acquired	15,615,777
Resident contract liabilities	(1,115,777)
Total liabilities assumed	(1,115,777)
Net assets acquired (purchase price)	\$ 14,500,000

Note 4: Future Service Obligation

The Home is obligated to provide residents that have paid entrance fees with continuous care throughout the resident's stay at the community. Management's estimate of the liability for this future service obligation represents the excess of the discounted net care expenses over the deferred revenue from entrance fees. The obligation is discounted at 5.5% at December 31, 2023. No future service obligation liability was required to be recorded as of December 31, 2023.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 5: Liquidity and Availability

The following table reflects the Home's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use because of bond indenture, donor-imposed and board-designated restrictions, that are available to meet cash needs for general expenditures within one year. Amounts not available include amounts set aside for long-term investing in the endowment and capital replacement fund that could be drawn upon if the Board of Trustees approves that action.

	2023	2022
Cash and cash equivalents	\$ 8,027,125	\$ 14,184,006
Accounts receivable, net	8,536,145	4,131,165
Short-term investments	-	5,482,613
Endowment fund	19,200,035	16,433,468
Capital replacement fund	262,545	249,999
Assets limited as to use	5,191,846	-
Financial assets, as of December 31	41,217,696	40,481,251
Less: Net assets subject to satisfaction of donor restrictions	(826,723)	(1,404,220)
Less: Board designated restrictions:		
Endowment fund, primarily for long-term investing	(19,200,035)	(16,433,468)
Capital replacement fund	(262,545)	(249,999)
Less: Assets limited as to use	(5,191,846)	-
Financial assets available to meet cash needs for general expenditure within one year	\$ 15,736,547	\$ 22,393,564

As part of the Home's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Home invests cash in excess of immediate requirements in interest-bearing checking accounts, mutual funds, money market and investment accounts. The Home also had access to a \$400,000 line of credit through October 20, 2023 when the line was closed. See disclosures regarding the line of credit in Note 10.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 6: Investments and Assets Limited as to Use

At December 31, 2023 and 2022, the Home's investments and assets limited as to use consisted of the following:

	2023	2022
Quasi-endowment fund:		
Interest-bearing cash	\$ 418,046	\$ 215,595
Common stock	452,469	365,797
Real estate investment trusts	114,859	105,049
U.S. Government securities	466	380,765
Mutual funds:		
Large-cap funds	14,548,252	11,805,789
Income funds	1,156,290	1,212,238
Mid-cap funds	1,787,665	1,452,467
Small-cap funds	721,988	895,768
Total endowment fund	19,200,035	16,433,468
Capital replacement fund:		
Interest-bearing cash	1,019	965
Mutual funds	261,417	248,893
U.S. Government securities	109	141
Total capital replacement fund	262,545	249,999
Short-term investments:		
Interest-bearing cash	-	538,780
Mutual funds	-	3,814,681
Common stock	-	1,129,152
Total short-term investments	-	5,482,613
Total investments	19,462,580	22,166,080
Assets limited as to use:		
Interest-bearing cash	74,180	-
Money market mutual funds	5,117,666	-
Total assets limited as to use	5,191,846	-
Total investments and assets limited as to use	\$ 24,654,426	\$ 22,166,080

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 6: Investments and Assets Limited as to Use (Continued)

Assets limited as to use were established pursuant to the trust agreement executed in connection with the issuance of the Insured Revenue Bonds, Series 2023 (see Note 11). Assets limited as to use consisted of the following at December 31, 2023 and 2022:

	2023	2022
Revenue fund	\$ 74,180	\$ -
Bond reserve	435,099	-
Project fund	4,628,566	-
Cost of issuance fund	54,001	-
Total assets limited as to use	\$ 5,191,846	\$ -

Investment income (loss) reported in the statements of activities consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Interest income and dividends	\$ 697,057	\$ 845,202
Realized and unrealized gains (losses), net	2,115,836	(4,399,229)
Totals	\$ 2,812,893	\$ (3,554,027)

Note 7: Fair Value Measurements

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 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may Mutual fundse used to measure fair value:

Level I Quoted prices in active markets for identical assets or liabilities.

Level II Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; 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 investments in the near term.

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

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 7: Fair Value Measurements (Continued)

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

Mutual Funds and Real Estate Investment Trusts ("REITs"): Mutual funds and REITs are valued at the daily closing price as reported by the fund and REIT. Mutual funds held by the Home are open-end mutual funds and both the mutual funds and REITs are registered with the U.S. Securities and Exchange Commission. These funds and REITs are required to publish their daily NAV and to transact at that price. The mutual funds and REITs held by the Home are deemed to be actively traded.

U.S. Government Securities: U.S. government securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities.

Common Stocks: Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

Interest-bearing cash: Interest-bearing cash is valued at cost plus accrued interest which approximates fair value.

The following table presents the fair value measurements of investments recognized in the accompanying financial statements on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

December 31, 2023:

	Fair Value	Level 1	Level II	Level III
Interest-bearing cash	\$ 493,245	\$ 493,245	\$ -	\$ -
Money market mutual funds	5,117,666	5,117,665	-	-
Common stock	452,469	452,469	-	-
Mutual funds	18,475,612	18,475,612	-	-
Real estate investment trusts	114,859	114,859	-	-
U.S. Government securities	575	-	575	-
Total	\$ 24,654,426	\$ 24,653,850	\$ 575	\$ -

December 31, 2022:

	Fair Value	Level 1	Level 2	Level III
Interest-bearing cash	\$ 755,340	\$ 755,340	\$ -	\$ -
Common stock	1,494,949	1,494,949	-	-
Mutual funds	19,429,836	19,429,836	-	-
Real estate investment trusts	105,049	105,049	-	-
U.S. Government securities	380,906	-	380,906	-
Total	\$ 22,166,080	\$ 21,785,174	\$ 380,906	\$ -

As required by FASB ASC Topic 820, the investments are classified within the level of the lowest significant input considered in determining fair value.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 7: Fair Value Measurements (Continued)

Considerable judgment is required to develop estimates of fair value, and the estimates presented are not necessarily indicative of the amounts that the Home would realize in a current market exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair values. The estimates presented are based on pertinent information available to management as of December 31, 2023 and 2022. Current estimates of fair value may differ significantly from the amounts presented.

The following is a reconciliation of investments and assets limited as to use from the fair value hierarchy above to amounts presented on the statements of financial position:

<i>Years Ended December 31, 2023 and 2022</i>	2023	2022
Investments	\$ 19,462,580	\$ 22,166,080
Assets limited as to use, current	490,944	-
Assets limited as to use, long-term	4,700,902	-
Total	\$ 24,654,426	\$ 22,166,080

Note 8: Endowment Fund

The Home maintains investments set aside for specific board-restricted purposes. Pursuant to these objectives, the Home has adopted a policy for these investment funds that attempts to provide a balance of maintenance of adequate cash reserves and the preservation of principal and growth within reasonable and prudent levels of risk.

Endowment Fund

The endowment fund investments consist of assets designated by the Board of Trustees to be invested in perpetuity for the purpose of generating income to support the Home's operations. Although the designated assets of the endowment fund are intended to be invested in perpetuity, the Board retains the discretion to utilize the endowment fund to support the Home's operations should the need arise. Since the board retains this discretion, the endowment fund is, therefore, more properly described as a "quasi-endowment fund".

Interpretation of Relevant Law

The Board of Trustees, in concurrence with the advice of legal counsel, has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the endowment fund. In accordance with California UPMIFA, the organization considers the following factors in deciding to appropriate or invest endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the Home and the board-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the Home.
- 7) The investment policies of the Home.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 8: Endowment Fund (Continued)

Endowment Investment and Spending Policies

The Home has adopted investment and spending policies for endowment assets that attempt to maintain the long-term purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

The Home uses a total investment return methodology for determining its spending policy each year. The portfolio's total returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy calculates the cumulative amount available for distribution from the endowment to support operations.

The spending policy is reviewed annually in light of changing market assumptions, investment returns and the rate of inflation. Accordingly, over the long term, the Home expects its current spending policy to allow its endowment assets to grow.

Changes in endowment net assets for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Endowment, beginning of year	\$ 16,433,468	\$ 19,820,208
Contributions	44,387	1,130
Investment income (loss)	2,722,180	(3,387,870)
Endowment, end of year	\$ 19,200,035	\$ 16,433,468

Note 9: Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Land and improvements	\$ 14,170,065	\$ 13,774,893
Buildings and improvements	68,148,531	52,620,178
Furniture and equipment	6,547,724	5,501,432
	88,866,320	71,896,503
Less: accumulated depreciation	(32,907,774)	(30,578,182)
Construction in progress	55,958,546	41,318,321
	2,163,766	2,086,452
Total	\$ 58,122,312	\$ 43,404,773

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Property and Equipment (Continued)

As of December 31, 2023 and 2022, construction in progress of \$2,163,766 and \$2,086,452, respectively, relates to the preparation of raw land acquired in Mission Hills, California. Depreciation expense totaled \$2,329,590 and \$1,858,205 for the years ended December 31, 2023 and 2022, respectively.

Note 10: Line of Credit

The Home had a \$400,000 line-of-credit agreement dated November 2, 2006 with Citibank. The agreement required monthly interest payments and also required the Home to pay the line-of-credit in full at least once annually and not draw on the line for 30 consecutive days following the repayment. Principal borrowings under the line-of-credit were payable in forty-eight equal consecutive monthly installments of principal, together with accrued monthly interest and any other charges beginning the first calendar month after the "cancellation date," which is the date upon which Citibank cancels the right to obtain advances. The interest rate on the line-of-credit was equal to the Prime Rate less 0.25%, which was 7.25% at December 31, 2022. The line-of-credit contained certain financial and operational covenants and was secured by all assets of the Home. At December 31, 2022, the Home had no borrowings under this agreement. The line of credit was closed on October 20, 2023. It had no balance at the time of closure.

Note 11: Long-Term Debt

Long-term bonds payable consisted of the following at December 31, 2023 and 2022:

	2023	2022
Series 2023 Bonds	\$ 10,915,000	\$ -
Less: Current portion of bonds payable	(305,000)	-
Less: Unamortized debt issuance costs	(988,989)	-
Plus: Unamortized bond premium	303,688	-
Less: Unamortized bond discount	(113,652)	-
Total	\$ 9,811,047	\$ -

On October 24, 2023, the Home issued \$10,915,000 in Insured Revenue Bonds, Series 2023, through the California Municipal Finance Authority. The bonds payable subject the Home to certain financial covenants, including days cash on hand, current ratio, and debt service coverage ratio.

The interest rate is 5% per annum. Interest is payable on May 15 and November 15 each year, commencing May 15, 2024. The bonds mature on May 15, 2043.

The bonds were issued at a premium of \$306,240, which is being amortized over the life of the debt. Total amortization related to bond premium is netted in interest expense and totaled \$2,552 for the year ended December 31, 2023.

The bonds included an underwriter's discount of \$114,607, which is being amortized over the life of the debt. Total amortization related to the bond discount included in interest expense was \$955 for the year ended December 31, 2023.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 11: Long-Term Debt (Continued)

The Home follows FASB ASC 835-30, *Imputation of Interest*. Under that guidance, debt issuance costs related to a note are reported as a direct deduction from the face amount of the note. The Home incurred debt issuance costs of \$997,572 in connection with the bond offerings. The debt issuance costs are being amortized over the life of the debt. Total amortization related to debt issuance costs included in interest expense is \$8,763 for the year ended December 31, 2023.

The bonds are secured by substantially all assets of the Home. The Home is required to maintain certain reserve accounts totaling \$5,191,846 as of December 31, 2023, as disclosed in Note 6.

Maturities of the Series 2023 Bonds during each of the next five years and thereafter are as follows:

<u>Years ending December 31,</u>	
2024	\$ 305,000
2025	345,000
2026	360,000
2027	380,000
2028	400,000
Thereafter	9,125,000
<hr/>	
Total	\$ 10,915,000

Note 12: Commitments and Contingencies

Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services, and Medi-Cal and Medicare fraud and abuse rules. Violations of these laws and regulations could result in expulsion from governmental health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes that the Home is in compliance with all applicable laws and regulations.

Litigation

From time to time, in the ordinary course of business, the Home is named in various legal proceedings. In management's opinion, the ultimate disposition of these matters will not have a material adverse effect on the Home's financial position, results of operations, or liquidity.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 12: Commitments and Contingencies (Continued)

Insurance

The Home maintains insurance coverages with carriers that provide professional liability, workers' compensation, general liability, employee benefits, and employer's practice liability insurance coverage on a claims-made basis to the Home. Under the terms of the policies, the carriers are obligated to ensure each workers' compensation claim up to a maximum of \$1,000,000 per claim. Workers' compensation insurance expense for the years ended December 31, 2023 and 2022 totaled \$1,768,961 and \$1,287,587, respectively.

Under the professional liability, general liability and employee benefits policy, the Home is covered up to \$1,000,000 per claim with a \$3,000,000 general aggregate limit. Under the employment practices liability policy, the Home is covered with a \$4,000,000 general aggregate limit.

The Home determined that an additional estimated reserve for workers' compensation and professional liability was not necessary as of December 31, 2023.

Note 13: Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 and 2022, are available for the following purposes:

	2023	2022
Bahador	\$ 218,000	\$ 231,500
Dream Fund	608,723	1,172,720
Total	\$ 826,723	\$ 1,404,220

Note 14: Pension Plan

The Home has a 403(b) defined contribution plan covering substantially all employees who are age 21 and older. The plan requires that an employee provide at least 1,000 hours of service in any twelve consecutive month period to be eligible for participation. The Home matches 100% of participant contributions up to 3% of employee compensation, as defined. During the years ended December 31, 2023 and 2022, the Home made matching contributions of \$130,365 and \$101,372, respectively.

Note 15: Concentrations

During the years ended December 31, 2023 and 2022, the Home received approximately 50% and 61%, respectively, of its patient care and resident revenues from HMOs, approximately 27% and 28%, respectively, from Medicare programs; and approximately 20% and 11%, respectively, from private pay sources.

The largest payor classes noted above including HMOs, Medicare, and private pay represent approximately 63%, 31%, and 4% of the Home's gross accounts receivable at December 31, 2023, and approximately 57%, 36%, and 6% of the Home's gross accounts receivable at December 31, 2022, respectively.

Ararat Home of Los Angeles, Inc.

Notes to Financial Statements

Note 16: Statements of Cash Flows

The following table provides a reconciliation of cash and cash equivalents reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows for the years ended December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 8,027,125	\$ 14,184,006
Short-term investments	-	2,829,158
Restricted cash and cash equivalents:		
Endowment fund investments	676,528	592,827
Capital replacement fund investments	262,436	249,858
Assets limited as to use	5,191,846	-
Total cash and cash equivalents and restricted cash and cash equivalents shown on the statements of cash flows	<u>\$ 14,157,935</u>	<u>\$ 17,855,849</u>

Note 17: Risks and Uncertainties

The Home invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Home's investment accounts and the amounts reported in the statements of financial position.

Note 18: Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Total assets, total liabilities, total net assets, and total change in net assets were not affected.