

Masonic Homes of California and Subsidiary

Consolidated Financial Statements
and Supplementary Information

October 31, 2024
(With Comparative Totals for 2023)



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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
Masonic Homes of California and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Masonic Homes of California and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of October 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 Masonic Homes of California and Subsidiary as of October 31, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Masonic Homes of California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Masonic Homes of California's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's 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 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 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, including omissions, 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 Masonic Homes of California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Masonic Homes of California'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 42 - 49 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.

The accompanying supplemental schedule of supporting services expenses is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

The consolidated financial statements of Masonic Homes of California and Subsidiaries as of October 31, 2023, were audited by other auditors whose report dated February 23, 2024, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2023, is consistent in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

San Francisco, California

February 25, 2025

Masonic Homes of California and Subsidiary
Consolidated Statement of Financial Position
October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 26,783	\$ 32,014
Funds held for residents, current portion	773	1,201
Receivables, net	4,504	3,341
Prepaid expenses and other assets	1,824	1,808
Related party receivable, current portion	101	188
Assets held for sale	884	2,379
Total current assets	34,869	40,931
Noncurrent assets		
Investments, at fair value	927,632	823,682
Related party receivable, net of current portion	113	131
Property and equipment, net	260,163	266,347
Assets held in trusts	12,213	10,692
Funds held for residents, net	855	529
Other assets	565	623
Total noncurrent assets	1,201,541	1,102,004
Total assets	\$ 1,236,410	\$ 1,142,935
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,062	\$ 3,882
Accrued payroll and benefits	3,118	3,640
Long term debt, current portion	6,377	6,082
Liability for funds held for residents, current portion	773	1,201
Due to related parties	159	189
Total current liabilities	12,489	14,994
Long-term liabilities		
Liability to beneficiaries of split-interest agreements	1,880	1,791
Long term debt, net	110,520	116,319
Funds held for residents, net	855	529
Refundable advance fees	45,144	44,262
Deferred revenue	20,286	21,526
Total long-term liabilities	178,685	184,427
Total liabilities	191,174	199,421
Net assets		
Without donor restrictions	863,485	763,339
With donor restrictions	181,751	180,175
Total net assets	1,045,236	943,514
Total liabilities and net assets	\$ 1,236,410	\$ 1,142,935

The accompanying notes are an integral part of these consolidated financial statements.

Masonic Homes of California and Subsidiary
Consolidated Statement of Activities
For the Year Ended October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues, gains (losses), and other support				
Contributions	\$ 53	\$ 519	\$ 572	\$ 550
Bequests and memorials	1,791	2,338	4,129	1,351
Amortization of deferred revenue from assigned assets	2,245	-	2,245	2,060
Amount received from pensions assigned by resident	6,287	-	6,287	5,590
Fee-for-service revenue	10,666	-	10,666	9,520
Health service revenue	10,509	-	10,509	8,402
Other income	3,122	-	3,122	4,639
Investment income	6,988	220	7,208	7,991
Net realized gains on investments	75,774	846	76,620	435
Net unrealized gains on investments	80,281	1,657	81,938	34,584
Change in value of split-interest agreements	-	1,494	1,494	100
Write-off of unamortized bond issuance costs	-	-	-	(414)
Net assets released from restriction	5,498	(5,498)	-	-
Total revenues, gains (losses), and other support	<u>203,214</u>	<u>1,576</u>	<u>204,790</u>	<u>74,808</u>
Functional expenses				
Program services				
Acacia Creek Operation	14,078	-	14,078	13,352
Masonic Homes Operation	68,701	-	68,701	56,624
Masonic Outreach Services	4,981	-	4,981	4,860
Masonic Center for Youth and Families	4,476	-	4,476	4,294
Scholarship and Community Sponsorship	383	-	383	151
Total program services	<u>92,619</u>	<u>-</u>	<u>92,619</u>	<u>79,281</u>
Support services				
Marketing	750	-	750	688
Administration/ shared services	8,610	-	8,610	8,233
Fundraising	1,089	-	1,089	1,009
Total support services	<u>10,449</u>	<u>-</u>	<u>10,449</u>	<u>9,930</u>
Total functional expenses	<u>103,068</u>	<u>-</u>	<u>103,068</u>	<u>89,211</u>
Change in net assets	100,146	1,576	101,722	(14,403)
Net assets, beginning of year	<u>763,339</u>	<u>180,175</u>	<u>943,514</u>	<u>957,917</u>
Net assets, end of year	<u>\$ 863,485</u>	<u>\$ 181,751</u>	<u>\$ 1,045,236</u>	<u>\$ 943,514</u>

The accompanying notes are an integral part of these consolidated financial statements.

Masonic Homes of California and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

	Program Services					Support Services				2024 Total	2023 Total	
	Acacia Creek Operation	Masonic Homes Operation	Masonic Outreach Services	Masonic Center for Youth and Families	Scholarship and Community Sponsorship	Total Program Services	Marketing	Administration/ Shared Services	Fundraising			Total Support Services
Personnel expenses												
Salaries and wages	\$ 3,156	\$ 23,297	\$ 1,816	\$ 2,895	\$ -	\$ 31,164	\$ 203	\$ -	\$ -	\$ 203	\$ 31,367	\$ 28,600
Employee benefits	860	5,127	333	466	-	6,786	48	-	-	48	6,834	6,110
Payroll taxes	226	1,605	130	215	-	2,176	15	-	-	15	2,191	1,972
Pension plan contributions	197	1,448	111	151	-	1,907	13	-	-	13	1,920	1,762
Audit and tax fees	25	123	-	-	-	148	-	-	-	-	148	147
Legal fees	6	1,752	-	-	-	1,758	-	-	-	-	1,758	115
Other professional fees	62	404	18	64	-	548	191	-	-	191	739	937
Operating supplies and services	548	1,520	118	140	-	2,326	151	-	-	151	2,477	2,162
Information technology	2	79	-	12	-	93	-	-	-	-	93	47
Dues, licenses, and permit	43	325	-	6	-	374	-	-	-	-	374	360
Insurance	666	2,024	-	72	-	2,762	-	-	-	-	2,762	2,414
Property taxes	115	360	-	-	-	475	-	-	-	-	475	462
Utilities, maintenance, and facility expenses	1,125	5,721	5	326	-	7,177	-	-	-	-	7,177	4,268
Travel	12	171	127	34	-	344	-	-	-	-	344	344
Resident care and services	1,158	13,389	22	29	-	14,598	15	-	-	15	14,613	12,371
Nonresident assistance	-	-	2,300	-	298	2,598	-	-	-	-	2,598	2,368
Depreciation and amortization	2,788	10,096	-	41	-	12,925	-	-	-	-	12,925	10,832
Promotion and advertising	-	-	-	-	-	-	111	-	-	111	111	93
Scholarship and community sponsorship	-	-	-	-	85	85	-	-	-	-	85	151
Interest expense	3,064	1,015	-	-	-	4,079	-	-	-	-	4,079	4,263
Miscellaneous expenses	25	245	1	25	-	296	3	-	-	3	299	191
Shared service allocation	-	-	-	-	-	-	-	8,610	1,089	9,699	9,699	9,242
	<u>\$ 14,078</u>	<u>\$ 68,701</u>	<u>\$ 4,981</u>	<u>\$ 4,476</u>	<u>\$ 383</u>	<u>\$ 92,619</u>	<u>\$ 750</u>	<u>\$ 8,610</u>	<u>\$ 1,089</u>	<u>\$ 10,449</u>	<u>\$ 103,068</u>	<u>\$ 89,211</u>

The accompanying notes are an integral part of these consolidated financial statements.

Masonic Homes of California and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

	2024	2023
Cash flows from operating activities		
Contributions and bequests received	\$ 4,602	\$ 1,479
Net proceeds from assigned assets	1,147	4,816
Amounts received from assigned assets	6,287	5,590
Net proceeds/ (settlements) from sale of resident assets	1,109	(1,072)
Investment income received	7,208	7,991
Fee-for-service revenue	10,666	9,520
Health service revenue	10,652	8,604
Other income	990	2,130
Net proceeds from split-interest agreements	64	(3)
Cash paid for expenses	<u>(92,566)</u>	<u>(76,348)</u>
Net cash used in operating activities	<u>(49,841)</u>	<u>(37,293)</u>
Cash flows from investing activities		
Net proceeds from sales of investments	121,014	149,804
Purchase of investments	(66,408)	(68,707)
Purchase of property and equipment	<u>(6,705)</u>	<u>(21,568)</u>
Net cash provided by investing activities	<u>47,901</u>	<u>59,529</u>
Cash flows from financing activities		
Cash received from residents subject to refund	6,246	8,816
Deposits refunded to residents	(4,537)	(4,473)
Contributions restricted for long term investments	98	421
Funds held for residents	327	(13)
Bond issuance cost payment	-	(240)
Payments for other financing activities	(4)	-
Proceeds from the issuance of long-term debt	586	80,708
Payments on long-term debt	<u>(6,109)</u>	<u>(90,326)</u>
Net cash used in financing activities	<u>(3,393)</u>	<u>(5,107)</u>
Net increase (decrease) in cash and cash equivalents	(5,333)	17,129
Cash and cash equivalents, beginning of year	<u>33,744</u>	<u>16,615</u>
Cash and cash equivalents, end of year	<u>\$ 28,411</u>	<u>\$ 33,744</u>

The accompanying notes are an integral part of these consolidated financial statements.

Masonic Homes of California and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 101,722	\$ (14,403)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	12,925	10,832
Amortization of deferred revenue	(2,245)	(2,060)
Amortization due to death and withdrawal	(969)	(2,787)
Write-off of unamortized bond issuance cost	-	414
Realized and unrealized (gain) loss on investments	(158,558)	(35,019)
Contributions restricted for long term investments	(98)	(421)
Changes in operating assets and liabilities		
Receivables, net	(1,162)	277
Prepaid expenses and other assets	26	2,656
Related entities receivable and payable	76	420
Assets held for sale	1,494	(1,165)
Assets held in trust	(1,521)	73
Funds held for residents	(386)	145
Accounts payable and accrued liabilities	(2,383)	(896)
Liability to beneficiaries of split interest agreements	91	(175)
Deferred revenue from assigned assets, net	1,147	4,816
Net cash used in operating activities	\$ (49,841)	\$ (37,293)

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 4,066	\$ 4,263
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The accompanying notes are an integral part of these consolidated financial statements.

Masonic Homes of California and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

1. NATURE OF OPERATIONS

Masonic Homes of California (Masonic Homes), a California not-for-profit corporation, operates a senior living community for adults in Union City and Covina, California. Masonic Homes is supported by The Grand Lodge of Free and Accepted Masons of the State of California (the Grand Lodge) and members of the Masonic Fraternity in California.

Masonic Homes is the sole member of Acacia Creek, A Masonic Senior Living Community at Union City (Acacia Creek – UC). Masonic Homes and Acacia Creek – UC, serve the housing needs of the elderly with independent, assisted living, memory care, and skilled nursing levels of care.

Masonic Homes is subject to statutory reserve requirements. As of October 31, 2024, Masonic Homes' reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Masonic Homes and Acacia Creek – UC (collectively, the Organization). All significant inter-company accounts and transactions have been eliminated.

Comparative information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements as of and for the year ended October 31, 2023, from which the summarized information was derived.

Net asset classifications

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor- imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Masonic Homes of California and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net asset classifications (continued)

- *Net assets without donor restrictions* - without donor restriction net assets represent resources that are not subject to donor-imposed restrictions and are available to support Masonic Homes' activities. The board of trustees has designated certain net assets without donor restrictions such as operating reserves, capital reserves, uninsured risk reserves, strategic initiative reserves, advance car reserves, and endowment funds.
- *Net assets with donor restrictions* - with donor restriction net assets represent contributions to be held in perpetuity as directed by the donor and contributions that are limited as to use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released and reported as without donor restriction. If a restriction is fulfilled in the same fiscal year in which the contribution was received, the contribution is reported as with donor restriction support and net assets are released from restrictions in that period. Net assets with donor restrictions are expected to be released based on the spending guidelines and on an as-needed bases.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Estimates included in these consolidated financial statements relate to fair market value of investments, liability to beneficiaries of split-interest agreements in various charitable remainder trusts, fair market value of real and personal property assigned by residents at the date they are assigned, the useful lives of property and equipment, and allocations of functional expenses. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

The carrying amounts reported in the accompanying consolidated statements of financial position for cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and related entities receivables and payables approximate fair value due to their short-term nature. Discussion on the fair value of financial instruments is included in Note 5.

Masonic Homes of California and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair valuation process

The Organization determines fair value measurement policies and procedures for assets and liabilities under the supervision of the Investment Committee. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies. Methodologies are consistent with the market, income, and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis, or as necessary based on current market conditions and other third-party information. In determining the reasonableness of the methodology, Masonic Homes evaluates a variety of factors that include a review of existing agreements, economic conditions, industry, and market developments. Certain unobservable inputs are assessed through review of contract terms while others are substantiated utilizing available market data, including, but not limited to, market comparable, qualified opinions, and discount rates and mortality tables for split-interest agreements.

Cash, cash equivalents, and restricted cash

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less at the time of purchase, with the exception of cash and cash equivalents held in the endowment fund as investments, the use of which is restricted.

Funds held for residents and prospective residents include residents' accounts at Union City, Covina, and Acacia Creek – UC, which comprise of (a) deposits made by residents for a unit in Acacia Creek – UC, (b) unexpended portions of monthly allowances made to residents, or (c) other income earned by residents. A corresponding liability related to deposits, and the unexpended portion of monthly allowances is included reported as liability for funds held for residents (Note 3).

Cash and cash equivalents consisted of the following as of October 31:

	2024	2023
Operating cash	\$ 3,996	\$ 4,386
Money market	22,787	27,628
Funds held for residents	1,628	1,730
	\$ 28,411	\$ 33,744

Masonic Homes of California and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables, net

The Organization receives payment for health services from residents, insurance companies, Medicare, Medi-Cal, HMOs, and other third-party payors. As a result, the Organization is exposed to certain credit risks. The Organization manages its risk by regularly reviewing its accounts receivable and, on a periodic basis, evaluates its accounts receivable and establishes an allowance for credit losses, based on a history of past write-offs and collections, current conditions and future expectations. Past-due status is based upon the date of services provided. Uncollectible receivables are charged off when deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

Prepaid expenses

Prepaid expenses consist primarily of insurance premium prepayments.

Related-party receivable

As a part of the California Masonic Foundation fundraising campaign, the Organization has a grant receivable for the amounts designated by the grantors for the benefit of the Organization. The total receivable balance was \$214 and \$319 as of October 31, 2024 and 2023, respectively.

Assets held for sale

Assets held for sale consist primarily of tangible property received from residents, including residential real estate that is held for sale. Assets are recorded at 80% to 90% of estimated fair market value on the date of assignment with the intention of liquidating within 180 days.

Investments

Investments in common stocks and equity securities are stated at estimated fair market values based on quoted market prices. Investments received through gifts are recorded at estimated fair market values at the dates of donation. The fair value of alternative investments is recorded at the investment manager's Net Asset Value (NAV), as the managers have the greatest insight into the investments of their funds and the related industry, and have the appropriate expertise to determine the NAV. The Organization assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within the investment manager's audited consolidated financial statements as well as interim consolidated financial statements and fund manager communications, for the purposes of assessing valuation. Unrealized gains or losses that result from market fluctuations are recorded in the period in which such fluctuations occur. Realized gains or losses resulting from sales or maturities of securities are calculated on a cost basis.

Masonic Homes of California and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are carried at cost. Purchases of property and equipment amounting to \$1,000 and above are capitalized and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 50 years
Equipment	3 - 35 years
Furniture and fixtures	5 - 20 years
Vehicles	3 - 4 years

The Organization evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Measurement of the amount of impairment may be based on market values of similar assets or estimates of future discounted cash flows resulting from use and ultimate disposition of the assets. No asset impairment was recognized during the years ended October 31, 2024 and 2023.

Assets held in trusts

Assets held in trusts represent the assets used to satisfy the liability to beneficiaries of split-interest agreements. When a donor establishes a split-interest agreement where Masonic Homes is the trustee, the lump sum received by the donor is invested separately (Note 7).

Professional liability insurance

Masonic Homes and Acacia – UC insure for professional liability claims under a claims made and reported policy form. The primary and excess policies cover occurrences that happen during the policy term up to \$11,000,000 for each occurrence and \$15,000,000 aggregate, with zero deductible. Management's intention is to continue insuring for professional liability exposures at all times. Management is not aware of any pending claims that exceed the coverage limitations provided by the policy. Management's estimate of the Organization's liability for expected losses is based on historical claims experience. At this time, there are no accruals for liability included in accounts payable and accrued liabilities, nor are any insurance receivables recorded in the consolidated financial statements of the Organization.

Masonic Homes of California and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2024
(With Comparative Totals for 2023)
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Workers' compensation insurance

The Organization insures for workers' compensation claims under an "occurrence policy" in compliance with the Workers' Compensation Law of the State of California. The policy covers all occurrences that happen during the policy term up to \$1,000,000, subject to a \$250,000 deductible per occurrence. Under California Law workers' compensation coverage must be carried by all employers; therefore, if this policy was not renewed, replacement coverage would need to be secured. There are no accruals for unreported claims included in accounts payable and accrued liabilities in the consolidated financial statements of the Organization. Under the program, the Organization pays its claims and costs falling under the \$250,000 deductible as incurred, and no accruals have been made nor reserves established in the consolidated financial statements of the Organization for any open claims that have not reached the \$250,000 deductible threshold. The Organization pays for claims and increases in reserves held by the insurance company on a quarterly basis, regardless of the policy year the claim was filed. Management is of the opinion that the impact, if any, of open claims is immaterial and would not have an adverse impact on the Organization's financial position.

Liability to beneficiaries of split-interest agreements

Deferred revenue from pooled income fund – Deferred revenue from pooled income fund represents the discount for future investment earnings on Masonic Homes' remainder interest in the Masonic Homes Pooled Income Fund (the Pooled Income Fund) (Note 7). Masonic Homes has determined the amount deferred using the tax deduction methodology from Internal Revenue Service (IRS) Publication 1457 tables, and a discount rate of 3.44% and 2.85% as of October 31, 2024 and 2023, respectively. Deferred revenue from the Pooled Income Fund included in liability to beneficiaries of split-interest agreements in the consolidated statements of financial position was \$124 and \$109 as of October 31, 2024 and 2023, respectively.

Liability to beneficiaries of charitable remainder trusts – Liability to beneficiaries of charitable remainder trusts represents the income beneficiaries' interest in various charitable remainder trusts of which Masonic Homes is the trustee (Note 6). The liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. Masonic Homes has, determined the amount of the liability using the tax deduction methodology from IRS Publication 1457, Table S, or IRS Publication 1458, Table D, as applicable, and using a discount rate range from 5% to 6.0% as of October 31, 2024 and 2023, respectively. Liabilities to beneficiaries of charitable remainder trusts included in liabilities to beneficiaries in the consolidated statements of financial position were \$1,364 and \$1,257 as of October 31, 2024 and 2023, respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability to beneficiaries of split-interest agreements (continued)

Other liabilities to beneficiaries of split-interest arrangements – Other liabilities to beneficiaries of split-interest agreements include charitable remainder trusts and other gift annuities for which the Organization is obligated. These arrangements included in liabilities to beneficiaries in the consolidated statements of financial position were \$392 and \$425 as of October 31, 2024 and 2023.

Obligation to provide future services to current residents

The Organization is required to accrue a liability in the consolidated financial statements to cover future services to current residents if deferred residency fees and future anticipated income are not sufficient to cover these costs. Management has determined that no such accrual is required in the accompanying consolidated financial statements.

Revenue recognition

Masonic Homes

Residency fees– The Organization has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from residents and third party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a resident and the time that the resident or a third party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Certain adult residents who enter Masonic Homes are required by a life-care agreement to assign 75% of their assets to Masonic Homes in exchange for continuing care for the remainder of their lives. In the event that such a continuing care contract is canceled by the resident through withdrawal within the first 90 days of residency, the resident is entitled to a pro-rata refund of all his or her assigned assets. As of October 31, 2024 and 2023, deferred revenues from assigned assets subject to refund, were \$79,458 and \$72,603, respectively. The life-care agreement creates a performance obligation to be satisfied over the remaining life of the resident at Masonic Homes.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Masonic Homes recognizes the revenue associated with the resident assigned asset using a straight-line method over the actuarially determined estimated life of each resident. Resident life expectancies are reevaluated regularly and any changes in the revenue as a result of that reevaluation will be recognized in the period noted. As of October 31, 2024 and 2023, Masonic Homes had \$15,894 and \$17,118 respectively, in deferred revenue from resident assigned assets to be recognized as the performance obligations are satisfied. See Note 8 for changes in the unearned residency fee revenue for the years ended October 31, 2024 and 2023. Any unamortized balance upon death of the individual resident or last survivor is recognized as income.

Health service revenue– Masonic Homes – Health service revenues are recognized in the month in which services are provided and collectability is reasonably assured. Health service revenue on the consolidated statements of activities and changes in net assets for assisted living and memory care was \$10,652 and \$8,402, for the years ended October 31, 2024 and 2023, respectively and is presented net of third-party rate adjustments. Other revenue is recognized as the related services are provided and includes guest services income, catering income, and other miscellaneous income.

Revenue for health services performance obligations satisfied over time is recognized by actual charges incurred. Masonic Homes believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the input needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the skilled nursing facility (SNF). Masonic Homes measures the performance obligation from admission into the SNF to the point when it is no longer required to provide health care services to the residents, which is typically at the time of discharge.

The SNF recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. The SNF has agreements with third-party payers that provide for payments to the hospital facility at amounts different from its established rates. These payment arrangements include:

- Medicare: Inpatient nonacute care services for Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical/rehab, diagnostic, and other factors. The SNF is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the SNF and audits thereof by the Medicare administrative contractor.
- Medi-Cal: Beginning July 1, 2013, inpatient non acute care services rendered to Medi-Cal program beneficiaries are reimbursed under a diagnostic related group (DRG) methodology. Under this methodology, similar to Medicare, services were paid at prospectively determined facility rates less resident share of costs.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Secondary insurance: The SNF has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the SNF under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Masonic Homes provides health care services primarily to residents of its communities. Laws and regulations governing Medicare and Medi-Cal programs are complex and subject to interpretation. Masonic Homes believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory investigations have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Masonic Homes' historic 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 in 2024 or 2023.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Masonic Homes estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident-by-resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended October 31, 2024 and 2023, was not significant.

Fee-for-service revenue – Masonic Homes – Financially qualified adult residents may enter Masonic Homes by paying a monthly fee; such amounts vary with an option to pay an entrance fee. In the event of withdrawal, a portion of the residents entrance fees may be returned to them ratably over the first 36 or 60 months.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Assigned retirement benefits – Resident retirement benefits that are assigned to Masonic Homes are recognized when received. These amounts are generally received in the form of annuity payments.

Acacia Creek – UC

Entrance fees – Acacia Creek – UC – The adult residents who enter and sign a Residence and Care Agreement are allowed a 90-day trial period during which the resident may leave the community at their discretion and receive, upon written notice, a refund of all fees less a reasonable processing fee and fees for the value of services rendered during occupancy. The majority of the adult resident entrance fees are refundable in whole or in part, ranging from 50% to 100% upon the resident's death or termination of the agreement. Acacia Creek – UC is required to refund the entrance fees when the unit is re-sold. As of October 31, 2024 and 2023, entrance fees subject to refund were \$45,144 and \$44,263, respectively. The nonrefundable portion is amortized over the life of the resident and is included in deferred revenue.

Fee-for-service revenue – Acacia Creek – UC – Acacia Creek – UC offers a variety of living accommodations, fine amenities, a comprehensive wellness program, and several types of support and health care. Residents pay 1) a monthly fee, which varies according to the size and type of apartment selected and by the level of care needed, and 2) fees for optional services, if applicable.

The following table provides information about the Organization's receivables and deferred revenues pursuant to FASB ASC 606-10-50-11, as of October 31:

	2024	2023
Receivables, net	\$ 4,504	\$ 3,341
Deferred revenue from assigned assets	\$ 20,286	\$ 21,526

Contributions

The Organization records contributions and unconditional promises to give in the period they are received in accordance with ASC 958-606, *Revenue Recognition*. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

Contributions of donated assets and services are recorded at fair value at the date they are received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value on the date received. For the years ended October 31, 2024 and 2023, there was no in-kind contributions received by the Organization.

Recognition of donor-restricted contributions

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Concentration of credit risk

Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of Securities Investor Protection Corporation insurance. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the consolidated financial statements. The risk associated with the investments is mitigated through diversification.

Tax-exempt status

Masonic Homes and Acacia Creek – UC are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and Section 23701d of California Revenue and Taxation Code and have been granted tax-exempt status by the IRS and the California Franchise Tax Board. Accordingly, no provision for income taxes is included in the consolidated financial statements.

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3. FUNDS HELD FOR RESIDENTS AND PROSPECTIVE RESIDENTS

Funds held for residents consisted of the following as of October 31:

	2024	2023
Acacia Creek - UC	\$ 855	\$ 529
Masonic Homes Union City	17	82
Masonic Homes Covina	756	1,119
	\$ 1,628	\$ 1,730

4. INVESTMENTS

Investments are presented at fair value and consist of corporate stocks, fixed income securities, and institutional mutual funds that invest primarily in diversified portfolios of fixed income securities, corporate stocks, and real estate.

Investments consisted of the following as of October 31:

	2024	2023
Corporate stocks	\$ 161,990	\$ 151,058
Equity mutual funds	318,402	329,808
Alternative investments	96,466	97,921
Fixed income mutual funds	186,069	143,875
Private markets	123,381	101,020
Treasury notes	41,324	-
	\$ 927,632	\$ 823,682

Corporate stocks – These are U.S. equity, non-U.S. equity, global equity, and emerging market equity stocks. The fund seeks stocks with fundamentals of strong earnings, a relative low cost structure, and growth potential. A sell decision focuses on the changes or a decline in the three factors.

Equity mutual funds – These funds are comprised of both U.S. and Global Mutual Funds. The Organization's investment policy states the Organization believes the capital markets are "mean-reverting" by nature. Therefore, it adheres to long-term asset allocation strategies and periodic, regular rebalancing. The Organization believes market timing is ineffective as a long-term investment strategy and will remain fully invested in all long-term mandates.

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4. INVESTMENTS (continued)

Alternative investments – These funds are comprised of Credit Long/Short, Real Estate, hedge funds, and Opportunistic Futures. The Organization's investment policy states that the Organization believes the capital markets are "mean-reverting" by nature. Therefore, it adheres to long-term asset allocation strategies and periodic, regular rebalancing. The Organization believes market timing is ineffective as a long-term investment strategy and will remain fully invested in all long-term mandates.

Fixed income mutual funds – These funds seek long-term real returns. The funds are invested in actively managed mutual funds, including developed and emerging bonds and stocks, real estate, commodities, and absolute-return oriented strategies.

Private markets – The investments represent a diversified range of strategies focused on numerous geographies and sectors.

Treasury notes – Consists of investments in marketable U.S. government debt securities with a fixed interest rate and a maturity between two and ten years.

Alternative investments are less liquid than the Organization's other investments. The following table summarizes these investments by investment strategy type at October 31:

	<u>2024</u>	<u>2023</u>
Real estate investment trust	\$ 8,851	\$ 10,581
Global Macro	26,312	26,078
Credit Long/ Short	-	736
Opportunistic	2,181	1,984
EM Macro	21,454	20,624
Structured Credit	22,000	22,361
Special Opportunities	<u>15,668</u>	<u>15,557</u>
	<u>\$ 96,466</u>	<u>\$ 97,921</u>

5. FAIR VALUE

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

- *Level 1* - Quoted prices in active markets for identical assets or liabilities.

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5. FAIR VALUE (continued)

- *Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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

Corporate stocks/mutual funds/assets held in trusts – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain real estate investments, and other less liquid securities using investment appropriate models like the income approach for real estate investments. For those assets held in trusts classified as Level 3, the fair value is based on the fair value of underlying investments and the Organization's percentage of interest in the trusts.

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5. FAIR VALUE (continued)

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at October 31, 2024:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Corporate stocks				
Domestic stocks	\$ 121,018	\$ 121,018	\$ -	\$ -
Equity mutual funds				
Domestic equity	17,922	17,922	-	-
Foreign equity	73,685	73,685	-	-
Fixed income mutual funds	11,730	11,730	-	-
Treasury notes	<u>41,324</u>	<u>41,324</u>	-	-
	265,679	265,679	-	-
Assets held in trust				
Corporate stocks				
Domestic stocks	376	-	-	376
Equity mutual funds				
Domestic stocks	4,697	2,562	-	2,135
Foreign stocks	1,529	1,414	-	115
Alternative investments	68	-	-	68
Fixed income mutual funds	5,142	4,118	-	1,024
Money market accounts	<u>401</u>	<u>323</u>	-	<u>78</u>
	<u>\$ 277,892</u>	<u>\$ 274,096</u>	<u>\$ -</u>	<u>\$ 3,796</u>

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5. FAIR VALUE (continued)

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at October 31, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Corporate stocks				
Domestic stocks	\$ 111,832	\$ 111,832	\$ -	\$ -
Equity mutual funds				
Domestic equity	15,682	15,682	-	-
Foreign equity	156,209	156,209	-	-
Fixed income mutual funds	<u>11,305</u>	<u>11,305</u>	-	-
	295,028	295,028	-	-
Assets held in trust				
Corporate stocks				
Domestic stocks	300	-	-	300
Equity mutual funds				
Domestic stocks	3,736	2,324	-	1,412
Foreign stocks	1,539	1,135	-	404
Alternative investments	60	-	-	60
Fixed income mutual funds	4,723	3,743	-	980
Money market accounts'	<u>334</u>	<u>283</u>	-	<u>51</u>
	<u>\$ 305,720</u>	<u>\$ 302,513</u>	<u>\$ -</u>	<u>\$ 3,207</u>

The following table presents assets recognized in the accompanying consolidated statements of financial position measured at NAV at October 31:

	<u>2024</u>	<u>2023</u>
Investments measured at NAV		
Corporate stocks		
Foreign stocks	<u>\$ 40,972</u>	<u>\$ 39,226</u>
Equity mutual funds		
Domestic equity	44,948	76,144
Foreign equity	181,847	81,773
Alternate investments	96,466	97,921
Fixed income mutual funds	174,339	132,570
Private markets	<u>123,381</u>	<u>101,020</u>
	<u>620,981</u>	<u>489,428</u>
	<u>\$ 661,953</u>	<u>\$ 528,654</u>

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5. FAIR VALUE (continued)

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated financial statements using significant unobservable (Level 3) inputs:

Balance at October 31, 2022	\$ 3,219
Total realized and unrealized gain and loss included in changes in net assets with donor restrictions	(12)
Balance at October 31, 2023	3,207
Total realized and unrealized gain and loss included in changes in net assets with donor restrictions	589
Balance at October 31, 2024	\$ 3,796

The following table provides the fair value and redemption terms and restrictions for investments measured at NAV as of October 31:

Fund Type	Fair Value at October 31, 2024	Fair Value at October 31, 2023	Unfunded Commitments at October 31, 2024	Unfunded Commitments at October 31, 2023	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Redemption Restrictions
Corporate stocks							
Foreign stocks	\$ 40,972	\$ 39,226	\$ -	\$ -	Monthly	30 days	None
Domestic equity	44,948	76,144	-	-	Daily	1 - 5 days	None
Foreign equity	181,847	81,773	-	-	Daily, Monthly	0 days	None or minimum of \$250
Global Macro	26,312	26,078	-	-	Quarterly	Quarterly	45 days, lock up 1st year
Credit Long/ Short	-	736	-	-	Quarterly	Quarterly	45 days
PIMCO Bravo II	2,181	1,984	-	-	n/a	n/a	n/a
Broad Reach	21,454	20,624	-	-	Quarterly	90 days	90 days
400 Capital	22,000	22,361	-	-	Quarterly	60 days	60 days
Real Estate (UBS TPF)	8,851	10,581	-	-	Quarterly	60 days	60 days
HG Vora	15,668	15,557	-	-	Monthly	30 days	30 days
Fixed income mutual funds	174,339	132,570	-	-	Daily	0-3 days	None
Private markets	123,381	101,020	62,738	53,223	n/a	n/a	n/a
	\$ 661,953	\$ 528,654	\$ 62,738	\$ 53,223			

Foreign stocks – These are funds invested primarily in common stocks of international issuers. This includes both large and small-cap issuers as well as opportunistic exposure to issuers in the emerging markets.

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5. FAIR VALUE (continued)

Domestic equity – These common trust funds are invested and reinvested primarily in a portfolio of equity securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the entire United States market for publicly traded equity securities. The criterion for selection of investments is the Dow Jones U.S. Total Stock Market Index.

Foreign equity – This category represents investments in global equity fund. The objectives are to invest primarily in long-only portfolio of global equities and to invest only in ‘exceptional’ companies that have that rare ability to grow the real value of their profits and cash flows over long periods of time. The investments are spread across global markets.

Alternative investments

- *Global Macro* - The Fund's objective is capital appreciation. Its principal activity is trading in the international currency, financial, commodities, and securities markets. The fund has a broad mandate to trade in all exchange and over-the-counter markets, and to trade in derivative products and other instruments.
- *Credit Long/Short* - The investment objective of the Fund, the Intermediate fund, and the Master fund is to achieve long-term capital appreciation, on a favorable risk-adjusted basis, by applying a flexible and opportunistic approach to investing which involves evaluating the current attractiveness of various asset classes, including bank loans, bonds, equities, speculative investments, and cash equivalents, and investing its assets accordingly.
- *Opportunistic* - An opportunistic residential and commercial credit strategy seeking to capitalize on the continued de-leveraging and re-regulation of the financial system, with particular focus on bank disposition of assets for noneconomic reasons. The Fund seeks to earn long-term returns by acquiring discounted loans or structured credit tied to residential or commercial real estate markets in the U.S. or Europe, managing assets through restructuring, high-quality specialty servicing, and exerting operational control to extract additional value, purchasing assets with exposure to a potential U.S. housing recovery, and targeting uncrowded areas of global credit markets that fall in between public securities and private real estate markets.
- *EM Macro* - The Fund will generally focus on seeking an enhanced risk adjusted return through capital appreciation within a macro investment framework, investing primarily in global macro- opportunities with a focus on emerging markets securities and related derivatives, across the complete universe of FX, rates, credit, and equity as well as commodities. The Fund expects to utilize discretionary macro processes, systematic macro processes and special situation macro processes and aims to deliver returns that are agnostic to the business cycle of emerging markets.

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5. FAIR VALUE (continued)

- *Structured Credit* - The Fund seeks to achieve high absolute returns with low volatility and low correlation to traditional fixed income and equity markets by investing in credit investments across credit sectors and throughout an issuer's capital structure with a primary focus on structured credit, which includes secured and structured commercial, consumer and corporate assets. The Fund may also pursue direct lending opportunities, including joint ventures with third parties and debt and/or equity investments in newly formed lending companies. Further, the Fund may use a variety of instruments to manage credit spread duration, interest rate duration and market volatility.
- *Real Estate* - This is an investment in an actively managed core portfolio of equity real estate that seeks to provide attractive returns while limiting downside risk and has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over any given three-to-five-year period. The fund's real return performance objective is to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three-to-five-year period.
- *Special Opportunities* - This is an investment in a multi-strategy event driven hedge fund. The Fund invests opportunistically throughout capital structures and targets catalysts in a variety of event equity and event credit strategies. The Fund will invest across a number of sectors but has historically held a bias and preference towards companies in the gaming, lodging, leisure and real estate sectors. Underlying strategies include distressed debt, relative value, event driven equity, value equity and leveraged loans. Investments are predominantly made with small and mid-cap US based companies, and historically the Fund's exposure has been 85-90% US-based. Structured credit, municipal debt, and sovereign debt are generally avoided.

Fixed income mutual funds – These are commingled funds with an investment strategy that invests across the fixed income spectrum, including TIPS, treasuries, investment grade and high yield credit, and asset backed securities. These funds are valued monthly.

Private markets – In 2018-2024 commitments of \$290 million, to private markets (private equity/debt and private real estate/real assets), were approved by the Investment Committee. The Organization allocated portion of these investments at October 31, 2024 and 2023, were \$166 million and \$101 million, respectively. Unfunded commitments allocated to the Organization at October 31, 2024 and 2023, were \$63 million and \$53 million, respectively. The investments can only be redeemed upon liquidation of the underlying assets of the funds. These Funds are illiquid; however, a secondary market exists.

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6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of October 31:

	2024	2023
Land and improvements	\$ 46,455	\$ 46,455
Buildings and improvements	382,581	375,376
Furniture and equipment	36,526	33,790
Construction in progress	5,374	8,611
Leasehold improvements	245	245
	471,181	464,477
Less: accumulated depreciation	(211,018)	(198,130)
	\$ 260,163	\$ 266,347

Depreciation and amortization expense for the years ended October 31, 2024 and 2023, totaled \$12,925 and \$10,799, respectively.

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code. On October 10, 2017, in accordance with the IRS Code Section 501(c)(3), Masonic Homes of California submitted an abbreviated Certificate of Authority (COA) application to the California Department of Social Services – Continuing Care Branch (DSS) in connection with its planned construction of a skilled nursing facility at its Covina, California community. DSS approved the construction project on November 16, 2017, and construction commenced thereafter. Consistent with its charitable mission to provide residential and other services to seniors, the purpose of this construction project was to develop a stand-alone health center, including 32 beds (28 units) of skilled nursing. This new health center accommodates seniors who, currently, must be placed in off-campus programs to receive skilled nursing services. Memory care services will also be available in the skilled nursing facility. Construction of the skilled nursing facility was completed in 2023. During the fiscal year ended October 31, 2023, Masonic Homes expended \$10,494 in construction costs in connection with this project.

On April 30, 2021, Masonic Homes submitted an abbreviated COA application to DSS in connection with its proposed project to create additional assisted living and memory care capacity at its Union City, California Campus. DSS issued its approval on June 7, 2021. In addition, Masonic Homes has improved existing residential facilities at that campus, and conducting significant repairs and enhancements to that campus' landscaping and roadways. Consistent with its charitable mission to provide senior residential and related services, the purpose of the project is to both increase and enhance existing senior services by (i) constructing a two-story residential building which will include 28 memory care and assisted living units, and (ii) repairing and renovating existing residential buildings and other infrastructure. The project was completed in 2023. During the fiscal year ended October 31, 2023, Masonic Homes of California expended \$6,726 in construction costs in connection with this project. As of October 31, 2024, these costs have totaled \$95,092.

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7. ASSETS HELD IN TRUSTS

Assets held in trusts consisted of the following as of October 31:

	2024	2023
Contributions receivable from split-interest agreements	\$ 310	\$ 272
Assets of pooled income fund	408	410
Assets of split-interest agreements	7,325	6,419
Assets of charitable gift annuities	685	655
Beneficial interest in perpetual trusts	3,485	2,936
	\$ 12,213	\$ 10,692

Contributions receivable from split-interest agreements – Contributions receivable from split-interest agreements represent the estimated net present value of Masonic Homes' interest in various irrevocable trusts held by third parties. The net present value of these receivables was determined using the tax deduction methodology from the IRS.

Assets of pooled income fund – Assets of the Pooled Income Fund represent the fair value of assets held in the Pooled Income Fund, which was organized in 1974 as a charitable trust to which donors contribute irrevocable remainder interests in investments while retaining an income interest for life for one or more beneficiaries. All dividend and interest income of the Pooled Income Fund is distributed quarterly to the beneficiaries, based on their proportionate share of the Pooled Income Fund. Upon the death of each donor's last income beneficiary, the remainder interest becomes available for Masonic Homes' use.

Contributions are measured at the fair value of the assets received and discounted for the estimated life expectancy of the donor, which is obtained from life expectancy tables published by the IRS. The amount discounted is reported as discount for future interest and recognized using the straight-line method over the donor's remaining life expectancy. The interest rate used in calculating the discount approximates the average return provided by the fund in the years prior to the applicable contribution. As of October 31, 2024 and 2023, the rate was estimated to be 3.44% and 2.85%, respectively.

Assets of charitable remainder trusts – Assets of charitable remainder trusts consist of cash and other assets received under various irrevocable charitable trusts of which Masonic Homes is the trustee. The assets received under these agreements are recorded at estimated fair market value when received. Masonic Homes utilizes an outside fund consultant to value these assets annually.

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7. ASSETS HELD IN TRUSTS (continued)

Assets of charitable gift annuities – Assets of charitable gift annuities consist of cash and other assets received under irrevocable annuity contracts. These contracts guarantee a specified amount for the life of the donor, or beneficiaries designated by the donor. The assets received are not commingled with the general assets of Masonic Homes. A reserve account has been established and invested in accordance with California statutes. The discount rates used range from 0.4% to 5.2%. Upon the death of the donor, the remaining funds revert to Masonic Homes to be used in accordance with its charitable purpose. The change in present value of the gift annuities for the years ended October 31, 2024 and 2023, was \$127, and (\$174), respectively.

Beneficial interests in perpetual trusts – Beneficial interests in perpetual trusts represent the net present value of Masonic Homes' irrevocable interest in the income generated from various perpetual trusts held by third-party trustees. The assets of the trusts have been donor restricted for investment in perpetuity.

8. DEFERRED REVENUE

Changes in deferred revenue are as follows for the years ended October 31:

	<u>2024</u>	<u>2023</u>
Balance, beginning of period	\$ 21,525	\$ 20,675
Received from new residents	1,147	5,258
Other payments/ settlements	-	(442)
Amortizable portion of entrance fee	828	882
Amortized due to deaths and withdrawals	(969)	(2,787)
Amortized based on actuarial calculation	<u>(2,245)</u>	<u>(2,060)</u>
	<u>\$ 20,286</u>	<u>\$ 21,526</u>

9. REFUNDABLE ADVANCE FEES

Changes in refundable advance fees are as follows for the years ended October 31:

	<u>2024</u>	<u>2023</u>
Balance, beginning of period	\$ 44,263	\$ 40,801
Received from new residents	6,246	8,815
Deposits refunded to residents	(4,537)	(4,473)
Amortizable portion of entrance fee	<u>(828)</u>	<u>(881)</u>
	<u>\$ 45,144</u>	<u>\$ 44,262</u>

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10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

	2024	2023
Undesignated	\$ 528,371	\$ 488,042
Board-designated reserve funds		
Operating reserve fund	6,842	6,364
Capital reserve fund	6,842	7,266
Uninsured risk fund	13,348	11,509
Strategic reserve fund	-	1,077
Advanced care reserve fund	-	2,044
	27,032	28,260
Board-designated endowment funds	308,082	247,037
	\$ 863,485	\$ 763,339

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of October 31, 2024:

	Purpose Restricted	Endowment	Total
Available for use in awarding scholarships or other programs related to children	\$ 8,516	\$ 1,595	\$ 10,111
Available for use in the activities of the homes in Union City and Covina upon lapse of time restrictions	10,532	159,516	170,048
Available for use in providing critical relief to Masons and their families	1,592	-	1,592
	\$ 20,640	\$ 161,111	\$ 181,751

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11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions consisted of the following as of October 31, 2023:

	Purpose Restricted	Endowment	Total
Available for use in awarding scholarships or other programs related to children	\$ 6,605	\$ 1,595	\$ 8,200
Available for use in the activities of the homes in Union City and Covina upon lapse of time restrictions	11,082	159,418	170,500
Available for use in providing critical relief to Masons and their families	<u>1,475</u>	<u>-</u>	<u>1,475</u>
	<u>\$ 19,162</u>	<u>\$ 161,013</u>	<u>\$ 180,175</u>

Net assets were released from donor restrictions as shown in the following table for the years ended October 31, 2024 and 2023. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2024	2023
Covina SNF and Pavillion Capital projects	\$ 2,567	\$ 2,099
Activities of the home for adults in Union City, California	923	388
Activities for the home for adults/ children in Covina, California	69	95
Masonic Outreach Services	1,557	128
Providing critical relief to Masons and their families	298	70
Awarding scholarships and other community sponsorship	<u>84</u>	<u>16</u>
	<u>\$ 5,498</u>	<u>\$ 2,796</u>

12. RETIREMENT PLANS

The California Masonic Retirement Plan II (Retirement Plan), a defined contribution plan sponsored by the Grand Lodge, was effective on April 1, 2007. Masonic Homes, Acacia Creek – UC, the Grand Lodge, and the Temple participate in the Retirement Plan that covers all employees who meet certain age and service requirements. The Retirement Plan provides for both an employer contribution and an employer match of employee contributions. The total employer contributions and matches made by the Masonic Homes and Acacia Creek – UC to the Plan were \$1,920 and \$1,762 for the years ended October 31, 2024 and 2023, respectively

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13. RELATED-PARTY TRANSACTIONS

The Grand Lodge provides general and administrative support to Masonic Homes and Acacia Creek – UC, for which the Grand Lodge is reimbursed without mark-up through an allocation of certain expenses. The allocations to the Masonic Homes and Acacia Creek – UC were \$9,698 and \$9,243 for the years ended October 31, 2024 and 2023, respectively.

14. CONTINGENCIES AND COMMITMENTS

The Organization can potentially be a party to various claims and legal actions in the normal course of business. As of February 25, 2025, the date the consolidated financial statements were available to be issued, based upon current facts and circumstances, management has not identified any probable or reasonably estimable losses that would require accrual in the consolidated financial statements.

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, accreditations, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. The industry continues to be impacted by government activity with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse regulations, statutes, as well as other applicable government laws and regulations. While no regulatory investigations have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

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15. LONG-TERM DEBT

Long-term debt consisted of the following:

	2024	2023
California Statewide Communities Development Authority Revenue Refunding Bonds, Series 2023 A, annual fixed interest rate of 3.80%, annual payments beginning November 1, 2023, continuing to July 1, 2038	\$ 69,516	\$ 73,301
Bank of America term loan, annual fixed interest rate of 2.2%, monthly payments beginning September 15, 2021, amortized over 20 years with a balloon payment due on August 14, 2026	43,657	45,769
Bank of America, N.A., annual fixed interest rate of 4.68% in 2023, annual payments beginning November 1, 2023, continuing to May 1, 2028	3,384	3,568
PG&E Non-interest bearing loan - net of unamortized discount, monthly payments beginning July 31, 2024, continuing to September 30, 2029	557	-
	117,114	122,638
Less: current portion	(6,377)	(6,082)
Less: unamortized debt issuance costs	(217)	(237)
	\$ 110,520	\$ 116,319

Nontaxable variable rate revenue bonds – Acacia Creek – UC issued \$99,423 in Variable Rate Revenue Bonds, Series 2013A on October 29, 2013. The bonds were issued through the Association of Bay Area Governments (ABAG) and have a maturity date of July 1, 2038. The bonds were privately placed with Bank of America Public Capital Corporation (BAPCC). The Masonic Homes is the guarantor of all obligations of Acacia Creek – UC under the agreement.

On May 1, 2024, Acacia Creek issued \$76,962 Revenue Refunding Bonds, Series 2024A. The bonds were privately placed with Bank of America, N.A. The Masonic Homes is the guarantor of all obligations of Acacia Creek under the agreement. The proceeds of the bonds were used to retire the Acacia Creek Variable Rate Revenue Bonds, Series 2013A issued on October 29, 2013. Masonic Homes guarantees the performance of Acacia Creek's repayment obligations. The bonds carry a fixed interest rate of 3.8%.

Taxable variable rate loan – Acacia Creek – UC entered into a 5-year Taxable Variable Rate Loan through Bank of America, N.A. loan on October 29, 2013, in the amount of \$4,840. The maturity date of the loan is November 1, 2038. The Masonic Homes is the guarantor of all obligations of Acacia Creek – UC under the agreement.

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15. LONG-TERM DEBT (continued)

On May 1, 2024, Acacia Creek entered into a 5-year Taxable Fixed Rate Loan through Bank of America, N.A. in the amount of \$3,746. The maturity date of the loan is May 1, 2028. The loan is secured/guaranteed by the Masonic Homes. The proceeds of the loan were used to retire the Taxable Variable Rate loan issued on October 29, 2013. Under the terms of the loan, the loan is secured by the Masonic Homes.

Term loan – On August 16, 2021, Masonic Homes entered into an unsecured term loan with Bank of America, N.A. in the amount of \$50,193. The loan is amortized over 20 years at a rate of 2.2% with a monthly payment of \$259 and a balloon payment due on August 14, 2026. The proceeds of the loan were used to pay off the outstanding principal amount of the August 2016 taxable term loan in lieu of the balloon payment.

The loans contain various covenants with which Masonic Homes and Acacia Creek must comply.

Non-interest-bearing loan – On May 16, 2024, Masonic Homes entered into a financing agreement with Pacific Gas and Electric (PGE) in the amount of \$666 to support the procurement and installation of energy-efficient LED lighting systems as part of the organization's sustainability initiatives, promoting energy efficiency and reducing energy consumption. The loan is a non-interest bearing, with an equal monthly payment of \$11 over 63 months beginning on July 31, 2024.

The loan has been recorded at its present value at initial recognition. A discount rate of 4.68% has been applied to reflect the fair value of the loan.

The future maturities of long-term debt are as follows:

<u>Year ending October 31,</u>	
2025	\$ 6,377
2026	45,856
2027	4,515
2028	4,671
2029	4,833
Thereafter	<u>50,862</u>
	<u><u>\$ 117,114</u></u>

Interest paid for the years ended October 31, 2024 and 2023, on long-term debt was \$4,066 and \$4,263, respectively.

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16. UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)
DISCLOSURES

Board interpretation of law

Interpretation of Relevant Law UPMIFA enacted by California, FMV preservation – The board of trustees of the Masonic Homes has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor- restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Masonic Homes classifies as endowment net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not required to be held in perpetuity is classified as net assets without donor restrictions or restricted until those amounts are appropriated for expenditure by the Masonic Homes in a manner consistent with the standard of prudence prescribed by CPMIFA. In accordance with CPMIFA, the Masonic Homes considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Masonic Homes and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Masonic Homes
- The investment policies of the Masonic Homes

Spending policy, investing policy, and strategy

Return objectives and risk parameters – Masonic Homes has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Masonic Homes must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various market benchmarks appropriate to the investment classes utilized while assuming a moderate level of investment risk. The Masonic Homes expects its endowment funds, over time, to provide an average rate of return of approximately 6.5% to 7.0% over the long term. Actual returns in any given year may vary from this amount.

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16. UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)
DISCLOSURES (continued)

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, Masonic Homes relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Masonic Homes targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – For 2024 and 2023, Masonic Homes had a past policy of appropriating for distribution 4.50% to 5.00% of its endowment fund's average fair value over the prior twenty quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Masonic Homes considered the long-term expected return on its endowment. Accordingly, over the long term, the Masonic Homes expects the current spending policy to allow its endowment to grow at an average of 2.00% annually. This is consistent with the Masonic Homes' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Endowments by net asset class, in total and by fund

Endowment funds consisted of the following at October 31, 2024:

	<u>Without Donor Restrictions</u>	<u>Purpose Restricted</u>	<u>Endowment</u>
Donor-restricted endowment funds	\$ -	\$ 20,640	\$ 161,111
Board-designated endowment funds	<u>308,082</u>	<u>-</u>	<u>-</u>
	<u>\$ 308,082</u>	<u>\$ 20,640</u>	<u>\$ 161,111</u>

Endowment funds consisted of the following at October 31, 2023:

	<u>Without Donor Restrictions</u>	<u>Purpose Restricted</u>	<u>Endowment</u>
Donor-restricted endowment funds	\$ -	\$ 19,162	\$ 161,013
Board-designated endowment funds	<u>247,037</u>	<u>-</u>	<u>-</u>
	<u>\$ 247,037</u>	<u>\$ 19,162</u>	<u>\$ 161,013</u>

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16. UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)
DISCLOSURES (continued)

Reconcile beginning and ending balance of endowments by net asset class

Activity in the endowment funds consisted of the following for the year ended October 31, 2024:

	<u>Without Donor Restrictions</u>	<u>Purpose Restricted</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets at October 31, 2023	\$ 247,037	\$ 19,162	\$ 161,013	\$ 427,212
Investment return				
Realized gains (losses)	33,257	846	-	34,103
Investment income	5,757	220	-	5,977
Unrealized gains (losses)	<u>44,039</u>	<u>3,151</u>	-	<u>47,190</u>
	<u>83,053</u>	<u>4,217</u>	-	<u>87,270</u>
Contributions	-	2,759	98	2,857
Release from restrictions	-	(5,498)	-	(5,498)
Release/ transfers to general fund and/or operation	(19,359)	-	-	(19,359)
Expenses	<u>(2,649)</u>	<u>-</u>	<u>-</u>	<u>(2,649)</u>
Endowment net assets at October 31, 2024	<u>\$ 308,082</u>	<u>\$ 20,640</u>	<u>\$ 161,111</u>	<u>\$ 489,833</u>

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16. UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)
DISCLOSURES (continued)

Activity in the endowment funds consisted of the following for the year ended October 31, 2023:

	<u>Without Donor Restrictions</u>	<u>Purpose Restricted</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets at October 31, 2022	\$ 245,473	\$ 20,301	\$ 160,592	\$ 426,366
Investment return				
Realized gains (losses)	4,046	(192)	-	3,854
Investment income	5,731	230	-	5,961
Unrealized gains	12,841	770	-	13,611
	<u>22,618</u>	<u>808</u>	<u>-</u>	<u>23,426</u>
Contributions	-	849	421	1,270
Release from restrictions	-	(2,796)	-	(2,796)
Release/ transfer to general fund and/or operation	(19,048)	-	-	(19,048)
Expenses	<u>(2,006)</u>	<u>-</u>	<u>-</u>	<u>(2,006)</u>
Endowment net assets at October 31, 2023	<u>\$ 247,037</u>	<u>\$ 19,162</u>	<u>\$ 161,013</u>	<u>\$ 427,212</u>

Nature and types of restrictions

Endowment – Masonic Homes' endowment consists of approximately 16 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Aggregate amount of deficiencies for donor-restricted endowments

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor- restricted endowment funds may fall below the level that the donor requires the Masonic Homes to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there was no deficiency of this nature that was reported in net assets without donor restrictions as of October 31, 2024 and 2023, respectively.

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17. LIQUIDITY AND AVAILABILITY

The following table reflects the Organization’s financial assets as of October 31, available for general expenditure within one year:

	2024	2023
Cash and cash equivalents	\$ 26,783	\$ 32,014
Accounts receivable	4,504	3,341
Related party receivables	101	296
Asset held for sale	884	1,214
	\$ 32,272	\$ 36,865

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization has adequate unrestricted liquid assets to ensure it can meet its current and future obligations. The Organization will be making expenditures on several major long-term capital projects in the next year. These future expenditures are not included in current assets as the amounts are interminable and are included in investments as of October 31, 2024 and 2023.

18. SUBSEQUENT EVENTS

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

The Organization has evaluated subsequent events through February 25, 2025, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Masonic Homes of California and Subsidiary
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ASSETS

	<u>Acacia Creek - Union City</u>	<u>Masonic Homes of California</u>	<u>Eliminating Entries</u>	<u>2024 Total</u>	<u>2023 Total</u>
Current assets					
Cash and cash equivalents	\$ 588	\$ 26,195	\$ -	\$ 26,783	\$ 32,014
Funds held for residents, current portion	-	773	-	773	1,201
Receivables, net	45	4,459	-	4,504	3,341
Notes receivable - related party	-	10,000	(10,000)	-	-
Prepaid expenses and other assets	485	1,339	-	1,824	1,808
Related party receivable, current portion	-	3,696	(3,595)	101	188
Assets held for sale	-	884	-	884	2,379
Total current assets	<u>1,118</u>	<u>47,346</u>	<u>(13,595)</u>	<u>34,869</u>	<u>40,931</u>
Noncurrent assets					
Investments, at fair value	17,437	910,195	-	927,632	823,682
Related party receivable, net of current portion	-	113	-	113	131
Property and equipment, net	59,861	200,302	-	260,163	266,347
Assets held in trusts	-	12,213	-	12,213	10,692
Funds held for residents, net	855	-	-	855	529
Other assets	-	565	-	565	623
Total noncurrent assets	<u>78,153</u>	<u>1,123,388</u>	<u>-</u>	<u>1,201,541</u>	<u>1,102,004</u>
Total assets	<u>\$ 79,271</u>	<u>\$ 1,170,734</u>	<u>\$ (13,595)</u>	<u>\$ 1,236,410</u>	<u>\$ 1,142,935</u>

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LIABILITIES AND NET ASSETS

	<u>Acacia Creek - Union City</u>	<u>Masonic Homes of California</u>	<u>Eliminating Entries</u>	<u>2024 Total</u>	<u>2023 Total</u>
Current liabilities					
Accounts payable and accrued liabilities	\$ 379	\$ 1,683	\$ -	\$ 2,062	\$ 3,882
Accrued payroll and benefits	335	2,783	-	3,118	3,640
Long term debt, current portion	4,113	2,264	-	6,377	6,082
Liability for funds held for residents, current portion	-	773	-	773	1,201
Intercompany debt	10,000	-	(10,000)	-	-
Due to related parties	<u>3,625</u>	<u>129</u>	<u>(3,595)</u>	<u>159</u>	<u>189</u>
Total current liabilities	<u>18,452</u>	<u>7,632</u>	<u>(13,595)</u>	<u>12,489</u>	<u>14,994</u>
Long-term liabilities					
Liability to beneficiaries of split-interest agreements	-	1,880	-	1,880	1,791
Long term debt, net	68,570	41,950	-	110,520	116,319
Funds held for residents, net	855	-	-	855	529
Refundable advance fees	58,178	(13,034)	-	45,144	44,262
Deferred revenue	<u>4,392</u>	<u>15,894</u>	<u>-</u>	<u>20,286</u>	<u>21,526</u>
Total long-term liabilities	<u>131,995</u>	<u>46,690</u>	<u>-</u>	<u>178,685</u>	<u>184,427</u>
Total current liabilities	<u>150,447</u>	<u>54,322</u>	<u>(13,595)</u>	<u>191,174</u>	<u>199,421</u>
Net assets					
Without donor restrictions	(71,176)	934,661	-	863,485	763,339
With donor restrictions	<u>-</u>	<u>181,751</u>	<u>-</u>	<u>181,751</u>	<u>180,175</u>
Total net assets	<u>(71,176)</u>	<u>1,116,412</u>	<u>-</u>	<u>1,045,236</u>	<u>943,514</u>
Total liabilities and net assets	<u>\$ 79,271</u>	<u>\$ 1,170,734</u>	<u>\$ (13,595)</u>	<u>\$ 1,236,410</u>	<u>\$ 1,142,935</u>

Masonic Homes of California and Subsidiary
Consolidating Statements of Activities
For The Year Ended October 31, 2024
(In thousands)

	Acacia Creek - Union City	Masonic Homes of California	Eliminating Entries	2024 Total	2023 Total
Revenues, gains (losses), and other support					
Contributions	\$ -	\$ 572	\$ -	\$ 572	\$ 550
Bequests and memorials	-	4,129	-	4,129	1,351
Amortization of deferred revenue from assigned assets	502	1,743	-	2,245	2,060
Amount received from pensions assigned by resident	-	6,287	-	6,287	5,590
Fee-for-service revenue	7,255	3,411	-	10,666	9,520
Health service revenue	-	10,652	(143)	10,509	8,402
Other income	693	2,429	-	3,122	4,639
Investment income	156	7,052	-	7,208	7,991
Net realized gains on investments	1,415	75,205	-	76,620	435
Net unrealized gains on investments	2,110	79,828	-	81,938	34,584
Change in value of split-interest agreements	-	1,494	-	1,494	100
Write-off of unamortized bond issuance costs	-	-	-	-	(414)
Total revenues, gains (losses), and other support	<u>12,131</u>	<u>192,802</u>	<u>(143)</u>	<u>204,790</u>	<u>74,808</u>
Functional expenses					
Program services					
Operation of Acacia Creek and Masonic Homes	14,078	68,701	-	82,779	69,976
Masonic Outreach Services	-	4,981	-	4,981	4,860
Masonic Center for Youth and Families	-	4,476	-	4,476	4,294
Scholarship and Community Sponsorship	-	383	-	383	151
	<u>14,078</u>	<u>78,541</u>	<u>-</u>	<u>92,619</u>	<u>79,281</u>
Supporting services					
Marketing	893	-	(143)	750	688
Administration/ shared services	1,254	7,356	-	8,610	8,233
Fundraising	-	1,089	-	1,089	1,009
	<u>2,147</u>	<u>8,445</u>	<u>(143)</u>	<u>10,449</u>	<u>9,930</u>
Total functional expenses	<u>16,225</u>	<u>86,986</u>	<u>143</u>	<u>103,068</u>	<u>89,211</u>
Excess (deficit) of revenues over expenses before other changes in net assets					
	(4,094)	105,816	-	101,722	(14,403)
Equity transfer from Masonic Homes	<u>3,968</u>	<u>(3,968)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(126)	101,848	-	101,722	(14,403)
Net assets, beginning of year	<u>(71,050)</u>	<u>1,014,564</u>	<u>-</u>	<u>943,514</u>	<u>957,917</u>
Net assets, end of year	<u>\$ (71,176)</u>	<u>\$ 1,116,412</u>	<u>\$ -</u>	<u>\$ 1,045,236</u>	<u>\$ 943,514</u>

Masonic Homes of California and Subsidiary
Consolidating Statements of Cash Flow
October 31, 2024
(In thousands)

	Acacia Creek - Union City	Masonic Homes of California	Eliminating Entries	2024 Total	2023 Total
Cash flows from operating activities					
Contributions and bequests received	\$ -	\$ 4,602	\$ -	\$ 4,602	\$ 1,479
Net proceeds from assigned assets	-	1,147	-	1,147	4,816
Amounts received from assigned assets	-	6,287	-	6,287	5,590
Net proceeds/ settlements from sale of resident assets	-	1,109	-	1,109	(1,072)
Investment income received	156	7,052	-	7,208	7,991
Fee-for-service revenue	7,255	3,411	-	10,666	9,520
Health service revenue	-	10,652	-	10,652	8,604
Other income	307	683	-	990	2,130
Net proceeds from split-interest agreements	-	64	-	64	(3)
Cash paid for expenses	(13,288)	(79,278)	-	(92,566)	(76,348)
Net cash used in operating activities	<u>(5,570)</u>	<u>(44,271)</u>	<u>-</u>	<u>(49,841)</u>	<u>(37,293)</u>
Cash flows from investing activities					
Net proceeds from sale of investments	6,998	114,016	-	121,014	149,804
Purchase of investments	(2,705)	(63,703)	-	(66,408)	(68,707)
Purchase of property and equipment	(1,088)	(5,617)	-	(6,705)	(21,568)
Net cash provided by investing activities	<u>3,205</u>	<u>44,696</u>	<u>-</u>	<u>47,901</u>	<u>59,529</u>
Cash flows from financing activities					
Cash received from residents subject to refund	6,795	-	(549)	6,246	8,816
Deposits refunded to residents	(4,537)	-	-	(4,537)	(4,473)
Entrance fee (deposit to) refunded from Acacia Creek	-	(549)	549	-	-
Contributions restricted for long term investments	-	98	-	98	421
Funds held for residents	327	-	-	327	(13)
Bond issuance cost payment	-	-	-	-	(240)
Payments for other financing activities	(4)	-	-	(4)	-
Equity transfer from Masonic Homes (to) Acacia Creek	3,968	(3,968)	-	-	-
Proceeds from the issuance of long-term debt	-	586	-	586	80,708
Payments on long-term debt	(3,968)	(2,141)	-	(6,109)	(90,326)
Net cash provided by financing activities	<u>2,581</u>	<u>(5,974)</u>	<u>-</u>	<u>(3,393)</u>	<u>(5,107)</u>
Net increase (decrease) in cash and cash equivalents	<u>216</u>	<u>(5,549)</u>	<u>-</u>	<u>(5,333)</u>	<u>17,129</u>
Cash and cash equivalents, beginning of year	<u>1,227</u>	<u>32,517</u>	<u>-</u>	<u>33,744</u>	<u>16,615</u>
Cash and cash equivalents, end of year	<u>\$ 1,443</u>	<u>\$ 26,968</u>	<u>\$ -</u>	<u>\$ 28,411</u>	<u>\$ 33,744</u>

Masonic Homes of California and Subsidiary
Consolidating Statements of Cash Flow
October 31, 2024
(In thousands)

	Acacia Creek - Union City	Masonic Homes of California	Eliminating Entries	2024 Total	2023 Total
Cash flows from operating activities					
Changes in net assets	\$ (126)	\$ 101,848	\$ -	\$ 101,722	\$ (14,403)
Adjustments to reconcile changes in net assets to net cash used in operating activities					
Depreciation and amortization	2,788	10,137	-	12,925	10,832
Amortization of deferred revenue	(502)	(1,743)	-	(2,245)	(2,060)
Amortization due to death and withdrawal	(341)	(628)	-	(969)	(2,787)
Equity transfer (from) Masonic Homes to Acacia Creek	(3,968)	3,968	-	-	-
Write-off of unamortized bond issuance cost	-	-	-	-	414
Realized and unrealized (gain) loss on investments	(3,525)	(155,033)	-	(158,558)	(35,019)
Contributions restricted for long-term investments	-	(98)	-	(98)	(421)
Receivables, net	(44)	(1,118)	-	(1,162)	277
Prepaid expenses and other assets	60	(34)	-	26	2,656
Related entities receivable and payable	168	(92)	-	76	420
Assets held for sale	-	1,494	-	1,494	(1,165)
Assets held in trust	-	(1,521)	-	(1,521)	73
Funds held for residents	-	(386)	-	(386)	145
Accounts payable and accrued liabilities	(80)	(2,303)	-	(2,383)	(896)
Liability to beneficiaries of split interest agreements	-	91	-	91	(175)
Deferred revenue from assigned assets, net	-	1,147	-	1,147	4,816
Net cash used in operating activities	<u>\$ (5,570)</u>	<u>\$ (44,271)</u>	<u>\$ -</u>	<u>\$ (49,841)</u>	<u>\$ (37,293)</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 3,064	\$ 1,002	\$ -	\$ 4,066	\$ 4,263
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**STATEMENT OF PATIENT CENSUS
PATIENT DAYS BY PAYER**

Organization Name

MASONIC HOMES OF CALIFORNIA

Report Period End

10/31/2024

Line No.	PATIENT (Census) DAYS	(1) Medicare Fee for Service	(2) Medicare Managed Care	(3) Medi-Cal Fee for Service	(4) Medi-Cal Managed Care	(5) Commercial Coverage Fee for Service	(6) Commercial Coverage Managed Care	(7) Self -Pay	(8) Other Payers	(9) Total (Cols. 1 - 8)
	Routine Services:	0								
5	Skilled Nursing Care	3,736	950	3,882	8,935	6		3,883	1,074	22,466
10	Intermediate Care									
15	Mentally Disordered Care									
20	Developmentally Disabled Care									
25	Sub-Acute Care									
30	Sub-Acute Care - Pediatric									
35	Transitional Inpatient Care									
40	Hospice Inpatient Care									
45	Other Routine Services									
70	Subtotal (Lines 5 through 45)	3,736	950	3,882	8,935	6	0	3,883	1,074	22,466

**STATEMENT OF PATIENT REVENUE
(PATIENT REVENUE BY PAYER AND REVENUE CENTER)**

Organization Name MASONIC HOMES OF CALIFORNIA

Report Period End 10/31/2024

Line No.	GROSS REVENUE	Account Number	Medicare				Medi-Cal				Commercial Coverage				Line No.		
			Fee for Service		Managed Care		Fee for Service		Managed Care		Fee for Service		Managed Care				
			(1) Inpatient .04	(2) Outpatient .44	(3) Inpatient .14	(4) Outpatient .54	(5) Inpatient .05	(6) Outpatient .45	(7) Inpatient .15	(8) Outpatient .55	(9) Inpatient .01	(10) Outpatient .41	(11) Inpatient .10	(12) Outpatient .50			
5	Routine Services: Skilled Nursing Care	3100	4,202,114		627,734			1,225,826		3,811,048			2,670				5
10	Intermediate Care	3200															10
15	Mentally Disordered Care	3300															15
20	Developmentally Disabled Care	3400															20
25	Sub-Acute Care	3500															25
30	Sub-Acute Care - Pediatric	3520															30
35	Transitional Inpatient Care	3560															35
40	Hospice Inpatient Care	3600															40
45	Other Routine Services	3900															45
70	Subtotal (Lines 5 through 45)		4,202,114	0	627,734	0		1,225,826	0	3,811,048	0		2,670	0	0	0	70
105	Ancillary Services: Patient Supplies	4100	2,986		1,484												105
110	Specialized Support Surfaces	4150															110
115	Physical Therapy	4200	297,920	21,408	55,080	54,516						425					115
120	Respiratory Therapy	4220															120
125	Occupational Therapy	4250	247,940	128,801	77,089	42,930						256					125
130	Speech Pathology	4280	35,846	50,318	11,376	17,145						0					130
135	Pharmacy	4300	328,286		63,130							474					135
140	Laboratory	4400	31,876		6,917												140
145	Home Health Services	4800															145
155	Other Ancillary Services	4900	8,669		2,846							3,349					155
170	Subtotal (Lines 105 through 155)		953,524	200,528	217,923	114,591	0	0	0	0	0	4,503	0	0	0	0	170
175	Total Gross Revenue (Line 70 + 170)		5,155,637	200,528	845,657	114,591	1,225,826	0	3,811,048	0	7,173	0	0	0	0	0	175

Line No.	DEDUCTIONS FROM REVENUE	Account Number	Medicare				Medi-Cal				Commercial Coverage				Line No.		
			Fee for Service		Managed Care		Fee for Service		Managed Care		Fee for Service		Managed Care				
			(1) Inpatient .04	(2) Outpatient .44	(3) Inpatient .14	(4) Outpatient .54	(5) Inpatient .05	(6) Outpatient .45	(7) Inpatient .15	(8) Outpatient .55	(9) Inpatient .01	(10) Outpatient .41	(11) Inpatient .10	(12) Outpatient .50			
205	Charity Adjustments	5100															205
210	Administrative Adjustments	5200															210
215	Contractual Adjustments - Medicare	5310	359,056	65,278	103	49,725											215
220	Contractual Adjustments - Medi-Cal	5320					133,914		372,861								220
222	Contractual Adjustments - Commercial Coverage	5330															222
225	Contractual Adjustments - Other	5340	953,524		219,918												225
230	Other Deductions from Revenue	5400															230
240	Total Deductions from Revenue		1,312,580	65,278	220,021	49,725	133,914	0	372,861	0	0	0	0	0	0	0	240
250	Net Patient Revenue (line 175 - 240)		3,843,058	135,250	625,636	64,866	1,091,912	0	3,438,187	0	7,173	0	0	0	0	0	250

**STATEMENT OF PATIENT REVENUE
(PATIENT REVENUE BY PAYER AND REVENUE CENTER)**

Organization Name _____

Report Period End _____

Line No.	GROSS REVENUE	Account Number	Self-Pay		Other Payers		Total Gross Revenue			Line No.
			(13) Inpatient .00	(14) Outpatient .40	(15) Inpatient .09	(16) Outpatient .49	(17) Inpatient (sum odd cols.)	(18) Outpatient (sum even cols.)	(19) Total (col. 17 + 18)	
Routine Services:										
5	Skilled Nursing Care	3100	1,618,933		378,882		11,867,207	0	11,867,207	5
10	Intermediate Care	3200							0	10
15	Mentally Disordered Care	3300							0	15
20	Developmentally Disabled Care	3400							0	20
25	Sub-Acute Care	3500							0	25
30	Sub-Acute Care - Pediatric	3520							0	30
35	Transitional Inpatient Care	3560							0	35
40	Hospice Inpatient Care	3600							0	40
45	Other Routine Services	3900							0	45
70	Subtotal (Lines 5 through 45)		1,618,933		378,882		11,867,207	0	11,867,207	70
Ancillary Services:										
105	Patient Supplies	4100					4,470	0	4,470	105
110	Specialized Support Surfaces	4150					0	0	0	110
115	Physical Therapy	4200					353,425	75,925	429,350	115
120	Respiratory Therapy	4220					0	0	0	120
125	Occupational Therapy	4250					325,285	171,731	497,016	125
130	Speech Pathology	4280					47,222	67,463	114,685	130
135	Pharmacy	4300	56,399				448,289	0	448,289	135
140	Laboratory	4400					38,793	0	38,793	140
145	Home Health Services	4800							0	145
155	Other Ancillary Services	4900					14,864	0	14,864	155
170	Subtotal (Lines 105 through 155)		56,399		0		1,232,349	315,119	1,547,468	170
175	Total Gross Revenue (Line 70 + 170)		1,675,332		378,882		13,099,556	315,119	13,414,675	175

Line No.	DEDUCTIONS FROM REVENUE	Account Number	Self-Pay		Other Payers		Total Deductions from Revenue			Line No.
			(13) Inpatient .00	(14) Outpatient .40	(15) Inpatient .09	(16) Outpatient .49	(17) Inpatient (sum odd cols.)	(18) Outpatient (sum even cols.)	(19) Total (col. 17 + 18)	
205	Charity Adjustments	5100					0	0	0	205
210	Administrative Adjustments	5200					0	0	0	210
215	Contractual Adjustments - Medicare	5310					359,159	115,002	474,161	215
220	Contractual Adjustments - Medi-Cal	5320					506,775	0	506,775	220
222	Contractual Adjustments - Commercial Coverage	5330					0	0	0	222
225	Contractual Adjustments - Other	5340					1,173,442	0	1,173,442	225
230	Other Deductions from Revenue	5400					0	0	0	230
240	Total Deductions from Revenue		0		0		2,039,376	115,002	2,154,378	240
250	Net Patient Revenue (line 175 - 240)		1,675,332		378,882		11,060,180	200,116	11,260,297	250

Masonic Homes of California and Subsidiary
Supplemental Schedule of Supporting Services Expenses (Unaudited)
October 31, 2024
(In thousands)

	2024	2023
Masonic Homes general and administrative expenses		
General and administrative - shared service allocation	\$ 7,356	\$ 7,062
Fundraising and development - shared service allocation	1,089	1,009
	8,445	8,071
Acacia Creek general and administrative shared service allocation	1,254	1,172
Total allocation of general and administrative support to Masonic Homes and Acacia Creek	9,699	9,243
Acacia Creek marketing expenses, net of elimination	750	688
	\$ 10,449	\$ 9,931