

**THE CARITAS CORPORATION
AND AFFILIATES**
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Caritas Corporation and Affiliates
Irvine, California

Opinion

We have audited the accompanying consolidated financial statements of The Caritas Corporation (a California nonprofit public benefit corporation) and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Caritas Corporation and Affiliates as of December 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Caritas Corporation and Affiliates 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Caritas Corporation and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Caritas Corporation and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Caritas Corporation and Affiliates' 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis 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.

Thomas, Judy & Duckert, P.A.

Raleigh, North Carolina
May 25, 2022

The Caritas Corporation and Affiliates
Consolidated Statements of Financial Position
December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,710,178 | \$ 3,867,909 |
| Certificates of deposit | 250,000 | 934,330 |
| Restricted investments available for current debt service | 48,672,667 | 4,074,859 |
| Rents receivable, net of allowance for doubtful accounts | 265,572 | 169,020 |
| Interest receivable | 227,412 | - |
| Prepaid expenses | 491,295 | 748,520 |
| Notes receivable, current portion | 32,244 | 40,542 |
| | <u>52,649,368</u> | <u>9,835,180</u> |
| Total current assets | <u>52,649,368</u> | <u>9,835,180</u> |
| Property and equipment, net | <u>209,305,962</u> | <u>197,769,529</u> |
| Other assets | | |
| Deposits | 23,929 | 18,679 |
| Notes receivable, net of current portion | 170,254 | 184,107 |
| Assets held for sale | 151,621 | 147,274 |
| Certificates of deposit, net of current portion | 661,296 | 652,427 |
| Restricted investments, net of current portion available for debt service | 24,032,959 | 16,881,052 |
| | <u>25,040,059</u> | <u>17,883,539</u> |
| Total other assets | <u>25,040,059</u> | <u>17,883,539</u> |
| Total assets | <u>\$ 286,995,389</u> | <u>\$ 225,488,248</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 321,419 | \$ 548,697 |
| Accrued interest | 4,232,506 | 3,978,911 |
| Accrued expenses | 485,311 | 229,164 |
| Deferred revenue | 38,452 | 41,377 |
| Refundable security deposits | 713,220 | 652,902 |
| Notes payable, current portion | 44,789,202 | 2,724,676 |
| | <u>50,580,110</u> | <u>8,175,727</u> |
| Total current liabilities | <u>50,580,110</u> | <u>8,175,727</u> |
| Long-term liabilities | | |
| Notes payable, net of current portion | <u>249,363,533</u> | <u>231,451,894</u> |
| Total liabilities | <u>299,943,643</u> | <u>239,627,621</u> |
| NET DEFICIT | | |
| Net deficit without donor restrictions | (14,148,254) | (15,339,373) |
| Net assets with donor restrictions | <u>1,200,000</u> | <u>1,200,000</u> |
| Total net deficit | <u>(12,948,254)</u> | <u>(14,139,373)</u> |
| Total liabilities and net deficit | <u>\$ 286,995,389</u> | <u>\$ 225,488,248</u> |

See accompanying notes to consolidated financial statements.

The Caritas Corporation and Affiliates

Consolidated Statement of Activities

For the Year Ended December 31, 2021

| | 2021 | | |
|---|---|--|------------------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| CHANGES IN NET ASSETS | | | |
| Support and revenues | | | |
| Net rental income | \$ 27,135,986 | \$ - | \$ 27,135,986 |
| Other ancillary income | 7,160,378 | - | 7,160,378 |
| Investment return, net | 99,463 | - | 99,463 |
| Contributions | 54 | - | 54 |
| Total support and revenues | <u>34,395,881</u> | <u>-</u> | <u>34,395,881</u> |
| Expenses | | | |
| Program expenses | | | |
| Park maintenance and utilities | 9,378,791 | - | 9,378,791 |
| Administrative | 5,184,257 | - | 5,184,257 |
| Taxes and insurance | 1,057,144 | - | 1,057,144 |
| Depreciation | 3,884,022 | - | 3,884,022 |
| Interest | 11,864,621 | - | 11,864,621 |
| Ancillary program expenses | 82,166 | - | 82,166 |
| Total program expenses | <u>31,451,001</u> | <u>-</u> | <u>31,451,001</u> |
| General and administration expenses | | | |
| Salaries and related expenses | 1,117,775 | - | 1,117,775 |
| Rent | 113,896 | - | 113,896 |
| Professional fees | 351,342 | - | 351,342 |
| Taxes and insurance | 28,007 | - | 28,007 |
| Depreciation | 1,633 | - | 1,633 |
| Interest | 29,344 | - | 29,344 |
| Office and miscellaneous expenses | 111,764 | - | 111,764 |
| Total general and administration expenses | <u>1,753,761</u> | <u>-</u> | <u>1,753,761</u> |
| Total expenses | <u>33,204,762</u> | <u>-</u> | <u>33,204,762</u> |
| Change in total net deficit | 1,191,119 | - | 1,191,119 |
| Net assets (deficit), beginning of year | <u>(15,339,373)</u> | <u>1,200,000</u> | <u>(14,139,373)</u> |
| Net assets (deficit), end of year | <u>\$ (14,148,254)</u> | <u>\$ 1,200,000</u> | <u>\$ (12,948,254)</u> |

The Caritas Corporation and Affiliates
Consolidated Statement of Activities
For the Year Ended December 31, 2020

| | 2020 | | Total |
|---|---|--|-------------------------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | |
| CHANGES IN NET ASSETS | | | |
| Support and revenues | | | |
| Net rental income | \$ 24,374,708 | \$ - | \$ 24,374,708 |
| Other ancillary income | 6,709,576 | - | 6,709,576 |
| Investment return, net | 1,048,728 | - | 1,048,728 |
| Contributions | 22,966 | - | 22,966 |
| Contributions released from restrictions | 32,405 | (32,405) | - |
| Total support and revenues | <u>32,188,383</u> | <u>(32,405)</u> | <u>32,155,978</u> |
| Expenses | | | |
| Program expenses | | | |
| Park maintenance and utilities | 8,779,651 | - | 8,779,651 |
| Administrative | 5,128,855 | - | 5,128,855 |
| Taxes and insurance | 1,087,434 | - | 1,087,434 |
| Depreciation | 3,324,671 | - | 3,324,671 |
| Interest | 11,947,841 | - | 11,947,841 |
| Ancillary program expenses | 96,070 | - | 96,070 |
| Total program expenses | <u>30,364,522</u> | <u>-</u> | <u>30,364,522</u> |
| General and administration expenses | | | |
| Salaries and related expenses | 1,150,874 | - | 1,150,874 |
| Rent | 109,139 | - | 109,139 |
| Professional fees | 456,441 | - | 456,441 |
| Depreciation | 2,784 | - | 2,784 |
| Interest | 4,915 | - | 4,915 |
| Office and miscellaneous expenses | 266,630 | - | 266,630 |
| Total general and administration expenses | <u>1,990,783</u> | <u>-</u> | <u>1,990,783</u> |
| Total expenses | <u>32,355,305</u> | <u>-</u> | <u>32,355,305</u> |
| Change in total net assets (deficit) | (166,922) | (32,405) | (199,327) |
| Net assets (deficit), beginning of year | <u>(15,172,451)</u> | <u>1,232,405</u> | <u>(13,940,046)</u> |
| Net assets (deficit), end of year | <u><u>\$ (15,339,373)</u></u> | <u><u>\$ 1,200,000</u></u> | <u><u>\$ (14,139,373)</u></u> |

The Caritas Corporation and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets (deficit) | \$ 1,191,119 | \$ (199,327) |
| Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities: | | |
| Depreciation | 3,885,655 | 3,327,455 |
| Amortization of debt issuance costs | 261,757 | 235,352 |
| Amortization of bond premium | (186,634) | (186,634) |
| Realized and unrealized loss on investments | 55,662 | - |
| Gain on disposals | (10,926) | (86,802) |
| Unrealized loss on assets held for sale | 37,558 | 41,653 |
| Changes in operating assets and liabilities: | | |
| Rents receivable | (96,552) | (125,110) |
| Interest receivable | (227,412) | - |
| Prepaid expenses | 257,225 | 185,329 |
| Deposits | (5,250) | - |
| Accounts payable | (227,278) | 74,150 |
| Accrued interest | 253,595 | (1,352,647) |
| Accrued expenses | 256,147 | (335,441) |
| Deferred revenue | (2,925) | (15,249) |
| Refundable security deposits | 60,318 | 128,213 |
| | 5,502,059 | 1,690,942 |
| Net cash provided by operating activities | | |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (4,729,704) | (2,817,782) |
| Purchases of restricted investments | (73,831,285) | (16,638,278) |
| Sales of restricted investments | 20,819,829 | 66,395,487 |
| Redemption of certificate of deposit | 675,461 | 850,665 |
| Assets held for sale | (159,885) | (86,893) |
| Proceeds from assets held for sale | 193,339 | 136,696 |
| Principal collections on notes receivable | 55,468 | 57,548 |
| | (56,976,777) | 47,897,443 |
| Net cash provided by (used in) investing activities | | |
| Cash flows from financing activities: | | |
| Notes payable - new borrowing | 55,746,106 | 173,828 |
| Notes payable - repayments | (5,429,119) | (48,554,159) |
| | 50,316,987 | (48,380,331) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in cash | (1,157,731) | 1,208,054 |
| Cash and cash equivalents, beginning of year | 3,867,909 | 2,659,855 |
| Cash and equivalents, end of year | \$ 2,710,178 | \$ 3,867,909 |

The Caritas Corporation and Affiliates
Consolidated Statements of Cash Flows (continued)
For the Years Ended December 31, 2021 and 2020

Supplemental disclosures

Cash paid for interest totaled \$11,565,247 in 2021 and \$13,256,685 in 2020.

Non-cash investing and financing activities during 2021 included \$10,760,660 for the purchase and financing of a mobile home park in Indio, California as follows:

| | |
|--------------------------------------|----------------------|
| Land, land improvements and building | <u>\$ 10,760,660</u> |
|--------------------------------------|----------------------|

Non-cash investing and financing activities during 2020 included \$37,620,000 for the purchase and financing of seven mobile home parks located in Oregon as follows:

| | |
|--|----------------------|
| Land, land improvements and building | \$ 34,163,950 |
| Deposit to debt service reserve fund | 2,466,900 |
| Deposit to repair and replacement fund | 65,000 |
| Cost of issuance | 416,280 |
| Underwriter discount | <u>507,870</u> |
| | <u>\$ 37,620,000</u> |

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 1 - Organization and summary of significant accounting policies

Organization and nature of activities

The Caritas Corporation and its affiliates, Caritas Affordable Housing, Inc.; Caritas Acquisitions I, LLC; Caritas Rancho Del Arroyo, LLC; Caritas Towne & Country, LLC; Caritas Acquisitions III, LLC; Caritas Acquisitions V, LLC; Caritas Acquisitions VI, LLC; Caritas Acquisitions VII, LLC; Caritas Acquisitions VIII, LLC; Caritas Shady Lane, LLC; Caritas Silver Lantern, LLC; and The Caritas Foundation (together the "Corporation") have been organized to lessen the burdens of government by working with local governmental entities to provide and maintain affordable housing projects, including mobile home parks and an apartment building, primarily in California. The corporation expanded its operations to Oregon during 2020. The affiliates are under the common control of the Board of Directors of The Caritas Corporation.

The Caritas Corporation, Caritas Affordable Housing, Inc. and The Caritas Foundation are California nonprofit public benefit corporations. Caritas Acquisitions I, LLC; Caritas Rancho Del Arroyo, LLC; Caritas Towne & Country, LLC; Caritas Acquisitions III, LLC; Caritas Acquisitions V, LLC; Caritas Acquisitions VI, LLC; Caritas Acquisitions VII, LLC; Caritas Acquisitions VIII, LLC; Caritas Shady Lane, LLC; and Caritas Silver Lantern, LLC are single member LLC's and the sole member of each LLC is The Caritas Corporation.

The Corporation is supported primarily through monthly rental payments from residents through month-to-month lease agreements.

Tax status

The Caritas Corporation, Caritas Affordable Housing, Inc. and The Caritas Foundation are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes. Caritas Acquisitions I, LLC; Caritas Rancho del Arroyo, LLC and Caritas Town & Country, LLC are disregarded single member LLC's for federal income tax purposes and are also exempt from federal income tax. The LLC's are exempt from state franchise or income tax under California Revenue and Taxation Code Section 23701(h).

Caritas Acquisitions III, LLC; Caritas Acquisitions V, LLC; Caritas Acquisitions VI, LLC; Caritas Acquisitions VIII, LLC; Caritas Shady Lane, LLC; and Caritas Silver Lantern, LLC are disregarded single member LLC's for federal income tax purposes and are also exempt from federal income tax. The LLC's were formed in 2016 to 2021 and have applied for exemption from income tax under California Revenue and Taxation Code Section 23701(h) and expect to be granted tax exempt status.

Caritas Acquisitions VII, LLC is a disregarded single member LLC for federal income tax purposes and is exempt from federal income tax. The LLC was formed in 2020 to acquire mobile home parks located in the state of Oregon. Under Oregon law, the entity is exempt from state income tax if it has received an exemption from federal income tax.

Generally Accepted Accounting Principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Corporation in its federal and state tax returns are more likely than not to be sustained upon examination.

Principles of consolidation

The Caritas Corporation publishes consolidated financial statements, which are its primary financial statements. These financial statements include the accounts of Caritas Affordable Housing, Inc.; Caritas Acquisitions I, LLC; Caritas Rancho Del Arroyo, LLC; Caritas Towne & Country, LLC; Caritas Acquisitions III, LLC; Caritas Acquisitions V, LLC; Caritas Acquisitions VI, LLC; Caritas Acquisitions VII, LLC; Caritas Acquisitions VIII, LLC; Caritas Shady Lane, LLC; Caritas Silver Lantern, LLC; and The Caritas Foundation, commonly controlled affiliates. All significant intercompany accounts and transactions have been eliminated in the consolidation.

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 1 - Organization and summary of significant accounting policies (continued)

Basis of presentation

The consolidated financial statements of the Corporation have been prepared on the accrual basis of accounting. The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Corporation has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent the donor restrictions were met in the year the contribution was received.

Contributed goods and services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or services that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided through donation, are recorded at fair value in the period received.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Corporation has cash equivalents of \$1,145,867 and \$1,388,611 at December 31, 2021 and 2020, respectively.

Cash consists of cash on hand and cash in demand deposit accounts.

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Certificate of deposit

The Corporation has certificates of deposit which totaled \$911,296 and \$1,586,757 as of December 31, 2021 and 2020, respectively. As of December 31, 2021, interest on the certificates of deposit accrue at rates between 0.10% to 1.35% with maturity dates that range between February 2022 to March 2024. As of December 31, 2020, interest on the certificates of deposit accrue at rates between 0.10% to 1.35% with maturity dates that range between January 2021 to March 2024.

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 1 - Organization and summary of significant accounting policies (continued)

Investments

The Corporation's investments are stated at fair value in the consolidated statement of financial position, with all gains and losses included in the consolidated statements of activities.

Fair value measurements

The Corporation adopted the provisions of ASC 820-10. Under ASC 820-10, fair value is defined 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."

ASC 820-10 establishes a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Corporation. Unobservable inputs reflect the Corporation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Corporation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Rents receivable

Rents receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to rents receivable. Allowance for doubtful rents receivable as of December 31, 2021 and 2020 was \$1,500.

Depreciation and amortization

Property and equipment are being carried at cost. Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives:

| <u>Asset type</u> | <u>Years</u> |
|------------------------|--------------|
| Buildings | 26-40 |
| Land improvements | 5-39 |
| Furniture and fixtures | 5-10 |
| Equipment | 5-7 |
| Automobiles | 5-7 |

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 1 - Organization and summary of significant accounting policies (continued)

Depreciation and amortization (continued)

Expenditures for major renewals and betterments in excess of \$1,000 that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Accounting for impairment of long-lived assets

The Corporation reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the years ended December 31, 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. For the years ended December 31, 2021 and 2020, all costs were specifically identified with either program or support.

Risks and uncertainties

In March 2020, the outbreak of a novel strain of coronavirus ("COVID-19") became widespread in the United States and was declared a National Emergency. The COVID-19 outbreak has caused business disruption through mandated closing of non-essential business operations. The extent of the impact of COVID-19 on the Corporation's operations and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on residents, employees, and vendors all of which are uncertain and cannot be predicted.

Subsequent events

Management evaluates events occurring subsequent to December 31, 2021 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 25, 2022 which is the date the consolidated financial statements were available to be issued.

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 2 - Notes receivable

Notes receivable for the sale of mobile homes to individuals at December 31, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Notes receivable from individuals payable in monthly installments ranging from \$122 to \$513, including interest at rates varying from 5% up to 10% per annum, maturing at varying dates, secured by mobile homes. | \$ 202,498 | \$ 224,649 |
| Less current portion | <u>(32,244)</u> | <u>(40,542)</u> |
| Notes receivable, net of current portion | <u>\$ 170,254</u> | <u>\$ 184,107</u> |

Maturities of these notes receivable are as follows:

| <u>Years Ending December 31,</u> | <u>Amount</u> |
|--------------------------------------|-------------------|
| 2022 | \$ 32,244 |
| 2023 | 25,933 |
| 2024 | 17,119 |
| 2025 | 16,611 |
| 2026 | 12,224 |
| Thereafter | <u>98,367</u> |
| | <u>\$ 202,498</u> |

Note 3 - Property and equipment

Property and equipment consist of the following:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-----------------------|-----------------------|
| Land | \$ 135,958,804 | \$ 127,388,031 |
| Buildings | 39,551,443 | 39,111,823 |
| Land improvements | 64,351,373 | 60,908,664 |
| Furniture and fixtures | 434,468 | 432,077 |
| Equipment | 2,344,284 | 2,228,269 |
| Automobiles | 78,590 | 78,590 |
| Construction in progress | <u>4,461,627</u> | <u>1,619,204</u> |
| | 247,180,589 | 231,766,658 |
| Accumulated depreciation | <u>(37,874,627)</u> | <u>(33,997,129)</u> |
| Property and equipment, net | <u>\$ 209,305,962</u> | <u>\$ 197,769,529</u> |

Depreciation expense for the years ended December 31, 2021 and 2020 was \$3,885,655 and \$3,327,455, respectively.

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
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Note 3 - Property and equipment (continued)

Certain provisions of loan and regulatory agreements restrict the use and disposition of land and other assets during the term of the agreement. Property and equipment are pledged as collateral for notes payable, which totaled \$209,305,962 as of December 31, 2021. See Note 6 for details.

Note 4 - Restricted investments

Restricted investments represent net operating cash flows from mobile home park operations and a portion of the proceeds from notes payable, as described in Note 6, which are held by financial institution trustees (the "Trustees") and controlled solely by the municipal financing authorities (the "Agencies") to whom the notes are payable. The loan proceeds originated from bond issues arranged by the Agencies. The purposes of the funds are generally as follows:

Debt Service Funds and Subordinate Debt Service Funds – To pay senior and subordinate bond principal and interest as it becomes due.

Debt Service Reserve Funds – To pay bond principal and interest as it becomes due if there are not sufficient funds in the Debt Service Fund.

Repair and Replacement Funds – A reserve for major repairs or replacements at the mobile home parks.

Administration Funds – For the payment of ordinary fees and expenses of fiduciaries as defined in the applicable bond agreement.

Surplus Funds – Amounts on deposit in the surplus funds are available for payment of debt service to remedy any shortfalls. If all debt service requirements are met, the Corporation has the ability to request funds from the Surplus Funds for expenses incurred related to new mobile home park acquisitions, repairs and improvements to the mobile home parks, administrative expenses related to the management of the mobile home parks or the repayment of outstanding indebtedness related to the mobile home parks.

Impound Funds – To pay property taxes and costs of maintaining insurance on the mobile home parks.

Operating Reserve Fund – Expenditures from this fund shall be used only (i) to make transfers to the Debt Service Fund, (ii) to pay extraordinary capital expenses or extraordinary operating expenses, and (iii) to reimburse the Agencies any costs and expenses incurred directly from any lawsuit filed against the Agencies not to exceed \$50,000.

Project Fund – Expenditures from this fund shall be used to pay (i) the initial acquisition of the collective facilities, improvements and land; and (ii) any additional project to finance or refinance the acquisition, construction or installation of additional facilities or assets, including capitalized interest to fund reserves, and/or to pay costs of issuance.

Cost of Issuance Fund – To pay costs related to the authorization, issuance, sale and delivery of the bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Bond Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and safekeeping of the bonds and any other cost, charge or fee in connection with the original issuance of the bonds.

Escrow Account – For the payment of debt that will be fully defeased in 2022. Amounts will be disbursed to pay annual interest and principal payments and final payoff on the redemption date of the underlying bonds in 2022. See Note 6 for further details on the defeased debt.

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 4 - Restricted investments (continued)

Fund balances may only be withdrawn upon written approval from officers of the Agencies and consist of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|----------------------|----------------------|
| Debt Service Funds | \$ 4,170,423 | \$ 6,490,433 |
| Debt Service Reserve Funds | 15,203,752 | 12,407,389 |
| Repair and Replacement Funds | 1,080,890 | 796,224 |
| Administration Funds | 107,677 | 61,371 |
| Surplus Funds | 956,248 | 579,849 |
| Impound Funds | 334,955 | 361,081 |
| Operating Reserve Fund | - | 156,489 |
| Project Fund | 7,748,300 | 57,121 |
| Cost of Issuance Fund | - | 45,954 |
| Escrow Account | <u>43,103,381</u> | <u>-</u> |
| | 72,705,626 | 20,955,911 |
| Current portion | <u>(48,672,667)</u> | <u>(4,074,859)</u> |
| Net of current portion | <u>\$ 24,032,959</u> | <u>\$ 16,881,052</u> |

Note 5 - Fair value measurements

The Corporation's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with Generally Accepted Accounting Principles (see Note 1).

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2021 and 2020:

| | <u>Fair Value Measurements Using:</u> | | |
|---------------------------------|---------------------------------------|--|--|
| | <u>Fair Value</u> | <u>Observable Inputs (Level 1)</u> | <u>Unobservable Inputs (Level 3)</u> |
| <u>December 31, 2021</u> | | | |
| Money market funds | \$ 15,996,091 | \$ 15,996,091 | \$ - |
| U.S Treasuries | 43,103,381 | 43,103,381 | - |
| Guaranteed investment contracts | <u>13,606,154</u> | <u>-</u> | <u>13,606,154</u> |
| Total investments at fair value | <u>\$ 72,705,626</u> | <u>\$ 59,099,472</u> | <u>\$ 13,606,154</u> |
| <u>December 31, 2020</u> | | | |
| Money market funds | \$ 9,928,567 | \$ 9,928,567 | \$ - |
| Guaranteed investment contracts | <u>11,027,344</u> | <u>-</u> | <u>11,027,344</u> |
| Total investments at fair value | <u>\$ 20,955,911</u> | <u>\$ 9,928,567</u> | <u>\$ 11,027,344</u> |

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 5 - Fair value measurements (continued)

The following table reconciles the beginning and ending balances of fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Balance, beginning of year | \$ 11,027,344 | \$ 11,076,017 |
| Total gains or losses (realized and unrealized) | 24,594 | 24,944 |
| Purchases | 11,348,712 | 4,835,612 |
| Sales | <u>(8,794,496)</u> | <u>(4,909,229)</u> |
| Balance, end of year | <u>\$ 13,606,154</u> | <u>\$ 11,027,344</u> |

The amount of total gains or losses for the year included in changes in net assets attributable to the changes in unrealized gains or losses relating to Level 3 investments still held at December 31, 2021 and 2020 were \$24,594 and \$24,944, respectively.

Gains and losses (realized and unrealized) included in changes in net assets for the years ended December 31, 2021 and 2020 are reported in investment return, net in the consolidated statements of activities. The cost basis for investments totaled \$72,761,288 and \$20,955,911 as of December 31, 2021 and 2020, respectively.

The Corporation's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2021 and 2020, there were no significant transfers into or out of Level 3.

Note 6 - Notes payable

Notes payable consist of the following:

| | <u>2021</u> | <u>2020</u> |
|--|--------------|--------------|
| Note payable to PNC Bank, National Association, payable in monthly installments of \$32,146 beginning January 2016 including interest at 4.56% per annum, final payment due January 1, 2026, secured by deed of trust on real property with assignment of leases and rents, security agreement and fixture filing. | \$ 5,649,967 | \$ 5,771,359 |
| Note payable to PNC Bank, National Association, payable in monthly installments of \$19,052 beginning January 2016 including interest at 4.53% per annum, final payment due January 1, 2026, secured by deed of trust on real property with assignment of leases and rents, security agreement and fixture filing. | 3,358,366 | 3,430,936 |

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 6 - Notes payable (continued)

| | <u>2021</u> | <u>2020</u> |
|--|---------------|-------------|
| Notes payable to California Municipal Finance Authority, payable in various installments beginning August 2022 including interest at rates varying from 0.827% to 4.0% per annum, final payments due August 2056, secured by a deed of trust on real property with an assignment of leases and rents, security agreement and fixture filing. | \$ 66,934,275 | \$ - |
| Notes payable to California Municipal Finance Authority, payable in various installments beginning August 2012 including interest at rates varying from 4.50% to 7.25% per annum, final payments due August 2047, secured by a deed of trust on real property with an assignment of leases and rents, security agreement and fixture filing. The principal and accrued interest will be paid in full during 2022 with funds in the Escrow Account, see Note 4. | 40,995,000 | 44,070,000 |
| Note payable to the California Mobile Home Park Financing Authority, payable in various annual installments beginning August 2014, including interest at rates varying from 4.75% to 5.25% per annum, final payment due August 2049. The note is secured by a deed of trust on real property with an assignment of leases and rents, security agreement and fixture filing. | 73,787,458 | 75,034,283 |
| Note payable to the California Mobile Home Park Financing Authority, payable in various annual installments beginning August 2025, including interest at rates varying from 5.25% to 5.875% per annum, final payment due August 2049. The note is secured by a deed of trust on real property with an assignment of leases and rents, security agreement and fixture filing. | 11,280,000 | 11,280,000 |
| Note payable to the California Municipal Finance Authority, payable in various annual installments beginning August 2018, including interest at rates varying from 3.00% to 5.00% per annum, final payment due August 2052. A portion of the proceeds of the note were used to pay defeased debt in 2020. The note is secured by a deed of trust on real property with an assignment of leases and rents, security agreement and fixture filing. | 61,693,231 | 62,663,039 |
| Note payable to City of Santa Monica. See note 7. | 158,580 | 59,132 |
| Note payable to Partners Bank of California payable in annual installments in the amount of \$140,382 including interest at 3.35% per annum, beginning February 2020 and the final payment is due February 2024. The note is secured by an assignment of a certificate of deposit account. | 119,670 | 249,731 |

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 6 - Notes payable (continued)

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| Note payable to the California Municipal Finance Authority, payable in various annual installments beginning August 2018, including interest at 4.00% per annum, final payment due August 2023. The note is secured by a deed of trust on real property with an assignment of leases and rents, security agreement and fixture filing. | \$ 350,000 | \$ 350,000 |
| Note payable to the U.S. Small Business Administration, payable in monthly installments of \$641 beginning June 2021, including interest at a rate of 2.75% per annum. The unsecured note matures in June 2051. | 151,692 | 149,900 |
| Note payable to the National Finance Authority, payable in interest only installments beginning February 2021 and various principal and interest annual installments beginning August 2026, including interest at rates varying from 3.75% to 4.50% per annum, final payment due August 2055. The note is secured by a deed of trust on real property with an assignment of leases and rents, security agreement and fixture filing. | 37,280,000 | 37,280,000 |
| Note payable to the National Finance Authority, payable in interest only installments beginning February 2021 and various principal and interest annual installments beginning August 2026, including interest 4.50% per annum, final payment due August 2027. The note is secured by a deed of trust on real property with an assignment of leases and rents, security agreement and fixture filing. | <u>340,000</u> | <u>340,000</u> |
| Total notes payable | 302,098,239 | 240,678,380 |
| Less unamortized debt issuance costs | (7,945,504) | (6,501,810) |
| Less current portion | <u>(44,789,202)</u> | <u>(2,724,676)</u> |
| Notes payable, net of current portion | \$ <u>249,363,533</u> | \$ <u>231,451,894</u> |

Maturities of notes payable are as follows:

| <u>Years ending December 31,</u> | <u>Amount</u> |
|--------------------------------------|-----------------------|
| 2022 | \$ 44,789,202 |
| 2023 | 4,164,483 |
| 2024 | 4,239,801 |
| 2025 | 4,605,594 |
| 2026 | 12,902,063 |
| Thereafter | <u>231,397,096</u> |
| | \$ <u>302,098,239</u> |

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 6 - Notes payable (continued)

Mandatory sinking fund deposits for payment of notes payable are as follows:

| Years ending December 31, | Amount |
|------------------------------|-----------------------|
| 2022 | \$ 560,000 |
| 2023 | 685,000 |
| 2024 | 1,045,000 |
| 2025 | 2,670,000 |
| 2026 | 3,055,000 |
| Thereafter | <u>238,205,000</u> |
| | <u>\$ 246,220,000</u> |

The note agreements contain certain restrictions and covenants. The Corporation is not aware of any non-compliance with covenants of other notes payable outstanding as of December 31, 2021 and 2020.

Note 7 - Program loan agreement

On June 11, 2018 the Corporation entered into a loan agreement with the City of Santa Monica as a part of the donation of the mobile home park. The purpose of the loan is to provide gap financing to operate and maintain Mountain View Mobile Home Park in connection with the Citywide Housing Trust Fund to preserve and increase affordable housing opportunities for lower income households. The borrowing base of the loan is \$500,000 and as of December 31, 2021 the amount advanced and the balance due was \$158,580, see Note 6. Interest is calculated and accrued at 4.55% per annum based on the outstanding principal balance. Annual payments are due 120 days after the beginning of each calendar year based on one-half of Residual Receipts as defined in the loan agreement. Annual payments are first applied to accrued interest and then to principal. The loan is secured by a Deed of Trust in real property and all principal and accrued interest are due June 2098. The loan may also convert to a grant within seven years of the effective date of the loan subject to certain conditions.

In order for the loan to convert to a grant without City of Santa Monica approval, the occupancy must be up to 94 spaces at the average rate of 2 or more additional occupancies per year from the effective date of the loan. In order for the loan to convert to a grant with City of Santa Monica approval within 10 years of the effective date of the loan the City of Santa Monica confirms the occupancy has increased to 94 spaces; the Organization has satisfied all of the obligations under the loan agreement and the borrower is not in default of any of the financing documents.

The total number of spaces available for rent in Mountain View Mobile Home Park (the "Park") are 105. Occupancy of the Park was as follows:

| Date | Spaces Occupied |
|-------------------------------|--------------------|
| Date Acquired (June 11, 2018) | 79 |
| December 31, 2018 | 80 |
| December 31, 2019 | 78 |
| December 31, 2020 | 78 |
| December 31, 2021 | 77 |

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 8 - Lease commitment

The Corporation entered into a 10-year lease with a related party effective February 2018 for the lease of its corporate offices and furniture. The lease requires monthly payments ranging from \$11,473 to \$14,368. Rent expense totaled \$135,551 and \$141,858 for the years ended December 31, 2021 and 2020, respectively. An estimate of future annual lease payments to the original termination date of the lease is:

| Years ending December 31, | Amount |
|------------------------------|-------------------|
| 2022 | \$ 144,234 |
| 2023 | 149,560 |
| 2024 | 155,214 |
| 2025 | 161,195 |
| 2026 | 167,504 |
| Thereafter | <u>129,315</u> |
| | <u>\$ 907,022</u> |

Note 9 - Concentrations of credit risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of rents, notes receivable and uninsured cash and cash equivalents. Concentrations of credit are limited with respect to these rents receivable due to the large number of tenants comprising the Corporation's residents and their dispersion across different geographic locations. At December 31, 2021 and 2020, the Corporation's uninsured cash balance totaled \$3,838,994 and \$5,990,119, respectively.

Note 10 - Related-party transactions

An entity which is controlled by an officer and Chairman of the Board of the Corporation provided accounting and asset management services of \$826,256 and \$838,357 for the years ended December 31, 2021 and 2020, respectively. See the table below for a detail of the services provided for the years ended December 31, 2021 and 2020. Accounts payable and accrued expenses at December 31, 2021 and 2020 include \$11,978 and \$43,815, respectively, due to this related party. The services were incurred in accordance with an Asset Management Agreement with an effective date of January 1, 2010. The Asset Management Agreement provides for a fee based on actual billing rates by individuals performing the services and not to exceed an amount equal to one-half of one percent (1/2%) of the value of the real estate assets owned by the Corporation. In addition, there are services identified in the Asset Management Agreement that are not included in the asset management fee and are to be billed in addition to the fees contemplated on the 1/2% of the real estate value based on actual time incurred and approved by the Corporation. For the years ended December 31, 2021 and 2020, the Corporation incurred less than the agreed upon asset management fee as indicated in the table below. For the years ended December 31, 2021 and 2020, the Corporation saved approximately \$442,371 and \$265,352, respectively, due to the fact that no additional amounts for each of the respective years are going to be billed to the Corporation.

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 10 - Related-party transactions (continued)

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Maximum asset management fee (1/2% of real estate value) | \$ 1,844,628 | \$ 1,679,709 |
| Asset management fee based on actual time incurred | <u>576,000</u> | <u>576,000</u> |
| Asset management fee available to be billed | \$ <u>1,268,628</u> | \$ <u>1,103,709</u> |
| Asset management fee based on actual time incurred | \$ 576,000 | \$ 576,000 |
| Audit and tax fees incurred | 145,662 | 155,055 |
| Due Diligence and refinancing consulting services | <u>104,595</u> | <u>107,302</u> |
| Total fees incurred | \$ <u>826,257</u> | \$ <u>838,357</u> |

The Corporation reimburses an entity that is owned by an officer of the Corporation and Chairman of the Board of the Corporation for processing payroll and providing the related health benefits, 401(k) plan benefits, workers compensation insurance and human resources oversight. There is no fee charged to the Corporation for this service and all actual costs incurred for the Corporation are charged to and paid by the Corporation. For the years ended December 31, 2021 and 2020, \$758,229 and \$1,078,010 was paid to this related party, respectively. During 2021, the payroll process changed and rather than reimbursing the related entity for the payroll costs, the Corporation began paying directly to the payroll service provider and health insurance carriers.

An entity that is a subsidiary of the entity providing asset management services to the Corporation, provided technology consulting services and furnished computer hardware in the amounts of \$88,085 and \$73,154 for the years ended December 31, 2021 and 2020, respectively. The services provided were classified as computer equipment/services in both years. Accounts payable at December 31, 2021 and 2020 include \$613 and \$2,275, respectively, due to this related party.

The Corporation moved its banking relationship to Partners Bank of California in February of 2008. One of the officers and Chairman of the Board of the Corporation is a shareholder of the bank. Fees paid to the bank for the years ended December 31, 2021 and 2020 were \$1,265 and \$1,287, respectively. During the year ended December 31, 2019 Partners Bank of California made a loan to the Corporation to make improvements at Sterling Shores Mobile Home Park, see Note 6.

The Corporation paid rent to an entity controlled by an officer and Chairman of the Board of the Corporation. In 2018 the Corporation moved its office location into a new suite of offices along with the entity controlled by an officer and Chairman of the Board of the Corporation, see Note 8. The Corporation obtained expanded office and conference space and a full complement of new office furniture for both executives and the Corporation's employees. The Corporation paid its respective cost of the lease of this new location based solely upon its allocation of floor space taken on by the Corporation. The rental payments for the years ended December 31, 2021 and 2020 were \$135,551 and \$141,858, respectively.

During 2020, the property management company combined with a company owned by one of the Organization's board members. For the years ended December 31, 2021 and 2020, fees paid for property management services were \$1,166,789 and \$1,058,439, respectively. In addition, the Organization's site employees are on the payroll of the property management company as they have been in years' past. For the years ended December 31, 2021 and 2020, payroll and related costs reimbursed to the property management company were \$2,584,397 and \$2,587,257, respectively.

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 11 - Compensated absences

Employees of the Corporation are entitled to paid vacation and paid sick days, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 12 - Net assets (deficit)

Without donor restrictions:

On October 16, 2003 the Corporation refinanced long-term debt relative to the acquisition of five mobile home park projects owned by the Corporation. The Corporation incurred a loss of approximately \$5.2 million relative to extinguishing the existing debt. On June 10, 2014 the Corporation refinanced long-term debt relative to the acquisition of five mobile home park projects owned by the Corporation. The Corporation incurred a loss of approximately \$4.3 million relative to extinguishing the existing debt due to write off of debt issuance costs. The losses were classified as a write off of intangible assets due to refinanced debt in the consolidated statement of activities for the years ended December 31, 2014 and December 31, 2003, respectively and is the primary factor contributing to the deficit in net assets as of December 31, 2021.

With donor restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Subject to expenditure for specific purpose: | | |
| Valley Village Mobile Home Park | \$ <u>1,200,000</u> | \$ <u>1,200,000</u> |
| | \$ <u>1,200,000</u> | \$ <u>1,200,000</u> |

Net assets were released for donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-------------|------------------|
| Satisfaction of purpose restriction: | | |
| Purchase of Napa Valley Property | \$ - | \$ 27,406 |
| Buena Vista Club House Renovations | <u>-</u> | <u>4,999</u> |
| | \$ <u>-</u> | \$ <u>32,405</u> |

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 13 - Fair value of financial instruments

For cash and cash equivalents, certificates of deposit, restricted investments, rents receivable, interest receivable, prepaid expenses, notes receivable, accounts payable and other current liabilities, the carrying amount approximates the fair value because of the immediate or short-term nature of those instruments.

The fair value of the notes payable to the Agencies at December 31, 2021 was estimated to be \$306,393,226. The fair value is based on trading prices of the underlying bonds as of December 31, 2021 and trading prices of similar instruments.

The carrying values and fair values of the Corporation's financial instruments are as follows at December 31, 2021:

| | <u>Carrying Amount</u> | <u>Fair Value</u> |
|---|----------------------------|-----------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 2,710,178 | \$ 2,710,718 |
| Certificates of deposit | 911,296 | 911,296 |
| Restricted investments | 72,705,626 | 72,705,626 |
| Rents receivable (net of allowance for doubtful accounts) | 265,572 | 265,572 |
| Interest receivable | 227,412 | 227,412 |
| Prepaid expenses | 491,295 | 491,295 |
| Notes receivable | 202,498 | 202,498 |
| Financial liabilities: | | |
| Current liabilities excluding notes payable | 5,790,908 | 5,790,908 |
| Notes payable | 302,098,239 | 306,393,226 |

The information is intended to include fair value of financial instruments and does not include fair value of property and equipment because it is impractical to do so.

The Caritas Corporation and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 14 - Liquidity and availability of financial assets

The following reflects the Corporation's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts restricted by the Trustees and Agencies that could be drawn upon with written approval from officers of the Agencies as well as amounts restricted by a donor that will not be available for expenditure in the following year.

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 2,710,178 | \$ 3,867,909 |
| Certificates of deposit | 250,000 | 934,330 |
| Restricted investments available for current debt service | 48,672,667 | 4,074,859 |
| Rents receivable, collected in less than one year | 265,572 | 169,020 |
| Interest receivable | 227,412 | - |
| Notes receivable, current portion | <u>32,244</u> | <u>40,542</u> |
| Total financial assets, excluding noncurrent receivables | 52,158,073 | 9,086,660 |
| Contractual or donor-imposed restrictions: | | |
| Restricted investments held by the Trustees and controlled solely by the Agencies | (48,672,667) | (4,074,859) |
| Interest receivable | (227,412) | - |
| Donor restricted by the City of Rohnert Park for rehabilitation of Valley Village Mobile Home Park | <u>(1,200,000)</u> | <u>(1,200,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 2,057,994</u></u> | <u><u>\$ 3,311,801</u></u> |

SUPPLEMENTARY INFORMATION

THE CARITAS CORPORATION AND AFFILIATES
SCHEDULE I
STATEMENT OF ACTIVITIES BY FINANCING POOL AND AFFILIATES
FOR THE YEAR ENDED DECEMBER 31, 2021

| | CMFA 2014 | CMFA 2012 / 2017 / 2021 | National Finance Authority 2020 | Fresno/Oceano PNC Bank | | | | | | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|------------------------|-----------------------|--------------------|--------------------|-------------------|--------------------|---------------------|
| | Mobile Home Park Financing Pool | Mobile Home Park Financing Pool | Mobile Home Park Financing Pool | Mobile Home Park Financing Pool | Caritas Corporation | Caritas Foundation | Santa Monica | Napa Valley | Shady Lane | Eliminations | Total |
| Support and revenues | | | | | | | | | | | |
| Net rental income | \$ 10,942,838 | \$ 11,594,172 | \$ 2,339,811 | \$ 1,774,105 | \$ - | \$ - | \$ 357,766 | \$ - | \$ 127,294 | \$ - | \$ 27,135,986 |
| Other ancillary income | 2,495,509 | 3,817,122 | 185,639 | 475,771 | 1,449,897 | - | 105,857 | - | 75,986 | (1,445,403) | 7,160,378 |
| Investment return, net | 133,500 | (52,241) | 204 | 412 | 17,588 | - | - | - | - | - | 99,463 |
| Contributions | - | - | - | - | 50,000 | 170,054 | - | - | - | (220,000) | 54 |
| Total support and revenues | 13,571,847 | 15,359,053 | 2,525,654 | 2,250,288 | 1,517,485 | 170,054 | 463,623 | - | 203,280 | (1,665,403) | 34,395,881 |
| Expenses | | | | | | | | | | | |
| Program expenses | | | | | | | | | | | |
| Park maintenance and utilities | 3,699,277 | 4,259,566 | 354,255 | 692,975 | - | 97 | 244,133 | 263 | 128,225 | - | 9,378,791 |
| Administrative | 2,251,745 | 3,184,389 | 350,545 | 486,792 | 6,601 | 92,788 | 228,840 | 5,890 | 42,318 | (1,465,651) | 5,184,257 |
| Taxes and insurance | 366,408 | 419,140 | 81,377 | 105,639 | - | - | 44,357 | 12,865 | 27,358 | - | 1,057,144 |
| Depreciation | 1,604,200 | 1,773,513 | 223,882 | 249,452 | - | - | 21,503 | - | 11,472 | - | 3,884,022 |
| Interest | 4,301,156 | 5,389,892 | 1,710,237 | 458,305 | - | - | 5,031 | - | - | - | 11,864,621 |
| Ancillary program expenses | - | - | - | - | - | 82,166 | - | - | - | - | 82,166 |
| Total program expenses | 12,222,786 | 15,026,500 | 2,720,296 | 1,993,163 | 6,601 | 175,051 | 543,864 | 19,018 | 209,373 | (1,465,651) | 31,451,001 |
| General and administration expenses | | | | | | | | | | | |
| Salaries and related expenses | - | - | - | - | 1,117,775 | - | - | - | - | - | 1,117,775 |
| Rent | - | - | - | - | 113,896 | - | - | - | - | - | 113,896 |
| Professional fees | - | - | - | - | 351,342 | - | - | - | - | - | 351,342 |
| Taxes and insurance | - | - | - | - | 28,007 | - | - | - | - | - | 28,007 |
| Depreciation | - | - | - | - | 1,633 | - | - | - | - | - | 1,633 |
| Interest | - | - | - | - | 29,344 | - | - | - | - | - | 29,344 |
| Office and miscellaneous expenses | - | - | - | - | 331,764 | - | - | - | - | (220,000) | 111,764 |
| Total general and administration | - | - | - | - | 1,973,761 | - | - | - | - | (220,000) | 1,753,761 |
| Total expenses | 12,222,786 | 15,026,500 | 2,720,296 | 1,993,163 | 1,980,362 | 175,051 | 543,864 | 19,018 | 209,373 | (1,685,651) | 33,204,762 |
| Change in net assets (deficit) | \$ 1,349,061 | \$ 332,553 | \$ (194,642) | \$ 257,125 | \$ (462,877) | \$ (4,997) | \$ (80,241) | \$ (19,018) | \$ (6,093) | \$ 20,248 | \$ 1,191,119 |

THE CARITAS CORPORATION AND AFFILIATES

SCHEDULE II

STATEMENT OF ACTIVITIES - CMFA 2014 MOBILE HOME PARK FINANCING POOL
FOR THE YEAR ENDED DECEMBER 31, 2021

| | CMFA 2014 Mobile Home Park Financing Pool | | | | | | | | | | |
|--|---|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|----------------------------|---------------------|
| | Friendly Village | Hacienda | Rancho Brea | Vista Manor | Estrella De Oro | Valley Village | Desert Sands | Aztec | Sterling Shores | Caritas Affordable Housing | Total |
| Support and revenues | | | | | | | | | | | |
| Net rental income | \$ 2,439,833 | \$ 1,317,810 | \$ 1,086,854 | \$ 1,028,198 | \$ 781,857 | \$ 2,213,142 | \$ 635,094 | \$ 903,213 | \$ 536,837 | \$ - | \$ 10,942,838 |
| Other ancillary income | 358,155 | 280,457 | 272,152 | 208,388 | 128,360 | 619,790 | 273,030 | 321,450 | 33,727 | - | 2,495,509 |
| Investment return, net | 8,066 | 434 | - | 423 | - | - | 30 | (37,558) | - | 162,105 | 133,500 |
| Total support and revenues | 2,806,054 | 1,598,701 | 1,359,006 | 1,237,009 | 910,217 | 2,832,932 | 908,154 | 1,187,105 | 570,564 | 162,105 | 13,571,847 |
| Expenses | | | | | | | | | | | |
| Program expenses | | | | | | | | | | | |
| Park maintenance and utilities | 688,346 | 556,496 | 341,899 | 301,113 | 222,224 | 809,632 | 338,033 | 339,999 | 101,535 | - | 3,699,277 |
| Administrative | 369,475 | 303,523 | 141,565 | 169,137 | 151,795 | 321,158 | 158,094 | 184,290 | 102,521 | 350,187 | 2,251,745 |
| Taxes and insurance | 32,691 | 25,385 | 17,277 | 26,494 | 16,461 | 83,913 | 27,397 | 79,002 | 57,788 | - | 366,408 |
| Depreciation | 216,987 | 145,942 | 126,093 | 195,236 | 124,896 | 322,565 | 123,230 | 227,621 | 121,630 | - | 1,604,200 |
| Interest | 228 | 264 | 110 | 142 | 191 | 821 | - | 4,487 | - | 4,294,913 | 4,301,156 |
| Ancillary program expenses | - | - | - | - | - | - | - | - | - | - | - |
| Total program expenses | 1,307,727 | 1,031,610 | 626,944 | 692,122 | 515,567 | 1,538,089 | 646,754 | 835,399 | 383,474 | 4,645,100 | 12,222,786 |
| General and administration expenses | | | | | | | | | | | |
| Salaries and related expenses | - | - | - | - | - | - | - | - | - | - | - |
| Rent | - | - | - | - | - | - | - | - | - | - | - |
| Professional fees | - | - | - | - | - | - | - | - | - | - | - |
| Taxes and insurance | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - |
| Office and miscellaneous expenses | - | - | - | - | - | - | - | - | - | - | - |
| Total general and administration | - | - | - | - | - | - | - | - | - | - | - |
| Total expenses | 1,307,727 | 1,031,610 | 626,944 | 692,122 | 515,567 | 1,538,089 | 646,754 | 835,399 | 383,474 | 4,645,100 | 12,222,786 |
| Change in net assets (deficit) | \$ 1,498,327 | \$ 567,091 | \$ 732,062 | \$ 544,887 | \$ 394,650 | \$ 1,294,843 | \$ 261,400 | \$ 351,706 | \$ 187,090 | \$ (4,482,995) | \$ 1,349,061 |

THE CARITAS CORPORATION AND AFFILIATES

SCHEDULE III

STATEMENT OF ACTIVITIES - CMFA 2012/2017/2021 MOBILE HOME PARK FINANCING POOL
FOR THE YEAR ENDED DECEMBER 31, 2021

| CMFA 2012/2017/2021 Mobile Home Park Financing Pool | | | | | | | | | | | | |
|---|--------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------------|-------------------|
| | El Dorado Palms | Bahia Village | Mountain View | Emerald Isle | Castle City | Casa Grande | Brierwood | Valle Verde | Silver Lantern | Riverdale | Caritas Acquisitions | Total |
| Support and revenues | | | | | | | | | | | | |
| Net rental income | \$ 1,163,400 | \$ 2,056,064 | \$ 1,642,554 | \$ 1,126,634 | \$ 1,453,910 | \$ 1,255,300 | \$ 1,532,481 | \$ 991,462 | \$ 312,439 | \$ 59,928 | \$ - | \$ 11,594,172 |
| Other ancillary income | 626,482 | 292,051 | 778,741 | 197,499 | 360,328 | 227,200 | 882,850 | 424,357 | 19,852 | 7,762 | - | 3,817,122 |
| Investment return, net | - | 28 | - | 2,285 | - | - | - | - | - | - | (54,554) | (52,241) |
| Total support and revenues | 1,789,882 | 2,348,143 | 2,421,295 | 1,326,418 | 1,814,238 | 1,482,500 | 2,415,331 | 1,415,819 | 332,291 | 67,690 | (54,554) | 15,359,053 |
| Expenses | | | | | | | | | | | | |
| Program expenses | | | | | | | | | | | | |
| Park maintenance and utilities | 675,139 | 325,378 | 659,899 | 255,400 | 630,183 | 254,717 | 915,316 | 487,000 | 51,738 | 4,796 | - | 4,259,566 |
| Administrative | 244,295 | 250,685 | 332,560 | 166,338 | 253,557 | 161,782 | 370,059 | 160,959 | 16,320 | 6,519 | 1,221,315 | 3,184,389 |
| Taxes and insurance | 58,466 | 31,822 | 50,184 | 26,717 | 80,253 | 76,021 | 37,614 | 38,114 | 13,092 | 6,857 | - | 419,140 |
| Depreciation | 106,569 | 185,261 | 192,740 | 102,822 | 424,664 | 311,658 | 250,986 | 130,785 | 63,122 | 4,906 | - | 1,773,513 |
| Interest | 328 | 106 | 106 | 106 | 93 | - | 46 | 106 | 64 | - | 5,388,937 | 5,389,892 |
| Ancillary program expenses | - | - | - | - | - | - | - | - | - | - | - | - |
| Total program expenses | 1,084,797 | 793,252 | 1,235,489 | 551,383 | 1,388,750 | 804,178 | 1,574,021 | 816,964 | 144,336 | 23,078 | 6,610,252 | 15,026,500 |
| General and administration expenses | | | | | | | | | | | | |
| Salaries and related expenses | - | - | - | - | - | - | - | - | - | - | - | - |
| Rent | - | - | - | - | - | - | - | - | - | - | - | - |
| Professional fees | - | - | - | - | - | - | - | - | - | - | - | - |
| Taxes and insurance | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - |
| Office and miscellaneous expenses | - | - | - | - | - | - | - | - | - | - | - | - |
| Total general and administration | - | - | - | - | - | - | - | - | - | - | - | - |
| Total expenses | 1,084,797 | 793,252 | 1,235,489 | 551,383 | 1,388,750 | 804,178 | 1,574,021 | 816,964 | 144,336 | 23,078 | 6,610,252 | 15,026,500 |
| Change in net assets (deficit) | \$ 705,085 | \$ 1,554,891 | \$ 1,185,806 | \$ 775,035 | \$ 425,488 | \$ 678,322 | \$ 841,310 | \$ 598,855 | \$ 187,955 | \$ 44,612 | \$ (6,664,806) | \$ 332,553 |

THE CARITAS CORPORATION AND AFFILIATES

SCHEDULE IV

STATEMENT OF ACTIVITIES - NATIONAL FINANCE AUTHORITY 2020 MOBILE HOME PARK FINANCING POOL
FOR THE YEAR ENDED DECEMBER 31, 2021

| | National Finance Authority 2020 Mobile Home Park Financing Pool | | | | | | | | |
|--|---|--------------------|-------------------|--------------------|-------------------|------------------|-------------------|-----------------------------|---------------------|
| | Belle Passi | Chateau Village | Holly Tree | Hubbard Estates | Lazy Acres | Lone Acres | Sherwood Manor | Caritas Acquisitions VII | Total |
| Support and revenues | | | | | | | | | |
| Net rental income | \$ 154,997 | \$ 617,938 | \$ 441,299 | \$ 281,543 | \$ 240,845 | \$ 96,358 | \$ 506,831 | \$ - | \$ 2,339,811 |
| Other ancillary income | (665) | 6,635 | 48,787 | 43,518 | 334 | - | 87,030 | - | 185,639 |
| Investment return, net | - | - | - | - | - | - | - | 204 | 204 |
| Total support and revenues | 154,332 | 624,573 | 490,086 | 325,061 | 241,179 | 96,358 | 593,861 | 204 | 2,525,654 |
| Expenses | | | | | | | | | |
| Program expenses | | | | | | | | | |
| Park maintenance and utilities | 22,280 | 59,804 | 64,345 | 61,972 | 30,637 | 5,717 | 109,500 | - | 354,255 |
| Administrative | 21,173 | 89,826 | 40,088 | 42,163 | 29,689 | 12,089 | 76,665 | 38,852 | 350,545 |
| Taxes and insurance | 3,209 | 16,542 | 22,458 | 13,801 | 4,918 | 3,824 | 16,625 | - | 81,377 |
| Depreciation | 12,871 | 59,679 | 8,598 | 27,222 | 19,468 | 43,676 | 52,368 | - | 223,882 |
| Interest | - | - | - | - | - | - | - | 1,710,237 | 1,710,237 |
| Total program expenses | 59,533 | 225,851 | 135,489 | 145,158 | 84,712 | 65,306 | 255,158 | 1,749,089 | 2,720,296 |
| General and administration expenses | | | | | | | | | |
| Salaries and related expenses | - | - | - | - | - | - | - | - | - |
| Rent | - | - | - | - | - | - | - | - | - |
| Professional fees | - | - | - | - | - | - | - | - | - |
| Taxes and insurance | - | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - | - |
| Office and miscellaneous expenses | - | - | - | - | - | - | - | - | - |
| Total general and administration | - | - | - | - | - | - | - | - | - |
| Total expenses | 59,533 | 225,851 | 135,489 | 145,158 | 84,712 | 65,306 | 255,158 | 1,749,089 | 2,720,296 |
| Change in net assets (deficit) | \$ 94,799 | \$ 398,722 | \$ 354,597 | \$ 179,903 | \$ 156,467 | \$ 31,052 | \$ 338,703 | \$ (1,748,885) | \$ (194,642) |