

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2022

PROVIDER(S):

CC La Jolla, Inc. and CCW La Jolla, LLC

CCRC(S):

Vi at La Jolla Village

PROVIDER CONTACT PERSON:

Tara Cope

TELEPHONE NUMBER:

312-803-8555

E-MAIL ADDRESS:

tcope@viliving.com

A complete annual report must consist of 3 copies of all of the following:

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$41,252.49
 - ☐ If applicable, late fee in the amount of: \$ _____
- ☒ Certification by the provider's **Chief Executive Officer** that:
 - ☒ The reports are correct to the best of his/her knowledge.
 - ☒ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ☒ The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- ☒ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☒ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- ☒ "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- ☒ Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- ☒ Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- ☒ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	550
[2]	Number at end of fiscal year	556
[3]	Total Lines 1 and 2	1,106
		x.50
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	
[5]	Mean number of continuing care residents	553
All Residents		
[6]	Number at beginning of fiscal year	561
[7]	Number at end of fiscal year	566
[8]	Total Lines 6 and 7	1,127
		x.50
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	564
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	98

FORM 1-2: ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	54,486,536.00
[a] Depreciation	12,447,928.00
[b] Debt Service (Interest Only)	0.00
[2] Subtotal (add Line 1a and 1b)	12,447,928.00
[3] Subtract Line 2 from Line 1 and enter result.	42,038,608.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	98.13
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	41,252,486.00
[6] Total Amount Due (multiply Line 5 by .001)	\$ 41,252.49

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, LLC**COMMUNITY:** Vi at La Jolla Village

California Department of Social Services
Application for Certificate of Authority

CERTIFICATION

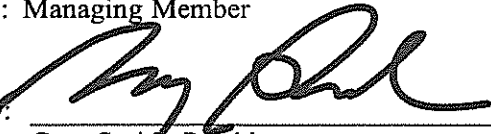
The undersigned certifies that the Annual Report for the fiscal year ended 12/31/2022 is correct to the best of his knowledge, that each continuing care contract form in use or offered to new residents has been approved by the Department, and the provider is maintaining the required liquid reserve and refund reserve.

Dated: April 21, 2023

CCW La Jolla, L.L.C., a Delaware limited liability company

By: CC-La Jolla, Inc., a Delaware corporation

Its: Managing Member

By: 
Gary Smith, President

CC-La Jolla, Inc., a Delaware corporation

By: 
Gary Smith, President



CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)

01/04/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

PRODUCER MARSH USA INC. 540 W. Madison CHICAGO, IL 60661	CONTACT NAME: Marsh U.S. Operations PHONE (A/C, No., Ext): 866-966-4664 FAX (A/C, No): 212-948-0770 E-MAIL ADDRESS: Chicago.CertRequest@marsh.com PRODUCER CUSTOMER ID:														
CN102041886-PROP-21-22															
INSURED CCW La Jolla, L.L.C. 8515 Costa Verde Drive San Diego, CA 92122	<table><tr><th>INSURER(S) AFFORDING COVERAGE</th><th>NAIC #</th></tr><tr><td>INSURER A : See Attached Schedule of Insurers</td><td></td></tr><tr><td>INSURER B :</td><td></td></tr><tr><td>INSURER C :</td><td></td></tr><tr><td>INSURER D :</td><td></td></tr><tr><td>INSURER E :</td><td></td></tr><tr><td>INSURER F :</td><td></td></tr></table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : See Attached Schedule of Insurers		INSURER B :		INSURER C :		INSURER D :		INSURER E :		INSURER F :	
INSURER(S) AFFORDING COVERAGE	NAIC #														
INSURER A : See Attached Schedule of Insurers															
INSURER B :															
INSURER C :															
INSURER D :															
INSURER E :															
INSURER F :															

COVERAGES**CERTIFICATE NUMBER:** CHI-009974769-06**REVISION NUMBER:** 0

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Re: Vi at La Jolla Village, 8515 Costa Verde Blvd., San Diego, CA 92122.

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY		LIMITS
A	X	PROPERTY	SEE ATTACHED	12/31/2021	12/31/2022	X	BUILDING	\$ SEE BELOW
		CAUSES OF LOSS				X	PERSONAL PROPERTY	\$ SEE BELOW
		BASIC				X	BUSINESS INCOME	\$ SEE BELOW
		BROAD				X	EXTRA EXPENSE	\$ SEE BELOW
	X	SPECIAL				X	RENTAL VALUE	\$ SEE BELOW
	X	EARTHQUAKE					BLANKET BUILDING	\$
	X	WIND					BLANKET PERS PROP	\$
	X	FLOOD				X	BLANKET BLDG & PP	\$
						X	LOSS LIMIT	\$ 350,000,000
								\$
		INLAND MARINE	TYPE OF POLICY					\$
		CAUSES OF LOSS						\$
		NAMED PERILS	POLICY NUMBER					\$
								\$
		CRIME						\$
		TYPE OF POLICY						\$
								\$
		BOILER & MACHINERY / EQUIPMENT BREAKDOWN						\$
								\$
								\$

SPECIAL CONDITIONS / OTHER COVERAGES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

California Department of
Social Services
Attn.: Ms. Linda Smith
744 P. Street
Sacramento, CA 95814

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Marsh USA Inc.

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Insured: CC-Development Group, Inc.

Policy Period: 12/31/21 – 12/31/22

Issuing Companies: *(Quota Share Participation by Layer)*

ALL-RISK			
\$25,000,000			
Excess Deductible	Policy Number	Participation (%)	Participation (\$)
Allied World Assurance Company Ltd	P006392/015	15.00%	\$3,750,000
Velocity - Certain Underwriters at Lloyd's, London	VRN-CN-0000681-05 / VNB-CN-0000681-05	7.20%	\$1,800,000
Velocity - Independent Specialty Insurance Company	VUX-CN-0000681-05	6.00%	\$1,500,000
Velocity - Interstate Fire & Casualty Company	VRX-CN-0000681-05	1.80%	\$450,000
Starr Surplus Lines Insurance Company	SLSTPTY11556921	5.00%	\$1,250,000
Illinois Union Insurance Company	D39075532 001	10.00%	\$2,500,000
Lloyds of London	B0509BOWPN2151811	35.00%	\$8,750,000
Ironshore Specialty Insurance Company	1000370378-03	5.00%	\$1,250,000
\$80,000,000			
Excess Deductible	Policy Number	Participation (%)	Participation (\$)
Argo Re Ltd.	P152113	5.00%	\$4,000,000
Lexington Insurance Company	034250013	10.00%	\$8,000,000
\$35,000,000			
Excess \$25,000,000	Policy Number	Participation (%)	Participation (\$)
Alcor - Lloyds of London Syndicate 4242	21ALC510410A	5.00%	\$2,750,000
Lloyds of London	B0509BOWPN2151811	9.00%	\$4,950,000
SRU - Crum & Forster Specialty Insurance Company	SRS-100853	3.00%	\$1,650,000
SRU - Western World Insurance Company	SCC0000891	4.88%	\$2,681,250
SRU - Palomar Excess and Surplus Insurance Company	PSC000046-01	4.88%	\$2,681,250
SRU - Starstone Specialty Insurance Company	CSRU-300294-01	2.25%	\$1,237,500
North American Elite Insurance Company	NAP 0452576 08	16.00%	\$8,800,000
Arch Specialty Insurance Company	ESP1010377-00	9.00%	\$4,950,000
Hamilton Re Ltd.	PX21-4695-01	9.00%	\$4,950,000
Oil Casualty Insurance Company Ltd.	P-102279-1221	4.50%	\$2,475,000
Hallmark Specialty Insurance Company	73-PX-000675390-00	5.00%	\$2,750,000
Ironshore Specialty Insurance Company	1000370405-03	12.50%	\$6,875,000
\$270,000,000			
Excess \$80,000,000	Policy Number	Participation (%)	Participation (\$)
Chubb Bermuda Insurance Ltd	CCDEVEL002217P	100.00%	\$270,000,000
TERRORISM			
\$80,000,000			
Excess Deductible	Policy Number	Participation (%)	Participation (\$)
Lloyds of London	BOWTN2150800	100.00%	\$80,000,000

Insured: CC-Development Group, Inc.

Policy Period: 12/31/21 – 12/31/22

Key Sublimits/Modifications (per occurrence, unless otherwise indicated)

- Flood – FEMA 100 Year Flood Zones (occurrence / aggregate) \$50,000,000
- Flood – All Other Locations (occurrence / aggregate) \$200,000,000
- Earth Movement – Alaska, California, Hawaii, Puerto Rico (occurrence / aggregate) \$80,000,000
- Earth Movement – Critical New Madrid & Pacific Northwest Areas (occurrence / aggregate)
\$50,000,000
- Earth Movement – All Other Locations (occurrence / aggregate)..... \$200,000,000
- Named Storm – FL, HI, PR, US VI and First Tier Areas in all other states\$80,000,000
- Debris Removal \$25,000,000
- Extended Period of Indemnity.....365 days
- Extra Expense \$80,000,000
- Terrorism.....(Lloyds via Stand Alone - \$80,000,000 +
Chubb BDA via All-Risk \$270,000,000) = \$350,000,000

Special Deductibles

- Earth Movement – AK, CA, HI, PR – 5% of the reported “unit of insurance” subject to a minimum of \$250,000 and a maximum of \$5,000,000 per occurrence
- Earth Movement – Critical New Madrid Areas and Critical Pacific Northwest areas – 2% of the reported “unit of insurance” subject to a minimum of \$100,000 per occurrence
- Earth Movement – All Other Locations – \$100,000 per occurrence
- Flood – FEMA 100 Year Flood Zones – \$1,000,000 per occurrence
- Flood – All Other Locations – \$100,000 per occurrence
- Named Windstorm – South Carolina – 3% of the reported “unit of insurance” subject to a minimum of \$250,000 per occurrence
- Named Windstorm – FL, HI, PR, US VI and First Tier Areas in all other states (except SC) 5% of the reported “unit of insurance” subject to a minimum of \$250,000 per occurrence



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
12/29/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER MARSH USA INC. 540 W. MADISON CHICAGO, IL 60661	CONTACT NAME: Marsh U.S. Operations		
	PHONE (A/C, No, Ext): 866-966-4664 FAX (A/C, No): 212-948-0770		
	E-MAIL ADDRESS: Chicago.CertRequest@marsh.com		
INSURED CCW La Jolla, L.L.C. 8515 Costa Verde Drive San Diego, CA 92122	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A: National Fire & Marine Insurance Co		20079
	INSURER B: N/A		N/A
	INSURER C: N/A		N/A
	INSURER D:		
	INSURER E:		
INSURER F:			

COVERAGES**CERTIFICATE NUMBER:**

CHI-009948246-07

REVISION NUMBER: 1

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR Ded: \$100,000 per occurrence GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER:		*42-PSC-306898-05	12/31/2022	12/31/2023	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ 3,000,000 POLICY LIMIT \$ 10,000,000
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY					COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> EXCESS LIAB <input checked="" type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 100,000		*42-USC-306899-05	12/31/2022	12/31/2023	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below Y/N <input type="checkbox"/> N/A					PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	PROFESSIONAL LIABILITY Claims Made		*42-PSC-306898-05 Policy Limit: \$10,000,000	12/31/2022	12/31/2023	EA CLAIM / AGG (LOC) 1M / 3M DEDUCTIBLE 100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Re: Vi at LaJolla Village, Tower 2, 8515 Costa Verde Drive, San Diego, CA 92122

CERTIFICATE HOLDER**CANCELLATION**

California Department of Social Services Attn.: Ms. Linda Smith 744 P. Street Sacramento, CA 95814	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE <i>Marsh USA Inc.</i>
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ADDITIONAL REMARKS SCHEDULE

Page 2 of 2

AGENCY MARSH USA INC.		NAMED INSURED CCW La Jolla, L.L.C. 8515 Costa Verde Drive San Diego, CA 92122
POLICY NUMBER		
CARRIER	NAIC CODE	EFFECTIVE DATE:

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,

FORM NUMBER: 25 **FORM TITLE:** Certificate of Liability Insurance

EXCESS PROFESSIONAL LIABILITY

CARRIER: National Fire & Marine Insurance Company

POLICY NO.: 42-USC-306899-05

EFFECTIVE DATE: 12/31/22

EXPIRATION DATE: 12/31/2023

EACH CLAIM LIMIT: \$5,000,000

AGGREGATE LIMIT: \$5,000,000

RETENTION: \$100,000

EXCESS LIABILITY (\$10M XS \$5M)

CARRIER: Berkley Healthcare Medical Professional

POLICY NO.: SCE280000901

EFFECTIVE DATE: 12/31/22

EXPIRATION DATE: 12/31/2023

EACH CLAIM LIMIT: \$10,000,000

AGGREGATE LIMIT: \$10,000,000

EXCESS LIABILITY (\$9M XS \$15M)

CARRIER: Allied World Assurance Company, Ltd.

POLICY NO.: C058848/004

EFFECTIVE DATE: 12/31/22

EXPIRATION DATE: 12/31/2023

EACH OCCURRENCE: \$9,000,000

AGGREGATE LIMIT: \$9,000,000

The \$9M xs \$15M Excess Liability placement was made by Bowring Marsh (Bermuda) Ltd.. Marsh USA Inc. has only acted in the role of a consultant to the client with respect to this placement, which is indicated here for your convenience.



CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Financial Statements and Supplementary Schedules

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

CC-LA JOLLA, INC. AND SUBSIDIARY

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Shareholder
CC-La Jolla, Inc. and subsidiary:

Opinion

We have audited the consolidated financial statements of CC-La Jolla, Inc. and subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in stockholder's deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2022, the Company adopted new accounting guidance Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the Company'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 supplementary information included in Forms 5-1 through 5-5 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
April 24, 2023

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 6,860,327	8,033,582
Current portion of assets limited as to use	354,000	504,545
Resident accounts receivable	461,244	305,038
Prepays and other	2,219,014	232,135
Total current assets	<u>9,894,585</u>	<u>9,075,300</u>
Assets limited as to use, net of amounts required for current liabilities	3,661,976	3,644,045
Property and equipment:		
Land	8,288,908	8,288,908
Building and improvements	212,398,259	210,455,458
Furniture, fixtures, and equipment	64,229,132	59,078,864
Construction in progress	5,545,892	3,510,284
	<u>290,462,191</u>	<u>281,333,514</u>
Less accumulated depreciation	<u>188,300,672</u>	<u>176,527,945</u>
Property and equipment, net	102,161,519	104,805,569
Right of use assets	121,911	—
Long-term accounts receivable – master trust	6,435,563	9,322,519
Deferred tax asset	12,869,331	12,574,236
Goodwill	4,787,334	5,385,751
Total assets	\$ <u>139,932,219</u>	<u>144,807,420</u>
Liabilities and Stockholder's Deficit		
Current liabilities:		
Accounts payable	\$ 1,273,722	1,595,543
Accrued expenses	2,744,455	2,912,062
Due to affiliates	1,062,410	904,903
Current installments of obligations under leases	49,037	—
Prepaid resident service revenue	175,063	176,686
Resident deposits	354,000	504,545
Current portion of repayable entrance fees	4,144,663	5,386,323
Total current liabilities	9,803,350	11,480,062
Repayable entrance fees	100,267,191	93,011,499
Deferred revenue from nonrepayable entrance fees	88,138,796	81,269,621
Master trust loan	7,938,057	11,485,573
Obligations under leases	72,874	—
Total liabilities	<u>206,220,268</u>	<u>197,246,755</u>
Stockholder's deficit:		
Common stock, no par value, \$10 assigned value. Authorized, issued, and outstanding, 100 shares	1,000	1,000
Additional paid-in capital	39,008,159	51,008,538
Accumulated deficit	<u>(105,297,208)</u>	<u>(103,448,873)</u>
Total stockholder's deficit	<u>(66,288,049)</u>	<u>(52,439,335)</u>
Total liabilities and stockholder's deficit	\$ <u>139,932,219</u>	<u>144,807,420</u>

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY
Consolidated Statements of Operations
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Net resident service revenue	\$ 41,017,919	38,337,321
Amortization of entrance fees	11,174,240	10,759,733
Investment income	31,991	753
Other income	118,956	66,133
Provider relief fund grant revenue	—	824,627
Total revenue	<u>52,343,106</u>	<u>49,988,567</u>
Expenses:		
Culinary and dining	7,376,959	6,645,199
Housekeeping and laundry	2,784,941	2,545,038
Resident services	3,604,464	3,241,074
Resident care	8,059,483	7,516,183
Repairs and maintenance	2,562,066	2,530,310
Sales and marketing	1,794,243	1,773,046
Administration	5,396,666	4,691,762
Utilities	2,910,716	2,672,223
Insurance	1,378,075	1,803,355
Total departmental expenses	35,867,613	33,418,190
Management fees	2,464,221	2,300,702
Property taxes	2,520,330	2,633,097
Provision for doubtful accounts	77,075	66,483
Other expense	769,107	573,337
Interest on lease obligations	4,284	—
Expenses attributable to coronavirus	335,978	866,318
Depreciation and amortization	12,447,928	12,347,216
Total expenses	<u>54,486,536</u>	<u>52,205,343</u>
Loss before income taxes	(2,143,430)	(2,216,776)
Income tax benefit	580,531	575,337
Net loss	<u>\$ (1,562,899)</u>	<u>(1,641,439)</u>

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholder's Deficit
Years ended December 31, 2022 and 2021

	Common stock		Additional	Accumulated	Total
	Number	Assigned value	paid-in capital	deficit	stockholder's deficit
Balance at December 31, 2020	100	\$ 1,000	60,014,235	(101,032,260)	(41,017,025)
Distributions to Parent	—	—	(9,005,697)	—	(9,005,697)
Tax adjustment	—	—	—	(775,174)	(775,174)
Net loss	—	—	—	(1,641,439)	(1,641,439)
Balance at December 31, 2021	100	1,000	51,008,538	(103,448,873)	(52,439,335)
Distributions to Parent	—	—	(12,000,379)	—	(12,000,379)
Tax adjustment	—	—	—	(285,436)	(285,436)
Net loss	—	—	—	(1,562,899)	(1,562,899)
Balance at December 31, 2022	100	\$ 1,000	39,008,159	(105,297,208)	(66,288,049)

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from residents with continuing care contracts	\$ 35,928,216	34,026,745
Cash received from residents without continuing care contracts	4,918,123	4,150,737
Cash received from provider relief fund grant	—	824,627
Proceeds from nonrepayable entrance fees	20,470,516	17,765,860
Interest received	44,330	4,358
Interest paid for lease obligations	(4,284)	—
Cash paid to suppliers and employees	(39,291,877)	(35,831,123)
Cash paid for management fees	(2,464,221)	(2,300,702)
Cash paid for real estate taxes	(2,520,330)	(2,633,097)
Cash received (paid) for income taxes	379	(194,303)
Net cash provided by operating activities	<u>17,080,852</u>	<u>15,813,102</u>
Cash flows from investing activities:		
Additions to property and equipment	(9,128,676)	(6,653,739)
Net change in resident deposits	(150,545)	27,217
Net change in assets limited as to use	<u>(2,066,024)</u>	<u>500,695</u>
Net cash used in investing activities	<u>(11,345,245)</u>	<u>(6,125,827)</u>
Cash flows from financing activities:		
Distributions to Parent	(12,000,379)	(9,005,697)
Principal payments on lease obligations	(76,785)	—
Proceeds from repayable entrance fees	12,487,147	15,194,104
Repayments of repayable entrance fees	(8,630,961)	(10,809,008)
Repayments to master trust loan	<u>(874,183)</u>	<u>(317,777)</u>
Net cash used in financing activities	<u>(9,095,161)</u>	<u>(4,938,378)</u>
Net change in cash, cash equivalents, and restricted cash	<u>(3,359,554)</u>	<u>4,748,897</u>
Cash, cash equivalents, and restricted cash at beginning of year	<u>12,182,172</u>	<u>7,433,275</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u>8,822,618</u>	<u>12,182,172</u>
Reconciliation of net loss to net cash provided by operating activities:		
Net loss	\$ (1,562,899)	(1,641,439)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Proceeds from nonrepayable entrance fees	20,470,516	17,765,860
Depreciation and amortization	12,447,928	12,347,216
Amortization of entrance fees	(11,174,240)	(10,759,733)
Provision for doubtful accounts	77,075	66,483
Net realized and change in unrealized losses on assets limited as to use	12,339	3,605
Utilization of repayable entrance fees in lieu of monthly fees	(55,632)	(51,737)
Tax adjustment	(285,436)	(775,174)
Changes in assets and liabilities:		
Accounts receivable	(233,281)	(120,224)
Prepays and other	(1,986,879)	(22,903)
Accounts payable	(321,821)	466,162
Accrued expenses	(167,607)	(605,771)
Due to affiliates	157,507	(1,005,448)
Prepaid resident service revenue	(1,623)	(54,011)
Deferred tax asset	<u>(295,095)</u>	<u>200,216</u>
Net cash provided by operating activities	\$ <u>17,080,852</u>	<u>15,813,102</u>

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

(1) Purpose and Organization

The accompanying consolidated financial statements include the accounts of CC-La Jolla, Inc. (La Jolla) and its consolidated subsidiary, CCW La Jolla, L.L.C. (the L.L.C.). La Jolla is the sole corporate member of the L.L.C. La Jolla and the L.L.C. are collectively referred to herein as CC-La Jolla, Inc. (the Company), a wholly owned subsidiary of CC-Development Group, Inc. (the Parent).

The L.L.C. was formed in 1998 for the purpose of owning, developing, and operating a senior living community containing 403 independent living apartments, 36 assisted living units, 19 memory support units, and a 60-bed healthcare center located in La Jolla, California. The community was acquired under a Joint Plan of Reorganization from La Jolla Village Tower – 500, a Chapter 11 bankrupt partnership.

All intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash include investments in highly liquid instruments with original maturities of three months or less. The following table provides a reconciliation of cash, cash equivalents, and restricted cash as reported in the accompanying consolidated balance sheets to the total amount of cash, cash equivalents, and restricted cash as reported in the accompanying consolidated statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,860,327	8,033,582
Assets limited as to use:		
Cash	822,978	981,765
Money markets and certificates of deposit	<u>1,139,313</u>	<u>3,166,825</u>
Total cash, cash equivalents, and restricted cash reported in the statements of cash flows	<u>\$ 8,822,618</u>	<u>12,182,172</u>

(c) Fair Value Measurements

The Company applies the provisions of Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurement – Overall*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are 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 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

In estimating the fair value of its financial instruments, the Company determined the carrying amounts reported in the balance sheets for cash and cash equivalents approximate fair value because of the short maturities of these instruments and are considered Level 1 investments within the fair value hierarchy.

(d) Assets Limited as to Use

Assets limited as to use include restricted resident deposits, assets set aside by the Company for capital improvements, assets set aside to satisfy state operating reserve requirements, and assets held for entrance fee repayments. Restricted resident deposits represent good faith deposits. Good faith deposits are received by the Company from prospective residents who are interested in occupying one of the community units. Good faith deposits do not earn interest on behalf of the prospective residents. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, which may be used at the discretion of the Company. Assets limited as to use by state for operations represent funds designated by the Company to satisfy state operating reserve requirements. Assets held for entrance fee repayments represent funds designated to establish certain entrance fee repayment reserves. The amounts held for entrance fee repayments relate to certain residency agreements entered into from June 1, 2012 through December 31, 2016. The total reserve amount of \$1,563,265 comprises cash and cash equivalents of \$468,980 and real estate of the community of \$1,094,285. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
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(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets ranging from 4 to 40 years. Construction in progress at December 31, 2022 relates to costs associated with renovations that will be placed in service during 2023. As of December 31, 2022, the Company was committed under the terms of construction contracts to complete the renovations at a remaining aggregate cost of approximately \$285,000.

(f) Leases

The Company determines if an arrangement is or contains an embedded lease at contract inception. The Company recognizes a right of use (ROU) asset and a lease liability at the lease commencement date if the lease period exceeds one year.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

ASC 842-20-30-3 provides a practical expedient for nonpublic business entities, which allows a lessee to use a risk-free interest rate for a period comparable to the lease term. The Company has elected to use the risk-free rate, which is the rate of a U.S. Treasury security for a period comparable to the lease term.

The Company has finance leases, primarily for on-site vehicles that expire over the next four years. The Company's leases generally do not include termination options for either party to the lease, restrictive financial or other covenants or residual value guarantees.

ROU assets for leases are periodically assessed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the ROU asset is reduced to zero and the remainder of the adjustment is recorded in profit or loss.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

The Company's leases may include non-lease maintenance services (i.e. equipment maintenance or common area maintenance). For all leases, the Company has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

(g) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2022 or 2021.

(h) Long-Term Accounts Receivable – Master Trust

Long-term accounts receivable represent the earned portion of nonrepayable entrance fees due from a resident pursuant to the Master Trust Agreement (note 6). Upon termination of resident contracts, such amounts are offset against amounts due under the Master Trust Agreement.

(i) Goodwill

Goodwill represents the excess of the fair value of the Company, as determined through an independent valuation at the time of the formation of the Company, over the fair value of tangible assets contributed to the Company by its members. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but instead tested for impairment at least annually in accordance with the provisions of ASC Subtopic 350-20, *Intangibles – Goodwill and Other*.

On January 1, 2021, the Company elected to adopt the provisions of ASC Topic 350, *Intangibles – Goodwill and Other*, which permit private companies to amortize goodwill on a straight-line basis, test for impairment upon a triggering event, and have the option to elect to test for impairment at the entity level instead of testing goodwill for impairment annually at the reporting unit level. The Company has elected to amortize goodwill over a ten year period. As of December 31, 2022, the Company has \$1,196,834 of accumulated amortization of goodwill, of which \$598,417 was recorded within depreciation and amortization in the 2022 consolidated statement of operations.

Goodwill is stated at cost less accumulated impairment losses. For 2022, the Company completed its goodwill impairment test in the month of December. A qualitative impairment analysis was performed in December 2022 to assess whether it is more likely than not that the fair value of the Company's reporting unit is less than its carrying value. The Company assessed relevant events and circumstances including macroeconomic conditions, industry and market considerations, overall financial performance, and entity-specific events. The Company determined that there was no goodwill impairment in 2022 and 2021.

(j) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at both December 31, 2022 and 2021, and accordingly, no future service obligation has been recognized in the accompanying consolidated balance sheets.

(k) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one-time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee and then earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, 20%, or 18%, dependent on the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 6). Beginning August 1, 2005, entrance fees were remitted directly to the Company. The Company has recorded the repayable portion of the entrance fees (remitted directly to the Company) separately from the nonrepayable portion within the accompanying consolidated balance sheets. If all contracts terminated on December 31, 2022, the repayable portion of the entrance fees due to all residents approximates \$127,186,000, of which \$125,684,000 relates to residents who remitted their entrance fees directly to the Company and \$1,502,000 relates to residents who remitted their entrance fees to the Master Trust.

(l) Income Taxes

The Company is included in the consolidated income tax return of its Parent. The Company uses the separate return method of determining its provision for income taxes. The consolidated financial statements reflect the provision for income taxes as if the Company were a separate taxpayer and a stand-alone enterprise. Accordingly, the consolidated financial statements may reflect tax attributes that may not exist in the Parent's consolidated income tax return. A valuation allowance on deferred tax assets is assessed using the sources of future taxable income available only to the Company.

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for tax provisions in accordance with ASC Topic 740, Income Taxes. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The Company has recognized no liabilities as of December 31, 2022 and 2021 related to uncertain tax positions.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
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(m) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. Topic 842 requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations.

The Company adopted all of Topic 842 effective January 1, 2022 using a modified retrospective transition approach. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption. The Company elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized. The Company did not elect the practical expedient to use hindsight for leases existing at the adoption date.

Adoption of the new leasing standard did not have a material effect on the Company's balance sheet or statement of operations. Adoption drove a \$198,696 increase in obligations under leases (of which \$76,785 was current) with a corresponding equal increase in ROU assets as of the date of adoption. The adoption had no material effect on the Company's statement of cash flows but did affect its disclosures. See Note 10 for additional lease disclosures.

(n) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, Subsequent Events, the Company evaluated events and transactions after the balance sheet date of December 31, 2022 through April 24, 2023, the date the consolidated financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

(3) Net Resident Service Revenue

Net resident service revenue is reported at amounts, which reflect the consideration that the Company expects to receive in exchange for services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive revenue adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided.

(a) Daily or Monthly Fee Revenue

Under the Company's residency agreements, which are continuing care contracts, the Company provides senior living services to residents for a stated monthly fee. The Company recognizes revenue for skilled nursing residency, assistance with activities of daily living, memory care services, inpatient therapy, healthcare, and personalized health services in accordance with the provisions of ASC Topic 606, *Revenue from Contracts with Customers*. The Company has determined that the services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time.

CC-LA JOLLA, INC. AND SUBSIDIARY
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(b) Healthcare Services Revenue

The Company receives revenue for services under various third-party payor programs, which include Medicare and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

(c) Disaggregation of Revenue

The Company disaggregates its revenue from contracts with customers by revenue type, as the Company believes it best depicts how the nature, amount, timing and uncertainty of its revenue, and cash flows are affected by economic factors. See details on revenue type below:

	<u>2022</u>	<u>2021</u>
Independent living revenue	\$ 29,802,328	28,488,667
Care center revenue:		
Revenue under continuing care residency agreements	5,685,242	5,151,608
Revenue from private payors	1,188,939	1,181,758
Revenue under Medicare and third-party arrangements	3,650,345	2,937,716
Other service revenue	<u>691,065</u>	<u>577,572</u>
Net resident service revenue	<u>\$ 41,017,919</u>	<u>38,337,321</u>
Amortization of entrance fee revenue	\$ 11,174,240	10,759,733
Other income	118,956	66,133
Provider relief fund grant revenue (note 11)	—	824,627

(d) Contract Balances

The payment terms and conditions within the Company's revenue-generating contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance.

Resident fee revenue for stand-alone or certain healthcare services is generally billed monthly in arrears. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied. The Company had total deferred revenue (included within prepaid resident service revenue and deferred revenue from nonrepayable entrance fees within the balance sheets) of \$88,313,859 and \$81,446,307, including \$175,063 and \$176,686 of resident monthly fees billed and received in advance, as of December 31, 2022 and 2021, respectively. For the year ended December 31, 2022, the Company recognized \$10,736,158 of revenue that was included in the deferred revenue balance as of January 1, 2021. The Company applies the practical expedient in ASC Paragraph 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

(4) Concentration of Credit Risk

The Company grants credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Medicare	39 %	53 %
Self-pay and commercial insurance	61	47
	<u>100 %</u>	<u>100 %</u>

(5) Assets Limited as to Use

The Company reports its investments at fair value and considers all investments to be trading securities. Money markets and certificates of deposits are considered cash equivalents and are considered Level 1 investments within the fair value hierarchy. Corporate bonds and notes are considered Level 2 investments within the fair value hierarchy. Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in investment income in the accompanying statements of operations.

A summary of the composition of the Company's investment portfolio at December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Money markets, certificates of deposit, and cash	\$ 1,962,291	4,148,590
Commercial paper	244,608	—
Government agencies	1,190,784	—
Corporate bonds and notes	618,293	—
	<u>\$ 4,015,976</u>	<u>4,148,590</u>

Assets limited as to use are reported in the accompanying consolidated balance sheets as follows:

	<u>2022</u>	<u>2021</u>
Current portion of assets limited as to use – resident deposits	\$ 354,000	504,545
Assets limited as to use – by state for operations	\$ 3,192,996	3,166,825
Assets limited as to use – by Company for entrance fee repayments	468,980	477,220
Assets limited as to use, net of amounts required for current liabilities	<u>\$ 3,661,976</u>	<u>3,644,045</u>

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The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2022. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 822,978	822,978	—	—
Money markets and certificates of deposit	1,139,313	1,139,313	—	—
Commercial paper	244,608	244,608	—	—
Government agencies	1,190,784	—	1,190,784	—
Corporate bonds and notes	618,293	—	618,293	—
Total	<u>\$ 4,015,976</u>	<u>2,206,899</u>	<u>1,809,077</u>	<u>—</u>

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2021. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 981,765	981,765	—	—
Money markets	3,166,825	3,166,825	—	—
Total	<u>\$ 4,148,590</u>	<u>4,148,590</u>	<u>—</u>	<u>—</u>

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 44,330	4,358
Net realized and change in unrealized losses during the holding period	<u>(12,339)</u>	<u>(3,605)</u>
	<u>\$ 31,991</u>	<u>753</u>

(6) Master Trust Agreement

Through July 31, 2005, upon entrance into a residency agreement, residents also entered into a Master Trust Agreement with an independent trustee. Upon execution of the agreements, resident deposits were due to the trustee. The trustee entered into a loan agreement with the Company dated June 29, 2000. The terms of the loan agreement allow the Company to borrow up to \$100,000,000 on a demand basis evidenced by a promissory note in the amount of \$100,000,000. The loan bears no interest and becomes

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

due and payable on June 29, 2050. The promissory note is secured by a deed of trust covering the real property of the Company.

Once entrance fees were deposited with the trustee of the Master Trust and then loaned to the Company, the funds were used primarily for original acquisition indebtedness, capital acquisitions, operating deficits, and cash distributions to members. Repayments to residents are paid directly out of the trust. In the event the trust has no liquid assets to make repayments, the Company is obligated to fund the trust. As the trust had no liquid assets, the Company funded the trust in order for the trustee to make repayments of \$874,183 and \$317,777 during the years ended December 31, 2022 and 2021, respectively. The source of the repayments is provided by new resident entrance fee proceeds.

The Master Trust Agreement with each resident is for 100% of the resident's entrance fee. Upon termination of the residency agreement, the repayable portion of the entrance fee, ranging from 0% to 82%, is due to the resident, and the earned portion of nonrepayable entrance fees is due to the Company. The Company is entitled to 2% of the entrance fee per month up to the maximum of 100%, dependent on the contract provisions (note 2(k)).

(7) Transactions with Related Parties

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of La Jolla, whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue, excluding certain items, as defined in the management agreement. The Company incurred management fee expense of \$2,464,221 and \$2,300,702 for the years ended December 31, 2022 and 2021, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to the third parties on behalf of the Company. Reimbursement to Classic for such advances amounted to \$6,917,074 and \$7,376,232 for the years ended December 31, 2022 and 2021, respectively. There is no interest associated with these advances. Amounts due to Classic totaled \$1,062,410 and \$904,903 at December 31, 2022 and 2021, respectively, and are reported as due to affiliates in the accompanying consolidated balance sheets.

(8) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2022 and 2021, the Company recorded matching contribution expense of \$479,616 and \$423,343, respectively. Contributions are funded on a current basis.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

(9) Income Taxes

The operating results of the Company are included in the Parent's consolidated federal income tax return. The Company is party to a tax sharing agreement that follows the provisions of ASC Topic 740 and provides that, among other things, the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the consolidated federal income tax return of the Parent. The tax sharing agreement also provides that the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the various combined state income tax returns of the Parent and its subsidiaries. The Company is required to pay the Parent for any tax liability that may arise from its operations, computed on a separate return basis. For the year ended December 31, 2022, the Company sustained losses for federal and state income tax purposes. Accordingly, the current tax benefit attributable to the Company in the Parent Company's income tax returns has been eliminated through an adjustment to shareholder's deficit.

The income tax benefit for the years ended December 31, 2022 and 2021 comprises the following:

	<u>2022</u>	<u>2021</u>
Current:		
U.S. federal	\$ (210,263)	(571,283)
State	<u>(75,173)</u>	<u>(204,270)</u>
Total current	<u>(285,436)</u>	<u>(775,553)</u>
Deferred:		
U.S. federal	(221,450)	150,250
State	<u>(73,645)</u>	<u>49,966</u>
Total deferred	<u>(295,095)</u>	<u>200,216</u>
Income tax benefit	<u>\$ (580,531)</u>	<u>(575,337)</u>

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
Accrued expenses and other	\$ 634,208	561,480
Deferred revenue from nonrepayable entrance fees	<u>17,565,815</u>	<u>16,947,045</u>
Total net deferred tax assets	<u>18,200,023</u>	<u>17,508,525</u>
Deferred tax liabilities:		
Depreciation	(3,991,025)	(3,427,162)
Amortization of goodwill	<u>(1,339,668)</u>	<u>(1,507,127)</u>
Total deferred tax liabilities	<u>(5,330,693)</u>	<u>(4,934,289)</u>
Net deferred tax assets	<u>\$ 12,869,330</u>	<u>12,574,236</u>

As of December 31, 2022 or 2021, no valuation allowance was considered necessary as management believed that it was more likely than not that the results of future operations would generate sufficient taxable income to realize deferred tax assets.

Income tax benefit was \$(580,531) and \$(575,337) for the years ended December 31, 2022 and 2021, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% in 2022 and 2021 to pretax income from continuing operations as a result of the following:

	<u>2022</u>	<u>2021</u>
Computed "expected" tax benefit	\$ (450,120)	(465,523)
Change in income taxes resulting from:		
State and local income taxes, net of federal income tax benefit	(133,031)	(111,408)
Other, net	<u>2,620</u>	<u>1,594</u>
Income tax benefit	<u>\$ (580,531)</u>	<u>(575,337)</u>

(10) Leases

The Company currently has one noncancellable finance lease, for an on-site vehicle that expires over the next four years. The lease does not contain a renewal option. The lease does not include a termination option for either party to the lease or restrictive financial or other covenants. Payments due under the lease contract include only fixed payments. The Company elected to discount its lease liabilities using a risk-free rate.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Amounts reported in the consolidated balance sheet as of December 31, 2022 were as follows:

Right of use assets – finance leases	\$ 198,696
Accumulated amortization	<u>(76,785)</u>
Right of use assets – finance leases, net	<u>\$ 121,911</u>
Current portion of finance lease liabilities	\$ 49,037
Finance lease liabilities, net of current portion	<u>72,874</u>
Total finance lease liabilities	<u>\$ 121,911</u>

Other information related to leases as of December 31, 2022 was as follows:

Cash paid for amounts included in the measurement of lease liabilities	\$ 76,785
Weighted average remaining lease term	2.90 years
Weighted average discount rate	2.50 %

Maturities of lease liabilities as of December 31, 2022 are as follows:

Year ending December 31	
2023	\$ 49,037
2024	33,900
2025	25,055
2026	13,919
2027	—
Thereafter	<u>—</u>
Total lease liabilities	<u>\$ 121,911</u>

(11) Commitments and Contingencies

(a) State Regulatory Requirements

The Company is subject to regulatory requirements as set forth by the Department of Social Services in the State of California. Such requirements set forth the establishment of a restricted cash escrow account for resident deposits until execution of the residency agreement (note 2) and the submission of schedules detailing the availability of debt service and operating expense reserves.

CC-LA JOLLA, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

(b) Federal Regulatory Compliance

The laws and regulations governing the Medicare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for long-term care organizations. Recently, the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The Company maintains a compliance program designed to educate employees and to detect and correct possible violations.

(c) COVID-19 Pandemic and Federal Stimulus Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies have been implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home.

The Company incurred incremental direct costs to prepare for and respond to the pandemic recorded in expenses attributable to coronavirus on the statements of operations. These costs included the acquisition of additional personal protective equipment and medical equipment, enhanced cleaning supplies, employee related costs and COVID-19 testing of residents and associates where not otherwise covered by government payor or third-party insurance sources.

In March 2020, the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) was signed into law, providing temporary and limited relief to companies during the COVID-19 outbreak. During 2022, the Company did not receive any general and targeted Provider Relief Fund distributions, as provided for under the CARES Act. In 2021, the Company received \$824,627 of such funds. Generally, these distributions from the Provider Relief Fund are not subject to repayment, provided the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for allowable expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results through December 31, 2022 and 2021, the Company recognized the full distributions.

The CARES Act also provides for a deferral of payments of the employer portion of social security payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half until December 2022. The Company had deferred payroll taxes of \$334,123 at December 31, 2021 and recorded the deferral as a component of accrued expenses in the accompanying balance sheets. These amounts were repaid during 2022.

The Department of Health and Human Services provided and continues to clarify a Post-Payment Notice of Reporting Requirements for providers that received funding under the CARES Act. The notices provide guidance on expenses attributable to COVID-19 and "lost revenue." The Company followed this guidance in determining the \$335,978 and \$866,318 of expenses attributable to coronavirus recorded in the accompanying 2022 and 2021 statements of operations, respectively.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-1

Long-Term Debt Incurred in a Prior Fiscal Year

(Including Balloon Debt)

Long-term debt obligation	(a) Date incurred	(b) Principal paid during fiscal year	(c) Interest paid during fiscal year	(d) Credit enhancement premiums paid in fiscal year	(e) Total paid columns (b) + c) + (d)
1		\$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Transfer this amount to
Form 5-3, line 1)

Note: For column (b), do not include voluntary payments made to pay down principal

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-2

Long-Term Debt Incurred during Fiscal Year
(Including Balloon Debt)

Long-term debt obligation	(a) Date incurred	(b) Total interest paid during fiscal year	(c) Amount of most recent payment on the debt	(d) Number of payments over next 12 months	(e) Reserve requirement (see instruction 5) (columns (c)*(d))
1		\$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Transfer this amount to
Form 5-3, line 2)

Note: For column (b), do not include voluntary payments made to pay down principal

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-3

Calculation of Long-Term Debt Reserve Amount

<u>Line</u>	<u>Total</u>
1 Total from Form 5-1 bottom of column (e)	\$ —
2 Total from Form 5-2 bottom of column (e)	—
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	—
4 Total amount required for long-term debt reserve	\$ —

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-4

Calculation of Net Operating Expenses

<u>Line</u>	<u>Amount</u>	<u>Total</u>
1 Total operating expenses from financial statements		\$ 54,486,536
2 Deductions:		
a Interest paid on long-term debt (see instructions)	\$ —	
b Credit enhancement premiums paid for long-term debt (see instructions)	—	
c Depreciation	11,772,726	
d Amortization	675,202	
e Revenue received during fiscal year for services to residents who did not have a continuing care contract	4,918,123	
f Extraordinary expenses approved by the Department	335,978	
3 Total deductions		<u>17,702,029</u>
4 Net operating expenses		<u>36,784,507</u>
5 Divide Line 4 by 365 and enter the result		<u>100,779</u>
6 Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		\$ <u><u>7,558,425</u></u>

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-5

Annual Reserve Certification

Provider Name: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

Fiscal Year Ended: December 31, 2022

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2022 and are in compliance with those requirements.

Our liquid reserve requirements are computed using the audited financial statements for the fiscal years as follows:

	<u>Amount</u>
(1) Debt service reserve amount	\$ —
(2) Operating expense reserve amount	<u>7,558,425</u>
(3) Total liquid reserve amount	\$ <u>7,558,425</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying asset description</u>		<u>Amount</u> <u>(market value at end of quarter)</u>	
		<u>Debt service reserve</u>	<u>Operating reserve</u>
(4) Cash and cash equivalents	\$	—	6,860,327
(5) Investment securities		—	3,192,996
(6) Equity securities		—	—
(7) Unused available lines of credit		—	—
(8) Unused available letters of credit		—	—
(9) Debt service reserve		—	—
(10) Other (describe qualifying asset)		—	—
Total amount of qualifying assets listed for liquid reserve	(11)	—	(12) <u>10,053,323</u>
Total amount required	(13)	—	(14) <u>7,558,425</u>
Surplus (deficiency)	(15) \$	—	(16) <u>2,494,898</u>

Signature:



Date

4-27-2023

(Authorized representative)

(Title) CFO

See accompanying independent auditors' report.



CCW LA JOLLA, L.L.C.

Financial Statements and Supplementary Schedules

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

CCW LA JOLLA, L.L.C.

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Members
CCW La Jolla, L.L.C.:

Opinion

We have audited the financial statements of CCW La Jolla, L.L.C. (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the Company adopted new accounting guidance Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in



the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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 financial statements as a whole. The supplementary information included in Forms 5-1 through 5-5 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Chicago, Illinois
April 24, 2023

CCW LA JOLLA, L.L.C.

Balance Sheets

December 31, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 6,860,327	8,033,582
Current portion of assets limited as to use	354,000	504,545
Resident accounts receivable	461,244	305,038
Prepays and other	2,219,014	232,135
Total current assets	<u>9,894,585</u>	<u>9,075,300</u>
Assets limited as to use, net of amounts required for current liabilities	3,661,976	3,644,045
Property and equipment:		
Land	8,288,908	8,288,908
Building and improvements	212,398,259	210,455,458
Furniture, fixtures, and equipment	64,229,132	59,078,864
Construction in progress	5,545,892	3,510,284
	290,462,191	281,333,514
Less accumulated depreciation	<u>188,300,672</u>	<u>176,527,945</u>
Property and equipment, net	102,161,519	104,805,569
Right of use assets	121,911	—
Long-term accounts receivable — master trust	6,435,563	9,322,519
Goodwill	4,787,334	5,385,751
Total assets	<u>\$ 127,062,888</u>	<u>132,233,184</u>
Liabilities and Members' Deficit		
Current liabilities:		
Accounts payable	\$ 1,273,722	1,595,543
Accrued expenses	2,744,455	2,912,062
Due to affiliates	1,062,409	905,281
Current installments of obligations under leases	49,037	—
Prepaid resident service revenue	175,063	176,686
Resident deposits	354,000	504,545
Current portion of repayable entrance fees	4,144,663	5,386,323
Total current liabilities	9,803,349	11,480,440
Repayable entrance fees	100,267,191	93,011,499
Deferred revenue from nonrepayable entrance fees	88,138,796	81,269,621
Master trust loan	7,938,057	11,485,573
Obligations under leases	72,874	—
Total liabilities	<u>206,220,267</u>	<u>197,247,133</u>
Members' deficit:		
Contributed capital	19,885,198	31,885,198
Accumulated deficit	<u>(99,042,577)</u>	<u>(96,899,147)</u>
Total members' deficit	<u>(79,157,379)</u>	<u>(65,013,949)</u>
Total liabilities and members' deficit	<u>\$ 127,062,888</u>	<u>132,233,184</u>

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Operations

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Net resident service revenue	\$ 41,017,919	38,337,321
Amortization of entrance fees	11,174,240	10,759,733
Investment income	31,991	753
Other income	118,956	66,133
Provider relief fund grant revenue	—	824,627
Total revenue	<u>52,343,106</u>	<u>49,988,567</u>
Expenses:		
Culinary and dining	7,376,959	6,645,199
Housekeeping and laundry	2,784,941	2,545,038
Resident services	3,604,464	3,241,074
Resident care	8,059,483	7,516,183
Repairs and maintenance	2,562,066	2,530,310
Sales and marketing	1,794,243	1,773,046
Administration	5,396,666	4,691,762
Utilities	2,910,716	2,672,223
Insurance	1,378,075	1,803,355
Total departmental expenses	35,867,613	33,418,190
Management fees	2,464,221	2,300,702
Property taxes	2,520,330	2,633,097
Provision for doubtful accounts	77,075	66,483
Other expense	769,107	573,337
Interest on lease obligations	4,284	—
Expenses attributable to coronavirus	335,978	866,318
Depreciation and amortization	12,447,928	12,347,216
Total expenses	<u>54,486,536</u>	<u>52,205,343</u>
Net loss	\$ <u>(2,143,430)</u>	<u>(2,216,776)</u>

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.**Statements of Changes in Members' Deficit**

Years ended December 31, 2022 and 2021

	Contributed capital	Accumulated deficit	Total members' deficit
Balance at December 31, 2020	\$ 41,085,198	(94,682,371)	(53,597,173)
Distributions to member	(9,200,000)	—	(9,200,000)
Net loss	—	(2,216,776)	(2,216,776)
Balance at December 31, 2021	31,885,198	(96,899,147)	(65,013,949)
Distributions to member	(12,000,000)	—	(12,000,000)
Net loss	—	(2,143,430)	(2,143,430)
Balance at December 31, 2022	<u>\$ 19,885,198</u>	<u>(99,042,577)</u>	<u>(79,157,379)</u>

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from residents with continuing care contracts	\$ 35,928,216	34,026,745
Cash received from residents without continuing care contracts	4,918,123	4,150,737
Cash received from provider relief fund grant	—	824,627
Proceeds from nonrepayable entrance fees	20,470,516	17,765,860
Interest received	44,330	4,358
Interest paid for lease obligations	(4,284)	—
Cash paid to suppliers and employees	(39,291,877)	(35,831,123)
Cash paid for management fees	(2,464,221)	(2,300,702)
Cash paid for real estate taxes	<u>(2,520,330)</u>	<u>(2,633,097)</u>
Net cash provided by operating activities	<u>17,080,473</u>	<u>16,007,405</u>
Cash flows from investing activities:		
Additions to property and equipment	(9,128,676)	(6,653,739)
Net change in resident deposits	(150,545)	27,217
Net change in assets limited as to use	<u>(2,066,024)</u>	<u>500,695</u>
Net cash used in investing activities	<u>(11,345,245)</u>	<u>(6,125,827)</u>
Cash flows from financing activities:		
Distributions to member	(12,000,000)	(9,200,000)
Principal payments on lease obligations	(76,785)	—
Proceeds from repayable entrance fees	12,487,147	15,194,104
Repayments of repayable entrance fees	(8,630,961)	(10,809,008)
Repayments to master trust	<u>(874,183)</u>	<u>(317,777)</u>
Net cash used in financing activities	<u>(9,094,782)</u>	<u>(5,132,681)</u>
Net change in cash, cash equivalents, and restricted cash	(3,359,554)	4,748,897
Cash, cash equivalents, and restricted cash at beginning of year	<u>12,182,172</u>	<u>7,433,275</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u>8,822,618</u>	<u>12,182,172</u>
Reconciliation of net income to net cash provided by operating activities:		
Net loss	\$ (2,143,430)	(2,216,776)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Proceeds from nonrepayable entrance fees	20,470,516	17,765,860
Depreciation and amortization	12,447,928	12,347,216
Amortization of entrance fees	(11,174,240)	(10,759,733)
Net realized and change in unrealized losses on assets limited as to use	12,339	3,605
Utilization of repayable entrance fees in lieu of monthly fees	(55,632)	(51,737)
Provision for doubtful accounts	77,075	66,483
Changes in assets and liabilities:		
Accounts receivable	(233,281)	(120,224)
Prepays and other	(1,986,879)	(22,903)
Accounts payable	(321,821)	466,162
Accrued expenses	(167,607)	(605,770)
Due to affiliates	157,128	(810,767)
Prepaid resident service revenue	<u>(1,623)</u>	<u>(54,011)</u>
Net cash provided by operating activities	\$ <u>17,080,473</u>	<u>16,007,405</u>

See accompanying notes to financial statements.

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(1) Purpose and Organization

CCW La Jolla, L.L.C. (the Company) is a Delaware limited liability company whose sole corporate member is CC-La Jolla, Inc., a Delaware corporation. CC-La Jolla, Inc. is a wholly owned subsidiary of CC-Development Group, Inc. (Parent). The Company was formed in 1998 for the purpose of owning, developing, and operating a senior living community containing 403 independent living apartments, 36 assisted living units, 19 memory support units, and a 60-bed healthcare center located in La Jolla, California. The community was acquired under a Joint Plan of Reorganization from La Jolla Village Tower – 500, a Chapter 11 bankrupt partnership.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash include investments in highly liquid instruments with original maturities of three months or less. The following table provides a reconciliation of cash, cash equivalents, and restricted cash as reported in the accompanying balance sheets to the total amount of cash, cash equivalents, and restricted cash as reported in the accompanying statements of cash flows:

	2022	2021
Cash and cash equivalents	\$ 6,860,327	8,033,582
Assets limited as to use:		
Cash	822,978	981,765
Money markets and certificates of deposit	1,139,313	3,166,825
Total cash, cash equivalents, and restricted cash reported in the statements of cash flows	\$ 8,822,618	12,182,172

(c) Fair Value Measurements

The Company applies the provisions of Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurement Overall*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements.

ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are 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 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

In estimating the fair value of its financial instruments, the Company determined the carrying amounts reported in the balance sheets for cash and cash equivalents approximate fair value because of the short maturities of these instruments and are considered Level 1 investments within the fair value hierarchy.

(d) *Assets Limited as to Use*

Assets limited as to use include restricted resident deposits, assets set aside by the Company for capital improvements, assets set aside to satisfy state operating reserve requirements, and assets held for entrance fee repayments. Restricted resident deposits represent good faith deposits. Good faith deposits are received by the Company from prospective residents who are interested in occupying one of the community units. Good faith deposits do not earn interest on behalf of the prospective residents. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, which may be used at the discretion of the Company. Assets limited as to use by state for operations represent funds designated by the Company to satisfy state operating reserve requirements. Assets held for entrance fee repayments represent funds designated to establish certain entrance fee repayment reserves. The amounts held for entrance fee repayments relate to certain residency agreements entered into from June 1, 2012 through December 31, 2016. The total reserve amount of \$1,563,265 is comprised of cash and cash equivalents of \$468,980 and real estate of the community of \$1,094,285. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

(e) *Property and Equipment*

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets ranging from 4 to 40 years. Construction in progress at December 31, 2022 relates to costs associated with renovations that will be placed in service during 2023. As of December 31, 2022, the Company was committed under the terms of construction contracts to complete the renovations at a remaining aggregate cost of approximately \$285,000.

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(f) Leases

The Company determines if an arrangement is or contains an embedded lease at contract inception. The Company recognizes a right of use (ROU) asset and a lease liability at the lease commencement date if the lease period exceeds one year.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

ASC 842-20-30-3 provides a practical expedient for nonpublic business entities, which allows a lessee to use a risk-free interest rate for a period comparable to the lease term. The Company has elected to use the risk-free rate, which is the rate of a U.S. Treasury security for a period comparable to the lease term.

The Company has finance leases, primarily for on-site vehicles that expire over the next four years. The Company's leases generally do not include termination options for either party to the lease, restrictive financial or other covenants or residual value guarantees.

ROU assets for leases are periodically assessed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the ROU asset is reduced to zero and the remainder of the adjustment is recorded in profit or loss.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

The Company's leases may include non-lease maintenance services (i.e. equipment maintenance or common area maintenance). For all leases, the Company has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

(g) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is

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recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value, less estimable costs to sell and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2022 or 2021.

(h) Long-Term Accounts Receivable – Master Trust

Long-term accounts receivable represent the earned portion of nonrepayable entrance fees due from residents pursuant to the Master Trust Agreement (note 6). Upon termination of resident contracts, such amounts are offset against amounts due under the Master Trust Agreement.

(i) Goodwill

Goodwill represents the excess of the fair value of the Company, as determined through an independent valuation at the time of the formation of the Company, over the fair value of tangible assets contributed to the Company by its members. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but instead tested for impairment at least annually in accordance with the provisions of ASC Subtopic 350-20, *Intangibles – Goodwill and Other*.

On January 1, 2021, the Company elected to adopt the provisions of ASC Topic 350, *Intangibles – Goodwill and Other*, which permit private companies to amortize goodwill on a straight-line basis, test for impairment upon a triggering event, and have the option to elect to test for impairment at the entity level instead of testing goodwill for impairment annually at the reporting unit level. The Company has elected to amortize goodwill over a ten year period. As of December 31, 2022, the Company has \$1,196,834 of accumulated amortization of goodwill, of which \$598,417 was recorded within depreciation and amortization in the 2022 statement of operations.

Goodwill is stated at cost less accumulated impairment losses. For 2022, the Company completed its goodwill impairment test in the month of December. A qualitative impairment analysis was performed in December 2022 to assess whether it is more likely than not that the fair value of the Company's reporting unit is less than its carrying value. The Company assessed relevant events and circumstances including macroeconomic conditions, industry and market considerations, overall financial performance, and entity-specific events. The Company determined that there was no goodwill impairment in 2022 and 2021.

(j) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at both December 31, 2022 and 2021, and accordingly, no future service obligation has been recognized in the accompanying balance sheets.

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(k) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee and then earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, 20%, or 18%, dependent on the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 6). Beginning August 1, 2005, entrance fees were remitted directly to the Company. The Company has recorded the repayable portion of the entrance fees (remitted directly to the Company) separately from the nonrepayable portion within the accompanying balance sheets. If all contracts terminated on December 31, 2022, the repayable portion of the entrance fees due to all residents approximates \$127,186,000, of which \$125,684,000 relates to residents who remitted their entrance fees directly to the Company and \$1,502,000 relates to residents who remitted their entrance fees to the Master Trust.

(l) Income Taxes

The financial statements of the Company do not reflect a provision or benefit for income taxes as the member has elected to recognize its proportionate share of the Company's income or loss in their individual tax returns.

The Company accounts for tax positions in accordance with ASC Topic 740, *Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The Company does not have any liabilities recognized for uncertain tax positions.

(m) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. Topic 842 requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations.

The Company adopted all of Topic 842 effective January 1, 2022 using a modified retrospective transition approach. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption. The Company elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs

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that were previously capitalized. The Company did not elect the practical expedient to use hindsight for leases existing at the adoption date.

Adoption of the new leasing standard did not have a material effect on the Company's balance sheet or statement of operations. Adoption drove a \$198,696 increase in obligations under leases (of which \$76,785 was current) with a corresponding equal increase in ROU assets as of the date of adoption. The adoption had no material effect on the Company's statement of cash flows but did affect its disclosures. See Note 9 for additional lease disclosures.

(n) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated events and transactions after the balance sheet date of December 31, 2022 through April 24, 2023, the date the financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

(3) Net Resident Service Revenue

Net resident service revenue is reported at amounts that reflect the consideration which the Company expects to receive in exchange for services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive revenue adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided.

(a) Daily or Monthly Fee Revenue

Under the Company's residency agreements, which are continuing care contracts, the Company provides senior living services to residents for a stated monthly fee. The Company recognizes revenue for skilled nursing residency, assistance with activities of daily living, memory care services, inpatient therapy, healthcare, and personalized health services in accordance with the provisions of ASC Topic 606, *Revenue from Contracts with Customers*. The Company has determined that the services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

(b) Healthcare Services Revenue

The Company receives revenue for services under various third-party payor programs, which include Medicare and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

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(c) Disaggregation of Revenue

The Company disaggregates its revenue from contracts with customers by revenue type, as the Company believes it best depicts how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. See details on revenue type below:

	<u>2022</u>	<u>2021</u>
Independent living revenue	\$ 29,802,328	28,488,667
Care center revenue:		
Revenue under Continuing Care residency agreements	5,685,242	5,151,608
Revenue from private payors	1,188,939	1,181,758
Revenue under Medicare and third-party arrangements	3,650,345	2,937,716
Other service revenue	<u>691,065</u>	<u>577,572</u>
Net resident service revenue	<u>\$ 41,017,919</u>	<u>38,337,321</u>
Amortization of entrance fee revenue	\$ 11,174,240	10,759,733
Other income	118,956	66,133
Provider relief fund grant revenue (note 10)	—	824,627

(d) Contract Balances

The payment terms and conditions within the Company's revenue-generating contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance.

Resident fee revenue for standalone or certain healthcare services is generally billed monthly in arrears. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied. The Company had total deferred revenue (included within prepaid resident service revenue and deferred revenue from nonrepayable entrance fees within the balance sheets) of \$88,313,859 and \$81,446,307, including \$175,063 and \$176,686 of resident monthly fees billed and received in advance, as of December 31, 2022 and 2021, respectively. For the year ended December 31, 2022, the Company recognized \$10,736,158 of revenue that was included in the deferred revenue balance as of January 1, 2022. The Company applies the practical expedient in ASC 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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(4) Concentration of Credit Risk

The Company grants credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2022 and 2021 is as follows:

	2022	2021
Medicare	39 %	53 %
Self-pay and commercial insurance	61	47
	<u>100 %</u>	<u>100 %</u>

(5) Assets Limited as to Use

The Company reports its investments at fair value and considers all investments to be trading securities. Money markets and certificates of deposits are considered cash equivalents and are considered Level 1 investments within the fair value hierarchy. Corporate bonds and notes are considered Level 2 investments within the fair value hierarchy. Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in investment income in the accompanying statements of operations.

A summary of the composition of the Company's investment portfolio at December 31, 2022 and 2021 is as follows:

	2022	2021
Money markets, certificates of deposit, and cash	\$ 1,962,291	4,148,590
Commercial paper	244,608	—
Government agencies	1,190,784	—
Corporate bonds and notes	618,293	—
	<u>\$ 4,015,976</u>	<u>4,148,590</u>

Assets limited as to use are reported in the accompanying balance sheets as follows:

	2022	2021
Current portion of assets limited as to use – resident deposits	\$ 354,000	504,545
Assets limited as to use – by state for operations	\$ 3,192,996	3,166,825
Assets limited as to use – by Company for entrance fee repayments	468,980	477,220
Assets limited as to use, net of amounts required for current liabilities	<u>\$ 3,661,976</u>	<u>3,644,045</u>

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The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2022. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 822,978	822,978	—	—
Money markets and certificates of deposit	1,139,313	1,139,313	—	—
Commercial paper	244,608	244,608	—	—
Government agencies	1,190,784	—	1,190,784	—
Corporate bonds and notes	618,293	—	618,293	—
Total	<u>\$ 4,015,976</u>	<u>2,206,899</u>	<u>1,809,077</u>	<u>—</u>

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2021. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 981,765	981,765	—	—
Money markets	3,166,825	3,166,825	—	—
Total	<u>\$ 4,148,590</u>	<u>4,148,590</u>	<u>—</u>	<u>—</u>

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 44,330	4,358
Net realized and change in unrealized losses during the holding period	(12,339)	(3,605)
	<u>\$ 31,991</u>	<u>753</u>

(6) Master Trust Agreement

Through July 31, 2005, upon entrance into a residency agreement, residents also entered into a Master Trust Agreement with an independent trustee. Upon execution of the agreements, resident deposits were due to the trustee. The trustee entered into a loan agreement with the Company dated June 29, 2000. The terms of the loan agreement allow the Company to borrow up to \$100,000,000 on a demand basis evidenced by a promissory note in the amount of \$100,000,000. The loan bears no interest and becomes

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due and payable on June 29, 2050. The promissory note is secured by a deed of trust covering the real property of the Company.

Once entrance fees were deposited with the trustee of the Master Trust and then loaned to the Company, the funds were used primarily for original acquisition indebtedness, capital acquisitions, operating deficits, and cash distributions to members. Repayments to residents are paid directly out of the trust. In the event the trust has no liquid assets to make repayments, the Company is obligated to fund the trust. As the trust had no liquid assets, the Company funded the trust in order for the trustee to make repayments of \$874,183 and \$317,777 during the years ended December 31, 2022 and 2021, respectively. The source of the repayments is provided by new resident entrance fee proceeds.

The Master Trust Agreement with each resident is for 100% of the resident's entrance fee. Upon termination of the residency agreement, the repayable portion of the entrance fee, ranging from 0% to 82%, is due to the resident, and the earned portion of nonrepayable entrance fees is due to the Company. The Company is entitled to 2% of the entrance fee per month up to the maximum of 100%, dependent on the contract provisions (note 2(k)).

(7) Transactions with Related Parties

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of CC-La Jolla, Inc., whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue excluding certain items, as defined in the management agreement. The Company incurred management fee expense of \$2,464,221 and \$2,300,702 for the years ended December 31, 2022 and 2021, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to third parties and is reimbursed by the Company. Reimbursement to Classic for such advances amounted to \$6,917,074 and \$7,376,232 for the years ended December 31, 2022 and 2021, respectively. There is no interest associated with these advances. Amounts due to Classic totaled \$1,062,409 and \$905,281 at December 31, 2022 and 2021, respectively, and are reported as due to affiliates in the accompanying balance sheets.

(8) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2022 and 2021, the Company recorded matching contribution expense of \$479,616 and \$423,343, respectively. Contributions are funded on a current basis.

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(9) Leases

The Company currently has one noncancellable finance lease, for an on-site vehicle that expires over the next four years. The lease does not contain a renewal option. The lease does not include a termination option for either party to the lease or restrictive financial or other covenants. Payments due under the lease contract include only fixed payments. The Company elected to discount its lease liabilities using a risk-free rate.

Amounts reported in the balance sheet as of December 31, 2022 were as follows:

Right of use assets – finance leases	\$ 198,696
Accumulated amortization	<u>(76,785)</u>
Right of use assets – finance leases, net	<u>\$ 121,911</u>
Current portion of finance lease liabilities	\$ 49,037
Finance lease liabilities, net of current portion	<u>72,874</u>
Total finance lease liabilities	<u>\$ 121,911</u>

Other information related to leases as of December 31, 2022 was as follows:

Cash paid for amounts included in the measurement of lease liabilities	\$ 76,785
Weighted average remaining lease term	2.90 years
Weighted average discount rate	2.50 %

Maturities of lease liabilities as of December 31, 2022 are as follows:

Year ending December 31:	
2023	\$ 49,037
2024	33,900
2025	25,055
2026	13,919
2027	—
Thereafter	<u>—</u>
Total lease liabilities	<u>\$ 121,911</u>

(10) Commitments and Contingencies

(a) State Regulatory Requirements

The Company is subject to regulatory requirements, as set forth by the Department of Social Services in the State of California. Such requirements set forth the establishment of a restricted cash escrow account for resident deposits until execution of the residency agreement (note 2) and the submission of schedules detailing the availability of debt service and operating expense reserves.

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(b) Federal Regulatory Compliance

The laws and regulations governing the Medicare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for long-term care organizations. Recently, the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The Company maintains a compliance program designed to educate employees and to detect and correct possible violations.

(c) COVID-19 Pandemic and Federal Stimulus Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies have been implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home.

The Company incurred incremental direct costs to prepare for and respond to the pandemic recorded in expenses attributable to coronavirus on the statements of operations. These costs included the acquisition of additional personal protective equipment and medical equipment, enhanced cleaning supplies, employee related costs and COVID-19 testing of residents and associates where not otherwise covered by government payor or third-party insurance sources.

In March 2020, the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) was signed into law, providing temporary and limited relief to companies during the COVID-19 outbreak. During 2022, the Company did not receive any general and targeted Provider Relief Fund distributions, as provided for under the CARES Act. In 2021, the Company received \$824,627 of such funds. Generally, these distributions from the Provider Relief Fund are not subject to repayment, provided the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for allowable expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results through December 31, 2022 and 2021, the Company recognized the full distributions.

The CARES Act also provides for a deferral of payments of the employer portion of social security payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half until December 2022. The Company had deferred payroll taxes of \$334,123 at December 31, 2021 and recorded the deferral as a component of accrued expenses in the accompanying balance sheets. These amounts were repaid during 2022.

The Department of Health and Human Services provided and continues to clarify a Post-Payment Notice of Reporting Requirements for providers that received funding under the CARES Act. The notices provide guidance on expenses attributable to COVID-19 and "lost revenue." The Company followed this guidance in determining the \$335,978 and \$866,318 of expenses attributable to coronavirus recorded in the accompanying 2022 and 2021 statements of operations, respectively.

CCW LA JOLLA, L.L.C.

Form 5-1

Long-Term Debt Incurred in a Prior Fiscal Year

(Including Balloon Debt)

Long-term debt obligation	(a) Date incurred	(b) Principal paid during fiscal year	(c) Interest paid during fiscal year	(d) Credit enhancement premiums paid in fiscal year	(e) Total paid (columns (b) + (c) + (d))
1		\$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Transfer this amount to
Form 5-3, line 1)

Note: For column (b), do not include voluntary payments made to pay down principal.

Provider: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5-2

Long-Term Debt Incurred during Fiscal Year

(Including Balloon Debt)

Long-term debt obligation	(a) Date incurred	(b) Total interest paid during fiscal year	(c) Amount of most recent payment on the debt	(d) Number of payments over next 12 months	(e) Reserve requirement (see instruction 5) (columns (c)*(d))
1		\$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		\$ —	—	—	—

(Transfer this amount to
Form 5-3, line 2)

Note: For column (b), do not include voluntary payments made to pay down principal.

Provider: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5-3

Calculation of Long-Term Debt Reserve Amount

<u>Line</u>	<u>Total</u>
1 Total from Form 5-1 bottom of column (e)	\$ —
2 Total from Form 5-2 bottom of column (e)	—
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	—
4 Total amount required for long-term debt reserve	\$ —

Provider: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5-4

Calculation of Net Operating Expenses

<u>Line</u>		<u>Amounts</u>	<u>Total</u>
1	Total operating expenses from financial statements		\$ 54,486,536
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	\$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	11,772,726	
	d Amortization	675,202	
	e Revenue received during fiscal year for services to residents who did not have a continuing care contract	4,918,123	
	f Extraordinary expenses approved by the Department	335,978	
3	Total deductions		<u>17,702,029</u>
4	Net operating expenses		<u>36,784,507</u>
5	Divide line 4 by 365 and enter the result		<u>100,779</u>
6	Multiply line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		\$ <u><u>7,558,425</u></u>

Provider: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.**Community:** Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5-5

Annual Reserve Certification

Provider Name: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

Fiscal year ended: December 31, 2022

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2022 and are in compliance with those requirements.

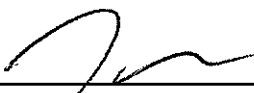
Our liquid reserve requirements are computed using the audited financial statements for the fiscal years as follows:

	<u>Amount</u>
(1) Debt service reserve amount	\$ —
(2) Operating expense reserve amount	<u>7,558,425</u>
(3) Total liquid reserve amount	\$ <u><u>7,558,425</u></u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying asset description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt service reserve</u>	<u>Operating expense reserve</u>
(4) Cash and cash equivalents	\$ —	6,860,327
(5) Investment securities	—	3,192,996
(6) Equity securities	—	—
(7) Unused available lines of credit	—	—
(8) Unused available letters of credit	—	—
(9) Debt service reserve	—	—
(10) Other (describe qualifying asset)	—	—
Total amount of qualifying assets listed for liquid reserve (11)	<u>—</u>	(12) <u>10,053,323</u>
Total amount required (13)	<u>—</u>	(14) <u>7,558,425</u>
Surplus (deficiency) (15)	\$ <u><u>—</u></u>	(16) <u><u>2,494,898</u></u>

Signature:



 (Authorized representative)

Date 4-27-2023

(Title) CFO

See accompanying independent auditors' report.

CCW La Jolla, L.L.C.

Form 5-5 Supplemental Details on All Reserves

Reserves Classified as Cash and Cash Equivalents on Form 5-5:

Financial Institution	Account Type	Account Details	Amount
None	Cash	Petty Cash maintained on site	\$ 4,000
Bank of America, N.A.	Business Checking Account	Petty Cash Checking Account	\$ 15,000
Bank of America, N.A.	Business Checking Account	Operating Account	\$ 597,072
Bank of America, N.A.	Business Checking Account	Ownership Account	\$ 6,238,778
Bank of America, N.A.	Business Checking Account	Payroll Account	\$ 5,477
Total Cash and Cash Equivalents			\$ 6,860,327 A

Reserves Classified as Investment Securities on Form 5-5:

Financial Institution	Account Type	Account Details	Amount
UBS	Self Directed Investment Account	Operating Reserve Account	\$ 3,192,996
Total Investment Securities			\$ 3,192,996 B

Reserves Not Considered as Qualifying Assets and Not Listed on Form 5-5:

Financial Institution	Account Type	Account Details	Amount
Bank of America, N.A.	Business Checking Account	Ownership Account (resident deposit portion)	\$ 354,000
Bank of America, N.A.	Business Checking Account	Ownership Account (Entrance fee reserve portion)	\$ 468,980
Total Reserves Not Listed on Form 5-5			\$ 822,980 C

Total Cash and Cash Equivalents and Investment Securities

(A+B+C) \$ 10,876,303

Cash and Assets Limited as to Use in Audited Financial Statements:

Cash and cash equivalents (page 3) (policy disclosed on page 7)	\$ 6,860,327
Current portion of assets limited as to use (page 3) (policy disclosed on page 8)	\$ 354,000
Assets limited as to use, net of amounts required for current liabilities (page 3) (policy disclosed on page 8)	\$ 3,661,976
Total cash and cash equivalents and assets limited as to use	\$ 10,876,303

Reconciliation of Details Above to Form 5-5:

Total Qualifying Assets listed for liquid reserve	(A+B) \$ 10,053,323
Qualifying Assets - Cash and Cash Equivalents - Operating Expense Reserve	\$ 6,860,327
Qualifying Assets - Investment Securities - Operating Expense Reserve	\$ 3,192,996
Total Qualifying Assets listed for liquid reserve	\$ 10,053,323

Per Capita Cost Detail:

Form 1-2 line 5 - Total Operating Expense for Continuing Care Residents	\$ 41,252,486
Form 1-1 line 5 - Mean # of Continuing Care Residents	553.0
Per Capita Costs	\$ 74,598

**Continuing Care Retirement Community
Disclosure Statement
General Information**

Date Prepared: 4/5/23

FACILITY NAME: Vi at La Jolla Village
 ADDRESS: 8515 Costa Verde Blvd., San Diego, CA ZIP CODE: 92122 PHONE: (858) 646-7712
 PROVIDER NAME: CCW La Jolla, LLC & CC-La Jolla, Inc. FACILITY OPERATOR: Classic Residence Management Limited Partnership
 RELATED FACILITIES: Yes - see page 2 RELIGIOUS AFFILIATION: None
 YEAR # OF ☐ SINGLE ☒ MULTI- MILES TO SHOPPING CTR: 0.5
 OPENED: 1996 ACRES: 4.2 STORY STORY ☐ OTHER: MILES TO HOSPITAL: 3

NUMBER OF UNITS:

<u>RESIDENTIAL LIVING</u>	<u>HEALTH CARE</u>
APARTMENTS — STUDIO: <u>0</u>	ASSISTED LIVING: <u>36</u>
APARTMENTS — 1 BDRM: <u>182</u>	SKILLED NURSING: <u>60</u>
APARTMENTS — 2 BDRM: <u>220 + 1 3bdrm</u>	SPECIAL CARE: <u>19</u>
COTTAGES/HOUSES: <u>0</u>	DESCRIPTION: <u>> Dementia Care</u>
RLU OCCUPANCY (%) AT YEAR END: <u>88.8%</u>	<u>></u>

TYPE OF OWNERSHIP: ☐ NOT-FOR-PROFIT ☒ FOR-PROFIT ACCREDITED?: ☐ YES ☐ NO BY: _____

FORM OF CONTRACT: ☒ CONTINUING CARE ☐ LIFE CARE ☒ ENTRANCE FEE ☐ FEE FOR SERVICE
 (Check all that apply) ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☐ 75% ☐ 50% ☐ FULLY AMORTIZED ☒ OTHER: 0%, or 80%

RANGE OF ENTRANCE FEES: \$ 265,000 - \$ 3,125,300 LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Type I: Assisted Living and Skilled Nursing Care

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: None Required OTHER: Application Process

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >
Per 1771.8(s), in lieu of appointing a resident as a voting member of the
> board of directors, members of the bd of directors of provider meet periodically with elected resident reps to ensure that opinions of residents are relayed to the governing body of provider.

FACILITY SERVICES AND AMENITIES

<u>COMMON AREA AMENITIES</u>	<u>AVAILABLE</u>	<u>FEE FOR SERVICE</u>	<u>SERVICES AVAILABLE</u>	<u>INCLUDED IN FEE</u>	<u>FOR EXTRA CHARGE</u>
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (4 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (2 /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Computer Room</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: CCW La Jolla, LLC & CC-La Jolla, Inc.

OTHER CCRCs

CC-Palo Alto, Inc.	Palo Alto, CA	(650) 853-5000
Vi at Bentley Village	Naples, FL	(941) 598-3153
Vi at Lakeside Village	Lantana, FL	(561) 966-4600
TidePointe, a Vi Community (fee for service)	Hilton Head Island, SC	(843) 341-7200
Vi at Grayhawk, a Vi and Plaza Companies Company	Scottsdale, AZ	(480) 659-5100
Vi at Aventura	Aventura, FL	(305) 692-4700
Vi at the Glen	Glenview, IL	(847) 904-4600
Vi at Highlands Ranch	Highlands Ranch, CO	(720) 747-1234
Vi at Silverstone	Scottsdale, AZ	(480) 476-6100

MULTI-LEVEL RETIREMENT COMMUNITIES

None		

FREE-STANDING SKILLED NURSING

None		

SUBSIDIZED SENIOR HOUSING

None		
No listed facility is life care as defined in California		

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

	2019	2020	2021	2022
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$38,395,897	\$37,533,662	\$38,404,207	\$41,168,866
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$37,377,480	\$37,291,642	\$38,991,808	\$41,698,343
NET INCOME FROM OPERATIONS	\$1,018,417	\$242,020	\$(587,601)	\$(529,477)
LESS INTEREST EXPENSE	\$0	\$0	\$0	\$0
PLUS CONTRIBUTIONS	\$0	\$0	\$0	\$0
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$0	\$0	\$0	\$(4,284)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$1,018,417	\$242,020	\$(587,601)	\$(533,761)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$11,372,444	\$265,206	\$21,833,178	\$23,452,519

DESCRIPTION OF SECURED DEBT (as of most recent fiscal year end)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS (see next page for ratio formulas)

	2017 CCAC Medians 50 th Percentile (optional)	2020	2021	2022
DEBT TO ASSET RATIO		0	0	0
OPERATING RATIO		.99	1.02	1.01
DEBT SERVICE COVERAGE RATIO		0	0	0
DAYS CASH ON HAND RATIO		67.96	104.85	87.99

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2019	%	2020	%	2021	%	2022	%
STUDIO	N/A		N/A		N/A		N/A	
ONE BEDROOM	\$4,473	3.50	\$4,948	4.50	\$5,185	4.00	\$5,385	4.0
TWO BEDROOM	\$6,463	3.50	\$6,790	4.50	\$7,125	4.00	\$7,442	4.0
COTTAGE/HOUSE	N/A		N/A		N/A		N/A	
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

COMMENTS FROM PROVIDER: > Note: If you sign a continuing care residency contract, your monthly fee for assisted living, memory care, or skilled nursing will be based on your monthly fee for your residential living apartment. The dollar amounts shown are the average monthly fees paid by existing residents as of December 1st of each year. The % column reflects the percentage increase over the prior year's monthly fee that was applied to the monthly fees of existing residents

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{Depreciation Expense} \\ - \text{Amortization Expense} \end{array}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{Interest, Depreciation, and Amortization Expenses} \\ \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

Complete **Form 7-1** to report the monthly care fee increase (MCFI) for **each** community operated by the Provider. If no adjustments were made during the reporting period for a community, indicate by checking the box below **Line [2]**. Providers must complete a separate Form 7-1 for each of their continuing care retirement communities.

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.
2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.
3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.
4. Check *each* of the appropriate boxes.
5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

The methodology used to budget future costs should align with one or more of the following factors: "projected costs, prior year per capita costs and economic indicators." Describe the methodology used for single or multiple communities. If there are multiple MCFI percentages, i.e., by level of care, a separate explanation for each MCFI will be required.

Also, if there is a positive result of operations, the provider will need to explain how the funds will be used and/or distributed consistent with disclosures made in the applicable sections of the Continuing Care Contract.

This attachment should include the data used in the Monthly Care Fee Increase meeting presentation provided to residents, which will also include actual results and an explanation of any variances.

NOTE: Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.

FORM 7-1**REPORT ON CCRC MONTHLY CARE FEES**

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	3,220-10,310	\$3,900-8,870	3,970-10,880	4,430-17,020
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0%	4.0%	4.0%	4.0%

☐ Check here if monthly care fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

3. Indicate the date the fee increase was implemented: 01/01/2022
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

☒ Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

Date of Notice: 12/1/2021 **Method of Notice:** Letter

☒ At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 11/30/2021

☒ At the meeting with residents, the Provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The Provider distributed the documents to all residents by [check all that apply]:

☒ Emailed the documents to those residents for whom the provider had email addresses on file

☒ Placed hard copies in resident cubby

☒ Placed hard copies at designated locations

☒ Provided hard copies to residents upon request, and/or

☐ Other: [please describe] _____

☒ **Date of Notice:** 12/01/2021

- ☒ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

Date of Notice: 11/16/2021

- ☒ The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

Date of Posting: 11/16/2021 **Location of Posting:** Mail Room Bulletin Board

- ☐ Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.

Date of Posting: _____ **Location of Posting:** _____

5. On an attached page, provide a detailed explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code.

PROVIDER: CCW La Jolla, LLC & CC-La Jolla, Inc.

COMMUNITY: Vi at La Jolla Village

FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING YEAR - FY 2022

Line	Fiscal Years	2020	2021	2022
1	FY 2020 Operating Expenses (Note 1)	(39,223,207)		
2	FY 2021 Operating Expenses (Note 1)		(40,857,952)	
3	FY 2022 Projected Operating Expenses (Note 1)			(41,930,001)
4	FY 2022 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			39,298,775
5	Projected FY 2022 Net Operating Results without an MCFI (Line 3 plus Line 4)			(2,631,226)
6	Projected FY 2022 MCF Revenue Based on Current and Projected Occupancy and Other with a MCFI of 4.00%			40,714,806
7	Grand Total - Projected FY 2022 Net Operating Activity after 4.00% MCFI (Line 3 plus Line 6)			(1,215,195)
Monthly Care Fee Increase - 4.00%				

Note 1: Certain adjustments must be made to total expenses to arrive at operating expenses which are considered when evaluating monthly fee increases. These adjustments are as follows:

	2020	2021	2022
Total Expenses	51,392,764	52,205,343	53,074,389
Less - depreciation and amortization	(12,278,551)	(12,347,216)	(12,284,876)
Less - loss on disposal of property and equipment	-	-	-
Less - provision for doubtful accounts (considered a contra revenue for budgeting)	(193,829)	(66,483)	-
Less - expenses specifically excluded from MCFI considerations	(1,192,132)	(466,621)	(488,104)
Add - funding of capital reserves	1,494,955	1,532,929	1,628,592
Total Operating Expenses above	39,223,207	40,857,952	41,930,001

CC – La Jolla, Inc. and CCW La Jolla, LLC

Form 7-1 Explanation for Increase in Monthly Service Fees

Each monthly service fee increase is based on projected expenses, prior year expenses and economic indicators. As with most businesses, we are faced with rising costs in several areas. One significant area is rising salaries and benefits costs. Pressure in the labor markets and rising health care costs (coupled with the impact of federal regulation) continue to lead to rising salaries and benefits costs which outpace normal inflation. Additionally, property, workers compensation, and professional liability insurance costs continue to rise. Food cost, utilities expense, and property taxes are other significant considerations within the overall expense base that drive monthly service fee increases. Each of these factors is evaluated in detail and we utilize the best information we have available at the time the increases are finalized. The data used to calculate the increase consists primarily of compensation analyses on the local market, health insurance consultant reports, forward looking data on commodities pricing, discussions with utility companies, and discussion with non-health insurance consultants. We also analyze repair and maintenance needs annually based on the life cycle of our systems and specific needs. The attached schedule outlines the dollar and percent impacts of the anticipated changes in the aforementioned areas along with all other financial line items. These items are all analyzed collectively along with changes in private pay and Third Party revenues when determining the necessary increase in monthly service fees. To address these impacts and maintain the high level of quality and services expected of our brand, the following increases were implemented:

IL 4.0%

AL 4.0%

SNF 4.0%

Form 7-1 Supplemental Information on Budget Evaluation Process

The final attestation under item 4 of form 7-1 has been left blank, but requires further discussion. The provider evaluates the effectiveness of consultations during the budget process annually. This evaluation is documented and copies are provided to each member of the Budget Oversight Committee upon finalization of the annual budget process. The provider has not been in the practice of posting a copy of the evaluation, but is in the process of implementing that practice.

Form 7-1 Supplement to Narrative Explanations

		2021	2022	Dollar	Percent
		Actual	Budget	Change	Change
Salaries and Wages		15,568,954	16,910,813	(1,341,859)	-8.6%
Employee Benefits		3,751,285	4,110,644	(359,359)	-9.6%
Food Cost		1,957,930	2,141,595	(183,665)	-9.4%
Resident Care (non-salary)		1,331,724	1,486,168	(154,444)	-11.6%
Maintenance		1,541,385	1,717,907	(176,522)	-11.5%
Other Functional Expenses		2,653,974	2,694,316	(40,342)	-1.5%
Utilities		2,671,563	2,908,508	(236,945)	-8.9%
Sales & Marketing		596,519	630,860	(34,341)	-5.8%
Administration		2,538,488	1,163,976	1,374,512	54.1%
Insurance		1,779,403	1,572,736	206,667	11.6%
Property Taxes		2,633,097	2,521,146	111,952	4.3%
Management Fees		2,300,702	2,442,802	(142,100)	-6.2%
Total Expenses	A	39,325,023	40,301,468	(976,446)	-2.5%
Net Operating Income	B	(979,994)	411,894	1,391,887	
Funding of Capital Replacement Reserve	C	(1,532,929)	(1,628,532)	(95,603)	-6.2%
Total Cash Flow		(2,512,923)	(1,216,639)	1,296,284	
Total Expenses	A	39,325,023	40,301,468	(976,446)	-2.5%
Funding of Capital Replacement Reserve	C	1,532,929	1,628,532	(95,603)	-6.2%
Total Expenses for Monthly Fee Consideration		40,857,952	41,930,001	(880,842)	-2.2%

PART 9

CCW/La Jolla, L.L.C. does not offer a refundable contract or assume responsibility for any outstanding refundable contracts. Accordingly, CCW/La Jolla, L.L.C. is not required to maintain a refund reserve in trust for the residents in the manner required by Health and Safety Code (H&SC) section 1792.6.