UNIVERSITY VILLAGE
THOUSAND OAKS CCRC, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

WITH INDEPENDENT AUDITORS’ REPORT

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INDEPENDENT AUDITORS' REPORT

To the Members of
University Village Thousand Oaks CCRC, LLC
Thousand Oaks, California

We have audited the accompanying financial statements of University Village Thousand Oaks CCRC, LLC (a Delaware limited liability company) (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, comprehensive income, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Village Thousand Oaks CCRC, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncements

As discussed in Note 1 to the financial statements, University Village Thousand Oaks CCRC, LLC adopted new accounting guidance for revenue recognition under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, as well as new accounting guidance for marketable securities under FASB ASC 321. Our opinion is not modified with respect to this matter.

White Nelson Diehl Evans LLP

Irvine, California
April 7, 2020

UNIVERSITY VILLAGE THOUSAND OAKS CCRC, LLC
BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Current Assets:		
Cash and cash equivalents	$ 2,541,171	$ 3,126,531
Marketable securities	5,561,491	4,494,912
Accounts receivable	335,135	275,829
Inventories	53,335	64,092
Prepaid expenses and other current assets	398,392	308,379
Total Current Assets	8,889,524	8,269,743
Property and Equipment:		
Land	10,508,648	10,508,648
Land improvements	33,945,477	33,852,438
Buildings and improvements	103,012,457	102,829,919
Furniture, fixtures, and equipment	21,694,398	18,351,931
Computer equipment and systems	2,171,946	2,193,762
Construction in progress	1,210,421	607,123
Total Property and Equipment, at Cost	172,543,347	168,343,821
Less: Accumulated depreciation	(71,167,773)	(66,046,714)
Property and Equipment, at Net Book Value	101,375,574	102,297,107
Other Assets:		
Accounts receivable, long term	1,156,668	1,099,211
Costs of acquiring contracts, net	600,716	81,875
Deferred entrance fees receivable	22,113,338	23,121,678
Total Other Assets	23,870,722	24,302,764
Total Assets	$ 134,135,820	$ 134,869,614

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

UNIVERSITY VILLAGE THOUSAND OAKS CCRC, LLC
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2019 AND 2018

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	2019	2018
Current Liabilities:		
Accounts payable	$ 901,123	$ 898,613
Accrued expenses	760,216	642,049
Deposits on future occupancy	4,074,856	3,875,275
Current portion of note payable to Master Trust	5,725,482	5,626,135
Total Current Liabilities	11,461,677	11,042,072
Long-Term Liabilities:		
Note payable to Master Trust, net of current portion	224,293,793	219,419,275
Deferred revenue from unamortized deferred entrance fees, net	22,883,920	22,805,066
Total Long-Term Liabilities	247,177,713	242,224,341
Total Liabilities	258,639,390	253,266,413
Members' Equity (Deficit):		
Members' deficit	(124,503,570)	(120,288,493)
Accumulated other comprehensive income	-	1,891,694
Total Members' Equity (Deficit)	(124,503,570)	(118,396,799)
Total Liabilities and Members' Equity (Deficit)	$ 134,135,820	$ 134,869,614

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

UNIVERSITY VILLAGE THOUSAND OAKS CCRC, LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Revenues:		
Resident services	$ 28,025,394	$ 27,193,258
Amortization of deferred entrance fees	4,218,291	3,921,061
Deferred entrance fees on terminated contracts	1,763,789	1,867,156
Nonresident services	213,135	195,310
Total Revenues	34,220,609	33,176,785
Operating Expenses:		
Resident care	9,224,433	8,950,495
Food and beverage services	4,495,049	3,937,473
Environmental services	1,262,084	1,246,499
Plant facility operating costs	4,429,491	3,999,147
General and administrative expenses	7,039,317	5,943,947
Depreciation and amortization	5,289,517	5,160,524
Total Operating Expenses	31,739,891	29,238,085
Income from Operations	2,480,718	3,938,700
Other Income:		
Net realized gain on sale of marketable securities	201,136	256,952
Net unrealized gain on marketable securities	767,552	-
Interest and dividend income	154,351	151,009
Total Other Income	1,123,039	407,961
Net Income	$ 3,603,757	$ 4,346,661

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

UNIVERSITY VILLAGE THOUSAND OAKS CCRC, LLC
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Net Income	$ 3,603,757	$ 4,346,661
Other Comprehensive Loss:		
Net unrealized holding losses arising during the year	-	(545,255)
Amounts reclassified from accumulated other comprehensive income	-	(247,578)
Total Other Comprehensive Loss	-	(792,833)
Comprehensive Income	$ 3,603,757	$ 3,553,828

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

UNIVERSITY VILLAGE THOUSAND OAKS CCRC, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Capital		Accumulated Equity (Deficit)	Accumulated Other Comprehensive Income	Total Members' Equity (Deficit)
	Class A	Class B			
Balance, December 31, 2017	$ (108,278,493)	$ (18,685,086)	$ 11,828,425	$ 2,684,527	$ (112,450,627)
Distributions	(7,600,000)	(1,900,000)	-	-	(9,500,000)
Net unrealized holding losses arising during the year	-	-	-	(545,255)	(545,255)
Amounts reclassified from accumulated other comprehensive income	-	-	-	(247,578)	(247,578)
Net income	-	-	4,346,661	-	4,346,661
Balance, December 31, 2018	(115,878,493)	(20,585,086)	16,175,086	1,891,694	(118,396,799)
Reclassification of other comprehensive income (Note 2)	-	-	1,891,694	(1,891,694)	-
Capitalization of costs of acquiring contracts (Note 2)	-	-	589,472	-	589,472
Contributions	560,000	140,000	-	-	700,000
Distributions	(8,800,000)	(2,200,000)	-	-	(11,000,000)
Net income	-	-	3,603,757	-	3,603,757
Balance, December 31, 2019	$ (124,118,493)	$ (22,645,086)	$ 22,260,009	$ -	$ (124,503,570)

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

UNIVERSITY VILLAGE THOUSAND OAKS CCRC, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities:		
Cash received from residents	$ 35,177,486	$ 34,881,916
Interest and dividend income	154,351	151,009
Reimbursements for services to nonresidents	213,135	195,310
Cash paid to suppliers and employees	(26,504,011)	(23,936,326)
Net Cash and Cash Equivalents Provided by Operating Activities	9,040,961	11,291,909
Cash Flows from Investing Activities:		
Payments made on purchases of property and equipment	(4,199,527)	(3,121,214)
Purchases of marketable securities	(1,197,402)	(142,639)
Proceeds from redemption of marketable securities	1,096,743	870,674
Net Cash and Cash Equivalents Used in Investing Activities	(4,300,186)	(2,393,179)
Cash Flows from Financing Activities:		
Proceeds from note payable to Master Trust	10,600,000	6,695,000
Payments on note payable to Master Trust	(5,626,135)	(5,575,652)
Contributions from members	700,000	-
Distributions to members	(11,000,000)	(9,500,000)
Net Cash and Cash Equivalents Used in Financing Activities	(5,326,135)	(8,380,652)
Net Increase (Decrease) in Cash and Cash Equivalents	(585,360)	518,078
Cash and Cash Equivalents, Beginning of Year	3,126,531	2,608,453
Cash and Cash Equivalents, End of Year	$ 2,541,171	$ 3,126,531

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

UNIVERSITY VILLAGE THOUSAND OAKS CCRC, LLC
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Reconciliation of Net Income to Net Cash and Cash Equivalents Provided by Operating Activities:		
Net Income	$ 3,603,757	$ 4,346,661
Noncash Items Included in Net Income:		
Depreciation	5,121,059	4,833,030
Amortization of costs of acquiring contracts	168,458	327,494
Amortization of deferred entrance fees	(4,218,291)	(3,921,061)
Deferred entrance fees on terminated contracts	(1,763,789)	(1,867,156)
Net realized gain on sale of marketable securities	(201,136)	(256,952)
Net unrealized gain on marketable securities	(767,552)	-
Changes in:		
Accounts receivable	(116,763)	(64,008)
Inventories	10,757	8,848
Prepaid expenses and other current assets	(87,244)	(51,882)
Costs of acquiring contracts	(97,827)	-
Deferred entrance fees receivable	7,069,274	7,532,042
Accounts payable	2,510	153,368
Accrued expenses	118,167	30,901
Deposits on future occupancy	199,581	220,624
Net Cash and Cash Equivalents Provided by Operating Activities	$ 9,040,961	$ 11,291,909
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Deferred entrance fees receivable and deferred revenue from unamortized deferred entrance fees recorded to reflect additional amounts due from resident contributions	$ 6,060,934	$ 5,684,570

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

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

University Village Thousand Oaks CCRC, LLC (the "Company") owns and operates a multiuse continuing care retirement community ("CCRC") located in Thousand Oaks, California. The Company operates under the continuing care concept whereby residents enter into agreements that require payment of a onetime entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life.

Limited Liability Company Operating Agreement

The following represents a summary of significant financial terms of the Company's Limited Liability Company Operating Agreement (the "Operating Agreement"). The Operating Agreement should be referred to for more specific terms.

The Company has two types of members - Class A and Class B - and one appointed manager who is responsible for the management of the day-to-day business and affairs of the Company. The manager is granted the authority to act on behalf of the Company, except for those actions requiring a Class A majority in interest vote or the unanimous approval of the Class A members, as designated in the Company's Operating Agreement. Class A members also have the authority to remove or replace the manager.

One of the Class A members is designated as the financing member. No member other than the financing member is required to contribute capital to the Company at any time. As of December 31, 2019 and 2018, 80% of the Company is owned by Class A members and 20% of the Company is owned by Class B members.

The members' liability to general creditors is limited to their investments in the Company. In accordance with the Operating Agreement, the Company will continue until dissolved pursuant to the terms of the Operating Agreement.

Profits and losses for financial statement purposes, distributable cash from operations, and profits and losses for tax purposes are allocated and distributed to the members in accordance with the Operating Agreement. The Operating Agreement also provides for priority distributions, plus an allowance for interest.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative US GAAP.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include the operating cash account of the Company, money market accounts, time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Marketable Securities

Following the Company's adoption of FASB Accounting Standards Update ("ASU") 2016-01 on January 1, 2019, as described in Recent Accounting Pronouncements - Adopted, the Company accounts for its investments in equity securities in accordance with FASB ASC 321-10, *Investments - Equity Securities*. Marketable securities held by the Company have readily determinable fair values and are reported at fair value, with realized and unrealized gains and losses included in earnings. Any dividends received are recorded in interest income.

Accounts Receivable

Accounts receivable consist of amounts due from residents for which the Company has an unconditional right to receive payment and are primarily composed of receivables for monthly service fees and other ancillary services, as well as amounts due from residents for obligations related to independent unit renovations and deferred entrance fees on canceled contracts. Receivables for monthly service fees are primarily due upon receipt of invoice, and they are reviewed weekly and are considered past due 14 days after the issuance of monthly statements. Accounts for which no payments have been received for 30 days are considered delinquent, and customary collection efforts are initiated. Uncollectible accounts are written off at the advice of a collection attorney and with the approval of ownership. Receivables for resident obligations are generally collected upon cancellation of contracts, which is estimated to occur long term.

The Company provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. No allowance was necessary at December 31, 2019 and 2018.

Inventories

Inventories consist of food and supplies used in operations and are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Property and equipment are depreciated over the estimated useful lives of the respective assets. Depreciation for property and equipment is computed on the straight-line method for book purposes.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

The estimated useful lives of the related assets are as follows:

Land improvements	15-20 years
Buildings and improvements	10-40 years
Furniture, fixtures, and equipment	5-10 years
Computer equipment and systems	5 years

Depreciation expense for the years ended December 31, 2019 and 2018, totaled $5,121,059 and $4,833,030, respectively. At December 31, 2019 and 2018, fully depreciated property and equipment still in use totaled $17,074,329 and $16,418,215, respectively.

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment.* FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of value of such assets for the years ended December 31, 2019 and 2018.

Revenue Recognition from Contracts with Customers

The Company recognizes revenue for residency in accordance with the provisions of FASB ASC 606, *Revenue from Contracts with Customers (Topic 606).* The Company enters into continuing care residency contracts with its customers. The form of the agreement is in conformity with the statutes of the State of California Department of Social Services Continuing Care Contracts Branch. Prior to actual occupancy by the resident, a contribution is required to be deposited with the Master Trust (as defined in Note 5) pursuant to a Residence and Care Agreement (the "Residence Agreement"). The provisions of the Residence Agreement include, but are not limited to, such items as the unit to be occupied, initial monthly fee, amount of contribution to the Master Trust, and methods of cancellation and refunds or contingent repayments subject to resale of the units. Generally, the Company is deemed to have Type A life care contracts that are all-inclusive continuing care contracts that include residential facilities, other amenities, and access to health-care services, primarily assisted living and nursing care. Type A contracts are deemed to have one performance obligation - to provide each resident the ability to live in the CCRC and access the appropriate level of care based on his or her needs. A Type A contract also allows a resident the ability to cancel the Residence Agreement at any time, and thus, because of this provision, the resident agreement for a Type A life care CCRC resident is generally deemed to be a monthly contract with the option to renew.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition from Contracts with Customers (Continued)

Contract Revenues

The following is a description of the services provided and the accounting policies related to the contracted services.

Entrance Fees - The contract provides a material right to occupy a living unit for life and to receive certain services for which residents are required to pay an entrance fee. Generally, the entrance fee is payable on or before occupancy by the resident. Residents may cancel their Residence Agreement at any time, and, upon cancellation, the contribution received will be repayable under the following terms and conditions:

(1) Cancellation During the Trial Residence Period - Under California law, there is a probationary period of 90 days after the date of the signed agreement during which either the Company or the resident may cancel the agreement with or without cause. Death of the resident during the period will cancel the agreement. In the event of cancellation, the resident shall be entitled to a refund in accordance with California law, which states that the Company may deduct from the contribution amount a reasonable fee to cover costs and any charges incurred but not paid.

(2) Cancellation After 90 Days - A resident may cancel his or her agreement at any time after the trial residence period for any reason by giving the Company 90 days' written notice. Death of the resident will cancel the agreement. However, if an agreement applies to more than one resident, it will remain in effect after the death of one of the residents and be adjusted as described in the agreement. The Company may cancel the agreement at any time after the trial residence period for good cause upon 90 days' written notice to the resident. Examples of good cause are defined in the Residence Agreement.

Further, upon termination of the Residence Agreement, the resident or his or her estate will be entitled to a repayment of the contribution less a predetermined percentage and any charges incurred but not paid, as determined by the terms and conditions of the individual agreements. In addition, upon termination of the Residence Agreement after the probationary period of 90 days, the Company may be entitled to a Deferred Entrance Fee (a percentage of the resident's contribution amount), as defined in each resident's Residence Agreement.

Resident Fees - Resident living service fees, which are for basic support services, are paid on a monthly basis. Monthly fees are established at the inception of occupancy and may be increased by the Company with appropriate notice as specified in the individual agreements, generally based on increases in operating costs or inflationary increases. Revenue for resident fees is recognized as the Company satisfies the performance obligation, which is monthly.

Nonresident Services - Nonresident services are revenues recognized at a point in time primarily for nonresident guest meals and short-term guest accommodations.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition from Contracts with Customers (Continued)

<u>Contract Assets and Contract Liabilities</u>

The following are assets and liabilities resulting from contracts with customers:

Deferred Entrance Fees Receivable - Deferred entrance fees receivable represent that portion of the entrance fees that would be payable to the Company upon termination of the existing Residence Agreements, based on the specific terms of each resident contract, which are due from the Master Trust (see Note 5).

Deposits on Future Occupancy - Deposits on future occupancy represent deposits on future contracts from prospective residents that are fully refundable upon demand.

Deferred Revenue from Unamortized Entrance Fees - Deferred revenue from unamortized entrance fees represents the total amount of the entrance fees that have become nonrepayable to the residents, based on the specific terms of each resident contract, which are recorded as deferred revenue from entrance fees and are amortized to income over time using the straight-line method over the remaining life expectancy of the resident. The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit.

<u>Costs of Acquiring Contracts</u>

Costs of Acquiring Contracts - Costs of acquiring contracts are the unamortized incremental costs of acquiring contracts, which primarily consist of commissions paid to salespeople. These assets are amortized on a straight-line basis over the duration of the contract.

Comprehensive Income

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. The Company has presented separate statements of comprehensive income. An analysis of changes in components of accumulated other comprehensive income is presented in the statements of changes in members' equity (deficit).

Income Taxes

The Company is taxed as a partnership for federal tax purposes and, accordingly, pays no federal taxes. For California purposes, the Company pays an $800 limited liability company tax plus a fee based on its total revenue. The taxable income or loss is recognized on the individual income tax returns of the members.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the years ended December 31, 2019 and 2018, advertising and promotional costs totaled $554,014 and $560,545, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

Use of Estimates

The process of preparing financial statements in accordance with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Recent Accounting Pronouncements - Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes new revenue recognition guidance which replaces the former revenue recognition guidance. ASU 2014-09 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASU 2014-09 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Company's fiscal year beginning January 1, 2019, and the Company adopted the new standard under the modified retrospective approach and by applying the aggregate portfolio approach. Using the modified retrospective method, the guidance is applied by recognizing the cumulative effect of the adoption's changes as an adjustment to beginning members' equity (deficit), as further described in Note 2.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and subsequently issued the related ASU 2018-03. ASU 2016-01 amends certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in an entity's statement of operations. The Company adopted this standard on January 1, 2019, using the modified retrospective method. The adoption of this standard resulted in fair value changes of the marketable securities being recognized in other income rather than in other comprehensive income, and a reclassification of members' equity (deficit), as further described in Note 2.

Note 2: Adoption of New Accounting Standards

On January 1, 2019, the Company adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as well as FASB ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. A summary of the impact resulting from the implementation of ASU 2014-09, as well as members' equity (deficit) reclassifications driven by the adoption of ASU 2016-01 as of January 1, 2019, is stated below.

Members' Equity (Deficit) - December 31, 2018	
Accumulated other comprehensive income:	
Accumulated other comprehensive income, as reported	$ 1,891,694
Adjusted for the effect of ASU 2016-01	(1,891,694)
Accumulated other comprehensive income, adjusted as of January 1, 2019	$ -
Members' equity (deficit):	
Members' equity (deficit), as reported	$ (120,288,493)
Adjusted for the effect of ASU 2016-01	1,891,694
Members' equity (deficit), subtotal	(118,396,799)
Members' equity (deficit), impact of ASU 2014-09*	589,472
Members' equity (deficit), adjusted as of January 1, 2019	$ (117,807,327)
Total Members' Equity (Deficit) - As of January 1, 2019	$ (117,807,327)

* As a result of the adoption of ASU 2014-09, the Company's costs of acquiring contracts asset was increased by the impact of capitalizing a total of $589,472 in unamortized commission costs on January 1, 2019. The additional unamortized commission costs increased the total value of the Company's costs of acquiring contracts asset to $671,347 on January 1, 2019. During 2019, the Company also capitalized commission costs as costs of acquiring contracts totaling $97,827 and recognized amortization expense of these assets totaling $168,458. Under legacy GAAP, without these required changes in recognition of commission costs, the Company's commission expenses would have effectively been $70,631 lower.

Note 3: Revenue from Contracts with Customers

The following table presents the Company's revenue disaggregated by service for the year ended December 31, 2019:

Revenue from Contracts with Customers:	
Entrance fees, amortized and on terminated contracts (over time)	$ 5,982,080
Monthly resident fees and ancillary charges (over time)	28,025,394
Nonresident services (point in time)	213,135
Total Revenue from Contracts with Customers	$ 34,220,609

Note 3: Revenue from Contracts with Customers (Continued)

The beginning and end of year balances of the Company's various contract related balances were as follows:

	January 1, 2019	December 31, 2019
Accounts Receivable	$ 1,375,040	$ 1,491,803
Costs to Acquire Contracts	$ 671,347	$ 600,716
Deferred Entrance Fees Receivable	$ 23,121,678	$ 22,113,338
Deposits on Future Occupancy	$ 3,875,275	$ 4,074,856
Deferred Revenue from Unamortized Entrance Fees	$ 22,805,066	$ 22,883,920

Note 4: Concentrations, Risks, and Uncertainties

The Company maintains cash balances with one financial institution. At December 31, 2019 and 2018, accounts at this institution are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000. The Company's deposits in these financial institutions at times exceeded the amount insured by the FDIC. The risk is managed by maintaining deposits in high-quality financial institutions.

At December 31, 2019 and 2018, the Company also maintains its money market funds and investments in equity securities at brokerage firms that are not FDIC insured. The firms are insured by the Securities Investor Protection Corporation for up to $500,000.

Note 5: Note Payable to Master Trust and Trust Agreement

The University Village Thousand Oaks Master Trust (the "Master Trust") was established to provide protection to the residents of the community by providing them with a vehicle through which they obtain a secured interest in the real property of the Company. New residents join in and become grantors under the trust agreement. At December 31, 2019 and 2018, the balance outstanding on the Master Trust note payable was $230,019,275 and $225,045,410, respectively.

A contribution amount, as specified in the Residence Agreement, is made to the Master Trust by the grantor (see Note 1). The trustee of the Master Trust is directed to invest virtually all the funds in the form of an interest-free loan to the Company. The loan, which currently may not exceed $270,000,000, is secured by the following:

(1) A first priority deed of trust on the Company's real property and improvements thereon.

(2) Security agreement creating a first security interest in the Company's current and hereafter acquired equity in all of the improvements, fixtures, personal property, and intangible property associated and used in connection with the real property described in the deed of trust.

Note 5: Note Payable to Master Trust and Trust Agreement (Continued)

(3) First priority assignment of contracts including, but not limited to, any residence and care agreement and any management agreement entered into in conjunction with the operation of University Village Thousand Oaks.

The security also includes any income generated from and any insurance proceeds recovered from the loss of any property serving as collateral for this loan.

Repayments of principal will be made in annual amounts for a period of 40 years with a final payment due December 31, 2050. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by 40 years. The next scheduled principal payment of $5,725,482 was paid in January 2020.

Principal payments of the current outstanding Master Trust loan are estimated to mature as follows:

2020	$ 5,725,482
2021	5,607,345
2022	5,467,161
2023	5,330,482
2024	5,197,220
Thereafter	202,691,585
Total	$ 230,019,275

In addition to the annual principal payment, the Company provides the Master Trust with temporary loans to fund grantor distributions when necessary. These temporary loans are refunded to the Company upon subsequent sale of a unit or when the Master Trust has excess liquidity.

Note 6: Commitments and Contingencies

Obligation to Provide Future Services

The Company annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the present value of monthly service fees and the unamortized deferred revenue from deferred entrance fees. If the present value of the net cost of future services and use of facilities exceeds the monthly service fees and deferred revenue from deferred entrance fees, a liability is recorded.

Using a discount rate of 2.25% at December 31, 2019, and a rate of 2.63% at December 31, 2018, the anticipated revenues are estimated to exceed the cost of future services by $69,030,596 and $93,730,926 for the years ended December 31, 2019 and 2018, respectively. Therefore, no liability was accrued.

Note 6: Commitments and Contingencies (Continued)

Reservations and Designations

At December 31, 2019 and 2018, the Company maintains cash reserves in the amount of $5,391,213 and $4,907,312, respectively, for operating expense contingencies in accordance with the requirements of the California Health and Safety Code under the State of California Department of Social Services. These reserves are included in cash and cash equivalents and marketable securities in the accompanying balance sheets.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

Note 7: Related-Party Transactions

Pursuant to the provisions of FASB ASU 2018-17, *Consolidation (Topic 810)*, the Company has elected to not apply variable interest entity guidance to legal entities under common control. The Company is not aware of any exposure to loss as a result of its involvement with these entities.

At December 31, 2019 and 2018, the Company has a formal service agreement with a related company concerning the provision of administrative and operational oversight services, including use of brand, transaction processing, and benefit and insurance administration, among others. The service agreement calls for annual service fees payable in equal monthly installments, and the agreement renews annually unless canceled. For the years ended December 31, 2019 and 2018, service fees paid under this agreement totaled $345,840 and $330,756, respectively. The service agreement also provides for additional fees for supplemental services and out-of-pocket expenses, as needed. For the years ended December 31, 2019 and 2018, the additional fees paid under this agreement totaled $214,879 and $136,816, respectively. Furthermore, the service agreement also provides for insurance premiums to be paid to a related company. Insurance premiums paid under this agreement for the years ended December 31, 2019 and 2018, totaled $434,728 and $382,307, respectively.

During both years ended December 31, 2019 and 2018, the Company paid $25,000 for management services provided by an affiliated entity owned by the financing member. These expenses are included in general and administrative expenses in the accompanying statements of operations.

During the years ended December 31, 2019 and 2018, the Company paid $90,000 and $77,500, respectively, for consulting services provided by an affiliated entity owned by a member. These expenses are included in general and administrative expenses in the accompanying statements of operations.

Note 7: Related-Party Transactions (Continued)

The Company has an agreement for purchased health-care costs with Oakview HC, LLC, an affiliated entity. The health-care costs paid to this entity during the years ended December 31, 2019 and 2018, were $8,076,512 and $7,917,244, respectively, and are included in resident care expenses in the accompanying statements of operations. In addition, the Company had payables for accrued health-care costs totaling $350,664 and $263,884 at December 31, 2019 and 2018, respectively, which are included in accounts payable in the accompanying balance sheets.

Note 8: Employee Benefit Plan

The Company sponsors a qualified 401(k) plan (the "Plan") for all eligible employees. Employees may contribute up to 80% of their yearly compensation for up to the maximum amount prescribed by law. The Company makes a safe harbor matching contribution equal to 100% of the first 3% of the participant's compensation and 50% of the next 2% of the participant's compensation, which is deferred as an elective deferral. For the years ended December 31, 2019 and 2018, employer contributions to the Plan totaled $135,918 and $110,630, respectively, which have been included in general and administrative expenses in the accompanying statements of operations.

Note 9: Fair Value Measurements

FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date.

The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Note 9: Fair Value Measurements (Continued)

The following table provides fair value measurement for financial assets measured at fair value on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3
Equities:			
Large value	$ 1,893,657	$ -	$ -
Large growth	521,216	-	-
Large core	2,718,718	-	-
Mid value	427,900	-	-
Total Assets at Fair Value	$ 5,561,491	$ -	$ -

The following table provides fair value measurement for financial assets measured at fair value on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3
Equities:			
Large value	$ 1,598,325	$ -	$ -
Large growth	884,760	-	-
Large core	2,011,827	-	-
Total Assets at Fair Value	$ 4,494,912	$ -	$ -

Note 10: Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the current-year presentation.

Note 11: Subsequent Events

Events occurring after December 31, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of April 7, 2020, which is the date the financial statements were available to be issued. There were no adjustments to the financial statements or additional disclosures as a result of this evaluation.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the United States, including California, where the Company is located, have declared a state of emergency.

Note 11: Subsequent Events (Continued)

Potential impacts to business include disruptions or restrictions on employees' ability to work. In addition, some of the Company's suppliers are located in areas impacted by COVID-19, which could limit the ability to obtain sufficient materials and supplies for operations. COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could impact the Company's operating results. Any of the foregoing could be harmful to the Company's business, and the Company cannot anticipate all the ways in which a health epidemic such as COVID-19 could adversely impact it. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic on the Company, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.