

PAMELA S. KAUFMANN  
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August 24, 2022

VIA OVERNIGHT DELIVERY AND E-MAIL to [Heidi.Lehrman@doj.ca.gov](mailto:Heidi.Lehrman@doj.ca.gov)

Heidi Lehrman, Esq.  
Deputy Attorney General  
1300 I Street, Suite 125  
Sacramento, CA 944255

Re: Retirement Housing Foundation - Asset Sales

Dear Ms. Lehrman:

This letter is in response to your Information Request dated August 15, 2022 regarding the sale of the assets of various subsidiaries of Retirement Housing Foundation ("RHF"). We attach the following items:

- 1) **Copies of all documents relating or referring to the reasons why any potential transferee was excluded from further consideration as a potential transferee for any of the health facilities or facilities that provide similar health care that are the subject of the agreement or transaction.**

Please see item 3) below. The matrices prepared by Ziegler compare the bidders' business terms. The board minutes and resolutions show that Ziegler presented its analysis of the bids and the board voted to proceed with the highest qualified bidder.

- 2) **Copies of all Requests for Proposals sent to any potential transferee and all responses received thereto.**
  - a. The initial notice to your offices included the following:
    - i. A sample of the "deal points" email sent by Ziegler to prospects in September 2021. (See PDF page 821 of the notice.)
    - ii. A copy of the Acquisition Opportunity Memorandum prepared by Ziegler. (See PDF page 823 of the notice.)
    - iii. A list of interested parties who signed the NDA and a copy of the NDA signed by Buyer. (See PDF page 983 of the notice.)
- 3) **All documents reflecting the deliberative process used by the applicant and any related entity in selecting the transferee as the entity to participate in the proposed agreement or transaction.**

- a. Attached are the following minutes and resolutions describing our client's deliberative process regarding the bids received. Unrelated portions of the minutes have been redacted:
    - i. Regular Meeting of the Board of Directors of RHF - August 17 - 19, 2021,
    - ii. Resolution of the Board of Directors of RHF – Adopted August 17, 2021, accepting the proposal from Ziegler
    - iii. Minutes of Meeting of the Executive Committee of the Board of Directors of RHF – November 2, 2021
    - iv. Regular Meeting of the Board of Directors of RHF – November 9 - 11, 2021
    - v. Resolutions of the Board of Directors of RHF – Adopted November 11, 2021, accepting offer for \$195,000,000.00
    - vi. Minutes of Meeting of the Executive Committee of the Board of Directors of RHF – January 6, 2022 (including a confidential interim report)
    - vii. Minutes of the Special Meeting of the Board of Directors of RHF – March 18, 2022
  - b. The initial notice to your offices included the following:
    - i. A matrix prepared by Ziegler describing the eight initial offers, dated October 14, 2021. (See PDF page 987 of the notice.)
    - ii. A matrix prepared by Ziegler comparing the four most competitive offers, dated November 22, 2021. (See PDF page 983 of the notice.)
- 4) **Copies of each Proposal received by the applicant from any potential transferee suggesting the terms of a potential transfer of applicant's health facilities or facilities that provide similar health care, and any analysis of each such Proposal.**
- a. We attach proposals received from the following bidders during Round 1:
    - i. Pacifica Senior Living
    - ii. MED Healthcare Partners
    - iii. Comprehensive Care Capital
    - iv. Aurora Health Network
    - v. Westmont Living
    - vi. Aspen Skilled Healthcare, Inc.

- vii. DiNapoli Capital Partners
- viii. Greystone & Co. (AbleHearts Healthcare Foundation)
- b. The above bidders were invited to enhance their proposals during Round 2. We attach enhanced proposals received from the following bidders:
  - i. Pacifica Senior Living
  - ii. MED Healthcare Partners
  - iii. Comprehensive Care Capital

**5) The applicant's prior two annual audited financial statements:**

The notice addresses the sales of properties owned by four different entities. Two of these properties, Bixby Knolls Towers and Gold Country Retirement Center, are owned by nonprofit corporations that are included in the RHF "Obligated Group." The other two properties, Auburn Ravine Terrace and Pioneer House, are owned by nonprofit corporations that are outside the RHF Obligated Group and thus prepare their own financial statements. We therefore include the following six statements (covering the two most recent years for which statements are available):

- a. Retirement Housing Foundation Obligated Group – Combined Financial Statements and Supplementary Information for Years Ended September 30, 2021 and 2020.
- b. Retirement Housing Foundation Obligated Group – Combined Financial Statements and Supplementary Information for Years Ended September 30, 2020 and 2019.
- c. Congregational Church Retirement Community (Auburn Ravine) Audited Financials for Years Ended November 30, 2021 and 2020.
- d. Congregational Church Retirement Community (Auburn Ravine) Audited Financials for Years Ended November 30, 2020 and 2019.
- e. Cathedral Pioneer Church Homes (Pioneer House) Audited Financial Statements for Years Ended September 30, 2020 and 2019.
- f. Cathedral Pioneer Church Homes (Pioneer House) Audited Financial Statements for Years Ended September 30, 2019 and 2018.

Please do not hesitate to contact me if you have any questions or you need additional information. If you would like to discuss any of these matters, I would be happy to set up a call. Thank you for your time and attention to this matter.

Heidi Lehrman  
August 24, 2022  
Page 4

Very truly yours,

A handwritten signature in black ink that reads "Pamela S. Kaufmann". The signature is written in a cursive, flowing style.

Pamela S. Kaufmann  
Partner

PSK

Enclosures

cc: Stuart Hartman  
Robert Amberg, Esq.  
Laura Fox Buchan  
Frank Rossello  
Brian Magnone  
David Napierskie  
Joyce Chang O'Brien  
Johanna Williams

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- iii. A list of interested parties who signed the NDA and a copy of the NDA signed by Buyer. (See PDF page 983 of the notice.)

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a. Attached are the following minutes and resolutions describing our client's deliberative process regarding the bids received. Unrelated portions of the minutes have been redacted:

- i. Regular Meeting of the Board of Directors of RHF - August 17 - 19, 2021,
- ii. Resolution of the Board of Directors of RHF – Adopted August 17, 2021, accepting the proposal from Ziegler
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- ii. A matrix prepared by Ziegler comparing the four most competitive offers, dated November 22, 2021. (See PDF page 983 of the notice.)

**REGULAR MEETING  
OF THE BOARD OF DIRECTORS OF  
RETIREMENT HOUSING FOUNDATION**

By GoToMeeting/Teleconference

August 17-19, 2021

DATE, TIME, LOCATION AND ATTENDANCE

A regular meeting of the Board of Directors (the “Board”) of Retirement Housing Foundation (“RHF” or the “Corporation”), held in person and via video conference for those attendees who joined the meeting virtually, was called to order by Chair Rev. David S. Moyer 1:00 PM Pacific time on August 17, 2021 at the corporate office of RHF. A roll call indicated presence in person, on the computer and/or telephone and ability to hear one another by Rev. Moyer, Vice Chair Rev. Norma N. DeSaegher, Vice Chair R. Jeffrey Pollock, Directors Dr. John Bauman, Andrew Bunn, Catherine Collinson, Donald G. Hart, Raymond E. East, David A. Ethington, and Christina E. Potter and Dr. Darryl M. Sexton. Director Brian M. Koide was unable to attend the meeting on August 17, 2021 and was excused. The Chair noted that a quorum was present for the transaction of business. Staff members in attendance at the Corporate Office or via video conference were President and Chief Executive Officer Stuart Hartman, and Director of Corporate Records and Corporate Secretary Laura Fox Buchan. Throughout the course of the meetings, Senior Vice President and General Counsel Robert R. Amberg, Vice President of Healthcare Operations David Napierskie, Vice President of Affordable Housing Perry Glenn, CFO/Vice President of Finance Frank Rossello, Vice President/Treasury and Chief Investment Officer Brian Magnone, Controller Chris Purcell, Director of Budget and Analytics Kent Steckbeck, Corporate Compliance, Ethics and Privacy Officer Diane King, Vice President of Acquisitions and Project Development Anders Plett, Senior Director of Development Finance Kevin Gilchrist, Senior Director of Acquisitions Bob Fard and Development Project Manager Laurel Gillette joined the meeting for reporting purposes. Invited guest Terry Freed, President and CEO of Prelude Services, joined the meeting for a presentation, and Business Applications Manager Lori Phelps provided Information Technology services.

INTRODUCTION OF LAURA FOX BUCHAN

The Chair asked Mr. Hartman to introduce Laura Fox Buchan to all those in attendance. Mr. Hartman announced that Ms. Fox Buchan succeeds Deborah J. Stouff as Director of Corporate Records and Corporate Secretary of the Corporation, and followed with a brief summary of Ms. Fox Buchan’s background and experience as he welcomed her to the meeting.

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RESOLUTION REGARDING MARKET RATE COMMUNITIES

The Chair encouraged the Board and staff in attendance to engage in a discussion regarding current status of the skilled nursing facilities and related market rate properties, and asked that following today's discussion, Mr. Hartman proceed with a recommendation to the Board. There was a review, led by Mr. Rossello, of the Healthcare Line of Business Report and healthcare accounts receivables. The Chair led a discussion regarding amounts owed to RHF in 2021 and Board concerns regarding the transition of community staff, the living wage initiative, construction activity at the affected communities, RHF branding, possible mandatory COVID-19 vaccinations for community staff, and coordination of the asset management plan with RHF's strategic plan. Mr. Hartman reviewed the proposal received from B.C. Ziegler and Company ("Ziegler"), associated fees and probable timing of a potential transaction. The Directors had an opportunity to ask questions of staff and seek clarification, and to discuss the matter thoroughly. Discussion continued until all members of the Board could offer their thoughts and address their concerns, noting the historical context of the discussion. After discussion, a motion was made by Rev. DeSaegher, seconded by Mr. Hart, and the following resolution was unanimously adopted:

**RESOLUTION NO. 4857. RESOLVED**, that the Board of Directors of the Corporation authorizes Stuart Hartman and the RHF management team to accept the proposal from Ziegler, subject to such terms and conditions acceptable to RHF management.

RECESS AND RECONVENE

The discussion concluded at 3:10 PM Pacific time. After a ten minute break, the meeting resumed at 3:20 PM Pacific time with all Directors present. Also present were Mr. Hartman, Mr. Amberg and Ms. Fox Buchan

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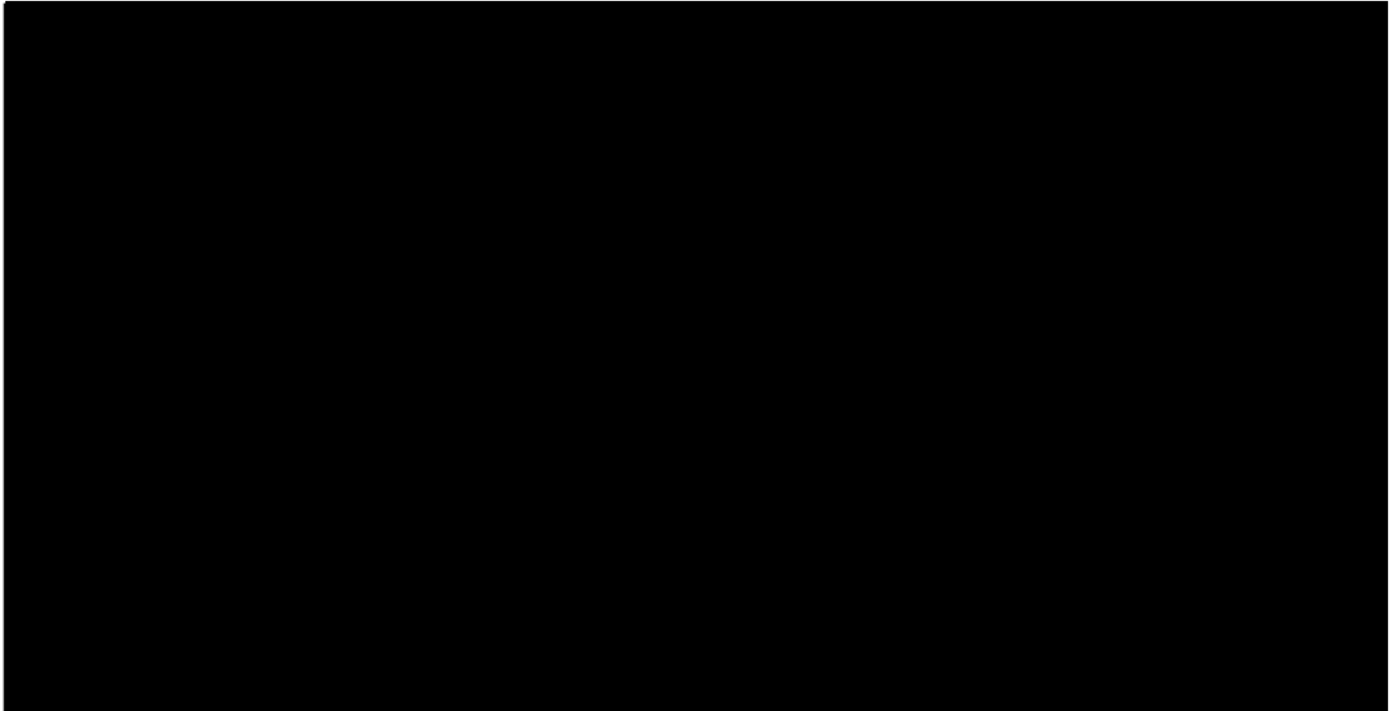
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Respectfully,

*Laura Fox Buchan*

Laura Fox Buchan  
Corporate Secretary

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
RETIREMENT HOUSING FOUNDATION**

**ADOPTED AUGUST 17, 2021**

**RESOLVED**, that the Board of Directors of the Corporation authorizes Stuart Hartman and the RHF management team to accept the proposal from Ziegler, subject to such terms and conditions acceptable to RHF management.

**CERTIFICATION**

I, Laura Fox Buchan, hereby certify that I am the current and duly empowered Secretary of the Retirement Housing Foundation, that the foregoing Resolution was duly adopted by the Board of Directors of the Corporation at a regularly scheduled meeting held on August 17, 2021 at which meeting a quorum was present and acting, that the Resolution remains in full force and effect, that the same has not been modified or rescinded and is not contrary to any provision of the Articles of Incorporation or the Bylaws of the Corporation.

Executed this 11<sup>th</sup> day of April 2022, at Long Beach, California.

*Laura Fox Buchan*

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Name: Laura Fox Buchan  
Title: Corporate Secretary

MINUTES OF MEETING  
OF THE EXECUTIVE COMMITTEE OF  
THE BOARD OF DIRECTORS OF  
RETIREMENT HOUSING FOUNDATION

November 2, 2021, 11:00 AM (Pacific)

A meeting of the Executive Committee of the Board of Directors (the “Board”) of Retirement Housing Foundation (“RHF”) was held by GoToMeeting video conference beginning at 11:00 AM Pacific time, November 2, 2021. Executive Committee members noting their presence and their ability to hear one another were Chair Rev. David Moyer, Vice Chair Norma DeSaegher, Vice Chair Jeffrey Pollock, Treasurer Donald G. Hart, and former Chair Ray East. Present representing Executive Staff at the national office was President and Chief Executive Officer Stuart Hartman, Executive Vice President and General Counsel Robert R. Amberg, Chief Financial Officer and Vice President, Finance Frank Rossello, and Director of Corporate Records and Corporate Secretary Laura Fox Buchan.



Report and Discussion on Potential Offers through Ziegler

Rev. Moyer provided an opportunity for Mr. Hartman to review the responses to the Ziegler market rate portfolio offering and how to present the discussion to the entire Board next week.

Mr. Hartman provided an overview of the market rate properties offering through the Ziegler group, describing to the Committee the select group of recipients, and the number of companies that passed and those that showed interest. All of the non-profit companies passed on the opportunity due to reasons including, but not limited to, age of the product, amount of deferred maintenance, markedly low of census numbers and excessive economic losses. The for-profit companies shared these concerns; however, they generally have the capital to expand their portfolios and the time needed to remedy these outstanding issues.

Mr. Hartman stated that based on feedback from Ziegler and Marcus & Millichap, a range was established for the asking price using the lowest and highest values, and the median of the range was determined to be \$230M. Once marketing began, feedback did not substantiate the \$230M asking price, largely due to the reasons previously discussed at this meeting. Mr. Hartman stated that two interested parties have offered \$200M for the portfolio, and one additional party has offered slightly less at \$195M, with a fourth offer at \$162M for only the best properties in the portfolio. He then reviewed with the Committee the debt associated with the portfolio and the approximate net proceeds of \$85-\$90M if a sale were to consummate at the offered price of \$200M, along with recommended use of the proceeds to buy additional affordable housing projects.

Mr. Rossello provided further information on the valuation estimates and a short summary of the financials that will be in the Board package. The Committee had an opportunity to ask questions of Mr. Hartman regarding impact on the residents, the status of the benevolence funds because of a sale, and the RHF corporate response if there is an informal release of information to the public regarding the sale.

Mr. Hartman requested that the Committee consider recommending a sale at \$200 mi. to the Board, and requested that the Board quickly approve the sale and immediately enter into an agreement to allow for a smooth transition between the parties while waiting for the required Attorney General approval. He noted that two representatives from Ziegler are scheduled to attend the Board meeting to provide an overview of the projected sale. Rev. Moyer stated that he felt that the Board would have a favorable response to a sale at this price.

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Board Meeting Reminder

The next meeting of the Board of Directors of RHF is scheduled for November 9 – 11, 2021.

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Adjournment

There being no further business to come before the Committee, Rev. Moyer adjourned the meeting at 12:30 PM Pacific time.

Respectfully,

*Laura Fox Buchan*

Laura Fox Buchan  
Corporate Secretary

**REGULAR MEETING  
OF THE BOARD OF DIRECTORS OF  
RETIREMENT HOUSING FOUNDATION**

By GoToMeeting/Teleconference

November 9-11, 2021

**DATE, TIME, LOCATION AND ATTENDANCE**

A regular meeting of the Board of Directors (the “Board”) of Retirement Housing Foundation (“RHF” or the “Corporation”), held in person and via video conference for those attendees who joined the meeting virtually, was called to order by Chair Rev. David S. Moyer 1:00 PM Pacific time on November 9, 2021 at the corporate office of RHF. A roll call indicated presence in person, on the computer and/or telephone and ability to hear one another by Rev. Moyer, Vice Chair Rev. Norma N. DeSaegher, Vice Chair R. Jeffrey Pollock, Directors Dr. John Bauman, Andrew Bunn, Catherine Collinson, Donald G. Hart, Raymond E. East, David A. Ethington, Brian M. Koide, Christina E. Potter and Dr. Darryl M. Sexton. The Chair noted that a quorum was present for the transaction of business. Staff members in attendance at the Corporate Office or via video conference were President and Chief Executive Officer Stuart Hartman, and Director of Corporate Records and Corporate Secretary Laura Fox Buchan. Throughout the course of the meetings, Executive Vice President and General Counsel Robert R. Amberg, Vice President of Healthcare Operations David Napierskie, Vice President of Affordable Housing Perry Glenn, CFO/Vice President of Finance Frank Rossello, Vice President/Treasury and Chief Investment Officer Brian Magnone, Controller Chris Purcell, Director of Budget and Analytics Kent Steckbeck, Corporate Compliance, Ethics and Privacy Officer Diane King, Vice President of Acquisitions and Project Development Anders Plett, Senior Director of Development Finance Kevin Gilchrist and Senior Director of Acquisitions Bob Fard joined the meeting for reporting purposes. Invited guests from B.C. Ziegler and Company (“Ziegler”), which included Dan Hermann, President, CEO and Head of Investment Banking, Daniel C. Revie, Managing Director, Investment Banking – Senior Housing & Care Finance Practice, Mary Munoz, Senior Managing Director, Tedd Van Gorden, Vice President, and Lisa McCracken, Director, Senior Living Research, joined the meeting for presentations, and Director Information Systems Lori Phelps provided Information Technology services.

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**RECESS AND RECONVENE**

The discussion concluded at 10:00 AM Pacific time and resumed at 10:10 AM Pacific time with all Directors present. Also present were Mr. Hartman and Ms. Fox Buchan.

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**RECESS AND RECONVENE**

The discussion concluded at 12:08 PM Pacific time for lunch. The meeting resumed at 1:02 PM Pacific time with all Directors in attendance. Also present was Messrs. Hartman, Rossello, Magnone and Ms. Fox Buchan.

**SENIOR LIVING UPDATE**

Mr. Hartman introduced Lisa McCracken, Director, Senior Living Research, and Mary Munoz, Senior Managing Director, with Ziegler for a presentation on the 2021 State of Not-For-Profit Senior Living & Care business segment. Following a review of the Ziegler investment banking organization, Ms. McCracken and Ms. Munoz reviewed stakeholder groups and their opportunities and challenges, trends in the not-for-profit sector, including growth observations, occupancy, profitability, preventative health and virtual adult day programs. The Directors were allowed time to ask questions and join the discussion. Upon conclusion of the presentation, Mr. Hartman thanked both Ms. McCracken and Ms. Munoz for their time, and they left the meeting. Following this, Messrs. Rossello and Magnone left the meeting at 2:00 PM Pacific time.

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**ZIEGLER PROJECT DISCUSSION**

Chair Moyer opened the session with remarks addressing the opportunity for the Board to share their opinions on the Ziegler project. Mr. Hartman then opened discussion prior to the invited guests from Ziegler joining the meeting. Messrs. Amberg and Rossello joined the meeting at 11:10 AM Pacific time and Mr. Magnone joined the meeting at 11:13 AM Pacific time. Following this, invited guests Mr. Revie, Mr. Van Gorden and Ms. Munoz from Ziegler joined the meeting at 11:15 AM Pacific time.

Mr. Revie introduced himself and proceeded to review the summary of initial proposals, top bidders and engagement timeline. The Board had an opportunity to ask questions and engage in discussion. Mr. Hermann joined the meeting at 11:25 AM Pacific time and continued the presentation, fielding questions from the Board. Mr. Hartman noted that a transaction is anticipated to close in Q2 of 2022. He thanked the Ziegler invited guests and Messrs. Hermann, Revie, Van Gorden and Ms. Munoz left the meeting at 12:25 PM Pacific time.

**RECESS AND RECONVENE**

The meeting recessed until 1:30 PM Pacific time. All Directors were present, except Mr. Ethington, who joined the meeting at 1:40 PM Pacific time. Also present were Messrs. Hermann, Revie, Van Gorden and Ms. Munoz from Ziegler, and Messrs. Hartman, Amberg, Rossello, Magnone and Ms. Fox Buchan.

**ZIEGLER PROJECT DISCUSSION CONTINUANCE**

Following the break, Chair Moyer opened the discussion regarding the Ziegler project. Mr. Hartman discussed establishing an offering price floor for the Board to approve to allow RHF management to accept an offer and take action to close the sale. The Board concurred and agreed upon a floor of \$195,000,000. Upon the recommendation by Chair Moyer, Rev. DeSaegher, Mr. Amberg and Dr. Sexton excused themselves from the meeting. Following discussion, upon motion duly made by Mr. Bunn and seconded by Ms. Collinson, the following resolution was adopted:

**RESOLUTION NO. 4895. RESOLVED**, that the Board of Directors of the Corporation hereby authorizes and directs Mr. Hartman, with full force and complete authority, to accept the highest and best offer to purchase the RHF market rate properties at a price not less than \$195,000,000.00, and take all necessary actions to close the sale and provide further transactional details at the next meeting of the Board.

Rev. DeSaegher and Dr. Sexton rejoined the meeting at 2:20 PM Pacific time. Messrs. Rossello and Magnone left the meeting at 2:25 PM Pacific time.

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Respectfully,

*Laura Fox Buchan*

Laura Fox Buchan  
Corporate Secretary

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
RETIREMENT HOUSING FOUNDATION**

**ADOPTED NOVEMBER 11, 2021**

**RESOLVED**, that the Board of Directors of the Corporation hereby authorizes and directs Mr. Hartman, with full force and complete authority, to accept the highest and best offer to purchase the RHF market rate properties at a price not less than \$195,000,000.00, and take all necessary actions to close the sale and provide further transactional details at the next meeting of the Board.

**CERTIFICATION**

I, Laura Fox Buchan, hereby certify that I am the current and duly empowered Secretary of the Retirement Housing Foundation, that the foregoing Resolution was duly adopted by the Board of Directors of the Corporation at a regularly scheduled meeting held on November 11, 2021 at which meeting a quorum was present and acting, that the Resolution remains in full force and effect, that the same has not been modified or rescinded and is not contrary to any provision of the Articles of Incorporation or the Bylaws of the Corporation.

Executed this 11<sup>th</sup> day of April 2022, at Long Beach, California.



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Name: Laura Fox Buchan  
Title: Corporate Secretary

**MINUTES: Executive Committee of Retirement Housing Board**

**January 6, 2022—10:00 AM PST—Via GoToMeeting**

**Present: Jeff Pollock, Don Hart, Norma DeSaegher, Ray East, David Moyer, Stuart Hartman (CEO), Robert Amberg (EVP/Corporate Counsel)**

[REDACTED]

CEO Stuart Hartman was called on to report:

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

- Stuart reported on the project undertaken by RHF with the assistance of Ziegler. His report is contained in a confidential interim report he sent to the full Board earlier this week.

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The meeting adjourned at 12:45 Pacific.

Recorder: David Moyer



**MEMORANDUM**

**To:** RHF Board of Directors  
**From:** Stuart Hartman, President and CEO  
**Date:** January 4, 2022  
**Subject:** *Interim Board Report* **“CONFIDENTIAL”**

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Hoping each of you had a Merry Christmas and a Happy New Year!

With the holidays behind us, I thought it would be a good time to update you on some significant items.

**Ziegler**

Even though the office was closed for most of last week, I was able to finalize negotiations on our Purchase and Sale Agreement (PSA). The document has been fully executed and \$2,000,000 deposited into escrow. This is key for us as it started the due diligence clock ticking. As a quick refresher, you should recall the board authorized me at the November Board meeting to move forward with selling the healthcare portfolio provided the price was above \$195,000,000. Our PSA reflects a total price of \$203,000,000. The due diligence period is to be 45 days, with a 14 day option to extend in order to obtain environmental reports. At the conclusion of due diligence, \$1,000,000 will be released to RHF (applied to the purchase price). Simultaneous to due diligence, we will work with the buyer on developing an OTA or Operating Transfer Agreement. The OTA is to be completed within 45 days of execution of the PSA. The intent is to allow the buyer to take over operations after they satisfy the due diligence period. We anticipate this could occur in April, possibly a little sooner. It is our expectation to close escrow on all properties no later than June 20, 2022.

**Public Relations**

The Hennes group was engaged to assist with messaging related to the sale of communities for the various parties (residents and their families, staff and the general public). We have already gone through the first training session for those individuals we appointed to be spokespersons. A second training for a larger group of staff will be held next week.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SH:

**MINUTES OF SPECIAL MEETING  
OF BOARD OF DIRECTORS OF  
RETIREMENT HOUSING FOUNDATION**

MARCH 18, 2022

A special meeting of the Board of Directors (the “Board”) of Retirement Housing Foundation (“RHF” or the “Corporation”) was called to order by Rev. Norma DeSaegher at 10:30 AM Pacific time, March 18, 2022, via telephone conference.

Directors present during the telephone conference were John F. Bauman, Catherine Collinson, Rev. Norma N. DeSaegher, Raymond E. East, Donald G. Hart, Don J. Miner, R. Jeffrey Pollock, Christina E. Potter and Cheryl Wilson. Invited guests in attendance were President and Chief Executive Officer Stuart Hartman, Executive Vice President and General Counsel Robert Amberg, Chief Financial Officer Frank Rossello, VP Treasury and Chief Investment Officer Brian Magnone and Corporate Secretary Laura Fox Buchan.

[REDACTED]

[REDACTED]

Mr. Pollock stated that the purpose of the special meeting was to review the status of the Ziegler transaction, including new developments in the negotiation of terms of the Purchase and Sale Agreement (“PSA”) between RHF and Pacifica Companies LLC (the “Buyer”). He provided a brief overview of the discussions held during the full Board meeting in which Mr. Hartman was authorized to negotiate a transaction with a purchase price of no less than \$195,000,000. Mr. Pollock noted that a PSA for a purchase price of \$203,000,000, subject to the due diligence findings which gives the Buyer the opportunity to review the status of all of the properties subject to the PSA, was executed in December, 2021. Mr. Pollock disclosed that the due diligence period has come to an end and pursuant to discussions held during the Executive Committee (the “Committee”) meeting held March 16, 2022 at 9:00 AM Pacific time, the Committee now positively recommends a reduced sale price for the transaction.

Mr. Hartman next reviewed the process during which the sale price range was determined, and the subsequent extensions of the due diligence period to March 16, 2022. On March 11, 2022, RHF received a letter from the Buyer articulating concerns with continued economic losses and census slippage since the August portfolio offering, and the physical condition of the properties that would increase the Buyer’s investment to recondition the properties following the closing by as much as \$40,000,000. The letter also stated a revised purchase price range of \$178,000,000 - \$180,000,000, plus the addition of two parcels of land adjacent to the Courtenay Springs Village and Sun City Gardens properties. Mr. Hartman also noted that the Buyer further requested a guarantee from RHF that if there was any further decline in the economic performance of the facilities from now until the time of closing, that RHF would reduce the purchase price accordingly. Mr. Hartman explained that it was not feasible to consider entering negotiations with other interested parties due to the time it would take to reach an agreement and close the transaction. During further negotiations following receipt of the letter, the parties reached an agreement on a purchase price of \$183,500,000, and it was agreed that RHF would not provide any further guarantees or transition

the operations of the properties to the Buyer during the period in which the parties waited for the required approval of the California skilled nursing facilities from the California Attorney General's office.

Mr. Hartman then fielded questions from the Board and a discussion ensued. Messrs. Rossello and Magnone responded to financial questions and stated that they both concurred with the recommendation of the Committee.

Mr. Amberg noted that the Corporation's Standard 7 board members would be requested to execute a Unanimous Written Consent on behalf of each involved property's ownership entity to authorize the amendments to the PSA, including such terms as, but not limited to, the amended purchase price.

Mr. Pollock then asked for a motion from the Committee, to which Mr. Hart responded with a motion to authorize Mr. Hartman on behalf of RHF to revise the PSA for a purchase price amount of no less than \$180,000,000. Following the motion presented by Mr. Hart upon the recommendation of the Committee, the following resolution was unanimously approved:

**RESOLUTION NO. 4930. RESOLVED**, that the Board of Directors of Retirement Housing Foundation hereby authorizes and directs Mr. Hartman, with full force and complete authority, to revise the Purchase and Sale Agreement to purchase the RHF market rate properties at a price not less than \$180,000,000.00, and take all necessary actions to close the sale.

There being no further business to come before the Board, motion was duly made and seconded, and it was unanimously voted to adjourn the meeting at 11:20 AM Pacific time.

Respectfully submitted,



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Laura Fox Buchan  
Corporate Secretary

- 4) **Copies of each Proposal received by the applicant from any potential transferee suggesting the terms of a potential transfer of applicant's health facilities or facilities that provide similar health care, and any analysis of each such Proposal.**

- a. **Round 1:**
  - i. **Pacifica Senior Living**
  - ii. **MED Healthcare Partners**
  - iii. **Comprehensive Care Capital**
  - iv. **Aurora Health Network**
  - v. **Westmont Living**
  - vi. **Aspen Skilled Healthcare, Inc.**
  - vii. **DiNapoli Capital Partners**
  - viii. **Greystone & Co.**

i. Pacifica Senior Living



**PACIFICA**  
**SENIOR LIVING**

October 11, 2021

Dan Revie  
Ziegler

***RE: Offer for the Retirement Housing Foundation Portfolio***

Dear Dan:

This letter of intent serves as an offer to purchase the above referenced property and sets forth the general terms. This offer is non-binding until the execution of the formal Purchase Agreement.

Seller:	Owning Entity
Buyer:	Pacifica Companies, LLC
Property:	The sixteen (16) community Retirement Housing Foundation Portfolio
Purchase Price:	\$200,000,000 cash
Financing Terms:	None.
Buyer Deposit:	Upon the opening of Escrow, Buyer shall deposit with Escrow Company One Million Five Hundred Thousand (\$1,500,000) dollars applicable towards the Purchase Price. Such deposit shall be refundable until the expiration of the Due Diligence Period, at which time the deposit shall become non-refundable unless Buyer has properly canceled this transaction during the Due Diligence Period.
Contract Timing:	Within five (5) business days after mutual execution of this Letter of Intent, Buyer shall prepare a complete Purchase Agreement ("Purchase Agreement") for execution by Buyer and Seller.

Opening of Escrow: Three (3) business days after execution of the Purchase Agreement, Buyer and Seller shall open Escrow to complete the transaction and Buyer shall deliver the Deposit to Escrow.

Close of Escrow: The Retirement Housing Foundation Portfolio shall close within Five (5) days after all State Licensure approvals have been satisfied.

Title & Escrow: Chicago Title, San Diego, California.

Due Diligence Period: Buyer shall have Sixty (60) days from the receipt of all due diligence materials to perform all inspections and tests as required by Buyer, to arrange financing, and to conduct any and all other due diligence as Buyer may desire in its absolute discretion. Buyer may cancel this transaction by written notice at any time during the Due Diligence Period for any reason in its sole and absolute discretion and receive a refund of the Deposit and all accrued interest thereon.

Seller's Documents: Seller shall provide to Buyer, within three (3) days of Opening of Escrow, any and all due diligence materials as are reasonably requested by Buyer and which are in the possession of Seller. Buyer to submit a due diligence list to Seller in conjunction with the Purchase Agreement.

Operation of the Property: During the pendency of this transaction, Seller agrees to refrain from entering into any non-resident related leases, contracts or modifications to the same that affect the Property.

Broker: Buyer represents that it has only dealt with Dan Revie of Ziegler. Seller shall pay any and all Broker commission per separate agreement.

Representations and Warranties: Seller represents to Buyer that Seller has no actual knowledge regarding any violations of applicable codes, laws, and statutes relating to the Property, including, but not limited to, building codes, all seismic codes and any environmental law. This representation shall not give rise to any duty of inquiry on the part of Seller but is limited to Seller actual knowledge.

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Standard Contract Clauses:      The comprehensive contracts contemplated under this Letter of Intent shall all have standard contract clauses including, but not necessarily limited to, the following:

- Licensure provisions
- Attorneys fees to prevailing party in any legal dispute
- Integration Clause
- No amendment except by writing signed by all parties
- State law to govern
- Severability
- Execution in Counterparts Allowed
- Time of the Essence

Confidentiality:      Buyer and Seller agree that all terms of this Letter of Intent and the Purchase Agreement shall remain confidential and shall not be disclosed to third parties, excepting legal and financial advisors of Buyer and Seller, Escrow Company, staff personnel, and those parties necessary to arrange and fund the acquisition and development financing.

It is expressly agreed by Seller and Purchaser that this Letter of Intent is non-binding on Purchaser and Seller, and Purchaser and Seller will have no contractual obligation to purchase or sell the Property prior to the execution and delivery of the Purchase Agreement. No legal obligation is intended to be created by this Letter of Intent or by any written or oral statements, negotiations or promises between the parties hereto, directly or through any representatives, with the exception of statements and promises expressly set forth in the Purchase Agreement. Moreover, this Letter of Intent will not give rise to any rights based on any legal theory, it being intended that only the

subsequent formal written Purchase Agreement, executed and delivered by both parties hereof, will bind the parties with respect to any matter covered by this Letter of Intent. If this Letter of Intent is not executed by both parties with ten (10) days it will expire.

Sincerely,

Pacifica Companies LLC  
A California limited liability company

By: \_\_\_\_\_

Adam Bandel

ACCEPTED AND AGREED TO:

Seller:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

ii. MED Healthcare Partners



October 8, 2021

VIA EMAIL TO [DREVIE@ZIEGLER.COM](mailto:DREVIE@ZIEGLER.COM)

Daniel Revie  
Managing Director  
Ziegler

**Re: Letter of Intent for Retirement Housing Foundation Portfolio**

Dear Mr. Revie:

Please accept this letter as MED Healthcare Partners LLC's (herein "MED," "we," "us," or "our") preliminary, non-binding indication of interest to acquire the entire 16-facility senior housing and skilled nursing portfolio owned by Retirement Housing Foundation that Ziegler is marketing (the "Portfolio"). We are pleased to present the following basic terms for an asset transaction, with full terms to set be forth in formal documents once we finalize the basic terms after further diligence and discussion with the Seller. The following documents are attached to the end of this LOI in accordance with the information that Ziegler's offering memorandum requested be included with submitted proposals.

- Attachment A: Management Experience
- Attachment B: Purchaser's Ability to Close
- Attachment C: Summary of Purchaser's Existing Portfolio
- Attachment D: Due Diligence List

The basic transaction terms we propose are:

**Communities:** The Portfolio, comprised of 16 facilities located in California, Indiana, Kentucky, Missouri, Florida, and South Carolina, together with all ancillary buildings, furnishings, fixtures, equipment, vehicles, inventory, supplies, intangibles and other assets currently held or used in connection therewith, but not including cash or liabilities other than those liabilities explicitly referenced herein or in the formal transaction documents. Retirement Housing Foundation is referenced herein as "Seller."

**Purchaser:** A yet-to-be-formed entity affiliated with MED Healthcare Partners LLC of which Mordy Lahasky and Samuel Feuer will be principals (the "Purchaser").

**Purchase Price:** **\$200,000,000**, anticipated to be paid as follows: (i) \$1,000,000 cash earnest deposit upon mutual execution of a purchase and sale agreement and opening of escrow, and (ii) the balance in cash at closing. The purchase price will be funded with a combination of equity capital and either commercial bank debt or bond financing. Purchaser and its network of investors are very well capitalized and have a reputation throughout the senior housing and skilled nursing industry for closing deals quickly. Please reference Attachment B for further information.

**Due Diligence Period** Purchaser will begin its due diligence review of the Portfolio upon the mutual execution of this letter and continue through no later than the 60<sup>th</sup> day after execution of a formal purchase agreement (the “Due Diligence Period”). Once the Due Diligence Period expires the Earnest Money will go hard. The transaction will close on the first day of the first calendar month following completion of the Due Diligence Period.

**Exclusivity** Purchaser will have 21 days of exclusivity following the mutual execution of this letter to fully negotiate and execute the definitive, formal purchase agreement.

**Title:** Title by warranty deed free of all encumbrances except current real estate taxes & assessments prorated per local custom, easements and CC&Rs of record; possession at close free of all leases, management agreements and occupants except current patients. Seller to provide a current ALTA Owner’s Policy of Title Insurance. FF&E, inventory, warranties thereon and other Seller assets at the Community shall be transferred in-place by Bill of Sale and Assignment (with warranties as to title but not condition or suitability). Purchaser will honor the rental agreements with current residents.

**Contingencies:** The transaction will be contingent upon (a) satisfactory outcome of Purchaser’s due diligence reviews, to be completed in accordance with the timeline set forth herein, (b) Purchaser’s receipt of all necessary governmental consents, approvals, and licenses, and (c) transfer of operations as a going concern at closing with all applicable licenses and certifications intact.

**Fees & Costs:** Seller and Purchaser shall each be responsible for their own broker’s fees and commissions, if any. Purchaser has used no broker in this transaction. Each party shall bear its own transaction costs including, without limitation, attorney fees.

**Non-Binding:** Other than the section titled “Entire Agreement” (the “Binding Provision”), this letter does not constitute and will not give rise to any legally binding obligation on the part of either Purchaser or Seller. Except as expressly provided in the Binding Provision (or as expressly provided in any binding written agreement that Purchaser and Seller or their respective affiliates may enter into in the future), no past or future action, course of conduct or action, or failure to act relating to the proposed transaction, or relating to the negotiation of the terms of the proposed transaction, will give rise to or serve as a basis for any obligation or other liability on the part of Purchaser or Seller.

**Entire Agreement:** The Binding Provision constitutes the entire agreement between Purchaser and Seller, and supersede all prior oral or written agreements, understandings, representations and warranties, and courses of conduct and dealing between Purchaser and Seller on the subject matter of this letter. The Binding Provision may only be amended or modified in writing by both Seller and Purchasers. This letter may be executed in one or more counterparts, each of which will be deemed to be an original copy of this letter and all of which, when taken together, will be deemed to constitute one and the same agreement. Facsimile or email transmission of a true scanned copy of any signed original counterpart transmission shall be deemed the same as the delivery of an original.

[continued on following page]

This proposal is not comprehensive and is merely an attempt to identify basic business terms upon which a definitive acquisition offer could be made and accepted. These terms are not to be binding on any party unless they are incorporated into a definitive set of fully-executed purchase and transfer documents to be negotiated and executed hereafter. We also note that we have not had an opportunity to visit the properties to date and we reserve the right to amend our offer in all respects upon completion of our in-person site visits.

If the terms contained in this letter are acceptable, please so indicate by signing, dating and returning a copy of this letter to us. We will then work with you to quickly complete the due diligence and prepare actual documents.

We appreciate the opportunity to work with you. Please do not hesitate to reach out to me with any questions.

Sincerely,  
Purchaser

---

By: Mordy Lahasky  
Its: Principal

Accepted by,  
Retirement Housing Foundation

---

By:

## **Attachment A - Management Experience**

Our operating team is led by Barry Braunstein, Samuel Feuer, and Mordy Lahasky (collectively, “we”, “us”, or “our”), and we collectively lead a network of operating and back-office infrastructure companies that own and operate over 150 skilled nursing facilities, assisted living/memory care facilities, and CCRCs throughout the United States.

Our core operating philosophies reflect the fact that we are a family business that has been in the skilled nursing industry for 40 years. Barry is a licensed nursing home administrator who, after being introduced to the skilled nursing industry by his father 40 years ago, built a career owning and operating large, highly complex nursing homes in New York and New Jersey. Today, Barry owns and operates six large skilled nursing facilities in New York and New Jersey and is the chief executive officer of multiple long-term care management companies. Sam, Barry’s son in law, is a highly experienced long-term care operator who runs Barry’s management companies, and, together, the family owns and operates over 20 facilities in Pennsylvania and Ohio. Additionally, Barry, Sam, and Mordy are board members and executives of American Eagle Lifecare Corporation, a not-for-profit owner and operator of 17 seniors housing facilities throughout the Midwest and Florida, and 2 CCRCs in Indiana.

Our primary business model is to acquire distressed assets, and we are highly sophisticated operators with a long track record of turning around failing facilities. Our large footprint gives us substantial purchasing power, and we have a vast network of suppliers and vendors that enhances our ability to drive down operating expenses through group purchasing programs. Additionally, Sam leads a team of government payor specialists who are highly skilled at increasing Medicare and Medicaid revenue by accurately capturing resident acuity measures, which many other operators struggle with. One example of our ability to turnaround distressed facilities under pressure is our success with a portfolio of Skyline Healthcare facilities in Pennsylvania and Nebraska. When Skyline went under in 2018, we took over these facilities with only weeks’ notice and stabilized them very quickly. This portfolio now generates substantial free cash flow. Additionally, during the past 18 months we have taken over operations of three non-profit facilities, all of which were distressed at the time of acquisition. We have substantially improved the operations at these facilities. Below is a brief narrative describing each of these turnarounds.

### **Wesleyan Village**

Wesleyan Village is a large CCRC in Elyria, Ohio. We were contacted by a broker in June 2019 who was marketing the facility on behalf of the previous non-profit owner. At the time, the facility was being managed by LCS and was on the brink of bankruptcy. After engaging in discussions with the seller, it became clear that the facility would have to file bankruptcy in July of 2019 unless a buyer closed quickly and injected substantial working capital. We moved quickly, closing the acquisition on July 3<sup>rd</sup> and infusing \$2.5 million to support operations. We then hired our own executive director and devoted extensive regional resources to improving the resident experience, clinical outcomes, and expense control. We immediately improved the operations and the community has since generated positive cash flow. Upon request we will happily provide financial statements demonstrating our success turning around this community.

## **Holland Village**

This facility is a CCRC located in Bucks County, PA. It was a non-performing community owned by a non-profit that had 9 senior living communities in Pennsylvania and Maryland. We closed on this facility August 3, 2020 at the height of the COVID pandemic and immediately improved operations. The community was outsourcing many department functions which significantly bloated its expense structure. We brought everything in-house, significantly reducing expenses and improving the resident experience. These adjustments contributed to the community generating close to \$1 million of EBITDAR during the 4-month period from August to November, during the height of the pandemic. Upon request we will happily provide financial statements demonstrating our success at this community.

## **Handmaker Jewish Services for Aging**

This skilled nursing and assisted living facility is located in Tucson, AZ and provides important services to the local Jewish community. Since taking over management of the facility we have worked hard to honor our obligations to facility staff, residents, and the broader community. We have engaged extensively with the community to ensure we maintain Handmaker's core mission, because it is a cherished local institution and the prior owner cared deeply about the facility's ties to the community. The facility was financially distressed prior to our involvement, and we have subsequently stabilized operations. In 2019 the facility generated EBITDAR of \$186,327, and after we took over operations in December 2019, the facility generated EBITDAR of \$1,864,677 in 2020. We are happy to provide financial statements upon request.

Our management team has the experience, operating resources, and capital necessary to absorb the entire 16-facility RHF portfolio, and we would be grateful for the opportunity to do so. Please do not hesitate to contact us with questions or requests for additional information.

Sincerely,

Mordy Lahasky, Samuel Feuer, & Barry Braunstein

## Attachment B - Purchaser's Ability to Close

In support of our bid on the Retirement Housing Foundation portfolio, please find attached the following documents:

- Exhibit A: A letter of recommendation from Catholic Charities, an organization that recently sold us a skilled nursing facility, attesting to our integrity and ability to close quickly.
- Exhibit B: A letter of recommendation from American Eagle Lifecare Corporation, a non-profit organization that sold us a large CCRC in Elyria, Ohio under severe distress, attesting to our integrity and ability to close quickly. Please note that, subsequent to this deal, each of us joined American Eagle's board of directors.

These letters attest to our demonstrated history of closing difficult transactions quickly and honoring our commitments to the facility's staff, residents, and community.

Additionally, we are very well capitalized both through our personal accounts and through our network of investors. Upon request, we will gladly provide evidence of our substantial cash holdings.

Sincerely,

Mordy Lahasky, Samuel Feuer, & Barry Braunstein

**Exhibit A**

215 Myrtle Street  
Manchester, NH 03104-4354  
T: 603-669-3030/1-800-562-5249  
F: 603-626-1252  
cc-nh.org



July 28, 2020

Knapp Group | Marcus & Millichap  
Mr. James Knapp  
Two Towne Square Suite 450  
Southfield, MI 48076

Re: Letter of Recommendation

Dear Mr. Knapp:

It is with much enthusiasm that I am writing you to recommend Mordy Lahasky and his team for any contemplated business transaction in long-term healthcare.

I worked with Mordy and his team during an acquisition of one of our skilled nursing facilities in New Hampshire. I cannot say enough about their integrity and ease of doing business with them. As a religious organization, it was very important to us to maintain dignifying employment for our long-term staff members and to make the transition as smooth as possible for our residents. Mordy and his team made every effort possible and kept every promise made to us to make that happen. They have extensive knowledge of healthcare with hands on leadership. When it came time to close the transaction, we closed on time and it was hassle free; there were no last-minute changes or negotiations.

Sincerely,



David Hildenbrand  
Chief Financial Officer

**Exhibit B**

To whom this may concern:

September 5, 2019

Mordy Lahasky and his team comprise perhaps the most professional and analytical group of professionals that I have ever encountered in my 30 years in the senior living industry.

Mr. Lahasky first learned of my organization's interest in selling our troubled CCRC in May of 2019. After their initial site visit in June, Mr. Lahasky assured me that they were serious buyers and that absent undisclosed issues would close on the purchase of our community prior to Independence Day on July 4<sup>th</sup>.

True to his word, Mr. Lahasky committed knowledgeable professionals to due diligence our community and by the end of June, his organization had concluded their review.

Mr. Lahasky closed the transaction on July 3<sup>rd</sup>, assuming over \$25 million of debt and bringing substantial working capital to the community to comfort the existing lenders. In the months since the close, Mr. Lahasky has stabilized the community and won the confidence of the lenders. He identified numerous problems with the cost structure of our prior manager and has reduced costs significantly. Our reputation was enhanced by our decision to sell the community to Mr. Lahasky.

We unreservedly recommend Mr. Lahasky and his organization as a serious buyer of the highest integrity. Please feel free to call me if you would like to talk personally about our experience in working with Mr. Lahasky.

Sincerely,

Scott Kellman

CEO

American Eagle Lifecare Corporation

3819 Hawk Crest Road

Ann Arbor, MI 48103

734-222-5264 (office)

734-395-5745 (cell)

## Attachment C.1 - Sam & Barry's Existing Portfolio of Communities

Owned Communities				
Community Name	Beds	Facility Address	Star Rating	Quality Measure Rating
Rolling Hills Rehab and Care Center	99	68222 Commercial Drive, Bridgeport, OH 43912	1	1
Rocky River Gardens Rehab and Nursing Center	140	4102 Rocky River Drive, Cleveland, OH 44135	1	4
Capital City Gardens Rehabilitation and Nursing Center	104	920 Thurber Drive West, Columbus, OH 43215	1	4
Mt. Airy Gardens Rehabilitation & Nursing Center	109	2250 Banning Road, Cincinnati, OH 45239	1	3
Prestige Gardens Rehabilitation And Nursing Center	100	755 South Plum Street, Marysville, OH 43040	2	5
Country Lane Gardens Rehab & Nursing Ctr	99	7820 Pleasantville Road NE, Thornville, OH 43076	1	1
Maple Gardens Rehabilitation And Nursing Center	100	515 South Maple Street, Eaton, OH 45320	3	4
Country Meadow Rehabilitation And Nursing Center	50	4910 Algrie Road, Bellville, OH 44813	5	5
Legends Care Rehabilitation and Nursing Center	73	2311 Nave Road SE, Massillon, OH 44646	3	5
The Pavilion Rehabilitation and Nursing Center	85	13900 Bennett Road, North Royalton, OH 44133	1	4
The Pinnacle Rehabilitation and Nursing Center	75	330 Southwest Avenue, Tallmadge, OH 44278	3	3
Buckeye Terrace Rehabilitation and Nursing Center	70	140 North State Street, Westerville, OH 43081	1	4
Whispering Hills Rehabilitation and Nursing Center	44	416 Wooster Road, Mount Vernon, OH 43050	2	1
Bella Terrace	100	1520 Hawthorne Avenue, Columbus, OH 43203	1	3
Wesleyan Village	246	807 West Ave, Elyria, Oh 44035	2	2
Wyndmoor Hills Rehabilitation and Nursing Center	77	8601 Stenton Avenue, Wyndmoor, PA 19038	2	4
Springfield Residences	103	551 E Evergreen Ave, Wyndmore, PA 19038	3	4
Holland Center For Rehabilitation And Nursing	181	280 Middle holland Rd Holland PA 18966	4	4
Holland Senior Living Community	155	281 Middle holland Rd Holland PA 18966	0	N/A
Oxford Nursing Home	235	144 South Oxford Street Brooklyn, NY	3	5
New Carlton Rehabilitation and Nursing Center	148	405 Carlton Ave Brooklyn, NY	2	5

Leased Communities				
Community Name	Beds	Facility Address	Star Rating	Quality Measure Rating
Phoenix Center for Rehabilitation and Nursing	138	833 South Main Street, Phoenixville, PA 19460	1	1
Rosemont Care & Rehabilitation Center	76	35 Rosemont Avenue, Rosemont, PA 19010	2	4
Liberty Center for Rehabilitation and Nursing	94	7310 Stenton Avenue, Philadelphia, PA 19150	3	5

American Eagle Lifecare Corporation Communities				
Community Name	Beds	Facility Address	Star Rating	Quality Measure Rating
Aldea Green	88	700 S. Kings Ave, Brandon, FL 33511	N/A	N/A
Cascade Heights	267	160 Islander Ct., Longwood, FL 32750	N/A	N/A
Crescent Wood	124	1800 Harrison St., Titusville, FL 32780	N/A	N/A
Greenwood Place	72	2680 Croton Rd., Melbourne, FL 32935	N/A	N/A
American Eagle Newark LLC	42	331 Goose Pond Rd., Newark, OH 43055	N/A	N/A
Lark Springs	60	2850 North Academy Blvd., Colorado Springs, CO 80917	N/A	N/A
Maris Pointe	42	1200 Avenida Del Circo, Venice, FL 34285	N/A	N/A
Monarch Place	47	105 Michelle St., Hanceville, AL 35077	N/A	N/A
Palmetto Landing	64	1016 Willa Springs Dr., Winter Springs, FL 32708	N/A	N/A
Red Cedar Glen	136	202 Walton Ferry Rd., Hendersonville, TN 37075	N/A	N/A
Robin Way	48	7377 88th Ave., Kenosha, WI 53142	N/A	N/A
American Eagle Kingston LLC	39	1098 Bradford Way, Kingston, TN 37763	N/A	N/A
Timberdale Trace	43	334 Cedardale Dr. SE, Owatonna, MN 55060	N/A	N/A
Ventura Hills	97	1207 Jackson Keller Rd., San Antonio, TX 78213	N/A	N/A
Vista Lake	73	700 S. Lake St, Leesburg, FL 34748	N/A	N/A
Vista Lake	73	700 S. Lake St, Leesburg, FL 34748	N/A	N/A
Vista Veranda	50	141 Chestnut Hill Dr., Ravenna, OH 44266	N/A	N/A
Hamlet Hills	138	200 Hamlet Hills Drive, Chagrin Falls, OH 44022	N/A	N/A
Hamlet Atrium	85	200 Hamlet Hills Drive, Chagrin Falls, OH 44022	N/A	N/A
Morning Breeze	104	950 North Lakeview Drive, Greensburg, IN 47240	4	2
Peabody Retirement Community	367	400 West 7th Street, North Manchester, IN 46962	1	4
Woodland Towers	235	113 W Chipola Ave, DeLand, FL 32720	N/A	N/A

## Attachment C.2 - Summary of Mordy's Existing Portfolio

Property/ Business Name	Beds	Facility Address
Belmar Healthcare Group, LLC[Riverside Nursing and Rehabilitation Center]	131	325 Jersey St, Trenton, NJ 08611
Belmar Pediatric Daycare, LLC	27	325 Jersey St, Trenton, NJ 08611
Comprehensive at Williamsville, LLC (St. Francis of Williamsville)	142	147 Reist Street, Williamsville, NY 14221
Hamilton Nursing Home Inc.	64	590 East Grand Boulevard, Detroit, MI 48207
Neptune Gardens Nursing and Rehab, LLC	105	101 Walnut Street, Neptune, NJ 07753
Lamberton Operations, LLC (Valley View Lamberton)	50	200 9th Street, Lamberton, MN 56152
Westfield Gardens Nursing and Rehab, LLC (Westfield Gardens Nursing & Rehab)	68	37 Feeding Hills Road, Westfield, MA 01085
Washington Nursing and Rehabilitation Center, LLC (Pearl Valley Rehab)	90	601 East Polk Street, Washington, IA 52353
Muscatine Nursing and Rehabilitation Center, LLC (Pearl Valley/All American)	100	2002 Cedar Street, Muscatine, IA 52761
Maybrook C-Valley View OPCO, LLC (Maybrook Hills Rehab and Healthcare/Valley View of Altoona PA)	240	301 Valley View Blvd, Altoona, PA 16602
Barclays Rehabilitation and Healthcare Center, LLC	108	1412 Marlton Pike, Cherry Hill, NJ 08034
Donnellson Healthcare and Rehabilitation Center, LLC	55	901 State Street, Donnellson, IA 52625
Riverview Manor Healthcare, LLC	50	17990 Spencer Road, Pleasant Valley, IA 52767
Crystal Nursing Rehabilitation, LLC (Centennial Gardens for Nursing and Rehab)	130	3245 Vera Cruz Avenue, Crystal, MN 55422
Cannon Falls Nursing Rehabilitation, LLC (Angels)	70	300 N. Dow St, Cannon Falls, MN 55009
Claiborne Management, LLC (CLAIBORNE AND HUGHES HLTH CNTR)	157	200 Strahl Street, Franklin, TN 37064
Comprehensive Healthcare Mgmt Services, LLC	605	246 Friendship Circle, Beaver, PA 15009
101 E Delaware Avenue Operations, LLC (Delmar Nursing & Rehab)	109	101 East Delaware Avenue, Delmar, DE 19940
Ridgeview Operations, LLC	111	200 Pennsylvania Avenue, Shenandoah, PA 17976
Duluth Nursing and Rehabilitation Center, LLC (Bayshore Residence and Rehabilitation)	139	1601 St. Louis Avenue, Duluth, MN 55802
Southshore Operations, LLC (Southshore Care Center)	54	1307 South Shore Drive, Worthington, MN 56187
Crossroads Worthington Operations, LLC (CROSSROADS CARE CENTER)	50	965 McMillan Street, Worthington, MN 56187
Parkside Operations, LLC (Parkside Care Center)	126	110 Park City Road, Rossville, GA 30741
Maybrook-P Denver OPCO, LLC (The Gardens at Stevens)	82	400 Lancaster Avenue, Stevens, PA 17578
Maybrook-P Easton OPCO, LLC (The Gardens at Easton)	181	498 Washington Street, Easton, PA 18042
Maybrook-P Millville OPCO, LLC (The Gardens at Millville)	110	48 Haven Lane, Millville, PA 17846
Maybrook-P Orangeville OPCO, LLC (The Gardens at Orangeville)	120	200 Berwick Road, Orangeville, PA 17859
Maybrook-P Praxis OPCO, LLC (The Gardens for Memory Care at Easton)	115	500 Washington Street, Easton, PA 18042
Kadima at Litzitz (Kadima Rehabilitation & Nursing at Litzitz)	42	125 South Broad Street, Litzitz, PA 17543
Kadima at Luzerne (Kadima Rehabilitation & Nursing at Luzerne)	37	463 N. Hunter Highway, Drums, PA 18222
Kadima at Pottstown (Kadima Rehabilitation & Nursing at Pottstown)	41	3031 Chestnut Hill Road, Pottstown, PA 19465
Kadima at Lakeside (Kadima Rehabilitation and Nursing at Lakeside)	31	245 Old Lake Road, Dallas, PA 18612
Kadima at Palmyra (Kadima Rehabilitation & Nursing at Palmyra)	39	341 North Railroad Street, Palmyra, PA 17078
Kadima at Campbelltown (Kadima Rehabilitation and Nursing at Campbelltown)	77	2880 Horseshoe Pike, Palmyra, PA 17078
Maybrook-C Briarcliff OPCO, LLC (DBA The Grove At Irwin, North Huntingdon)	120	249 Maus Drive, Irwin, PA 15642
Maybrook-C Evergreen OPCO, LLC (DBA The Grove at Harmony)	115	191 Evergreen Mill Road, Harmony, PA 16037
Maybrook-C Kade OPCO, LLC (DBA The Grove at Washington)	74	1198 W. Wylie Avenue, Washington, PA 15301
Maybrook-C Overlook OPCO, LLC (DBA The Grove at New Wilmington)	115	520 New Castle Street, New Wilmington, PA 16142
Maybrook-C Silver Oaks OPCO, LLC (DBA The Grove at New Castle)	62	715 Harbor Street, New Castle, PA 16101
Maybrook-C Whitecliff OPCO, LLC (DBA The Grove at Greenville)	154	110 Fredonia Road, Greenville, PA 16125
Maybrook-C Latrobe OPCO, LLC (The Groves at Latrobe)	107	576 Fred Rogers Drive, Latrobe, PA 15650
Lansing Gardens Rehabilitation and Care Center, LLC(DBA Rolling Hills Rehab and Care Center)	99	68222 Commercial Drive, Bridgeport, OH 43912
Garden Healthcare of Rocky River, LLC (DBA Rocky River Gardens Rehab and Nursing Center)	140	4102 Rocky River Drive, Cleveland, OH 44135
Garden Rehab and Health Care at Victorian Village, LLC (Capital City Gardens Rehabilitation and Nursing)	104	920 Thurber Drive West, Columbus, OH 43215
Mt. Airy Gardens Rehabilitation and Care Center, LLC (Mt. Airy Gardens Rehabilitation & Nursing Center)	109	2250 Banning Road, Cincinnati, OH 45239
Marysville Gardens Rehabilitation and Health Care, LLC (Prestige Gardens Rehabilitation And Nursing)	100	755 South Plum Street, Marysville, OH 43040
Fairfield Gardens Rehabilitation and Care Center, LLC (Country Lane Gardens Rehab & Nursing Ctr)	99	7820 Pleasantville Road NE, Thornville, OH 43076
Eaton Gardens Rehabilitation and Care Center, LLC (Maple Gardens Rehabilitation And Nursing Center)	100	515 South Maple Street, Eaton, OH 45320
South Hills Operations LLC (South Hills Rehabilitation And Wellness Center)	104	201 Village Drive, Canonsburg, PA 15317
Monroeville Operations LLC (Monroeville Rehabilitation And Wellness Center)	120	4142 Monroeville Blvd, Monroeville, PA 15146
Mt. Lebanon Operations LLC	121	350 Old Gilkeson Road, Pittsburgh, PA 15228
Murrysville Operations LLC	120	3300 Logan Ferry Road, Murrysville, PA 15668
Meadows at Camp Hill for Nursing and Rehabilitation LLC (The Gardens at Camp Hill)	95	46 Erford Road, Camp Hill, PA 17011
Meadows at East Mountain-Barre for Nursing and Rehabilitation LLC (The Gardens at East Mountain)	120	101 East Mountain Drive, Wilkes-Barre, PA 18702
Meadows at Gettysburg for Nursing and Rehabilitation LLC (The Gardens at Gettysburg)	102	741 Chambersburg Road, Gettysburg, PA 17325
Meadows at Harrisburg for Nursing and Rehabilitation LLC (The Gardens At Blue Ridge)	95	3625 North Progress Ave, Harrisburg, PA 17110
Meadows at Harrisburg for Personal Care LLC (DBA Personal Care at Blue Ridge)	31	3625 North Progress Ave, Harrisburg, PA 17110
Meadows at Scranton For Nursing and Rehabilitation LLC (The Gardens at Scranton)	139	824 Adams Avenue, Scranton, PA 18510
Meadows at Stroud for Nursing and Rehabilitation (The Gardens at Stroud)	127	221 East Brown Street, East Stroudsburg, PA 18301
Meadows at Summit for Nursing and Rehabilitation (The Gardens at Wyoming Valley)	120	50 N. Pennsylvania Ave., Wilkes-Barre, PA 18701
Meadows at Sunbury for Nursing and Rehabilitation LLC (Nursing and Rehabilitation at the Mansion)	70	1040-52 Market Street, Sunbury, PA 17801
Meadows at Tunkhannock for Nursing and Rehabilitation (The Gardens at Tunkhannock)	126	30 Virginia Drive, Tunkhannock, PA 18657
Meadows at West Shore for Nursing and Rehabilitation LLC (The Gardens at West Shore)	288	770 Poplar Church Road, Camp Hill, PA 17011
The Meadows at Pottsville for Nursing and Rehabilitation LLC (The Gardens At York Terrace)	80	2401 West Market Street, Pottsville, PA 17901
Pearl Valley Rehabilitation and Nursing at Sutherland, LLC	35	506 East Fourth Street, Sutherland, IA 51058
Pearl Valley Rehabilitation and Nursing at Estherville, LLC	60	2001 First Avenue North, Estherville, IA 51334
Pearl Valley Rehabilitation and Nursing at Gowrie, LLC	50	1808 Main Street, Gowrie, IA 50543
Pearl Valley Rehabilitation and Nursing at Lake Park, LLC	46	1304 South Market Street, Lake Park, IA 51347
Pearl Valley Rehabilitation and Nursing at Perry, LLC	46	2625 Iowa Street, Perry, IA 50220
Pearl Valley Rehabilitation and Nursing at Primghar, LLC	40	735 North Rerick Ave, Primghar, IA 51245
Maple Winds Healthcare and Rehabilitation, LLC	50	4112 Spring Hill Road, Portage, PA 15946
Majestic Operations, LLC (Majestic Gardens at Memphis Rehabilitation and Skilled Nursing)	169	131 N. Tucker Street, Memphis, TN 38104
Barre Gardens Nursing and Rehab, LLC	100	378 Prospect Street, Barre, VT 05641
Garden Manor Rehab and Nursing of Tulsa, LLC (Emerald Care Center Tulsa)	118	2425 South Memorial Drive, Tulsa, OK 74129
Garden Manor Rehab and Nursing of Midwest City, LLC (Emerald Care Center Midwest)	116	2900 Parklawn Drive, Midwest City, OK 73110
Garden Manor Rehab and Nursing of Southwest, LLC (Emerald Care Center Southwest)	112	5600 South Walker, Oklahoma City, OK 73109
Cheswick Rehabilitation and Wellness Center, LLC	121	3876 Saxonburg Blvd, Cheswick, PA 15024
North Strabane Rehabilitation and Wellness Center, LLC	62	100 Tandem Village Road, Canonsburg, PA 15317
North Strabane Retirement Village, LLC (North Strabane Retirement Village)	90	200 Tandem Village Road, Canonsburg, PA 15317
Premier at Perry Village for Nursing and Rehabilitation, LLC	123	213 E. Main Street, New Bloomfield, PA 17068
Premier at Susquehanna for Nursing and Rehabilitation, LLC	194	990 Medical Road, Millersburg, PA 17061
Country Meadow Care Center, LLC (Country Meadow Rehabilitation And Nursing Center)	50	4910 Algrie Road, Bellville, OH 44813
Crestline Nursing Center, LLC (Crestline Rehabilitation and Nursing Center)	30	327 West Main Street, Crestline, OH 44827
Legends Care Center, LLC (Legends Care Rehabilitation and Nursing Center)	73	2311 Nave Road SE, Massillon, OH 44646
Mount Royal Villa, LLC (The Pavilion Rehabilitation and Nursing Center)	85	13900 Bennett Road, North Royalton, OH 44133
Summit Villa Care Center, LLC (The Pinnacle Rehabilitation and Nursing Center)	75	330 Southwest Avenue, Tallmadge, OH 44278
Edgewood Manor of Westerville, LLC (Buckeye Terrace Rehabilitation and Nursing Center)	70	140 North State Street, Westerville, OH 43081
Whispering Hills Care Center, LLC (Whispering Hills Rehabilitation and Nursing Center)	44	416 Wooster Road, Mount Vernon, OH 43050
Crystal Rehab & Nursing, LLC (Brookside Rehabilitation & Healthcare Center)	81	11 Pontiac Avenue, Webster, MA 01570
Constitution Nursing and Rehabilitation Center, LLC (Belmont Lodge Health Care Center)	120	1601 Constitution Road Pueblo, CO 81001
Community Healthcare Operator Inc. (Windber Woods Senior Living & Rehabilitation Center)	81	277 Hoffman Avenue, Windber, PA 15963
Valley Manor Operations LLC (Valley Manor Rehabilitation and Care Center)	180	7650 Route 309, Coopersburg, PA 18036
Harborview Rehabilitation and Care Center at Doylestown, LLC	120	432 Maple Avenue, Doylestown, PA 18901
Keystone Nursing and Rehab of Reading, LLC (Fairlane Gardens Nursing And Rehab At Reading)	124	21 Fairlane Raod, Reading, PA 19606
Phoenixville Care, LLC (Phoenix Center for Rehabilitation and Nursing)	138	833 South Main Street, Phoenixville, PA 19460
Rosemont Care, LLC (Rosemont Care & Rehabilitation Center)	76	35 Rosemont Avenue, Rosemont, PA 19010
Stenton Care, LLC (DBA Liberty Center for Rehabilitation and Nursing)	94	7310 Stenton Avenue, Philadelphia, PA 19150
Oasis Nursing and Rehab LLC (DBA Calvert County Nursing Center)	149	85 Hospital Road, Prince Frederick, MD 20678
Emerald Care Center Claremore, LLC (Emerald Care Center Claremore)	129	2800 North Hickory Street, Claremore, OK 74017
Memory Care Center at Emerald, LLC (Memory Care Center At Emerald)	60	2700 North Hickory Street, Claremore, OK 74017
Southview Operations, LLC (Southview Acres Healthcare Center)	231	2000 Oakdale Avenue, West St. Paul, MN 55118
Columbus Operations LLC (Emerald Rehab & Nursing Columbus)	145	2855 40th Avenue, Columbus, NE, 68601
Cozad Operations LLC (Emerald Nursing & Rehab Cozad)	67	318 W 18th Street, Cozad, NE, 69130
Omaha Operations LLC (Emerald Nursing & Rehab Omaha)	95	5505 Grover Street, Omaha, NE, 68106
Grand Island Lakeview Operations LLC (Emerald Nursing & Rehab Lakeview)	64	1405 W Us Highway 34, Grand Island, NE, 68801
Scottsbluff Operations LLC (Monument Rehabilitation And Care Center)	155	111 W 36th Street, Scottsbluff, NE, 69361

Nebraska City Operations LLC (Prestige Care Center of Nebraska City)	111 1420 N 10th Street, Nebraska City, NE, 68410
Plattsmouth Operations LLC (Prestige Care Center Of Plattsmouth)	160 602 S 18th Street, Plattsmouth, NE, 68048
Jaffrey Rehabilitation and Nursing Center, LLC	83 20 Plantation Drive, Jaffrey, NH 03452
Fitchburg Rehabilitation and Nursing Center, LLC	87 94 Summer Street, Fitchburg, MA 01420
Chicopee Rehabilitation and Nursing Center, LLC	68 44 New Lombard Rd, Chicopee, MA 01020
Forest City Nursing and Rehab Center	136 915 Delaware Street, Forest City, Pennsylvania 18421
Jefferson Hills Rehabilitation and Wellness Center LLC(Lawson)	50 540 Coal Valley Road, Jefferson Hills, PA
Randallstown Nursing and Rehab LLC (DBA Chapel Hill Nursing Center)	63 4511 Robosson Road, Randallstown, MD 21133
Cherry Hill For Nursing And Rehabilitation[Hope Healthcare Center] (DBA Cherry Hill for Nursing and	120 38410 Cherry Hill Road, Westland, MI 48185
Casper Opco LLC (Casper Mountain Rehabilitation and Care Center)	120 4305 South Poplar, Casper, WY 82601
Shady Nook	94 36 Valley Drive, Lawrenceburg, IN 47025
Elm Ridge LLC (DBA Bella Terrace) [Formerly: Isabella Ridgway Nursing Center]	100 1520 Hawthorne Avenue, Columbus, OH 43203
Wyndmoor SNF Operating Company LLC (DBA Wyndmoor Hills Rehabilitation and Nursing Center)	77 8601 Stenton Avenue, Wyndmoor, PA 19038
Wyndmoor Assisted Living Company LLC(DBA Springfield Senior Living Community)	90 551 E Evergreen Avenue, Wyndmoor, PA 19118
Twining	354 280 Middle Holland Road, Holland, PA 18966
Cathedral Nursing and Rehab LLC	65 520 West 9th Street Jasper, IN 47546
Chesterton Manor Nursing and Rehab LLC	100 110 Beverly Dr. Chesterton, IN 46304
Cloverleaf Nursing and Rehab LLC	102 9325 N. Crawford St. Knightsville, IN 47857
Colonial Nursing and Rehabilitation LLC	55 119 N. Indiana Ave. Crown Point, IN 46307
Kendallville Nursing and Rehab LLC	60 1802 E. Dowling St. Kendallville, IN 46755
Oak Village Nursing and Rehabilitation LLC	50 200 West 4th Street P.O. Box 270Oaktown, IN 47561
River Terrace Re Nursing and Rehab LLC	139 400 Caylor Blvd.Bluffton, IN 46714
Silver Memories Nursing and Rehab LLC	29 6996 US 421Versailles, IN 47042
Warsaw Meadows Nursing and Rehab LLC	80 300 E. Prairie St. Warsaw, IN 46580
Woodland Nursing and Rehab LLC	80 343 S. Nappanee St. Elkhart, IN 46514
Yorktown Nursing and Rehab LLC	100 2000 S. Andrews Rd Yorktown, IN 47396
Bennington Health and Rehab Center	91 2 Blackberry Lane Bennington, VT 05201
Berlin Health & Rehab Center	115 98 Hospitality Dr, Bare, VT
St. Johnsbury Health & Rehab	95 1248 Hospital Drive, St. Johnsbury, VT
Springfield Health & Rehab Center	99 105 Chester Road, Springfield, VT
Burlington Health & Rehab Center	126 300 Pearl Street, Burlington, VT
Clover Meadows	100 112 Franklin Corner Rd. Lawrenceville, NJ 08648
Hendricks County Hospital D/B/A River Bend Nursing and Rehabilitation Center [Formerly: Pine Haven]	113 3400 Stocker Drive, Evansville, Indiana 47720
Leominster Rehabilitation and Nursing Center LLC	106 44 keystone drive leomsinter MA 01453
Wachusett Rehabilitation and Nursing Center LLC	94 32 hospital hill road gardner MA 01440
Heritage Lakeside	104 1016 Lakeshore Dr, Rice Lake, WI 54868
Fountain West Health Center	196 1501 Office Park Road, West Des Moines, IA 50265

**Due Diligence Request List**

**1. General and Corporate Governance**

1. Organizational documents for Seller, and all amendments thereto, including Certificate of Incorporation/Formation and By-Laws/Operating or LLC Agreement.

**2. Licensure and Regulatory**

1. All certificates, certificates of need, licenses, permits, approvals, or applications currently held or pending approval for the use and operation of all businesses operated by Seller.
2. Copies of any reports or other documentation regarding resident incidents that have resulted, or could reasonably be expected to result, in litigation (or threats of litigation) and/or a claim or report to Seller's insurer(s) or applicable regulatory agencies.
3. Survey history – 3 years.
4. All correspondence related to any admission bans, payment bans, threatened decertification or CMP's within the last 18 months.

**3. Employee Matters; Benefits and Pension Plans**

5. Occupational Safety and Health Administration ("OSHA") records, including but not limited to, any notice of a violation with respect to OSHA laws or regulations.
6. List any understanding EEO/Civil Rights/Wage and Hour/OSHA charges or employment litigation.
7. Current compensation data (in excel format) for all staff with the following information:
  - i) Name
  - ii) Date of hire
  - iii) Position
  - iv) Pay rate
  - v) Status: Full Time or Part Time
  - vi) Weekly Hours

8. Summary of benefit plans: medical, dental, vision, pharmacy, group life, supplemental life, and supplemental disability programs:
  - i) Summary Plan Description with carrier name and plan detail;
  - ii) Employer/Employee premium totals and splits;
  - iii) How many employees are enrolled in each type and line of coverage, as well as by benefit options (single, ee+1, family, etc.);
9. Description of 401k or other retirement or pension benefits:
  - i) Summary Plan Description with carrier name and plan detail;
  - ii) Employer contributions or matching program details.
10. Last 2 years EEO-1 reports.
11. Copy of last 3 union contracts if there is a union

#### **4. Real Estate Matters**

1. A list of all properties, including all owned and leased facilities, real estate, and related operations, together with all certificates of occupancy.
2. Describe any known problems relating to compliance with the Environmental Statutes. Include a discussion of any violations of such laws and regulations by the Seller, the actions taken to cure such violations and the results thereof. “Environmental Statutes” includes, but is not limited to: (a) the Clean Air Act; (b) the Resource Conservation and Recovery Act (also known as “RCRA”); (c) the Comprehensive Environmental Response Compensation and Liability Act (including, without limitation, Titles I and III) (also known as “CERCLA”); (d) the Toxic Substances Control Act; (e) the Federal Water Pollution Control Act; (f) Occupational Safety and Health Act; (g) any and all equivalent state statutes; and (h) the regulations implementing the foregoing statutes and similar state and local statutes, regulations, laws, and ordinances.

#### **5. Litigation and Other Proceedings**

1. Descriptions of any litigation or proceeding currently pending or threatened against Seller, any Qui Tam/whistleblower suits, suits brought pursuant to the Federal False Claims Act or similar state acts and any pending, threatened or past actions, administrative proceedings, settlements, arbitrations or lawsuits brought by any governmental or other third-party payor. The preceding shall include, but shall not be limited to, medical staff disciplinary proceedings, employee lawsuits or arbitrations or employee allegations of Equal Employment Opportunity Commission (also known as “EEOC”) or OSHA violations, and claims for professional negligence or deficient quality of care.

2. Descriptions of any criminal or civil penalties, sanctions, or exclusions, termination or suspension from government programs imposed by any public or private payor, or by any federal or state government agency.
3. Copies of citations or notices (including notices of violation or notices of deficiencies) from government agencies received in the past three years.
4. Descriptions of any inquiries, investigations, audits or examinations (including any threatened or reasonably foreseeable recoupments of money paid to Seller) from any state or federal professional or licensing agencies, governmental and third party payors, fiscal intermediaries or carriers, including, but not limited to, relating to Medicaid/Medicare fraud and abuse and any Medicare Part A or Part B probes, with descriptions of any correspondence received from the OIG, the State Department of Health, the State Office of the Medicaid Inspector General, the State Attorney General, or from other investigative or prosecutorial body.
5. Descriptions of any notices of termination of contracts with managed care organizations or other private payors.
6. Descriptions of all consent decrees, judgments, other decrees or orders, settlement agreements and other agreements to which Seller is a party or is bound.

**6. Contracts**

1. All other contracts, of any nature, with persons or entities who or which provide ancillary services with an aggregate annual contract value of at least ten thousand dollars (\$10,000.00).

**7. Financials**

1. Copies of any outstanding Medicaid case-mix-audit or Medicare appeals taken in the last 6 years
2. Facility Financial Statements (income and expense) and audited statements for the last three years as well as monthly, detailed, data in excel format for the last 4 years
3. Any correspondence with the Federal or State Fiscal Intermediary for all open periods, including settlement letters, pending NPR's, etc.
4. Summary of rates and copies of any managed care, VA and other insurance contracts.
5. Sample of resident contracts in effect

6. List of all residents who do not have a payer source, are illegal aliens or within penalty of transfer of assets.
7. List of fixed assets, machinery, equipment and vehicles (whether owned, leased, or used by the Seller), giving for each material asset or group of assets cost, original cost, date acquired, serial numbers, depreciation reserve, method of depreciation, insured value, estimated remaining useful life, condition suitability for use, and (if available) appraised value.

**8. Physical Plant/Capital Expenditures Items needed prior to signed purchase agreement**

1. Summary of capital expenditures including building improvements and additions/replacements to furniture, fixtures and equipment during past three years (fixed asset lapsing schedule).
2. Schedule of leased equipment/assets
3. Most recent life safety code surveys.
4. Summary of any life safety code waivers.
5. Copies of any violations or correspondence regarding any potential violations of building code or insurance requirements.
6. Copies of any correspondence or notices regarding violations or enforcement of environments laws or regulations affecting the facility (including any correspondence or notices regarding any neighboring or adjacent sites).
7. Copy of any license or permits required by local, state, or federal entities relating to the physical plant or real property (i.e. Health departments, EPA etc.).

**9. Insurance/Risk Management**

1. Copies of all insurance certificates – incl. coverage occurrence or claims made.
2. Loss runs for last 3 years for each of the above insurance types (with such detail as Purchaser may reasonably request for any losses exceeding \$50,000 during such period).
3. A list of all open GL/PL claims.
4. Facility CLIA certificates.

iii. Comprehensive Care Capital

October 8th, 2021

Retirement Housing Foundation

Re: Acquisition of Nationwide Portfolio

We are pleased to present this letter of intent (“**Letter of Intent**”) to set forth the following primary business terms and conditions under which we are interested in pursuing acquisition of Assets (as defined herein) relating to the Skilled Nursing, Assisted Living, Memory Care, & Independent Living Facilities set forth on **Exhibit A** attached hereto (altogether referred to as the “**Facilities**”).

**Assets** All assets, including the real estate, improvements, FF&E and other items of personal property, and other tangible and intangible assets, relating to the ownership and operation of the Facilities.

**Seller; Purchaser** The entity or entities currently holding title to the Assets shall be referred to herein as the “**Seller**”. A new entity formed to purchase the Assets shall be referred to herein as the “**Purchaser**”.

**Old Operator;  
New Operator** The entity or entities currently holding licensure to operate the Facilities shall be referred to herein as the “**Old Operator**”. Upon acquisition of the Assets, Purchaser intends to lease the same to an affiliated entity or entities, which shall be referred to herein as the “**New Operator**”.

**APA; OTA;  
Purchase Price** Purchaser and Seller shall enter into an asset purchase agreement (“**APA**”) for acquisition of the Assets. The Purchase Price pursuant to the APA shall be an amount equal to \$195,000,000.00, to be paid by Purchaser at Closing in cash or immediately available funds. At or around the same time of the execution of the APA, the Old Operator and New Operator shall enter into an operation transfer agreement (the “**OTA**”) which shall contain provisions pertaining to the transition of the operations.

**Earnest Money** Within three (3) business days following mutual execution of the APA, Purchaser shall deposit as earnest money toward the payment of the Purchase Price an amount equal to \$1,000,000.00

(the “**Earnest Money**”), and the Earnest Money shall become non-refundable after the Due Diligence Period (as defined hereunder), subject to satisfaction of customary closing conditions of Purchaser provided in the APA. The Earnest Money shall be held in a strict joint order escrow in an interest-bearing account (such interest shall accrue for the benefit of Purchaser) by Madison Title Company. The earnest money shall be deemed non-refundable at the end of the due diligence period subject to specific provisions set forth in the APA.

### **Due Diligence**

Within five (5) days of following mutual execution of this Letter of Intent, Purchaser shall provide their initial list of documents and materials (the “**Due Diligence Materials**”) requested in connection with their review of the Assets and Seller shall provide the Due Diligence Materials as well as any other materials reasonably requested by Purchaser within ten (10) days thereafter. Purchaser shall have until the date that is sixty (60) days following mutual execution of the APA to complete their due diligence review of the Assets (the “**Due Diligence Period**”).

### **Closing**

The closing (“**Closing**”) of the transactions contemplated hereunder shall take place, subject to receipt of applicable regulatory approvals (change of ownership for skilled nursing/assisted living licensure through governmental and other local/municipal permits as required) (“**Approvals**”) and other customary closing conditions under the APA and OTA, on the first day of the first month that is no more than sixty (60) days following expiration of the Due Diligence Period. It is expressly understood that Purchaser’s receipt of all necessary Approvals shall be a condition to Closing.

Seller shall bear the cost to record any instrument to clear Seller’s title, the cost of Title Policy, ALTA land survey and state specific transfer taxes. Seller shall pay all other costs and fees customarily paid by Seller in a real estate sale transaction in the counties in which the Facilities are located in. Purchaser shall pay all other costs and fees customarily paid by Purchaser in a real estate sale transaction in the counties in which the Facilities are in.

Purchaser and Seller shall prorate for real estate taxes based upon customary practice in the counties in which the Facilities are located based on the most recent ascertainable real estate tax year. The real estate taxes shall be apportioned at Closing between periods prior to Closing and periods following Closing, which apportionment shall be adjusted and applied towards the Purchase Price. If necessary, this apportionment shall be trued up upon

receipt of real estate assessment post-closing. Purchaser and Seller shall be responsible for their own attorneys, advisors, brokers, lender fees and consultants in connection with closing the transaction.

Following mutual execution of this Letter of Intent, Purchaser shall direct its attorneys to prepare drafts of the APA and OTA, which shall incorporate the terms provided herein, and such other matters as are mutually agreeable to the parties.

Exclusivity; No Solicitation

After this Letter of Intent has been executed by the parties, Seller agrees to withdraw the Assets from the market and to negotiate from the date hereof in good faith exclusively with Purchaser in order to reach an agreement on the transactions contemplated hereby, for a period of sixty (60) days. During such time Seller agree not to utilize this Letter of Intent to solicit other offers or to modify, renegotiate or otherwise improve the terms and conditions of any other offer heretofore or hereafter received by Seller.

This Letter of Intent summarizes some of the business points relating to the transaction described above, it being understood that other material terms of the proposed transaction are not yet agreed upon and still must be agreed upon to the mutual satisfaction of the parties. Therefore, except for the Exclusivity; No Solicitation provisions hereof, it is understood that (i) no liabilities or obligations are intended to be created by this Letter of Intent or the consent by the parties hereto; (ii) this Letter of Intent is not intended to constitute a legally binding agreement to consummate the transaction contemplated hereby or to enter into a legally binding agreement; and (iii) no binding obligation will be created unless and until a written agreement evidencing such obligation is duly executed and delivered by the parties.

This Letter of Intent supersedes and cancels all prior understandings between the parties, if any, and may be executed in two or more counterparts, each of which shall constitute an original, but when taken together all such counterparts shall constitute but one Letter of Intent, and either party may execute this Letter of Intent by executing any one or more of such counterparts.

*[Signature Page Follows]*

If the foregoing terms are acceptable, please direct Seller and Old Operator to countersign this Letter of Intent and return a fully executed copy to our attention.

Sincerely,

**PURCHASER:**

COMPREHENSIVE CARE CAPITAL  
on behalf of Purchaser

*Mark Eis*

\_\_\_\_\_  
Mark Eis, Director of Business Development - Acquisitions

**AGREED TO AND ACCEPTED BY SELLER AND OPERATOR THIS \_\_\_ DAY  
OF \_\_\_\_\_, 2021:**

\_\_\_\_\_  
\_\_\_\_\_, on behalf of Seller and Old Operator

**EXHIBIT A**

Community Name	City, State	Bed/Unit Count				
		IL	AL	MC	SNF	Total
<b>Subset A: California</b>						
Auburn Ravine Terrace	Auburn, CA	107	22	0	59	<b>188</b>
Bixby Knolls Towers	Long Beach, Ca	168	54	0	99	<b>321</b>
Gateway and Gateway Gardens	Poway, CA	133	66	0	0	<b>199</b>
Gold Country Retirement Community	Placerville, CA	150	36	0	68	<b>254</b>
Mayflower Gardens Convalescent Hospital	Lancaster, CA	0	0	0	48	<b>48</b>
Pioneer House	Sacramento, CA	47	41	0	49	<b>137</b>
Plymouth Square	Stockton, CA	52	29	0	38	<b>119</b>
Sun City Gardens	Sun City, CA	127	48	17	0	<b>192</b>
<b>Subset B: Midwest</b>	<b>Total</b>	<b>784</b>	<b>296</b>	<b>17</b>	<b>361</b>	<b>1458</b>
Colonial Heights and Gardens	Florence, KY	179	61	9	0	<b>249</b>
DeSmet Retirement Community	Florissant, MO	55	29	0	0	<b>84</b>
St. Catherine Retirement Community	Florissant, MO	85	0	0	0	<b>85</b>
Westminster Village Kentuckiana	Clarksville, IN	162	94	0	94	<b>350</b>
<b>Subset C: Southeast</b>	<b>Total</b>	<b>481</b>	<b>184</b>	<b>9</b>	<b>94</b>	<b>768</b>
Bishop's Glen Retirement Center	Daytona Beach, FL	191	104	0	60	<b>355</b>
The Cloisters	Deland, FL	236	36	0	0	<b>272</b>
Courtenay Springs Village	Merritt Island, FL	154	0	0	96	<b>250</b>
The Carolinian	Florence, SC	109	38	0	0	<b>147</b>
	<b>Total</b>	<b>690</b>	<b>178</b>	<b>0</b>	<b>156</b>	<b>1024</b>
	<b>Total Portfolio</b>	<b>1955</b>	<b>658</b>	<b>26</b>	<b>611</b>	<b>3250</b>

iv. Aurora Health Network



HEALTH NETWORK

55 Broadway, Suite 2001  
New York, NY 10006

October 13, 2021

Ziegler  
One North Wacker Drive, Suite 2000  
Chicago, IL 60606  
Attention: Daniel Revie  
Email: [drevie@ziegler.com](mailto:drevie@ziegler.com)

***Via Email Delivery***

Re: RHF Portfolio

To whom it may concern:

This letter summarizes the terms on which one or more affiliates or assignees of Aurora Acquisitions LLC (“Aurora”) propose to purchase (such purchase, the “Transaction”) those certain sixteen (16) healthcare facilities listed on Schedule A attached hereto (the “Properties”) from you or the entity that owns the Properties. The proposed terms are as follows:

1. Purchased Assets: All assets, including the real estate, improvements, FF&E, and other items of personal property and tangible and intangible assets, relating to the ownership and operation of the Properties.

2. Parties: Entities formed to acquire the Properties shall be referred to herein collectively as the “Buyer”. The entities that own the Properties shall be referred to herein collectively as the “Seller.” Entities formed to serve as licensed operators of the Properties shall be referred to herein collectively as the “New Operator”. The entities that currently hold licensure for operation of the Properties shall be referred to herein collectively as the “Old Operator”. Aurora currently owns over 75 facilities nationwide including facilities in California, Florida and Kentucky and is in the process of closing on additional portfolios of senior care facilities, many of which are located in Missouri, Indiana and South Carolina. While Aurora is primarily a real estate firm, its principals have vast operational and industry experience which allows Aurora to leverage its long-standing relationships with operators in various senior housing classes across the country to identify ideal partnerships on a facility-by-facility basis.

3. Purchase Price: \$162,500,000.00, based on 3,250 operating beds, to be paid in cash (the “Purchase Price”). The Transaction shall not be subject to a financing contingency. While Buyer has sufficient in-house capital among its principals to purchase the Properties, it also has strong access to market debt and will seek customary financing in connection with the Transaction.

4. Earnest Money Deposit: An initial deposit of \$800,000.00 toward the payment of the Purchase Price (the “Initial Deposit”) will be put into an escrow account held by Madison Title Agency (the “Title”

Company”) within three (3) business days following the execution of the APA (defined below) by both parties. The Initial Deposit shall be fully refundable to Buyer prior to expiration of the Due Diligence Period (defined below). Upon the expiration of the Due Diligence Period (defined below), if Buyer elects to proceed with the Transaction contemplated hereunder, Buyer shall deposit an additional \$800,000.00 toward the payment of the Purchase Price (for a total of \$1,600,000.00) in escrow with the Title Company, at which point the Initial Deposit and such additional deposit (collectively, the “Earnest Money Deposit”) shall become a hard, non-refundable deposit except as set forth in the APA. In the event Buyer terminates the APA, for any reason or no reason, prior to the expiration of the Due Diligence Period, the entire Earnest Money Deposit shall be returned to Buyer.

5. Due Diligence Period: The due diligence period shall commence upon the date of this letter and expire on the date that is seventy-five (75) days after the APA is executed by both parties (the “Due Diligence Period”). Buyer’s due diligence shall include, without limitation, Buyer’s review of the title, financial, and clinical matters, and condition of the Properties.

6. Loan Assumption: Buyer shall have the right, at Buyer’s option, to assume the outstanding mortgage(s) against the Property subject to the terms and conditions contained in said mortgage applicable to an assumption of the indebtedness secured thereby. Should Buyer elect to assume said mortgage, Buyer will purchase from and pay Seller at the closing all escrow and impounds for taxes, insurance and replacement reserves held by the mortgagee and transferred to Buyer as a part of the assumption of said first mortgage loan. Buyer shall have the right to contact the holder of the mortgage(s) and commence its due diligence with respect to assuming such indebtedness upon the execution of this letter.

7. Closing Date: The closing date shall occur on the later of (i) 12:01 a.m. on the first day of the calendar month which is at least sixty (60) days following the date the OTA (defined below) has been mutually executed and all attorney general and regulatory approvals (including, without limitation, any approvals required as a result of Seller's non-profit status) and, if applicable, loan assumption approvals have been obtained and (ii) 12:01 a.m. on the first day of the calendar month which is at least sixty (60) days following the expiration of the Due Diligence Period. The closing shall be held through the Title Company.

8. Due Diligence Materials: Seller shall provide Buyer within three (3) business days from the execution of this letter, the due diligence items for each property, to the extent in Seller’s possession or control, which shall include such items as Buyer may request prior to such date, and which shall be supplemented with such items as Buyer may request from time to time.

9. Conveyance: By special warranty deed, insured by an extended coverage policy of title insurance in the amount of the Purchase Price, issued by the Title Company, subject only to such matters as may reasonably be approved by Buyer, with fixtures and personalty transferred by a bill of sale with warranties and other customary assignment and assumption agreement and closing documents as set forth in the APA or OTA, as applicable.

10. Costs; Purchase Price Credit: Seller will pay all costs and fees customarily paid by sellers in a real estate sale transaction in the counties in which the Properties are located. Buyer will pay all costs and fees customarily paid by purchasers in a real estate sale transaction in the counties in which the Properties are located. Any prepayment penalties on loans of Seller paid at the Closing, shall be paid by Seller. Buyer and Seller shall prorate for real estate taxes and personal property taxes based upon customary practice in the counties in which the Properties are located based on the most recent ascertainable real estate and personal property tax year. Buyer and Seller shall prorate such other closing costs as per local custom where the Properties are located.

11. Assignability. Buyer and New Operator will have the right to assign their respective rights under the APA and OTA to their affiliates or, with Seller or Old Operator's approval, as applicable, to a third party, prior to closing.

12. Purchase Agreement and Operations Transfer Agreement: An initial draft asset purchase agreement between Buyer and Seller ("APA") and operations transfer agreement between the New Operator and Old Operator ("OTA"), each containing typical and customary provisions for comparable transactions, are to be prepared by Buyer's counsel and delivered to Seller as soon as reasonably practicable after this letter is executed. Seller and Buyer agree to negotiate this draft in good faith after this letter is executed.

13. Exclusivity: After this Letter of Intent has been executed by the parties, Seller and Old Operator agree to withdraw the Properties from the market and to negotiate from the date hereof in good faith exclusively with Purchaser and New Operator in order to reach an agreement on the transactions contemplated hereby. Seller and Old Operator agree that they will not directly or indirectly, solicit, encourage or entertain any other proposals for the sale or other transfer of the Properties, or furnish any information to any other person regarding the possible sale or transfer of the Properties during the Due Diligence Period. If an APA or OTA is not executed by Buyer and Seller or New Operator and Old Operator, as applicable, within the Due Diligence Period, the exclusivity period outlined in this paragraph shall terminate.

14. Miscellaneous: Buyer has engaged Meridian Capital Group, LLC as financial advisor, and intends to engage Aaron Rokach of Gutnicki, LLP as legal counsel, for the Transaction. While Buyer has sufficient in-house capital among its principals to purchase the Properties, it also has strong access to market debt and will seek customary financing in connection with the Transaction. Buyer's principals have approved the terms of this letter and no further committee reviews, consents or approvals will be required in order for Buyer to close on the Transaction.

Except for Paragraph 13 hereof, which Paragraph shall be binding upon Seller and Buyer, (i) this letter is not binding in any way, but is intended to set forth the basic terms and conditions to be included in a binding APA and OTA, and (ii) neither party will be bound legally unless and until a definitive APA and OTA are negotiated, executed and delivered by the parties.

If the foregoing terms are acceptable, please indicate your agreement to the foregoing by countersigning where indicated below and returning a fully executed copy to our attention.

*[the rest of this page has been intentionally left blank]*

Sincerely,

Aurora Acquisitions LLC

By: Joel Landau

Name: Joel Landau

Title: Authorized Signatory

Accepted and Agreed to:

SELLER

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

## Schedule A

### Properties

Community Name	City	State
Auburn Ravine Terrace	Auburn	CA
Bixby Knolls Towers	Long Beach	CA
Gateway and Gateway Gardens	Poway	CA
Gold Country Retirement Community	Placerville	CA
Mayflower Gardens Convalescent Hospital	Lancaster	CA
Pioneer House	Sacramento	CA
Plymouth Square	Stockton	CA
Sun City Gardens	Sun City	CA
<b>Subset A: California</b>		
Colonial Heights and Gardens	Florence	KY
DeSmet Retirement Community	Forissant	MO
St. Catherine Retirement Community	Florissant	MO
Westminster Village Kentuckiana	Clarksville	IN
<b>Subset B: Midwest</b>		
Bishop's Glen Retirement Center	Holly Hill	FL
The Cloisters	Deland	FL
Courtenay Springs Village	Merritt Island	FL
The Carolinian	Florence	SC
<b>Subset C: Southeast</b>		

v. Westmont Living



**WESTMONT LIVING®**  
inspired retirement living®

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August 13, 2021

Mr. Calder Conrad  
Vice President, Senior Living  
Kidder Mathews  
2230 El Camino Real, 4<sup>th</sup> Floor  
San Diego, CA 92130

RE: The Gateway and The Gateway Gardens, 12751 & 12750 Gateway Park Road, Poway, CA 92064 (the "Property")

Dear Mr. Conrad:

This Letter of Intent sets forth the terms and conditions upon which Westmont Development, LP an affiliate of Westmont Living, Inc. or its nominee (the "Buyer") would be prepared to acquire the Property (the "Acquisition"). The Property is inclusive of the business operations, FF & E, inventory and good will associated with the businesses.

**Purchase Price:** \$36,400,000 which shall be paid in cash at closing.

**Earnest Money:** Upon execution of the Purchase Agreement, Buyer shall deposit \$500,000 with the title company, First American Title Insurance Company, 4380 La Jolla Village Drive, Suite 110, San Diego, CA 92122, to be credited to the Purchase Price at Closing. The Earnest Money Funds shall be refundable at any time before the Purchase Agreement is executed and during the Purchase Agreement's Review Period (defined below). After the completion of the Review Period, these funds shall then be subject to the terms of the Purchase Agreement.

**Debt:** All cash. Buyer is not requesting a financing contingency.

**Review Period:** Commencing on execution of the Purchase Agreement, Buyer shall be allowed a 60 day period to conduct its detailed facility-level due diligence including, without limitation, an environmental assessment, physical and structural review, a financial and operational review and verification that all permits and licenses are current and in good standing. Seller shall provide Buyer with full access to the Property and to the accounting books, contracts, leases, licenses, financing agreements, architectural plans, surveys, engineering information, reports and other financial and business records, reports and documents related to the Property. At

7660 Fay Avenue, Suite N ■ La Jolla, CA 92037  
Phone: (858) 456-1233 ■ Fax: (858) 456-1179

any time during the Review Period that Buyer may, in its sole discretion and for any reason, terminate this offer without recourse to either party at which time any Earnest Money shall be returned to Buyer.

**Purchase Agreement:** Buyer and Seller agree to negotiate in good faith and enter into a mutually satisfactory definitive written asset purchase and sale agreement (the "Purchase Agreement") after the execution of this Letter of Intent. The Purchase Agreement shall contain covenants, representations and warranties, closing conditions, provisions for indemnification, survival and other customary terms. A proposed Purchase Agreement will be prepared by Buyer and submitted to Seller as soon as possible after the execution of the Letter of Intent.

The Purchase Agreement shall include customary terms and conditions, including but not limited to:

**Liens:** The Property and related assets shall be conveyed to Buyer free and clear of any mortgages, liens, and encumbrances including, without limitation, all legal judgments existing, pending or threatened.

**Title:** Buyer's approval of the Title Report and ALTA Survey.

**Attorney General approval of the Sale.**

**Contracts:** Seller to provide a list of all contracts as an exhibit to Purchase Agreement, including a representation as to all non-cancellable contracts with a 30 day written notice. Buyer reserves the right to reject any contract(s).

**Closing:** Subject to customary closing conditions, Closing will take place by escrow with Seller's title company on or before 75 days following Buyer's removal of contingencies. Buyer is prepared to enter into an interim management agreement, inclusive of indemnifications of Seller, to utilize Seller's operating license (as issued by the State of California Department of Social Services) during its licensing application process, subject to appropriate documentation for Buyer to operate the assisted living following the closing.

Revenues, Taxes, utilities, insurance, and other recurring expenses of the operation of the property will be prorated as of the date of closing. All closing costs, including but not limited to the transfer, shall be paid by the incurring party. Each party shall be responsible for its own legal fees. Escrow fees and title costs will be prorated according to local custom.

**Operations:** Seller shall continue to conduct the business of the Property in the ordinary course, consistent with past practices, between the date of this letter and the Closing. Seller will not make any physical alterations to the Property, enter into any material contracts or allow any material changes to operations, including occupancy, expenses, and the asking or in place rents without Buyer's approval. Seller shall retain responsibility for providing transportation to the residents of Los Arcos senior apartments post closing. Additionally, Buyer is desirous of maintaining the Property signage on The Church of Latter-Day Saints property, 15705 Pomerado Road, Poway, CA (Pomerado Road @ Gateway Park Road, Poway, CA (Southeast corner) and would like to agree with Seller on a Best Efforts approach to achieve said objective during Buyer's Review Period.

**Licensing:** Buyer is in good standing with the State of California and its Community Care Licensing Division of the Department of Social Services. Westmont's licensing application forms, its Policies & Procedures, its Residency Agreement and other operational forms are known and have been pre-approved by the Community Care Licensing Division of the California Department of Social Services. Buyer is represented on licensing

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Phone: (858) 456-1233 ■ Fax: (858) 456-1179

matters by Joel Goldman, Esquire of Hanson Bridgett. There are several methods by which a Buyer can obtain the authority to operate the community including a full licensure process and an abbreviated licensure process, depending upon the timeframe for closing desired by the parties. In the event of an abbreviated licensure process to facilitate an expedited closing, Buyer, at closing, would be substituted on the license as the management company, Seller would agree to lease back the operations from Buyer at closing until such time as Buyer has obtained its new license, and Buyer would indemnify Seller from all financial and operational liability during the period of the Interim Management Agreement. Buyer would be responsible for all revenues and expenses which operating under the Interim Management Agreement.

Real Estate Brokerage Commission: Kidder Mathews is the real estate broker who is being compensated by the buying entity per a separate agreement for said brokerage services. Neither buyer nor seller have engaged other brokers on this transaction.

Exclusivity: Seller acknowledges that Buyer will invest a significant amount of its time and cost in its assessment and pursuit of the potential purchase of the Property. Accordingly, Seller agrees to negotiate exclusively with Buyer for a period of 30 days while the parties negotiate the Purchase Agreement and that during this timeframe it shall not directly or indirectly solicit or market the Property for sale or engage in any negotiations with or provide any information to any other party regarding a transaction involving the Property and will notify Buyer promptly of the receipt of any unsolicited offer therefore with all the details of said offer.

This Letter of Intent is to serve as a description of interest in regards to the potential sale of the Property and, except for the Exclusivity Provision, is not considered binding on either party. The terms expressed herein will become null and void if not accepted and returned to Buyer by August 20, 2021. Please have your client acknowledge their intent to proceed with the Acquisition on the basis outlined above and their agreement with its terms by signing where indicated below and returning one signed original to me.

Sincerely,



Andrew S. Plant, Managers of Westmont Manager GP, LLC, General Partner, Westmont Development, LP  
(Buyer)

Agreed to by (Seller)

vi. Aspen Skilled Healthcare, Inc.

**Aspen Skilled Healthcare, Inc.**

28202 Cabot Rd., #412  
Laguna Niguel, CA 92677

October 8, 2021

**VIA E-MAIL**

c/o Retirement Housing Foundation  
Attn: Dan Revie  
Email: drevie@zeigler.com

***RE: Partially Binding Letter of Intent (the “Letter”) of Aspen Skilled Healthcare, Inc., and its affiliated entities to be formed after execution of this Letter (“Aspen”) to purchase the real estate, the improvements thereon and the furniture, fixtures and equipment therein located at 3737 Atlantic Avenue, Long Beach, CA 90807 (collectively the “Real Property”) from Retirement Housing Foundation and its affiliated entities (collectively, the “Seller”) and the transfer of the operations of that certain Retirement Home Community located thereon consisting of: (1) a 99-bedskilled nursing facility; (2) an assisted living facility; and (3) an independent/residential living facility, located on the Real Property, operated by Seller, and commonly known as “Bixby Knolls Towers” (the “Facility”).***

Ladies and Gentlemen:

Except as expressly stated in paragraphs, six through ten, the parties acknowledge and agree that this Letter is not intended to be or to evidence any legally binding agreement or obligation on the part of either party. No further agreement will be entered into unless and until each party has reviewed, approved (in its sole discretion), and executed after review by counsel, the Transaction Documents (as hereinafter defined in paragraph 1(E), below). Neither party has any obligation to negotiate or conclude the business arrangement described in this letter. Each party acknowledges that it will not take action or refrain from taking action in reliance on the portions of this letter intended to be legally nonbinding, and that any such reliance would be at its own risk.

The parties agree that the provisions in paragraphs six through ten represent the parties’ legally binding agreements, enforceable in accordance with their terms. The enforceability of those provisions is not conditioned on further negotiations or the successful outcome of any further negotiations.

If the parties execute the Transaction Documents, such Transaction Documents will supersede this Letter. However, failure to achieve a more complete agreement will not limit the enforceability of the provisions in this Letter specified to be binding.

This Letter reflects the agreement between the Aspen and Seller for: (1) Aspen’s acquisition of the Real Property; and (2) Aspen’s acquisition from Seller, of the operations and goodwill used in the operation of the Facility, except for the liabilities and Excluded Assets, (as hereinafter defined) relating to and comprising the Facility.

Aspen offers to purchase the Facility from Seller on the following terms and conditions:

**1. STRUCTURE & TERMS.**

- A. Purchase Price. Twenty One Million and No/100 dollars (\$21,000,000.00).
- B. Initial Deposit. Within three (3) business days of the execution of this Letter by Seller and Aspen, Aspen shall deposit the sum of \$100,000.00 (the “Initial Deposit”) with Escrow, which shall remain refundable to Aspen during the Due Diligence Period.
- C. Additional Deposit. Within two (2) business days of the expiration of the Due Diligence Period, provided that Aspen has elected to proceed with the transaction from and after the Due Diligence Period, Aspen shall deliver an additional non-refundable deposit of \$100,000.00 (the “Additional Deposit”, and together with the Initial Deposit, referred to collectively as the “Deposit”).
- D. Closing Date. The Closing Date of the purchase and sale of the Real Property and Facility shall occur on the date that is thirty (30) days after the expiration of the Due Diligence Period (as defined below).
- E. Transaction Documents. The transaction is subject to the negotiation and execution of the following transaction documents (collectively, the “Transaction Documents”):
  - i. A Purchase and Sale Agreement for the purchase and sale of the Real Property and Facility (the “PSA”);
  - ii. A Management and Operations Transfer Agreement (the “MOTA”), between Seller, and Aspen for the transfer of operations of the Facility on the Closing Date; and
  - iii. Such other ancillary transaction documents necessary to consummate the transaction contemplated herein, including but not limited to, Bills of Sale, Assignments and Assumptions of Agreements, etc. (the “Ancillary Documents”).

The foregoing Transaction Documents shall be in form and substance satisfactory to the parties, setting forth all of the obligations of the parties. After the execution of this Letter, Aspen shall cause its counsel to prepare the PSA, MOTA and the Ancillary Documents. The parties shall negotiate in good faith to reach agreement on mutually acceptable Transaction Documents prior to the expiration of the Due Diligence Period. The Transaction Documents shall provide customary representation, warranties and indemnification as set forth in Paragraph 6 below.

2. **DEPOSITS:** An interest-bearing escrow account (interest to be paid to Aspen) shall be opened by the parties with Old Republic Title Insurance Company, with Amy Hiraheta as Escrow

Officer on the execution of this Letter (the “Escrow”). Aspen and Seller agree to share all Escrow costs and fees equally. Aspen agrees to place the Initial Deposit into Escrow within three (3) business days of the execution of this Letter by Seller and Aspen. With the exception of \$100 which shall become immediately non-refundable to Aspen, the balance of the Initial Deposit in Escrow shall remain fully refundable to Buyer until the Due Diligence Period expiration date (as defined below) at which point the balance of the Initial Deposit shall become non-refundable. Within two (2) business days after the Due Diligence Period expiration date, and provided Aspen has elected to proceed with the transactions beyond the Due Diligence Period, Aspen shall place the non-refundable Additional Deposit into Escrow. At the Closing, the entire Deposit shall be paid to Seller and credited towards the Purchase Price. Notwithstanding the foregoing, if prior to the Closing Date there is a material adverse change in the physical condition of the Real Property or Facility, or should Aspen be unable to fulfill one or more of the Conditions Precedent due to a breach by Seller, the Deposit shall be wholly refundable to Aspen.

### 3. ASSETS SUBJECT TO TRANSACTION:

- A. All assets used in connection with or related to the Facility, including but not limited to the real property and improvements, all personal property, all furniture, fixtures, equipment, vehicles, inventories (minimum 7 days) and supplies (minimum 7 days), used in connection with or related to the operation of the Facility, except for the Excluded Assets (as hereinafter defined) are the “Acquired Assets”. As used herein the term “Excluded Assets” with respect to: (i) Seller, shall mean all of Seller's accounts receivable earned or accrued prior to the Closing Date, and all liabilities, obligations, costs, fees, expenses attributable to the Real Property and Facility for periods prior to the Closing Date; and (ii) Seller, shall mean all liabilities, obligations, costs, fees expenses attributable to the Real Property for periods prior to the Closing Date.
- B. All licenses, permits and approvals, and resident contracts owned or controlled by Seller and/or Seller and required to operate the Facility, including specifically all such licenses, permits and approvals required to operate each of the skilled nursing, assisted living and residential/independent living facility comprising the Facility.
- C. All other leases and third party contracts at the Facility that Aspen elects to assume, as determined in Aspen's sole discretion.
- D. All telephone numbers, trade names, policies and procedures, service marks, trademarks, proprietary information and goodwill related to and used in connection with the Facility.
- E. Aspen shall not assume any pre-Closing Date obligations or liabilities of Seller and/or the Facility

4. **DUE DILIGENCE AND EXCLUSIVITY:** For a period of sixty (60) days from and after the date that Seller executes and returns this Letter to Aspen (the “Due Diligence Period”), Aspen shall be provided access to such information as Aspen requires so that Aspen, in its sole discretion, may confirm the assumptions of Aspen in executing this Letter and the subsequent Transaction

Documents. Seller agrees, and agrees to cause Seller, to comply with Aspen's reasonable requests (with at least twenty-four (24) hours' notice for access to the Facility) for documents, information, inventories and access to the Facilities for physical inspections. Aspen and Seller agree to endeavor to negotiate, complete and sign the Transaction Documents by the end of the Due Diligence Period, it being understood that this Letter is partially non-binding, and that if Aspen and Seller have not completed and signed the Transaction Documents by the end of the Due Diligence Period, either party may cease to negotiate at any time thereafter, for any reason, in their sole discretion. At the end of the Due Diligence Period, or before, Aspen may, at its sole discretion, and without penalty or obligation, choose to terminate this Letter and/or the Transaction Documents in writing, or elect to proceed with this transaction. Pending the foregoing, Seller agrees that it will not discuss, entertain, solicit or consider any inquiries or proposals relating to the possible disposition of the assets referenced herein and that Seller will cause Seller to conduct business at the Facility, only in the ordinary course.

5. **CONDITIONS PRECEDENT:** The transactions contemplated under this Letter is expressly subject to the satisfaction of the following condition precedents:

- A. The execution of the Transaction Documents prior to the expiration of the Due Diligence Period, in form and substance satisfactory to Seller, Seller and Aspen, as applicable.
- B. Aspen's receipt of requested Due Diligence information, if available, including, but not limited to inventories, operational information, environmental and seismic studies, building plans and surveys in the Seller's possession, and Aspen's subsequent satisfactory completion of Aspen's inspection of the Real Property and Facility.
- C. There shall be no material adverse change in the condition, operation, census, reimbursement rates, referral services or prospects of the Facility prior to the Closing Date.
- D. There shall be no material adverse change in the condition of the Facility (i.e. no material damage or condemnation) prior to the Closing Date.
- E. Completion of environmental, structural/engineering and land survey acceptable to Aspen in its sole discretion and at its sole cost.
- F. Receipt of a commitment from a Title Insurance Company of Aspen's selection, wherein an owners title policy will be issued to Aspen, at Aspen's expense, in form and condition reasonably acceptable to Aspen.
- G. The Acquired Assets of the Facility shall be transferred to Aspen free and clear of all liens and encumbrances.
- H. Seller will retain all liabilities accrued or incurred up to the Closing Date and shall timely discharge all liabilities thereafter.

- I. Seller shall pay in full all earned and accrued employee benefits on the Closing Date (vacation, holiday pay, etc.).

6. **COVENANTS:** It is understood that the PSA, MOTA and other Transaction Documents will contain standard and usual covenants, conditions, representations, warranties and indemnifications, with Seller, which will, at a minimum: (A) specifically require Seller to cooperate with Aspen with regard to Aspen's change of ownership application to obtain a new free standing skilled nursing facility license for the Facility; (B) expressly allow Aspen to bill under Seller's third party payor provider agreements (including specifically, Medicare, Medi-Cal and any other quasi-governmental payor) pending receipt of Aspen's new skilled nursing facility license and "tie-in" notice from the Center of Medicare and Medicaid Services; and (C) require Seller to indemnify, protect and hold harmless Aspen from all liabilities and obligations of the Facility accruing prior to the Closing Date.

7. **BROKER:** It is understood that Aspen will have no obligation for the payment of any agent's, finder's or broker's fee or commission arising out of this transaction.

8. **PUBLIC ANNOUNCEMENTS:** There shall be no public announcements regarding this transaction unless otherwise required by law, until the successful closing of all of the transactions contemplated under the Transaction Documents.

9. **NO SHOP PROVISION:** Until the later of the end of the Due Diligence Period or the Closing, if the Transaction Documents are executed, the Seller agrees, and agrees to cause Seller, to deal exclusively with the Aspen regarding the disposition of the Facility and Seller will its shareholders, officers, directors, representatives and agents not to solicit interest in, encourage, supply information in connection with, negotiate or entertain, directly or indirectly, any transaction involving:

- A. the acquisition of the Real Property or the Facility; or
- B. a business combination involving the Real Property or the Facility; or
- C. the sale of any significant equity interest in the Real Property or the Facility; or
- D. the sale of all or a significant portion of the Facility or Acquired Assets to anyone.


10. **EXPENSES:** Each party shall bear their own fees, costs and expenses incurred in this matter. Real and personal property taxes and utilities shall be prorated between Aspen and Seller as of the Closing Date. Documentary transfer tax fees, if any, shall be the responsibility of the Seller.

[signatures on following page]

As indicated above, this Letter is intended to be a legal and partially binding agreement, enforceable in accordance with the provisions set forth in this Letter. If the above is consistent with your understanding and intent, please sign and return a copy of this Letter to me by email, with the original to follow by overnight mail by no later than 5:00 p.m. Pacific Time on **October 15, 2021**. All offers and agreements under this Letter shall expire if not executed and fax returned by that date.

Very truly yours,

**ASPEN SKILLED HEALTHCARE, INC.,**  
a California corporation

By:   
Name: V. Jay Brady  
Its: President

AGREED TO AND APPROVED BY:

**SELLER:**

**RETIREMENT HOUSING FOUNDATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Dated: \_\_\_\_\_

vii. DiNapoli Capital Partners



October 13, 2021

Daniel Revie  
Ziegler  
735 North Water Street, Suite 100  
Milwaukee, Wisconsin 53202

**RE: RHF Portfolio – CA Subset**

Dear Dan:

We appreciate the opportunity to submit this indication of interest to acquire Subset A (California) of the RHF Portfolio, a portfolio of communities located throughout California (the “Property”). DiNapoli Capital Partners, LLC, referred to hereinafter as “DCP” or “Buyer”, has significant experience in the Seniors Housing industry and has expended considerable energy analyzing the aforementioned Property.

DCP is a privately held real estate investment firm whose principals are engaged in the acquisition, development and management of hotels, apartments, seniors housing and other commercial real estate assets. DCP’s founding principal, F. Matthew DiNapoli, has sizable investments in luxury and upscale hotels through his ownership interests in the Maritz-Wolff Hotel Equity Funds and DCP. As a General Partner of the Hotel Equity Funds he was instrumental in acquiring and asset managing a portfolio that included 15 major luxury hotels under the Fairmont, Four Seasons, Ritz-Carlton, Rosewood and Hyatt brands. Still active in the hotel sector, DCP currently owns 9 hotels. DCP is also active in the multifamily sector, owning over 5,000 multifamily units throughout the United States. Finally, DCP currently owns seven seniors housing communities (880 units) and has previously purchased (and has since sold) multiple other communities.

Based upon our knowledge of the asset and our ability to close transactions similar in size, nature, and complexity, we are able to submit for your consideration the following summary of the key terms of our indication of interest, as to be further detailed in a definitive Purchase and Sale Agreement (“PSA”):

1. Property and Purchase Price: Based upon our initial due diligence, we have valued the fee interest as outlined in Schedule A.

The purchase price would be paid as follows:

- a. Two Hundred and Fifty Thousand Dollars (\$250,000) of refundable cash (the “Initial Deposit”) shall be delivered upon execution of a definitive Purchase and Sale Agreement.
  - b. An additional Two Hundred and Fifty Thousand Dollars (\$25,000) of non-refundable cash (the “Additional Deposit”) shall be delivered upon the expiration of the due diligence period as to be further outlined in the Purchase and Sale Agreement.
  - c. Balance at closing in cash.
2. Due Diligence and Closing Date: The closing will occur through an escrow account established with a title company to be determined by Seller. The due diligence period will conclude ninety (90) days after the execution of a mutually agreeable Purchase and Sale Agreement and receipt of due diligence materials. The closing date will be based on regulatory requirements and will occur on such date mutually agreed upon by Buyer and Seller.

3. Contingencies: Closing will be subject to completion of customary due diligence, including but not limited to: a comprehensive legal review (including title, survey, leases, and other relevant materials), a review of recent and historical operating statements and capital expenditures, review of the 2018, 2019 and 2020 annual and monthly financial statements along with the 2021 operating and capital budgets, a complete review of the current rent rolls and lease files, a review of the care program and plans, a structural (physical) assessment report, an environmental assessment, a complete unit walk, and other standard due diligence items the Buyer shall require as to be further defined in the PSA. The Buyer will execute a standard confidentiality agreement in connection with the receipt of the above information. Closing will not be contingent on Buyer's ability to secure financing.
4. Purchasing Entity: The acquiring entity will be a newly formed, single-purpose limited liability company established for the acquisition of the Property.
5. Investment Process: Initial investment committee approval has been obtained to present this indication of interest.
6. Closing Expenses: Closing expenses will be based on normal pro-rations for a transaction of this size and nature.
7. No Negotiation with Third Party: Seller agrees not to enter into negotiations with any third party pertaining to the Property for a period beginning with the execution of this indication of interest and thereafter for so long as the parties hereto are negotiating the terms of the Purchase and Sale Agreement. As indicated, this indication of interest is a non-binding indication of interest and may be terminated by either party prior to the execution of the PSA. Upon such termination, the parties will be relieved of any and all liability to each other.
8. Confidentiality: The contents of this indication of interest are highly confidential and should be disclosed only to the principal owners of the Property and their advisors, all of whom should be made aware of the confidential and sensitive nature of the contents of this indication of interest.

The above are only the general terms and conditions of the proposed transaction and with the exception of the obligations contained in Section 7 hereof, shall not be binding on either party. The exact terms and conditions will be contained in a mutually acceptable Purchase and Sale Agreement. This letter will serve as an indication of interest by Buyer and is not intended to be construed as a Purchase and Sale Agreement, a commitment letter or other binding obligation, and does not require either Buyer or Seller or their respective affiliates to enter into a Purchase and Sale Agreement or otherwise commit to buy or sell the Property.

We appreciate the opportunity to present this indication of interest for your consideration and we look forward to working to the successful close of this transaction. If you have any questions concerning this indication of interest, please do not hesitate to contact me.

Kind Regards,

*Michael Sieman*

Michael Sieman  
Vice President  
DiNapoli Capital Partners, LLC

## Schedule A

### **Scenario 1:**

***Communities Included in Purchase:*** Auburn Ravine Terraces, Gateway and Gateway Gardens and Gold Country Retirement Community

***Purchase Price:*** \$67,000,000

### **Scenario 2:**

***Communities Included in Purchase:*** Entire California Subset

***Purchase Price:*** \$85,000,000

viii. Greystone & Co. (AbleHearts Healthcare Foundation)

October 8, 2021

**VIA EMAIL**

c/o Mr. Daniel Revie  
Managing Director  
Ziegler Investment Banking  
Milwaukee, WI 53202

Dear Daniel:

AbleHearts Healthcare Foundation, or any affiliate, or subsidiary thereof (“AbleHearts”) is pleased to present for your consideration this non-binding Indication of Interest (“IOI”) regarding the acquisition of the property and operations that comprise 100% of certain facilities owned by Retirement Housing Foundation (the “Seller”) and located at the Real Property (collectively, the “Target Assets”) listed on Exhibit A. The acquisition of the Target Assets shall be referred to herein as the “Transaction”. This IOI outlines our intentions with respect to the contemplated Transaction.

1. Proposed Structure. Acquisition of 100% of the Target Assets via an asset purchase agreement(s).
2. AbleHearts Information. AbleHearts is a 501(c)(3) organization that through its affiliations owns and operates skilled nursing and assisted living facilities. AbleHearts focus is on quality of care to residents via positive clinical outcomes, and overall stability of its facilities. Excess cash flow will be directed towards mission-based reinvestment and supporting charitable efforts. This includes charitable investment into the communities in which the AbleHearts’s facilities are located. <https://www.ablehearts.org/>.

The AbleHearts initiative is inspired by Harmony Housing, which over six years of operations has become one of the largest non-profit owners of affordable housing in the country, and whose cash flow supports mission-driven charitable activities: <https://www.harmonyhousing.org/>

AbleHearts currently owns and operates sixteen (16) facilities, with over 2,000 beds, located in Florida, Illinois, and Missouri.

The AbleHearts portfolio is financed by four nationally recognized lending institutions, highlighting the strength AbleHearts has from a credit and financial standpoint. Growth strategy for AbleHearts is to deploy more than \$200MM/year for transactions that appropriately expand AbleHearts’s footprint and align with its commitment to mission-based reinvestment.

The Transaction presents an opportunity for AbleHearts to acquire a portfolio of facilities in its existing footprint.

3. Valuation Approach. AbleHearts’s valuation approach, based upon the physical plant age, geographic location, and resident care type of the facilities, is approximately \$46,000,000.00 for the three (3) Florida assets.
4. Payment Structure. Based on the Seller’s preference, payment alternatives include (a) 100% cash at closing and (b) tax-exempt Seller financing for a portion of the purchase price that may allow the Seller to enjoy a revenue stream post-close. As a 501(c)(3) organization, AbleHearts has access to various forms of capital. This includes issuance of bonds, securing traditional mortgage debt, or obtaining HUD financing. AbleHearts proposes working with the Seller in arriving at a mutually agreeable acquisition and financing structure.
5. Diligence Process. AbleHearts’s Due Diligence Checklist is attached as Exhibit B to this IOI.

6. AbleHearts Governance. AbleHearts's Board of Directors consist of three (3) Directors that will be providing final approval to consummate the Transaction.
7. Transaction Timeline. AbleHearts proposes execution of this IOI to secure Due Diligence items listed in Exhibit B, including direct discussions with the Seller and facility tours. A Purchase Letter of Intent ("LOI") will be drafted for review and execution between AbleHearts and the Seller, in which valuation and structure terms will be proposed and agreed upon. Overall Due Diligence timeline is projected at 90 days, with closing of Transaction occurring within 30 days thereafter.
8. Contact Information. If you have any questions on this IOI, please contact either of the following:  

Arthur Hatzopoulos Arthur.Hatzopoulos@greyco.com (212) 649-9785	Andrew Morris Andrew.Morris@greyco.com (913) 709-5376
---	---
9. Disclosure. This IOI and the discussions between the parties related to the Transaction will be considered confidential information as defined in and protected by the National Senior Housing Portfolio Non-Disclosure Agreement previously signed by the AbleHearts on September 13, 2021.
10. Binding Provisions. This IOI, if executed, will represent an expression of intent only, and does not set forth all the matters upon which agreement must be reached for the Transaction to be consummated. The respective rights and obligations of AbleHearts and the Seller will remain to be defined in the definitive purchase agreement and related documents (the terms and provisions of which will be subject to approval by AbleHearts and the Seller), and the parties do not intend to be legally bound or otherwise to incur any obligations with respect to the proposed transaction until such time, if ever, as the purchase agreement is executed and delivered. This IOI does not constitute a legally binding document and does not create any legal obligations on the part of, or any rights in favor of, AbleHearts, the Seller or any other party; notwithstanding anything contained in this IOI and in consideration of the parties entering into final negotiations and incurring expenses in connection herewith, the provisions of sections 9-10 hereof shall be legally binding upon and enforceable against AbleHearts and the Seller upon execution of this IOI.

*Signatures on the following page*

Sincerely,

ABLEHEARTS FLORIDA HEALTHCARE  
LLC

BY: GH Acquisitions LLC, its advisor

By:   
\_\_\_\_\_

Name: Andrew Morris  
Title: Authorized Signatory

Agreed to and accepted  
This \_\_\_\_\_ day of October 2021:

RETIREMENT HOUSING FOUNDATION

By: \_\_\_\_\_  
Name:  
Title:

## EXHIBIT A

### Target Assets

Community Name	City	State	Level of Care	CMS Star Rating of SNF	ADC <sup>2</sup>	Operating Beds/Units <sup>1</sup>
Bishop's Glen Retirement Center	Holly Hill	FL	IL/AL/SNF	5	234	355
The Cloisters	Deland	FL	IL/AL	-	149	272
Courtenay Springs Village	Merritt Island	FL	IL/SNF	5	164	250

## EXHIBIT B

### Due Diligence Checklist

#### **Payroll & Staff by Care Type/Licensure**

- Current Payroll Register with all staff & positions
  - Distinguish union vs. non-union
  - Distinguish OT & Regular hours and wages
  - Show all benefits
- Last Year ending YTD Payroll Register
- Employee Benefit Summary (including 401(k)
  - Savings Plan, Scholarship Programs,
  - Longevity Credit Program, Employee
  - Assistance Program, Wellness Program, etc.)
- Employee Handbook
- Bonus Plans
- New Hire Packet
- Union Contracts
- Deferred Compensation Plans
- Partnership Agreements, if any
- Consulting Agreements, if any
- Non-Compete Agreements, if any
- Summary of any labor disputes
- Management Team Org Chart
- Facility Team Org Chart

#### **Physical Plant**

- Capital logs/Capital Expenditures
- Certificates of Insurance: GL/ Property
- Copy of Licenses
- Floor Plans
- Architectural/Engineer Reports
- Environmental Reports
- Appraisals
- Surveys
- Title Commitments
- Zoning Reports
- Copies of all Permits and other Governmental
- Approvals
- Certificates of Occupancy
- Deeds

#### **Financials by Care Type/Licensure**

- Financial Statements
  - Current YTD & last 3 fiscal years
- Latest Medicaid Rate Letters
- Latest Medicaid CMI Reports
- Most Current Medicare and Medicaid Cost Reports
  - and date(s) submitted
- Current Year to Date Detailed General Ledger
- A/R Aging Report
- Listing of Medicaid Pending Residents & status
- Current Billing Log
- Current Computer Hardware
- Current Computer Software:
  - Billing/Accounts Receivable
  - Payroll
  - Accounts Payable

- General Ledger
- Patient Trust
- Others
- Current Census by payer category
- Balance Sheet
- Patient Trust Reconciliation Report
- Fixed Asset List (including equipment & vehicles)
- Medicare Fiscal Intermediary Address
- A/P Aging Report
- Detail on all Prepays, Accruals, Deposits, Other Assets and Liabilities
- Inventory Listing
- Current Reconciliations of all Bank Accounts
- Prospective Lease Payments
- Copies of all federal, state, local and foreign income tax returns (last 5 years)
- All correspondence with the IRS or state or local tax authorities concerning adjustments or questioning compliance (last 5 years)
- All internal budgets and projections prepared relating to assets, liabilities or operations
- Reports of independent public accountants, if any
- Stimulus summary
  - CARES Act funds received/spent
  - PPP loans drawn
  - Any/all other stimulus funds received/spent
  - Any future stimulus funds expected
- UPL/QIPP/Etc Summary
  - Any licensure or payment summaries related to any state-level Reimbursement systems that provide additional funds.
  - Examples: QIPP, IGT, UPL

**Marketing**

- Copy of HMO, VA, & Hospice Contract
- Sample Brochure
- Admission Packet
- Census Tracking date (last 3 months)
- Marketing/Sales Reports (last 3 months)
- Market Demographics
- Admissions/referrals report for T12 months

**Clinical by Care Type/Licensure**

- Resident Roster
- HCFA Forms 802,672
- Quality Indicators
- MDS Assessment detail
- MDS History Report
- Complaint Surveys-last 2 year
- State Surveys - last 2 years
- Recent QA/RM minutes
- Recent Wound Report
- Infection Control Report
- Weight Variance Report
- List of Patients on Therapy case load/restorative
- Rehab productivity report
- Staffing Model – list of all names & last 2 weeks PPD

Copy of Schedule (RN, CNNA)  
Medical Director and Address  
COVID Summary (residents & staff)  
    All past & present cases  
        List cases contracted prior/post admission into SNF  
    All past & present hospitalizations  
    All past & present deaths  
        List deaths occurring in/out of SNFs  
    All past & present recoveries  
Provide all written COVID policies & protocols  
Copies of any/all infection control reports conducted  
    by local, state, or federal agencies/authorities  
Corporate Integrity Agreement

**Assumed Debt/Leases**

Operating Lease Documents  
A/R Loan Documents & Availability/Usage  
Capital Leases  
Equipment Leases

**Corporate Documentation**

Articles of Incorporation/Certificates of Formation  
By-laws/Operating Agreements/Partnership Agreements  
Certificates of Good Standing  
Qualifications/Authorizations to do Business, if applicable  
Fictitious Name Documentation, if applicable  
W-9 Forms/EIN Identification

**General**

Most Recent resident council & family council minutes  
Copies of Service Contracts (Therapy, Pharmacy,  
Lab, Oxygen, Psychiatric, X-ray and  
    all other outsourced services)  
Copies of Managed Care Contracts  
IT Contracts (software, communication  
    network infrastructure, equipment, hardware, etc.)  
Management Agreements  
License Agreements  
Marketing Agreements  
HIPPA Compliance Documentation  
Copy of Hospital Transfer Agreement  
Beds Certified Medicare (if not 100% list of beds)  
Beds Certified Medicaid (if not 100% list of beds)  
Administrator & DON license (wallet size)  
Floor Plan (8 ½ x 11) with room #'s and Beds/room  
Disaster Plan  
Information regarding software (including clinical)  
List of Litigations (pending/threatened) including  
    correspondence related thereto  
List of Settlements/Settlement Documentation  
Decrees, orders or judgments of any court or other  
    governmental agency  
Schedule of all Insurance covering the various  
    companies/facilities  
Schedule of insurance claims filed by or against  
any Seller/facility (last 5 years)  
Facility Tours  
Discussions with Management Team  
    Corporate, regional, and facility-level

- b. Round 2**
  - i. Pacifica Senior Living**
  - ii. MED Healthcare Partners**
  - iii. Comprehensive Care Capital**

i. Pacifica Senior Living



November 22, 2021

Dan Revie  
Ziegler

***RE: Offer for the Retirement Housing Foundation Portfolio***

Dear Dan:

This letter of intent serves as an offer to purchase the above referenced property and sets forth the general terms. This offer is non-binding until the execution of the formal Purchase Agreement.

Seller:	Owning Entity
Buyer:	Pacifica Companies, LLC
Property:	The sixteen (16) community Retirement Housing Foundation Portfolio
Purchase Price:	\$202,000,000 cash
Financing Terms:	None.
Buyer Deposit:	Upon the opening of Escrow, Buyer shall deposit with Escrow Company Two Million (\$2,000,000) dollars applicable towards the Purchase Price. Such deposit shall be refundable until the expiration of the Due Diligence Period, at which time the deposit shall become non-refundable unless Buyer has properly canceled this transaction during the Due Diligence Period.
Contract Timing:	Within five (5) business days after mutual execution of this Letter of Intent, Buyer shall prepare a complete Purchase Agreement ("Purchase Agreement") for execution by Buyer and Seller.

Opening of Escrow: Three (3) business days after execution of the Purchase Agreement, Buyer and Seller shall open Escrow to complete the transaction and Buyer shall deliver the Deposit to Escrow.

Close of Escrow: The Retirement Housing Foundation Portfolio shall close within Five (5) days after all State Licensure approvals have been satisfied.

Title & Escrow: Chicago Title, San Diego, California.

Due Diligence Period: Buyer shall have Sixty (60) days from the receipt of all due diligence materials to perform all inspections and tests as required by Buyer, to arrange financing, and to conduct any and all other due diligence as Buyer may desire in its absolute discretion. Buyer may cancel this transaction by written notice at any time during the Due Diligence Period for any reason in its sole and absolute discretion and receive a refund of the Deposit and all accrued interest thereon.

Seller's Documents: Seller shall provide to Buyer, within three (3) days of Opening of Escrow, any and all due diligence materials as are reasonably requested by Buyer and which are in the possession of Seller. Buyer to submit a due diligence list to Seller in conjunction with the Purchase Agreement.

Operation of the Property: During the pendency of this transaction, Seller agrees to refrain from entering into any non-resident related leases, contracts or modifications to the same that affect the Property.

Broker: Buyer represents that it has only dealt with Dan Revie of Ziegler. Seller shall pay any and all Broker commission per separate agreement.

Representations and Warranties: Seller represents to Buyer that Seller has no actual knowledge regarding any violations of applicable codes, laws, and statutes relating to the Property, including, but not limited to, building codes, all seismic codes and any environmental law. This representation shall not give rise to any duty of inquiry on the part of Seller but is limited to Seller actual knowledge.

Standard Contract  
Clauses:

The comprehensive contracts contemplated under this Letter of Intent shall all have standard contract clauses including, but not necessarily limited to, the following:

Licensure provisions

Attorneys fees to prevailing party in any legal dispute

Integration Clause

No amendment except by writing signed by all parties

State law to govern

Severability

Execution in Counterparts Allowed

Time of the Essence

Confidentiality:

Buyer and Seller agree that all terms of this Letter of Intent and the Purchase Agreement shall remain confidential and shall not be disclosed to third parties, excepting legal and financial advisors of Buyer and Seller, Escrow Company, staff personnel, and those parties necessary to arrange and fund the acquisition and development financing.

It is expressly agreed by Seller and Purchaser that this Letter of Intent is non-binding on Purchaser and Seller, and Purchaser and Seller will have no contractual obligation to purchase or sell the Property prior to the execution and delivery of the Purchase Agreement. No legal obligation is intended to be created by this Letter of Intent or by any written or oral statements, negotiations or promises between the parties hereto, directly or through any representatives, with the exception of statements and promises expressly set forth in the Purchase Agreement. Moreover, this Letter of Intent will not give rise to any rights based on any legal theory, it being intended that only the

subsequent formal written Purchase Agreement, executed and delivered by both parties hereof, will bind the parties with respect to any matter covered by this Letter of Intent. If this Letter of Intent is not executed by both parties with ten (10) days it will expire.

Sincerely,

Pacifica Companies LLC  
A California limited liability company

By: \_\_\_\_\_

Adam Bandel

ACCEPTED AND AGREED TO:

Seller:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

ii. MED Healthcare Partners



November 22, 2021

VIA EMAIL TO [DREVIE@ZIEGLER.COM](mailto:DREVIE@ZIEGLER.COM)

Daniel Revie  
Managing Director  
Ziegler

**Re: Letter of Intent for Retirement Housing Foundation Portfolio**

Dear Mr. Revie:

Please accept this letter as MED Healthcare Partners LLC's (herein "MED," "we," "us," or "our") preliminary, non-binding indication of interest to acquire the entire 16-facility senior housing and skilled nursing portfolio owned by Retirement Housing Foundation that Ziegler is marketing (the "Portfolio"). We are pleased to present the following basic terms for an asset transaction, with full terms to set be forth in formal documents once we finalize the basic terms after further diligence and discussion with the Seller. The following documents are attached to the end of this LOI in accordance with the information that Ziegler's offering memorandum requested be included with submitted proposals.

- Attachment A: Management Experience
- Attachment B: Purchaser's Ability to Close
- Attachment C: Summary of Purchaser's Existing Portfolio
- Attachment D: Due Diligence List

The basic transaction terms we propose are:

**Communities:** The Portfolio, comprised of 16 facilities located in California, Indiana, Kentucky, Missouri, Florida, and South Carolina, together with all ancillary buildings, furnishings, fixtures, equipment, vehicles, inventory, supplies, intangibles and other assets currently held or used in connection therewith, but not including cash or liabilities other than those liabilities explicitly referenced herein or in the formal transaction documents. Retirement Housing Foundation is referenced herein as "Seller."

**Purchaser:** A yet-to-be-formed entity affiliated with MED Healthcare Partners LLC of which Mordy Lahasky will be a principal (the "Purchaser").

**Purchase Price:** **\$202,000,000**, anticipated to be paid as follows: (i) \$1,000,000 cash earnest deposit upon mutual execution of a purchase and sale agreement and opening of escrow, and (ii) the balance in cash at closing. The purchase price will be funded with a combination of equity capital and either commercial bank debt or bond financing. Purchaser and its network of investors are very well capitalized and have a reputation throughout the senior housing and skilled nursing industry for closing deals quickly. Please reference Attachment B for further information.

**Due Diligence Period** Purchaser will begin its due diligence review of the Portfolio upon the mutual execution of this letter and continue through no later than the 60<sup>th</sup> day after execution of a formal purchase agreement (the “Due Diligence Period”). Once the Due Diligence Period expires the Earnest Money will go hard. The transaction will close on the first day of the first calendar month following completion of the Due Diligence Period.

**Exclusivity** Purchaser will have 21 days of exclusivity following the mutual execution of this letter to fully negotiate and execute the definitive, formal purchase agreement.

**Title:** Title by warranty deed free of all encumbrances except current real estate taxes & assessments prorated per local custom, easements and CC&Rs of record; possession at close free of all leases, management agreements and occupants except current patients. Seller to provide a current ALTA Owner’s Policy of Title Insurance. FF&E, inventory, warranties thereon and other Seller assets at the Community shall be transferred in-place by Bill of Sale and Assignment (with warranties as to title but not condition or suitability). Purchaser will honor the rental agreements with current residents.

**Contingencies:** The transaction will be contingent upon (a) satisfactory outcome of Purchaser’s due diligence reviews, to be completed in accordance with the timeline set forth herein, (b) Purchaser’s receipt of all necessary governmental consents, approvals, and licenses, and (c) transfer of operations as a going concern at closing with all applicable licenses and certifications intact.

**Fees & Costs:** Seller and Purchaser shall each be responsible for their own broker’s fees and commissions, if any. Purchaser has used no broker in this transaction. Each party shall bear its own transaction costs including, without limitation, attorney fees.

**Non-Binding:** Other than the section titled “Entire Agreement” (the “Binding Provision”), this letter does not constitute and will not give rise to any legally binding obligation on the part of either Purchaser or Seller. Except as expressly provided in the Binding Provision (or as expressly provided in any binding written agreement that Purchaser and Seller or their respective affiliates may enter into in the future), no past or future action, course of conduct or action, or failure to act relating to the proposed transaction, or relating to the negotiation of the terms of the proposed transaction, will give rise to or serve as a basis for any obligation or other liability on the part of Purchaser or Seller.

**Entire Agreement:** The Binding Provision constitutes the entire agreement between Purchaser and Seller, and supersede all prior oral or written agreements, understandings, representations and warranties, and courses of conduct and dealing between Purchaser and Seller on the subject matter of this letter. The Binding Provision may only be amended or modified in writing by both Seller and Purchasers. This letter may be executed in one or more counterparts, each of which will be deemed to be an original copy of this letter and all of which, when taken together, will be deemed to constitute one and the same agreement. Facsimile or email transmission of a true scanned copy of any signed original counterpart transmission shall be deemed the same as the delivery of an original.

[continued on following page]

This proposal is not comprehensive and is merely an attempt to identify basic business terms upon which a definitive acquisition offer could be made and accepted. These terms are not to be binding on any party unless they are incorporated into a definitive set of fully-executed purchase and transfer documents to be negotiated and executed hereafter. We also note that we have not had an opportunity to visit the properties to date and we reserve the right to amend our offer in all respects upon completion of our in-person site visits.

If the terms contained in this letter are acceptable, please so indicate by signing, dating and returning a copy of this letter to us. We will then work with you to quickly complete the due diligence and prepare actual documents.

We appreciate the opportunity to work with you. Please do not hesitate to reach out to me with any questions.

Sincerely,  
Purchaser

---

By: Mordy Lahasky  
Its: Principal

Accepted by,  
Retirement Housing Foundation

---

By:

## **Attachment A - Management Experience**

Our operating team is led by Barry Braunstein, Samuel Feuer, and Mordy Lahasky (collectively, “we”, “us”, or “our”), and we collectively lead a network of operating and back-office infrastructure companies that own and operate over 150 skilled nursing facilities, assisted living/memory care facilities, and CCRCs throughout the United States.

Our core operating philosophies reflect the fact that we are a family business that has been in the skilled nursing industry for 40 years. Barry is a licensed nursing home administrator who, after being introduced to the skilled nursing industry by his father 40 years ago, built a career owning and operating large, highly complex nursing homes in New York and New Jersey. Today, Barry owns and operates six large skilled nursing facilities in New York and New Jersey and is the chief executive officer of multiple long-term care management companies. Sam, Barry’s son in law, is a highly experienced long-term care operator who runs Barry’s management companies, and, together, the family owns and operates over 20 facilities in Pennsylvania and Ohio. Additionally, Barry, Sam, and Mordy are board members and executives of American Eagle Lifecare Corporation, a not-for-profit owner and operator of 17 seniors housing facilities throughout the Midwest and Florida, and 2 CCRCs in Indiana.

Our primary business model is to acquire distressed assets, and we are highly sophisticated operators with a long track record of turning around failing facilities. Our large footprint gives us substantial purchasing power, and we have a vast network of suppliers and vendors that enhances our ability to drive down operating expenses through group purchasing programs. Additionally, Sam leads a team of government payor specialists who are highly skilled at increasing Medicare and Medicaid revenue by accurately capturing resident acuity measures, which many other operators struggle with. One example of our ability to turnaround distressed facilities under pressure is our success with a portfolio of Skyline Healthcare facilities in Pennsylvania and Nebraska. When Skyline went under in 2018, we took over these facilities with only weeks’ notice and stabilized them very quickly. This portfolio now generates substantial free cash flow. Additionally, during the past 18 months we have taken over operations of three non-profit facilities, all of which were distressed at the time of acquisition. We have substantially improved the operations at these facilities. Below is a brief narrative describing each of these turnarounds.

### **Wesleyan Village**

Wesleyan Village is a large CCRC in Elyria, Ohio. We were contacted by a broker in June 2019 who was marketing the facility on behalf of the previous non-profit owner. At the time, the facility was being managed by LCS and was on the brink of bankruptcy. After engaging in discussions with the seller, it became clear that the facility would have to file bankruptcy in July of 2019 unless a buyer closed quickly and injected substantial working capital. We moved quickly, closing the acquisition on July 3<sup>rd</sup> and infusing \$2.5 million to support operations. We then hired our own executive director and devoted extensive regional resources to improving the resident experience, clinical outcomes, and expense control. We immediately improved the operations and the community has since generated positive cash flow. Upon request we will happily provide financial statements demonstrating our success turning around this community.

## **Holland Village**

This facility is a CCRC located in Bucks County, PA. It was a non-performing community owned by a non-profit that had 9 senior living communities in Pennsylvania and Maryland. We closed on this facility August 3, 2020 at the height of the COVID pandemic and immediately improved operations. The community was outsourcing many department functions which significantly bloated its expense structure. We brought everything in-house, significantly reducing expenses and improving the resident experience. These adjustments contributed to the community generating close to \$1 million of EBITDAR during the 4-month period from August to November, during the height of the pandemic. Upon request we will happily provide financial statements demonstrating our success at this community.

## **Handmaker Jewish Services for Aging**

This skilled nursing and assisted living facility is located in Tucson, AZ and provides important services to the local Jewish community. Since taking over management of the facility we have worked hard to honor our obligations to facility staff, residents, and the broader community. We have engaged extensively with the community to ensure we maintain Handmaker's core mission, because it is a cherished local institution and the prior owner cared deeply about the facility's ties to the community. The facility was financially distressed prior to our involvement, and we have subsequently stabilized operations. In 2019 the facility generated EBITDAR of \$186,327, and after we took over operations in December 2019, the facility generated EBITDAR of \$1,864,677 in 2020. We are happy to provide financial statements upon request.

Our management team has the experience, operating resources, and capital necessary to absorb the entire 16-facility RHF portfolio, and we would be grateful for the opportunity to do so. Please do not hesitate to contact us with questions or requests for additional information.

Sincerely,

Mordy Lahasky, Samuel Feuer, & Barry Braunstein

## Attachment B - Purchaser's Ability to Close

In support of our bid on the Retirement Housing Foundation portfolio, please find attached the following documents:

- Exhibit A: A letter of recommendation from Catholic Charities, an organization that recently sold us a skilled nursing facility, attesting to our integrity and ability to close quickly.
- Exhibit B: A letter of recommendation from American Eagle Lifecare Corporation, a non-profit organization that sold us a large CCRC in Elyria, Ohio under severe distress, attesting to our integrity and ability to close quickly. Please note that, subsequent to this deal, each of us joined American Eagle's board of directors.

These letters attest to our demonstrated history of closing difficult transactions quickly and honoring our commitments to the facility's staff, residents, and community.

Additionally, we are very well capitalized both through our personal accounts and through our network of investors. Upon request, we will gladly provide evidence of our substantial cash holdings.

Sincerely,

Mordy Lahasky, Samuel Feuer, & Barry Braunstein

**Exhibit A**

215 Myrtle Street  
Manchester, NH 03104-4354  
T: 603-669-3030/1-800-562-5249  
F: 603-626-1252  
cc-nh.org



July 28, 2020

Knapp Group | Marcus & Millichap  
Mr. James Knapp  
Two Towne Square Suite 450  
Southfield, MI 48076

Re: Letter of Recommendation

Dear Mr. Knapp:

It is with much enthusiasm that I am writing you to recommend Mordy Lahasky and his team for any contemplated business transaction in long-term healthcare.

I worked with Mordy and his team during an acquisition of one of our skilled nursing facilities in New Hampshire. I cannot say enough about their integrity and ease of doing business with them. As a religious organization, it was very important to us to maintain dignifying employment for our long-term staff members and to make the transition as smooth as possible for our residents. Mordy and his team made every effort possible and kept every promise made to us to make that happen. They have extensive knowledge of healthcare with hands on leadership. When it came time to close the transaction, we closed on time and it was hassle free; there were no last-minute changes or negotiations.

Sincerely,



David Hildenbrand  
Chief Financial Officer

**Exhibit B**

To whom this may concern:

September 5, 2019

Mordy Lahasky and his team comprise perhaps the most professional and analytical group of professionals that I have ever encountered in my 30 years in the senior living industry.

Mr. Lahasky first learned of my organization's interest in selling our troubled CCRC in May of 2019. After their initial site visit in June, Mr. Lahasky assured me that they were serious buyers and that absent undisclosed issues would close on the purchase of our community prior to Independence Day on July 4<sup>th</sup>.

True to his word, Mr. Lahasky committed knowledgeable professionals to due diligence our community and by the end of June, his organization had concluded their review.

Mr. Lahasky closed the transaction on July 3<sup>rd</sup>, assuming over \$25 million of debt and bringing substantial working capital to the community to comfort the existing lenders. In the months since the close, Mr. Lahasky has stabilized the community and won the confidence of the lenders. He identified numerous problems with the cost structure of our prior manager and has reduced costs significantly. Our reputation was enhanced by our decision to sell the community to Mr. Lahasky.

We unreservedly recommend Mr. Lahasky and his organization as a serious buyer of the highest integrity. Please feel free to call me if you would like to talk personally about our experience in working with Mr. Lahasky.

Sincerely,

Scott Kellman

CEO

American Eagle Lifecare Corporation

3819 Hawk Crest Road

Ann Arbor, MI 48103

734-222-5264 (office)

734-395-5745 (cell)

## Attachment C.1 - Sam & Barry's Existing Portfolio of Communities

Owned Communities				
Community Name	Beds	Facility Address	Star Rating	Quality Measure Rating
Rolling Hills Rehab and Care Center	99	68222 Commercial Drive, Bridgeport, OH 43912	1	1
Rocky River Gardens Rehab and Nursing Center	140	4102 Rocky River Drive, Cleveland, OH 44135	1	4
Capital City Gardens Rehabilitation and Nursing Center	104	920 Thurber Drive West, Columbus, OH 43215	1	4
Mt. Airy Gardens Rehabilitation & Nursing Center	109	2250 Banning Road, Cincinnati, OH 45239	1	3
Prestige Gardens Rehabilitation And Nursing Center	100	755 South Plum Street, Marysville, OH 43040	2	5
Country Lane Gardens Rehab & Nursing Ctr	99	7820 Pleasantville Road NE, Thornville, OH 43076	1	1
Maple Gardens Rehabilitation And Nursing Center	100	515 South Maple Street, Eaton, OH 45320	3	4
Country Meadow Rehabilitation And Nursing Center	50	4910 Algrie Road, Bellville, OH 44813	5	5
Legends Care Rehabilitation and Nursing Center	73	2311 Nave Road SE, Massillon, OH 44646	3	5
The Pavilion Rehabilitation and Nursing Center	85	13900 Bennett Road, North Royalton, OH 44133	1	4
The Pinnacle Rehabilitation and Nursing Center	75	330 Southwest Avenue, Tallmadge, OH 44278	3	3
Buckeye Terrace Rehabilitation and Nursing Center	70	140 North State Street, Westerville, OH 43081	1	4
Whispering Hills Rehabilitation and Nursing Center	44	416 Wooster Road, Mount Vernon, OH 43050	2	1
Bella Terrace	100	1520 Hawthorne Avenue, Columbus, OH 43203	1	3
Wesleyan Village	246	807 West Ave, Elyria, Oh 44035	2	2
Wyndmoor Hills Rehabilitation and Nursing Center	77	8601 Stenton Avenue, Wyndmoor, PA 19038	2	4
Springfield Residences	103	551 E Evergreen Ave, Wyndmore, PA 19038	3	4
Holland Center For Rehabilitation And Nursing	181	280 Middle holland Rd Holland PA 18966	4	4
Holland Senior Living Community	155	281 Middle holland Rd Holland PA 18966	0	N/A
Oxford Nursing Home	235	144 South Oxford Street Brooklyn, NY	3	5
New Carlton Rehabilitation and Nursing Center	148	405 Carlton Ave Brooklyn, NY	2	5

Leased Communities				
Community Name	Beds	Facility Address	Star Rating	Quality Measure Rating
Phoenix Center for Rehabilitation and Nursing	138	833 South Main Street, Phoenixville, PA 19460	1	1
Rosemont Care & Rehabilitation Center	76	35 Rosemont Avenue, Rosemont, PA 19010	2	4
Liberty Center for Rehabilitation and Nursing	94	7310 Stenton Avenue, Philadelphia, PA 19150	3	5

American Eagle Lifecare Corporation Communities				
Community Name	Beds	Facility Address	Star Rating	Quality Measure Rating
Aldea Green	88	700 S. Kings Ave, Brandon, FL 33511	N/A	N/A
Cascade Heights	267	160 Islander Ct., Longwood, FL 32750	N/A	N/A
Crescent Wood	124	1800 Harrison St., Titusville, FL 32780	N/A	N/A
Greenwood Place	72	2680 Croton Rd., Melbourne, FL 32935	N/A	N/A
American Eagle Newark LLC	42	331 Goose Pond Rd., Newark, OH 43055	N/A	N/A
Lark Springs	60	2850 North Academy Blvd., Colorado Springs, CO 80917	N/A	N/A
Maris Pointe	42	1200 Avenida Del Circo, Venice, FL 34285	N/A	N/A
Monarch Place	47	105 Michelle St., Hanceville, AL 35077	N/A	N/A
Palmetto Landing	64	1016 Willa Springs Dr., Winter Springs, FL 32708	N/A	N/A
Red Cedar Glen	136	202 Walton Ferry Rd., Hendersonville, TN 37075	N/A	N/A
Robin Way	48	7377 88th Ave., Kenosha, WI 53142	N/A	N/A
American Eagle Kingston LLC	39	1098 Bradford Way, Kingston, TN 37763	N/A	N/A
Timberdale Trace	43	334 Cedardale Dr. SE, Owatonna, MN 55060	N/A	N/A
Ventura Hills	97	1207 Jackson Keller Rd., San Antonio, TX 78213	N/A	N/A
Vista Lake	73	700 S. Lake St, Leesburg, FL 34748	N/A	N/A
Vista Lake	73	700 S. Lake St, Leesburg, FL 34748	N/A	N/A
Vista Veranda	50	141 Chestnut Hill Dr., Ravenna, OH 44266	N/A	N/A
Hamlet Hills	138	200 Hamlet Hills Drive, Chagrin Falls, OH 44022	N/A	N/A
Hamlet Atrium	85	200 Hamlet Hills Drive, Chagrin Falls, OH 44022	N/A	N/A
Morning Breeze	104	950 North Lakeview Drive, Greensburg, IN 47240	4	2
Peabody Retirement Community	367	400 West 7th Street, North Manchester, IN 46962	1	4
Woodland Towers	235	113 W Chipola Ave, DeLand, FL 32720	N/A	N/A

## Attachment C.2 - Summary of Mordy's Existing Portfolio

Property/ Business Name	Beds	Facility Address
Belmar Healthcare Group, LLC(Riverside Nursing and Rehabilitation Center]	131	325 Jersey St, Trenton, NJ 08611
Belmar Pediatric Daycare, LLC	27	325 Jersey St, Trenton, NJ 08611
Comprehensive at Williamsville, LLC (St. Francis of Williamsville)	142	147 Reist Street, Williamsville, NY 14221
Hamilton Nursing Home Inc.	64	590 East Grand Boulevard, Detroit, MI 48207
Neptune Gardens Nursing and Rehab, LLC	105	101 Walnut Street, Neptune, NJ 07753
Lamberton Operations, LLC (Valley View Lamberton)	50	200 9th Street, Lamberton, MN 56152
Westfield Gardens Nursing and Rehab, LLC (Westfield Gardens Nursing & Rehab)	68	37 Feeding Hills Road, Westfield, MA 01085
Washington Nursing and Rehabilitation Center, LLC (Pearl Valley Rehab)	90	601 East Polk Street, Washington, IA 52353
Muscatine Nursing and Rehabilitation Center, LLC (Pearl Valley/All American)	100	2002 Cedar Street, Muscatine, IA 52761
Maybrook C-Valley View OPCO, LLC (Maybrook Hills Rehab and Healthcare/Valley View of Altoona PA)	240	301 Valley View Blvd, Altoona, PA 16602
Barclays Rehabilitation and Healthcare Center, LLC	108	1412 Marlton Pike, Cherry Hill, NJ 08034
Donnellson Healthcare and Rehabilitation Center, LLC	55	901 State Street, Donnellson, IA 52625
Riverview Manor Healthcare, LLC	50	17990 Spencer Road, Pleasant Valley, IA 52767
Crystal Nursing Rehabilitation, LLC (Centennial Gardens for Nursing and Rehab)	130	3245 Vera Cruz Avenue, Crystal, MN 55422
Cannon Falls Nursing Rehabilitation, LLC (Angels)	70	300 N. Dow St, Cannon Falls, MN 55009
Claiborne Management, LLC (CLAIBORNE AND HUGHES HLTH CNTR)	157	200 Strahl Street, Franklin, TN 37064
Comprehensive Healthcare Mgmt Services, LLC	605	246 Friendship Circle, Beaver, PA 15009
101 E Delaware Avenue Operations, LLC (Delmar Nursing & Rehab)	109	101 East Delaware Avenue, Delmar, DE 19940
Ridgeview Operations, LLC	111	200 Pennsylvania Avenue, Shenandoah, PA 17976
Duluth Nursing and Rehabilitation Center, LLC (Bayshore Residence and Rehabilitation)	139	1601 St. Louis Avenue, Duluth, MN 55802
Southshore Operations, LLC (Southshore Care Center)	54	1307 South Shore Drive, Worthington, MN 56187
Crossroads Worthington Operations, LLC (CROSSROADS CARE CENTER)	50	965 McMillan Street, Worthington, MN 56187
Parkside Operations, LLC (Parkside Care Center)	126	110 Park City Road, Rossville, GA 30741
Maybrook-P Denver OPCO, LLC (The Gardens at Stevens)	82	400 Lancaster Avenue, Stevens, PA 17578
Maybrook-P Easton OPCO, LLC (The Gardens at Easton)	181	498 Washington Street, Easton, PA 18042
Maybrook-P Millville OPCO, LLC (The Gardens at Millville)	110	48 Haven Lane, Millville, PA 17846
Maybrook-P Orangeville OPCO, LLC (The Gardens at Orangeville)	120	200 Berwick Road, Orangeville, PA 17859
Maybrook-P Praxis OPCO, LLC (The Gardens for Memory Care at Easton)	115	500 Washington Street, Easton, PA 18042
Kadima at Lititz (Kadima Rehabilitation & Nursing at Lititz)	42	125 South Broad Street, Lititz, PA 17543
Kadima at Luzerne (Kadima Rehabilitation & Nursing at Luzerne)	37	463 N. Hunter Highway, Drums, PA 18222
Kadima at Pottstown (Kadima Rehabilitation & Nursing at Pottstown)	41	3031 Chestnut Hill Road, Pottstown, PA 19465
Kadima at Lakeside (Kadima Rehabilitation and Nursing at Lakeside)	31	245 Old Lake Road, Dallas, PA 18612
Kadima at Palmyra (Kadima Rehabilitation & Nursing at Palmyra)	39	341 North Railroad Street, Palmyra, PA 17078
Kadima at Campbeltown (Kadima Rehabilitation and Nursing at Campbeltown)	77	2880 Horseshoe Pike, Palmyra, PA 17078
Maybrook-C Briarcliff OPCO, LLC (DBA The Grove At Irwin, North Huntingdon)	120	249 Maus Drive, Irwin, PA 15642
Maybrook-C Evergreen OPCO, LLC (DBA The Grove at Harmony)	115	191 Evergreen Mill Road, Harmony, PA 16037
Maybrook-C Kade OPCO, LLC (DBA The Grove at Washington)	74	1198 W. Wylie Avenue, Washington, PA 15301
Maybrook-C Overlook OPCO, LLC (DBA The Grove at New Wilmington)	115	520 New Castle Street, New Wilmington, PA 16142
Maybrook-C Silver Oaks OPCO, LLC (DBA The Grove at New Castle)	62	715 Harbor Street, New Castle, PA 16101
Maybrook-C Whitecliff OPCO, LLC (DBA The Grove at Greenville)	154	110 Fredonia Road, Greenville, PA 16125
Maybrook-C Latrobe OPCO, LLC (The Groves at Latrobe)	107	576 Fred Rogers Drive, Latrobe, PA 15650
Lansing Gardens Rehabilitation and Care Center, LLC(DBA Rolling Hills Rehab and Care Center)	99	68222 Commercial Drive, Bridgeport, OH 43912
Garden Healthcare of Rocky River, LLC (DBA Rocky River Gardens Rehab and Nursing Center)	140	4102 Rocky River Drive, Cleveland, OH 44135
Garden Rehab and Health Care at Victorian Village, LLC (Capital City Gardens Rehabilitation and Nursing)	104	920 Thurber Drive West, Columbus, OH 43215
Mt. Airy Gardens Rehabilitation and Care Center, LLC (Mt. Airy Gardens Rehabilitation & Nursing Center)	109	2250 Banning Road, Cincinnati, OH 45239
Marysville Gardens Rehabilitation and Health Care, LLC (Prestige Gardens Rehabilitation And Nursing)	100	755 South Plum Street, Marysville, OH 43040
Fairfield Gardens Rehabilitation and Care Center, LLC (Country Lane Gardens Rehab & Nursing Ctr)	99	7820 Pleasantville Road NE, Thornville, OH 43076
Eaton Gardens Rehabilitation and Care Center, LLC (Maple Gardens Rehabilitation And Nursing Center)	100	515 South Maple Street, Eaton, OH 45320
South Hills Operations LLC (South Hills Rehabilitation And Wellness Center)	104	201 Village Drive, Canonsburg, PA 15317
Monroeville Operations LLC (Monroeville Rehabilitation And Wellness Center)	120	4142 Monroeville Blvd, Monroeville, PA 15146
Mt. Lebanon Operations LLC	121	350 Old Gilkeson Road, Pittsburgh, PA 15228
Murrysville Operations LLC	120	3300 Logan Ferry Road, Murrysville, PA 15668
Meadows at Camp Hill for Nursing and Rehabilitation LLC (The Gardens at Camp Hill)	95	46 Erford Road, Camp Hill, PA 17011
Meadows at East Mountain-Barre for Nursing and Rehabilitation LLC (The Gardens at East Mountain)	120	101 East Mountain Drive, Wilkes-Barre, PA 18702
Meadows at Gettysburg for Nursing and Rehabilitation LLC (The Gardens at Gettysburg)	102	741 Chambersburg Road, Gettysburg, PA 17325
Meadows at Harrisburg for Nursing and Rehabilitation LLC (The Gardens At Blue Ridge)	95	3625 North Progress Ave, Harrisburg, PA 17110
Meadows at Harrisburg for Personal Care LLC (DBA Personal Care at Blue Ridge)	31	3625 North Progress Ave, Harrisburg, PA 17110
Meadows at Scranton For Nursing and Rehabilitation LLC (The Gardens at Scranton)	139	824 Adams Avenue, Scranton, PA 18510
Meadows at Stroud for Nursing and Rehabilitation (The Gardens at Stroud)	127	221 East Brown Street, East Stroudsburg, PA 18301
Meadows at Summit for Nursing and Rehabilitation (The Gardens at Wyoming Valley)	120	50 N. Pennsylvania Ave., Wilkes-Barre, PA 18701
Meadows at Sunbury for Nursing and Rehabilitation LLC (Nursing and Rehabilitation at the Mansion)	70	1040-52 Market Street, Sunbury, PA 17801
Meadows at Tunkhannock for Nursing and Rehabilitation (The Gardens at Tunkhannock)	126	30 Virginia Drive, Tunkhannock, PA 18657
Meadows at West Shore for Nursing and Rehabilitation LLC (The Gardens at West Shore)	288	770 Poplar Church Road, Camp Hill, PA 17011
The Meadows at Pottsville for Nursing and Rehabilitation LLC (The Gardens At York Terrace)	80	2401 West Market Street, Pottsville, PA 17901
Pearl Valley Rehabilitation and Nursing at Sutherland, LLC	35	506 East Fourth Street, Sutherland, IA 51058
Pearl Valley Rehabilitation and Nursing at Estherville, LLC	60	2001 First Avenue North, Estherville, IA 51334
Pearl Valley Rehabilitation and Nursing at Gowrie, LLC	50	1808 Main Street, Gowrie, IA 50543
Pearl Valley Rehabilitation and Nursing at Lake Park, LLC	46	1304 South Market Street, Lake Park, IA 51347
Pearl Valley Rehabilitation and Nursing at Perry, LLC	46	2625 Iowa Street, Perry, IA 50220
Pearl Valley Rehabilitation and Nursing at Primghar, LLC	40	735 North Rerick Ave, Primghar, IA 51245
Maple Winds Healthcare and Rehabilitation, LLC	50	4112 Spring Hill Road, Portage, PA 15946
Majestic Operations, LLC (Majestic Gardens at Memphis Rehabilitation and Skilled Nursing)	169	131 N. Tucker Street, Memphis, TN 38104
Barre Gardens Nursing and Rehab, LLC	100	378 Prospect Street, Barre, VT 05641
Garden Manor Rehab and Nursing of Tulsa, LLC (Emerald Care Center Tulsa)	118	2425 South Memorial Drive, Tulsa, OK 74129
Garden Manor Rehab and Nursing of Midwest City, LLC (Emerald Care Center Midwest)	116	2900 Parklawn Drive, Midwest City, OK 73110
Garden Manor Rehab and Nursing of Southwest, LLC (Emerald Care Center Southwest)	112	5600 South Walker, Oklahoma City, OK 73109
Cheswick Rehabilitation and Wellness Center, LLC	121	3876 Saxonburg Blvd, Cheswick, PA 15024
North Strabane Rehabilitation and Wellness Center, LLC	62	100 Tandem Village Road, Canonsburg, PA 15317
North Strabane Retirement Village, LLC (North Strabane Retirement Village)	90	200 Tandem Village Road, Canonsburg, PA 15317
Premier at Perry Village for Nursing and Rehabilitation, LLC	123	213 E. Main Street, New Bloomfield, PA 17068
Premier at Susquehanna for Nursing and Rehabilitation, LLC	194	990 Medical Road, Millersburg, PA 17061
Country Meadow Care Center, LLC (Country Meadow Rehabilitation And Nursing Center)	50	4910 Algrie Road, Bellville, OH 44813
Crestline Nursing Center, LLC (Crestline Rehabilitation and Nursing Center)	30	327 West Main Street, Crestline, OH 44827
Legends Care Center, LLC (Legends Care Rehabilitation and Nursing Center)	73	2311 Nave Road SE, Massillon, OH 44646
Mount Royal Villa, LLC (The Pavilion Rehabilitation and Nursing Center)	85	13900 Bennett Road, North Royalton, OH 44133
Summit Villa Care Center, LLC (The Pinnacle Rehabilitation and Nursing Center)	75	330 Southwest Avenue, Tallmadge, OH 44278
Edgewood Manor of Westerville, LLC (Buckeye Terrace Rehabilitation and Nursing Center)	70	140 North State Street, Westerville, OH 43081
Whispering Hills Care Center, LLC (Whispering Hills Rehabilitation and Nursing Center)	44	416 Wooster Road, Mount Vernon, OH 43050
Crystal Rehab & Nursing, LLC (Brookside Rehabilitation & Healthcare Center)	81	11 Pontiac Avenue, Webster, MA 01570
Constitution Nursing and Rehabilitation Center, LLC (Belmont Lodge Health Care Center)	120	1601 Constitution Road Pueblo, CO 81001
Community Healthcare Operator Inc. (Windber Woods Senior Living & Rehabilitation Center)	81	277 Hoffman Avenue, Windber, PA 15963
Valley Manor Operations LLC (Valley Manor Rehabilitation and Care Center)	180	7650 Route 309, Coopersburg, PA 18036
Harborview Rehabilitation and Care Center at Doylestown, LLC	120	432 Maple Avenue, Doylestown, PA 18901
Keystone Nursing and Rehab of Reading, LLC (Fairlane Gardens Nursing And Rehab At Reading)	124	21 Fairlane Raod, Reading, PA 19606
Phoenixville Care, LLC (Phoenix Center for Rehabilitation and Nursing)	138	833 South Main Street, Phoenixville, PA 19460
Rosemont Care, LLC (Rosemont Care & Rehabilitation Center)	76	35 Rosemont Avenue, Rosemont, PA 19010
Stenton Care, LLC (DBA Liberty Center for Rehabilitation and Nursing)	94	7310 Stenton Avenue, Philadelphia, PA 19150
Oasis Nursing and Rehab LLC (DBA Calvert County Nursing Center)	149	85 Hospital Road, Prince Frederick, MD 20678
Emerald Care Center Claremore, LLC (Emerald Care Center Claremore)	129	2800 North Hickory Street, Claremore, OK 74017
Memory Care Center at Emerald, LLC (Memory Care Center At Emerald)	60	2700 North Hickory Street, Claremore, OK 74017
Southview Operations, LLC (Southview Acres Healthcare Center)	231	2000 Oakdale Avenue, West St. Paul, MN 55118
Columbus Operations LLC (Emerald Rehab & Nursing Columbus)	145	2855 40th Avenue, Columbus, NE, 68601
Cozad Operations LLC (Emerald Nursing & Rehab Cozad)	67	318 W 18th Street, Cozad, NE, 69130
Omaha Operations LLC (Emerald Nursing & Rehab Omaha)	95	5505 Grover Street, Omaha, NE, 68106
Grand Island Lakeview Operations LLC (Emerald Nursing & Rehab Lakeview)	64	1405 W Us Highway 34, Grand Island, NE, 68801
Scottsbluff Operations LLC (Monument Rehabilitation And Care Center)	155	111 W 36th Street, Scottsbluff, NE, 69361

Nebraska City Operations LLC (Prestige Care Center of Nebraska City)	111 1420 N 10th Street, Nebraska City, NE, 68410
Plattsmouth Operations LLC (Prestige Care Center Of Plattsmouth)	160 602 S 18th Street, Plattsmouth, NE, 68048
Jaffrey Rehabilitation and Nursing Center, LLC	83 20 Plantation Drive, Jaffrey, NH 03452
Fitchburg Rehabilitation and Nursing Center, LLC	87 94 Summer Street, Fitchburg, MA 01420
Chicopee Rehabilitation and Nursing Center, LLC	68 44 New Lombard Rd, Chicopee, MA 01020
Forest City Nursing and Rehab Center	136 915 Delaware Street, Forest City, Pennsylvania 18421
Jefferson Hills Rehabilitation and Wellness Center LLC(Lawson)	50 540 Coal Valley Road, Jefferson Hills, PA
Randallstown Nursing and Rehab LLC (DBA Chapel Hill Nursing Center)	63 4511 Robosson Road, Randallstown, MD 21133
Cherry Hill For Nursing And Rehabilitation[Hope Healthcare Center] (DBA Cherry Hill for Nursing and	120 38410 Cherry Hill Road, Westland, MI 48185
Casper Opco LLC (Casper Mountain Rehabilitation and Care Center)	120 4305 South Poplar, Casper, WY 82601
Shady Nook	94 36 Valley Drive, Lawrenceburg, IN 47025
Eim Ridge LLC (DBA Bella Terrace) [Formerly: Isabella Ridgway Nursing Center]	100 1520 Hawthorne Avenue, Columbus, OH 43203
Wyndmoor SNF Operating Company LLC (DBA Wyndmoor Hills Rehabilitation and Nursing Center)	77 8601 Stenton Avenue, Wyndmoor, PA 19038
Wyndmoor Assisted Living Company LLC(DBA Springfield Senior Living Community)	90 551 E Evergreen Avenue, Wyndmoor, PA 19118
Twining	354 280 Middle Holland Road, Holland, PA 18966
Cathedral Nursing and Rehab LLC	65 520 West 9th Street Jasper, IN 47546
Chesterton Manor Nursing and Rehab LLC	100 110 Beverly Dr. Chesterton, IN 46304
Cloverleaf Nursing and Rehab LLC	102 9325 N. Crawford St. Knightsville, IN 47857
Colonial Nursing and Rehabilitation LLC	55 119 N. Indiana Ave. Crown Point, IN 46307
Kendallville Nursing and Rehab LLC	60 1802 E. Dowling St. Kendallville, IN 46755
Oak Village Nursing and Rehabilitation LLC	50 200 West 4th Street P.O. Box 270Oaktown, IN 47561
River Terrace Re Nursing and Rehab LLC	139 400 Caylor Blvd.Bluffton, IN 46714
Silver Memories Nursing and Rehab LLC	29 6996 US 421Versailles, IN 47042
Warsaw Meadows Nursing and Rehab LLC	80 300 E. Prairie St. Warsaw, IN 46580
Woodland Nursing and Rehab LLC	80 343 S. Nappanee St. Elkhart, IN 46514
Yorktown Nursing and Rehab LLC	100 2000 S. Andrews Rd Yorktown, IN 47396
Bennington Health and Rehab Center	91 2 Blackberry Lane Bennington, VT 05201
Berlin Health & Rehab Center	115 98 Hospitality Dr, Bare, VT
St. Johnsbury Health & Rehab	95 1248 Hospital Drive, St. Johnsbury, VT
Springfield Health & Rehab Center	99 105 Chester Road, Springfield, VT
Burlington Health & Rehab Center	126 300 Pearl Street, Burlington, VT
Clover Meadows	100 112 Franklin Corner Rd. Lawrenceville, NJ 08648
Hendricks County Hospital D/B/A River Bend Nursing and Rehabilitation Center [Formerly: Pine Haven]	113 3400 Stocker Drive, Evansville, Indiana 47720
Leominster Rehabilitation and Nursing Center LLC	106 44 keystone drive leomsinter MA 01453
Wachusett Rehabilitation and Nursing Center LLC	94 32 hospital hill road gardner MA 01440
Heritage Lakeside	104 1016 Lakeshore Dr, Rice Lake, WI 54868
Fountain West Health Center	196 1501 Office Park Road, West Des Moines, IA 50265

**Due Diligence Request List**

**1. General and Corporate Governance**

1. Organizational documents for Seller, and all amendments thereto, including Certificate of Incorporation/Formation and By-Laws/Operating or LLC Agreement.

**2. Licensure and Regulatory**

1. All certificates, certificates of need, licenses, permits, approvals, or applications currently held or pending approval for the use and operation of all businesses operated by Seller.
2. Copies of any reports or other documentation regarding resident incidents that have resulted, or could reasonably be expected to result, in litigation (or threats of litigation) and/or a claim or report to Seller's insurer(s) or applicable regulatory agencies.
3. Survey history – 3 years.
4. All correspondence related to any admission bans, payment bans, threatened decertification or CMP's within the last 18 months.

**3. Employee Matters; Benefits and Pension Plans**

5. Occupational Safety and Health Administration ("OSHA") records, including but not limited to, any notice of a violation with respect to OSHA laws or regulations.
6. List any understanding EEO/Civil Rights/Wage and Hour/OSHA charges or employment litigation.
7. Current compensation data (in excel format) for all staff with the following information:
  - i) Name
  - ii) Date of hire
  - iii) Position
  - iv) Pay rate
  - v) Status: Full Time or Part Time
  - vi) Weekly Hours

8. Summary of benefit plans: medical, dental, vision, pharmacy, group life, supplemental life, and supplemental disability programs:
  - i) Summary Plan Description with carrier name and plan detail;
  - ii) Employer/Employee premium totals and splits;
  - iii) How many employees are enrolled in each type and line of coverage, as well as by benefit options (single, ee+1, family, etc.);
9. Description of 401k or other retirement or pension benefits:
  - i) Summary Plan Description with carrier name and plan detail;
  - ii) Employer contributions or matching program details.
10. Last 2 years EEO-1 reports.
11. Copy of last 3 union contracts if there is a union

#### **4. Real Estate Matters**

1. A list of all properties, including all owned and leased facilities, real estate, and related operations, together with all certificates of occupancy.
2. Describe any known problems relating to compliance with the Environmental Statutes. Include a discussion of any violations of such laws and regulations by the Seller, the actions taken to cure such violations and the results thereof. "Environmental Statutes" includes, but is not limited to: (a) the Clean Air Act; (b) the Resource Conservation and Recovery Act (also known as "RCRA"); (c) the Comprehensive Environmental Response Compensation and Liability Act (including, without limitation, Titles I and III) (also known as "CERCLA"); (d) the Toxic Substances Control Act; (e) the Federal Water Pollution Control Act; (f) Occupational Safety and Health Act; (g) any and all equivalent state statutes; and (h) the regulations implementing the foregoing statutes and similar state and local statutes, regulations, laws, and ordinances.

#### **5. Litigation and Other Proceedings**

1. Descriptions of any litigation or proceeding currently pending or threatened against Seller, any Qui Tam/whistleblower suits, suits brought pursuant to the Federal False Claims Act or similar state acts and any pending, threatened or past actions, administrative proceedings, settlements, arbitrations or lawsuits brought by any governmental or other third-party payor. The proceeding shall include, but shall not be limited to, medical staff disciplinary proceedings, employee lawsuits or arbitrations or employee allegations of Equal Employment Opportunity Commission (also known as "EEOC") or OSHA violations, and claims for professional negligence or deficient quality of care.

2. Descriptions of any criminal or civil penalties, sanctions, or exclusions, termination or suspension from government programs imposed by any public or private payor, or by any federal or state government agency.
3. Copies of citations or notices (including notices of violation or notices of deficiencies) from government agencies received in the past three years.
4. Descriptions of any inquiries, investigations, audits or examinations (including any threatened or reasonably foreseeable recoupments of money paid to Seller) from any state or federal professional or licensing agencies, governmental and third party payors, fiscal intermediaries or carriers, including, but not limited to, relating to Medicaid/Medicare fraud and abuse and any Medicare Part A or Part B probes, with descriptions of any correspondence received from the OIG, the State Department of Health, the State Office of the Medicaid Inspector General, the State Attorney General, or from other investigative or prosecutorial body.
5. Descriptions of any notices of termination of contracts with managed care organizations or other private payors.
6. Descriptions of all consent decrees, judgments, other decrees or orders, settlement agreements and other agreements to which Seller is a party or is bound.

**6. Contracts**

1. All other contracts, of any nature, with persons or entities who or which provide ancillary services with an aggregate annual contract value of at least ten thousand dollars (\$10,000.00).

**7. Financials**

1. Copies of any outstanding Medicaid case-mix-audit or Medicare appeals taken in the last 6 years
2. Facility Financial Statements (income and expense) and audited statements for the last three years as well as monthly, detailed, data in excel format for the last 4 years
3. Any correspondence with the Federal or State Fiscal Intermediary for all open periods, including settlement letters, pending NPR's, etc.
4. Summary of rates and copies of any managed care, VA and other insurance contracts.
5. Sample of resident contracts in effect

6. List of all residents who do not have a payer source, are illegal aliens or within penalty of transfer of assets.
7. List of fixed assets, machinery, equipment and vehicles (whether owned, leased, or used by the Seller), giving for each material asset or group of assets cost, original cost, date acquired, serial numbers, depreciation reserve, method of depreciation, insured value, estimated remaining useful life, condition suitability for use, and (if available) appraised value.

**8. Physical Plant/Capital Expenditures Items needed prior to signed purchase agreement**

1. Summary of capital expenditures including building improvements and additions/replacements to furniture, fixtures and equipment during past three years (fixed asset lapsing schedule).
2. Schedule of leased equipment/assets
3. Most recent life safety code surveys.
4. Summary of any life safety code waivers.
5. Copies of any violations or correspondence regarding any potential violations of building code or insurance requirements.
6. Copies of any correspondence or notices regarding violations or enforcement of environments laws or regulations affecting the facility (including any correspondence or notices regarding any neighboring or adjacent sites).
7. Copy of any license or permits required by local, state, or federal entities relating to the physical plant or real property (i.e. Health departments, EPA etc.).

**9. Insurance/Risk Management**

1. Copies of all insurance certificates – incl. coverage occurrence or claims made.
2. Loss runs for last 3 years for each of the above insurance types (with such detail as Purchaser may reasonably request for any losses exceeding \$50,000 during such period).
3. A list of all open GL/PL claims.
4. Facility CLIA certificates.

iii. Comprehensive Care Capital

November 19, 2021

Retirement Housing Foundation

Re: Acquisition of Nationwide Portfolio

We are pleased to present this letter of intent (“**Letter of Intent**”) to set forth the following primary business terms and conditions under which we are interested in pursuing acquisition of Assets (as defined herein) relating to the Skilled Nursing, Assisted Living, Memory Care, & Independent Living Facilities set forth on **Exhibit A** attached hereto (altogether referred to as the “**Facilities**”).

**Assets** All assets, including the real estate, improvements, FF&E and other items of personal property, and other tangible and intangible assets, relating to the ownership and operation of the Facilities.

**Seller; Purchaser** The entity or entities currently holding title to the Assets shall be referred to herein as the “**Seller**”. A new entity formed to purchase the Assets shall be referred to herein as the “**Purchaser**”.

**Old Operator; New Operator** The entity or entities currently holding licensure to operate the Facilities shall be referred to herein as the “**Old Operator**”. Upon acquisition of the Assets, Purchaser intends to lease the same to an affiliated entity or entities, which shall be referred to herein as the “**New Operator**”.

**APA; OTA; Purchase Price** Purchaser and Seller shall enter into an asset purchase agreement (“**APA**”) for acquisition of the Assets. The Purchase Price pursuant to the APA shall be an amount equal to \$200,000,000.00, to be paid by Purchaser at Closing in cash or immediately available funds. At or around the same time of the execution of the APA, the Old Operator and New Operator shall enter into an operation transfer agreement (the “**OTA**”) which shall contain provisions pertaining to the transition of the operations.

**Earnest Money** Within three (3) business days following mutual execution of the APA, Purchaser shall deposit as earnest money toward the payment of the Purchase Price an amount equal to \$1,000,000.00

(the “**Earnest Money**”), and the Earnest Money shall become non-refundable after the Due Diligence Period (as defined hereunder), subject to satisfaction of customary closing conditions of Purchaser provided in the APA. The Earnest Money shall be held in a strict joint order escrow in an interest-bearing account (such interest shall accrue for the benefit of Purchaser) by Madison Title Company. The earnest money shall be deemed non-refundable at the end of the due diligence period subject to specific provisions set forth in the APA.

### **Due Diligence**

Within five (5) days of following mutual execution of this Letter of Intent, Purchaser shall provide their initial list of documents and materials (the “**Due Diligence Materials**”) requested in connection with their review of the Assets and Seller shall provide the Due Diligence Materials as well as any other materials reasonably requested by Purchaser within ten (10) days thereafter. Purchaser shall have until the date that is sixty (60) days following mutual execution of the APA to complete their due diligence review of the Assets (the “**Due Diligence Period**”).

### **Closing**

The closing (“**Closing**”) of the transactions contemplated hereunder shall take place, subject to receipt of applicable regulatory approvals (change of ownership for skilled nursing/assisted living licensure through governmental and other local/municipal permits as required) (“**Approvals**”) and other customary closing conditions under the APA and OTA, on the first day of the first month that is no more than sixty (60) days following expiration of the Due Diligence Period. It is expressly understood that Purchaser’s receipt of all necessary Approvals shall be a condition to Closing.

Seller shall bear the cost to record any instrument to clear Seller’s title, the cost of Title Policy, ALTA land survey and state specific transfer taxes. Seller shall pay all other costs and fees customarily paid by Seller in a real estate sale transaction in the counties in which the Facilities are located in. Purchaser shall pay all other costs and fees customarily paid by Purchaser in a real estate sale transaction in the counties in which the Facilities are in.

Purchaser and Seller shall prorate for real estate taxes based upon customary practice in the counties in which the Facilities are located based on the most recent ascertainable real estate tax year. The real estate taxes shall be apportioned at Closing between periods prior to Closing and periods following Closing, which apportionment shall be adjusted and applied towards the Purchase Price. If necessary, this apportionment shall be trued up upon

receipt of real estate assessment post-closing. Purchaser and Seller shall be responsible for their own attorneys, advisors, brokers, lender fees and consultants in connection with closing the transaction.

Following mutual execution of this Letter of Intent, Purchaser shall direct its attorneys to prepare drafts of the APA and OTA, which shall incorporate the terms provided herein, and such other matters as are mutually agreeable to the parties.

Exclusivity; No Solicitation

After this Letter of Intent has been executed by the parties, Seller agrees to withdraw the Assets from the market and to negotiate from the date hereof in good faith exclusively with Purchaser in order to reach an agreement on the transactions contemplated hereby, for a period of sixty (60) days. During such time Seller agree not to utilize this Letter of Intent to solicit other offers or to modify, renegotiate or otherwise improve the terms and conditions of any other offer heretofore or hereafter received by Seller.

This Letter of Intent summarizes some of the business points relating to the transaction described above, it being understood that other material terms of the proposed transaction are not yet agreed upon and still must be agreed upon to the mutual satisfaction of the parties. Therefore, except for the Exclusivity; No Solicitation provisions hereof, it is understood that (i) no liabilities or obligations are intended to be created by this Letter of Intent or the consent by the parties hereto; (ii) this Letter of Intent is not intended to constitute a legally binding agreement to consummate the transaction contemplated hereby or to enter into a legally binding agreement; and (iii) no binding obligation will be created unless and until a written agreement evidencing such obligation is duly executed and delivered by the parties.

This Letter of Intent supersedes and cancels all prior understandings between the parties, if any, and may be executed in two or more counterparts, each of which shall constitute an original, but when taken together all such counterparts shall constitute but one Letter of Intent, and either party may execute this Letter of Intent by executing any one or more of such counterparts.

*[Signature Page Follows]*

If the foregoing terms are acceptable, please direct Seller and Old Operator to countersign this Letter of Intent and return a fully executed copy to our attention.

Sincerely,

**PURCHASER:**

COMPREHENSIVE CARE CAPITAL  
on behalf of Purchaser

*Mark Eis*

\_\_\_\_\_  
Mark Eis, Director of Business Development - Acquisitions

**AGREED TO AND ACCEPTED BY SELLER AND OPERATOR THIS \_\_\_ DAY  
OF \_\_\_\_\_, 2021:**

\_\_\_\_\_  
\_\_\_\_\_, on behalf of Seller and Old Operator

**EXHIBIT A**

Community Name	City, State	Bed/Unit Count				
		IL	AL	MC	SNF	Total
<b>Subset A: California</b>						
Auburn Ravine Terrace	Auburn, CA	107	22	0	59	<b>188</b>
Bixby Knolls Towers	Long Beach, Ca	168	54	0	99	<b>321</b>
Gateway and Gateway Gardens	Poway, CA	133	66	0	0	<b>199</b>
Gold Country Retirement Community	Placerville, CA	150	36	0	68	<b>254</b>
Mayflower Gardens Convalescent Hospital	Lancaster, CA	0	0	0	48	<b>48</b>
Pioneer House	Sacramento, CA	47	41	0	49	<b>137</b>
Plymouth Square	Stockton, CA	52	29	0	38	<b>119</b>
Sun City Gardens	Sun City, CA	127	48	17	0	<b>192</b>
<b>Subset B: Midwest</b>	<b>Total</b>	<b>784</b>	<b>296</b>	<b>17</b>	<b>361</b>	<b>1458</b>
Colonial Heights and Gardens	Florence, KY	179	61	9	0	<b>249</b>
DeSmet Retirement Community	Florissant, MO	55	29	0	0	<b>84</b>
St. Catherine Retirement Community	Florissant, MO	85	0	0	0	<b>85</b>
Westminster Village Kentuckiana	Clarksville, IN	162	94	0	94	<b>350</b>
<b>Subset C: Southeast</b>	<b>Total</b>	<b>481</b>	<b>184</b>	<b>9</b>	<b>94</b>	<b>768</b>
Bishop's Glen Retirement Center	Daytona Beach, FL	191	104	0	60	<b>355</b>
The Cloisters	Deland, FL	236	36	0	0	<b>272</b>
Courtenay Springs Village	Merritt Island, FL	154	0	0	96	<b>250</b>
The Carolinian	Florence, SC	109	38	0	0	<b>147</b>
	<b>Total</b>	<b>690</b>	<b>178</b>	<b>0</b>	<b>156</b>	<b>1024</b>
	<b>Total Portfolio</b>	<b>1955</b>	<b>658</b>	<b>26</b>	<b>611</b>	<b>3250</b>

**5) The applicant's prior two annual audited financial statements:**

- a. Retirement Housing Foundation Obligated Group – Combined Financial Statements and Supplementary Information for Years Ended September 30, 2021 and 2020
- b. Retirement Housing Foundation Obligated Group – Combined Financial Statements and Supplementary Information for Years Ended September 30, 2020 and 2019
- c. Congregational Church Retirement Community (Auburn Ravine) Audited Financials for Years Ended November 30, 2021 and 2020
- d. Congregational Church Retirement Community (Auburn Ravine) Audited Financials for Years Ended November 30, 2020 and 2019
- e. Cathedral Pioneer Church Homes (Pioneer House) Audited Financial Statements for Years Ended September 30, 2020 and 2019
- f. Cathedral Pioneer Church Homes (Pioneer House) Audited Financial Statements for Years Ended September 30, 2019 and 2018

- a. Retirement Housing Foundation Obligated Group – Combined Financial Statements and Supplementary Information for Years Ended September 30, 2021 and 2020.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP**

**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**



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**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Retirement Housing Foundation  
Obligated Group  
Long Beach, California

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of Retirement Housing Foundation Obligated Group (the Obligated Group), which comprise the combined balance sheets as of September 30, 2021 and 2020, the combined statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. The audit for the year ended September 30, 2021, was also performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Obligated Group's preparation and fair presentation of the combined 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 Obligated Group'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 combined financial statements.

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

***Basis for Qualified Opinion***

As discussed in Note 1 to the combined financial statements, certain affiliates of the Obligated Group are not reported in these combined financial statements. In our opinion, accounting principles generally accepted in the United States of America require that certain affiliates be accounted for as consolidated subsidiaries. If the combined financial statements of certain affiliates had been consolidated with those of the Obligated Group, total assets and total liabilities would be increased by \$1,763,874,679 and \$1,216,997,087, respectively, as of September 30, 2021 and \$1,737,546,334 and \$1,237,298,612, respectively as of September 30, 2020, and the change in net assets without donor restrictions would be decreased by \$26,003,995 and \$19,962,206, respectively, for the years then ended.

***Qualified Opinion***

In our opinion, except for the effects of not consolidating certain material affiliates, as described in the basis for qualified opinion paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Obligated Group as of September 30, 2021 and 2020, and the results of its operations, changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2022, on our consideration of the Obligated Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Obligated Group's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Obligated Group's internal control over financial reporting and compliance.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary combining financial statements are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information noted in the preceding paragraph, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 22, 2022

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINED BALANCE SHEETS  
SEPTEMBER 30, 2021 AND 2020**

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 23,324,638	\$ 30,743,147
Accounts Receivable, Net	3,971,531	4,113,183
Current Portion of Investments	14,940,257	28,301,561
Prepaid Expenses and Other Current Assets	1,678,970	1,716,968
Current Portion of Assets Limited as to Use	<u>5,866,469</u>	<u>5,783,926</u>
Total Current Assets	49,781,865	70,658,785
<b>ASSETS LIMITED AS TO USE</b>		
Trustee Held Funds	11,698,000	12,638,592
Resident/Tenant Deposits	<u>608,002</u>	<u>606,504</u>
Total Assets Limited as to Use	12,306,002	13,245,096
Less: Current Portion Shown Above	<u>(5,866,469)</u>	<u>(5,783,926)</u>
Total Noncurrent Assets Limited as to Use	6,439,533	7,461,170
<b>PROPERTY AND EQUIPMENT</b>		
Land	6,198,351	6,198,351
Land Held for Development or Sale	1,031,935	1,031,935
Buildings and Improvements	153,678,256	145,798,095
Furniture and Equipment	41,168,799	40,535,324
Construction in Progress	<u>10,097,560</u>	<u>11,639,955</u>
Total Property and Equipment	212,174,901	205,203,660
Less: Accumulated Depreciation	<u>(125,590,509)</u>	<u>(120,414,115)</u>
Total Property and Equipment, Net	86,584,392	84,789,545
<b>OTHER ASSETS</b>		
Advances to Affiliates, Net	58,157,268	54,325,674
Investments	32,508,336	17,948,391
Other Assets	<u>11,553</u>	<u>11,553</u>
Total Other Assets	<u>90,677,157</u>	<u>72,285,618</u>
 Total Assets	 <u><u>\$ 233,482,947</u></u>	 <u><u>\$ 235,195,118</u></u>

See accompanying Notes to Combined Financial Statements.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINED BALANCE SHEETS (CONTINUED)  
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 5,243,167	\$ 5,099,829
Accounts Payable	4,871,067	4,166,723
Accrued Expenses	10,485,302	10,854,830
Accrued Interest	1,202,962	1,258,130
Deferred Grant Revenue	-	214,108
Total Current Liabilities	21,802,498	21,593,620
 <b>OTHER LIABILITIES</b>		
Unearned Revenue	731,225	726,849
Tenant Deposits	300,512	310,486
Long-Term Debt and Bond Premium, Net of Current Maturities and Deferred Financing Costs	78,269,816	84,618,185
Risk Retention Liability	20,937,042	20,819,983
Total Other Liabilities	100,238,595	106,475,503
 <b>Total Liabilities</b>		
	122,041,093	128,069,123
 <b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	111,441,854	107,125,995
Total Liabilities and Net Assets	\$ 233,482,947	\$ 235,195,118

See accompanying Notes to Combined Financial Statements.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Resident Services Revenue	\$ 83,305,922	\$ 93,207,363
Management Fees	13,660,294	13,599,652
Development Income	1,630,545	689,752
Interest Income, Net	990,347	1,351,426
Distributions from Unconsolidated Affiliates, Net	19,968,762	9,457,275
Grant Revenue	1,002,788	3,307,210
Other	415,662	512,831
Total Operating Revenues	<u>120,974,320</u>	<u>122,125,509</u>
<b>OPERATING EXPENSES</b>		
Payroll Related Expenses	69,300,233	71,258,325
Dietary Expense	5,403,506	5,551,964
Utilities	6,041,516	5,888,462
Other Administrative	1,937,441	1,865,826
General Insurance	3,022,497	2,797,570
Interest and Other Finance Costs	3,410,355	3,007,313
Depreciation	5,224,054	5,042,444
Other Operating Expenses	14,583,068	16,328,863
Total Operating Expenses	<u>108,922,670</u>	<u>111,740,767</u>
<b>OPERATING INCOME</b>	12,051,650	10,384,742
<b>NONOPERATING GAIN (LOSS)</b>		
Nonrecoverable Expenses	(6,760,000)	(2,805,000)
Loss on Disposal of Property and Equipment	(125,757)	(729,327)
Unrealized Gain on Investments	354,268	344,187
Total Nonoperating Loss	<u>(6,531,489)</u>	<u>(3,190,140)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	5,520,161	7,194,602
<b>TRANSFER OF NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>(1,204,302)</u>	<u>(1,506,379)</u>
<b>TOTAL CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	4,315,859	5,688,223
Net Assets Without Donor Restrictions - Beginning of Year	<u>107,125,995</u>	<u>101,437,772</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	<u><u>\$ 111,441,854</u></u>	<u><u>\$ 107,125,995</u></u>

See accompanying Notes to Combined Financial Statements.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total Change in Net Assets Without Donor Restrictions	\$ 4,315,859	\$ 5,688,223
Transfer of Net Assets Without Donor Restrictions	1,204,302	1,506,379
Adjustments to Reconcile Total Change in Net Assets Without Donor Restrictions to Net Cash Provided by Operating Activities:		
Depreciation	5,224,054	5,042,444
Interest Expense - Debt Issue Costs	126,726	126,725
Amortization of Bond Premium	(1,240,613)	(1,296,343)
Unrealized Gain on Investments	(354,268)	(344,187)
Loss on Disposal of Property and Equipment	125,757	729,327
Changes in Operating Assets and Liabilities:		
Accounts Receivable	141,652	137,080
Prepaid Expenses and Other Current Assets	37,998	(459,966)
Accounts Payable	704,344	1,254,500
Accrued Expenses	(369,528)	267,863
Accrued Interest	(55,168)	(48,482)
Deferred Grant Revenue	(214,108)	214,108
Tenant Deposits and Unearned Revenue	(5,598)	174,996
Risk Retention Liability	117,059	435,067
Net Cash Provided by Operating Activities	9,758,468	13,427,734
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(7,144,658)	(11,181,244)
Net Change in Investments	(2,048,675)	3,382,916
Net Change in Assets Limited as to Use	1,562,590	(3,085,288)
Net Change in Advances to Affiliates	(3,831,594)	(3,562,740)
Net Cash Used by Investing Activities	(11,462,337)	(14,446,356)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(5,091,144)	(5,026,838)
Net Cash Used by Financing Activities	(5,091,144)	(5,026,838)
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(6,795,013)	(6,045,460)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	37,154,296	43,199,756
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 30,359,283	\$ 37,154,296
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR PER THE COMBINED BALANCE SHEETS TO THE COMBINED STATEMENTS OF CASH FLOWS</b>		
Cash and Cash Equivalents	\$ 23,324,638	\$ 30,743,147
Cash Portion of Assets Limited as to Use	7,034,645	6,411,149
Cash, Cash Equivalents, and Restricted Cash - End of Year per Combined Statements of Cash Flows	\$ 30,359,283	\$ 37,154,296
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 3,691,639	\$ 3,847,128

See accompanying Notes to Combined Financial Statements.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Retirement Housing Foundation (RHF) is a California nonprofit corporation which sponsors or co-sponsors and manages, through itself and affiliated corporations, affordable and market rate housing, skilled nursing and assisted living services for senior adults, low-income families, and persons with disabilities throughout the United States. The following entities and divisions are included in these combined financial statements:

- Retirement Housing Foundation
- Foundation Property Management, Inc.
- Bixby Knolls Towers, Inc.
- Bixby Knolls Health Care and Rehabilitation Center
- Gold Country Health Center, Inc.
- Gold Country Retirement Center
- Mayflower Gardens Health Facilities, Inc.
- Mayflower RHF Housing, Inc.
- Sun City RHF Housing, Inc.
- Holly Hill RHF Housing, Inc. dba: Bishop's Glen
- Merritt Island RHF Housing, Inc. dba: Courtenay Springs Village
- Yellowwood Acres, Inc. dba: Westminster
- Westminster Healthcare Center
- Bluegrass RHF Housing, Inc. dba: Colonial Heights
- Colonial Gardens
- St. Catherine RHF Housing, Inc.
- DeSmet RHF Housing, Inc.

Hereinafter, the foregoing organizations are collectively referred to as the Obligated Group. All significant intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

Information concerning the Obligated Group members, other than RHF as detailed above, is as follows:

*Foundation Property Management, Inc.* (FPM) manages substantially all the RHF-controlled nonprofit facilities (including those listed below) under approved management agreements.

*Bixby Knolls Towers, Inc. dba: Bixby Knolls* consists of Bixby Knolls Towers, Inc., and Bixby Knolls Healthcare & Rehabilitation Center, which owns and operates a multilevel retirement facility in Long Beach, California, containing 168 independent senior apartment units, 53 assisted living units and a licensed 99-bed skilled nursing facility in two high rise buildings.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Organization (Continued)**

*Gold Country Health Center, Inc. dba: Gold Country* consists of Gold Country and Gold Country Retirement Center, which owns and operates a multilevel retirement facility in Placerville, California containing 150 independent senior apartment units, 36 assisted living units, and licensed 68-bed skilled nursing facility.

*Mayflower Gardens Health Facilities, Inc. dba: Mayflower Health Center* owns and operates a skilled nursing facility in Lancaster, California containing a licensed 48-bed skilled nursing facility.

*Mayflower RHF Housing, Inc. dba: Mayflower Gardens* owns and operates a retirement facility located adjacent to Mayflower Gardens Health Facilities, Inc. containing 501 independent senior apartment units.

*Sun City RHF Housing, Inc. dba: Sun City Gardens* owns and operates a retirement facility in Sun City, California containing 127 independent senior apartment units, 48 assisted living units and 17 dementia units.

*Holly Hill RHF Housing, Inc. dba: Bishop's Glen* owns and operates a multilevel retirement facility in Holly Hill, Florida, containing 191 independent senior apartment units, 104 assisted living units and a licensed 60-bed skilled nursing facility.

*Merritt Island RHF Housing, Inc. dba: Courtenay Springs Village* owns and operates a multilevel retirement facility in Merritt Island, Florida, consisting of 154 independent senior apartment units and a licensed 96-bed skilled nursing facility.

*Yellowwood Acres, Inc. dba: Westminster* consists of Westminster Village and Westminster Healthcare Center, which owns and operates a multilevel retirement facility in Clarksville, Indiana, consisting of 162 independent senior apartment units, 94 assisted living units and a licensed 94-bed skilled nursing facility.

*Bluegrass RHF Housing, Inc. dba: Colonial Heights and Colonial Gardens* own and operate a multilevel retirement facility in Florence, Kentucky, consisting of 179 independent senior apartment units, 61 assisted living units and 9 dementia units.

*St. Catherine RHF Housing, Inc.* owns and operates a retirement community in Florissant, Missouri, containing 85 independent living units.

*DeSmet RHF Housing, Inc.* owns and operates a multilevel retirement community in Florissant, Missouri, consisting of 55 independent living units and 29 assisted living units.

**Principles of Combination**

The combined financial statements include all the accounts of the Obligated Group including all of the related parties identified above.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
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SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Combination (Continued)**

Accounting principles generally accepted in the United States of America (GAAP) require the Obligated Group to consolidate or combine certain of the aforementioned affiliated entities. However, management of the Obligated Group believes that, for its general-purpose combined financial statement needs, the combination of such affiliated entities would not present a meaningful set of combined financial statements. Specifically, these combined financial statements reflect the “management” operations of the Obligated Group. The affiliated entities that management has chosen not to combine or combine are the operating facilities that RHF (a member of the Obligated Group) manages.

The Obligated Group accounts for its advances made to such affiliated entities at cost and has elected not to consolidate the aforementioned affiliated entities. Had the accounts of such affiliates been combined with those of the Obligated Group, the combined balance sheets, and the related combined statements of activities, changes in net assets and cash flows, and the footnotes related thereto, would have reflected material additional information that would affect the reader’s understanding of the combined financial position and the combined changes in net assets and cash flows of the Obligated Group. Therefore, these combined financial statements are not prepared in accordance with GAAP.

Certain controlled subsidiaries and affiliates of RHF are not members of the Obligated Group and thus are not reflected in the accompanying presentation. As a result, these combined financial statements are not intended to be a complete presentation of the combined financial statements of RHF and its subsidiaries.

The properties controlled or managed by RHF are divided into two groups. The first group “affordable housing” consists of approximately 162 facilities providing low- and moderate-income apartments for senior adults, for those with special needs and for families. RHF and its nonprofit affiliates control 161 of these facilities. Either community-based nonprofits or partnerships, which have contracted for management with RHF affiliates, own the balance of the facilities.

Most of the low-and-moderate income facilities are financed with grants or loans from, or mortgage loans insured by, the United States Department of Housing and Urban Development (HUD) under programs including Section 202, 221(d)(4), 231 and 236. In addition, a majority of these projects receive Housing Assistance Payments (HAP) under contracts with HUD. For the years ended September 30, 2021 and 2020, these payments from HUD represented approximately 59% and 58%, respectively, of total revenues for those facilities. Properties that do not have HAP contracts receive other types of subsidies or have been financed through the Federal Low-Income Housing Tax Credit (LIHTC) Program or other governmental programs for affordable housing projects.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Combination (Continued)**

With respect to each controlled HUD property, either RHF is the sole member of a single purpose nonprofit corporation formed to own the facility, or it has the power to appoint and remove a majority of the directors. The debt, if any, on these facilities is nonrecourse with respect to the Obligated Group. With respect to each partnership property, RHF or an affiliate is a general partner in a single purpose partnership that controls and manages the facility. The debt on the partnership facilities is also nonrecourse with respect to the Obligated Group. Because of applicable laws, regulations, or contracts restricting distributions, in most cases, RHF itself does not have access to the funds or other assets of the low and moderate income housing portfolio, other than through management fees and other contractual distributions paid to RHF or its subsidiaries.

Twenty-one (21) “market rate” projects comprise the other group of RHF facilities. These facilities do not have HUD financing or LIHTC equity and are not subject to accompanying regulatory restrictions, nor, with limited exceptions, do the properties have rental assistance payments available to residents. A single purpose nonprofit corporation, of which RHF is the sole member, owns each of these facilities, with the exception of one project, in which the skilled nursing facility and the housing facilities are owned by separate single purpose corporations – Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc. RHF classifies as “market rate” all of the entities and divisions in the Obligated Group, other than RHF and FPM.

The affiliated owners of fifteen (15) of RHF’s market rate projects are included in the Obligated Group. The five (5) market rate facilities whose affiliated owners are not members of the Obligated Group are: The Carolinian in Florence, South Carolina; The Gateway in Poway, California which consists of The Gateway and Gateway Gardens; The Cloisters in Deland, Florida; Plymouth Square in Stockton, California, and Pioneer House in Sacramento, California.

The following is a summary of affiliated entities, which are not combined in the financial statements:

<u>Entity Classification</u>	<u>Number of Entities</u>
Nonprofit Single-Purpose Entities Owned and Receiving Government Subsidy, Currently in Operations	121
Nonprofit Healthcare Facilities Owned, Currently in Operation	6
Nonprofit Corporate Entities Owned	2
Forprofit Corporate Entities Owned	4
Nonprofit Properties Owned, Managed by Others	14
Partnerships Controlled by a Nonprofit General Partner in Operation (Ownership Interest Ranging from .01% to 16.9%)	40
Properties Managed for Third-Party Owners	1
Nonprofit Properties Owned, Currently in Development	2
Total Entities Not Combined	<u>190</u>

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Combination (Continued)**

The unaudited combined financial information of the entities that RHF is either the sole or controlling member (not covered by the independent auditors' report) at September 30, 2021 and 2020 is presented below. This information excludes one facility managed for third-party owners (in thousands).

	2021 (Unaudited)	2020 (Unaudited)
Total Assets	\$ 1,763,875	\$ 1,737,546
Total Liabilities	1,216,997	1,237,299
Net Assets	<u>\$ 546,878</u>	<u>\$ 500,247</u>
Unrestricted Revenues	\$ 238,250	\$ 235,012
Unrestricted Expenses	264,254	254,975
Change in Net Assets	<u>\$ (26,004)</u>	<u>\$ (19,963)</u>

Refer to the Notes that follow as they relate to advances to (from) affiliates, guarantees of debt of certain affiliates and other related party transactions, respectively.

The Obligated Group provides a variety of services to the aforementioned affiliated entities, including, but not limited to, financing arrangements, management, consulting, and administrative services. The Obligated Group receives fees for all such services provided.

**Tax-Exempt Status**

All the organizations that comprise the Obligated Group qualify as tax-exempt corporations described in Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the Obligated Group is not subject to federal and state income taxes under Section 501(a) of the IRC. The Obligated Group is classified as publicly supported charitable organizations under the IRC and contributions to the Obligated Group qualify as a charitable tax deduction for the contributor.

The Obligated Group applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Obligated Group is not aware of any activities that would jeopardize their tax-exempt status.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Obligated Group and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* – Those resources over which the board of directors has discretionary control.

*Net Assets with Donor Restrictions* – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Obligated Group or passage of time. Other donor-imposed restrictions are permanent in nature, where resources subject to a donor-imposed restriction that they be maintained permanently by the Obligated Group.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as donations with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as contributions without donor restrictions. When the Obligated Group has resources with donor restrictions and without donor restrictions available to finance various programs, it is the Obligated Group's policy to use restricted resources before unrestricted resources. There are no net assets with donor restrictions at September 30, 2021 and 2020.

**Use of Estimates**

The preparation of combined financial statements 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 combined financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Obligated Group considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents consist of demand deposits and money market accounts.

**Accounts Receivable**

The Obligated Group provides an allowance for doubtful accounts based on historical experience and management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or as the claim is submitted for third-party payors. The allowance for doubtful accounts was approximately \$1,065,000 and \$1,205,000 at September 30, 2021 and 2020, respectively.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are reported at fair value. Investment income (including interest and dividends net of investment expenses and realized and unrealized gains and losses) is included in the combined statements of activities and changes in net assets.

Investments are classified as trading. Investments consist, primarily, of government and debt securities that are managed by an unrelated third-party with specific guidance as to the types of investments allowed. Under the classification of trading, unrealized gains and losses are included in the excess of revenues over expenses. The cost of securities sold is based on the specific identification method.

**Property and Equipment**

Property and equipment is recorded at cost and, except for land, is depreciated using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years. The Obligated Group capitalizes items costing \$1,000 and greater. Depreciation expense was \$5,224,054 and \$5,042,444 for the years ended September 30, 2021 and 2020, respectively. Major betterments and renewals are capitalized, while routine repairs and maintenance are charged to expense when incurred.

**Construction in Progress**

Construction in progress as of September 30, 2021 primarily relates to capital improvements across the Obligated Group's retirement facilities, including replacement of balconies, roofs, HVAC units, and generators. The total cost of the projects is estimated to be approximately \$7,578,000 and is being funded through the Obligated Group's internal funds. The projects are expected to be completed in September 2022. All other projects are routine capital improvements and are expected to be completed in fiscal year 2022.

**Impairment of Long-Lived Assets**

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use and eventual disposition of these assets. Should the sum of the expected future net cash flows be less than carrying value, an impairment loss would be recognized. There were no impairments identified in fiscal years 2021 or 2020.

**Land Held for Development or Sale**

All direct and indirect land costs, offsite and onsite improvements and applicable interest and carrying charges are capitalized to real estate projects under development. Capitalized costs are expensed as real estate is sold; direct marketing costs are expensed in the period incurred. Land and land development costs are accumulated by project and are allocated to individual phases using the relative sales value method. Land held for development is carried at cost. The Obligated Group reviews, on a periodic basis, its land held for development for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment has been determined by management as of September 30, 2021.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Debt Issuance Costs**

The Obligated Group has incurred issuance costs pertaining to the issuances of long-term debt. Original issuance costs of \$1,882,369 as of September 30, 2021 and 2020, are being amortized in a manner designated to approximate a constant annual effective interest rate over the term of the issuance. Accumulated amortization as of September 30, 2021 and 2020 was \$492,976 and \$366,250, respectively. Amortization of the debt issuance costs was \$126,726 and \$126,725 for the years ended September 30, 2021 and 2020, respectively. Debt issuance costs are included with long-term debt on the combined balance sheets and amortization expense is included with interest and other finance costs on the combined statements of activities and changes in net assets.

**Grant Revenue**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total accumulated grant funds approved and received by Obligated Group members was \$4,309,998 and \$3,521,318 through September 30, 2021 and 2020, respectively. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and may be subject to future audit. At September 30, 2021 and 2020, the Obligated Group recognized \$1,002,788 and \$3,307,210, respectively, as grant revenue in the combined statements of operations and \$-0- and \$214,108, respectively, as deferred grant revenue in the combined balance sheets. Management believes the amounts have been recognized appropriately as of September 30, 2021 and 2020.

**Resident Services Revenue**

Resident service revenue is reported at the estimated transaction price from residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between estimated amounts accrued and interim and final settlements are reported on the combined statements of activities in the year of settlement.

**Third-Party Reimbursement Agreements**

The Obligated Group members' nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The participants are paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. CMS finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Third-Party Reimbursement Agreements (Continued)**

The Obligated Group members' nursing facilities located in California participate in the Medicaid program known as Medi-Cal, which is a financial assistance program administered by the California Department of Health Care Services. Medi-Cal pays for services in accordance with a prospective payment system based upon nursing facilities' annually reported cost data, including fixed or capital-related costs, property taxes and labor costs. A specific per diem rate applies to each of six different levels of service and may change annually based upon audited facility costs.

The Obligated Group members' nursing facilities located in Florida participate in the Medicaid program which is administered by the Florida Agency for Health Care Administration. Services rendered to Medicaid program beneficiaries are reimbursed using predetermined daily rates based, in part, on reasonable costs, as defined and limited by the Medicaid program. Effective October 1, 2018, the Florida Medicaid program began the transition to a prospective payment system (PPS). The PPS system will pay a fixed reimbursement rate based on a median of costs of all providers in a geographical area adjusted for quality metrics and other factors. The current regulations provide for a three-year transition period in which providers will receive the higher of their published September 1, 2016 rate or the annually calculated PPS reimbursement rate. The transition period is scheduled to last through September 30, 2021, at which time the cost components of the PPS rate calculation will be rebased utilizing audited Medicaid cost reports submitted by all providers during the transition period.

The Obligated Group members' nursing facility located in Indiana participates in the Medicaid program that is administered by the Indiana Family and Social Services Administration, Office of Medicaid Policy and Planning (OMPP). A licensed skilled nursing facility that participated in the Medicaid program in the state of Indiana for the years ended September 30, 2021 and 2020, was reimbursed upon prospective rates based upon the most recently submitted cost reports. The rate calculations consider the individual community costs and variations in patient case mix. The cost reports are subject to periodic audit by the OMPP which may result in retroactive adjustment to set rates.

Nursing facilities licensed for participation in the Medicare and Medicaid assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the nursing facility.

**Management Fee Income**

RHF and FPM provide management services to senior living organizations. Revenue is reported at the amount that reflects the consideration to which RHF and FPM expect to be entitled in exchange for providing services. Revenue is recognized from providing these services as performance obligations are satisfied.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Management Fee Income (Continued)**

Performance obligations are determined based on the nature of the services provided by RHF and FPM. Revenue for performance obligations satisfied over time relate primarily to management services on a monthly basis. Revenue is earned over the course of a month which represents the period over which RHF and FPM satisfy the performance obligation. RHF and FPM believe this provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

RHF and FPM determine the transaction price based on the consideration to which RHF and FPM expect to be entitled in exchange for providing management and other services based on stated contract terms. Generally, RHF and FPM bill subsequent to the month in which management services are provided. Revenue is recognized as the performance obligations are satisfied.

During 2021 and 2020, RHF and FPM earned approximately \$18,675,000 and \$18,634,000, respectively, for these services.

**Development Income**

RHF sponsors and develops new projects as management deems appropriate. In the process of developing a project, RHF will advance money and/or pay expenses on behalf of a project and may earn a development fee. Development fees earned during 2021 and 2020 were \$1,630,545 and \$689,752, respectively, in connection with the supervision of the development and construction of various sponsored projects. The fees were earned at certain stages of development and construction. As of September 30, 2021 and 2020, \$8,026,222 and \$7,251,417, respectively, remains unpaid and is included in Advances to Affiliates, Net in the combined balance sheets.

**Distributions from Unconsolidated Affiliates**

Distributions received from or paid to unconsolidated affiliates are unconditional transfers of cash or other assets in a nonreciprocal transfer. Such transfers are made for the purpose of supporting operations, maximizing investments or such other purpose as RHF deems prudent. RHF, through board control, has the ability to determine the amount and timing of any transfer between these entities except as it relates to affiliates participating in HUD programs. Distributions received from or paid to HUD projects are made in accordance with HUD compliance requirements. During the years ended September 30, 2021 and 2020, distributions received from unconsolidated affiliates were approximately \$21,503,000 and \$9,464,000, respectively, while distributions paid to affiliates were approximately \$1,534,000 and \$7,000, respectively.

**Other Operating Revenues**

Other operating revenue consists primarily of nonresident rental income, laundry, barber and beauty, cafeteria sales and other miscellaneous revenue.

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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments**

Fair value applies to report balances that are required or permitted to be measured at fair value under existing accounting standards. The Obligated Group emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Obligated Group has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Trading Securities**

Trading securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities. The Obligated Group does not have any securities that are valued using Level 3 inputs.

**Advertising Expenses**

Advertising expenses approximated \$644,000 and \$854,000 for the years ended September 30, 2021 and 2020, respectively. Advertising costs are expensed when incurred.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Excess of Revenues Over Expenses**

The combined statements of activities and changes in net assets include a measurement of excess of revenues over expenses as a performance indicator. All activity included in the combined statement of activities and changes in net assets are included in the performance indicator.

**Contributed Services**

The Obligated Group receives a substantial amount of services donated by volunteers. No amounts have been reflected in the combined financial statements for these services.

**Transfer of Net Assets**

RHF formed the RHF Charitable Foundation (RHFCF) to be used as the fundraising and benevolent care arm of RHF and its subsidiaries. RHF provides support services annually for RHFCF, for which it allocates costs, but doesn't charge for. As a result, this has been recorded as a transfer of net assets without donor restrictions.

**Recently Issued Accounting Guidance**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent about the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Management is evaluating the potential impact of these changes on the Obligated Group's combined financial statements.

**Reclassifications**

Certain items in the prior year combined financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Obligated Group's overall net assets.

**Subsequent Events**

In preparing these combined financial statements, the Obligated Group has evaluated events and transactions for potential recognition or disclosure through March 22, 2022, the date the combined financial statements were available for issuance (See Note 15).

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 2 ASSETS LIMITED AS TO USE**

Assets limited as to use consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 7,034,645	\$ 6,411,149
Government Securities	4,767,445	6,309,869
Corporate Bonds	503,912	524,078
Total	<u>\$ 12,306,002</u>	<u>\$ 13,245,096</u>
	<u>2021</u>	<u>2020</u>
Trustee Held Funds	\$ 11,698,000	\$ 12,638,592
Resident/Tenant Deposits	608,002	606,504
	<u>\$ 12,306,002</u>	<u>\$ 13,245,096</u>

**Trustee Held Funds**

Trustee held funds consist of bond funds held by the bond trustee, amounts deposited as guaranty of the Obligated Group debt, other affiliates' debt, and the letters of credit maintained for the self-insured workers' compensation plan.

**Resident/Tenant Deposits**

Resident/tenant deposits are amounts paid by residents upon occupancy of apartments. At departure time from the retirement community, these security deposits are utilized to defray the costs of any damage to the apartment or otherwise refunded to the residents.

**NOTE 3 ADVANCES TO AFFILIATES, NET**

Advances to affiliates are unsecured, noninterest bearing and due on demand. The Obligated Group and its affiliates have agreed that repayment of such advances will not be demanded within the next 12 months from the issuance of these combined financial statements; accordingly, such advances have been classified as long-term. The ultimate collectability of the amounts due from affiliates is dependent upon the future performance of such affiliates and/or future sale of such properties. The affiliates' operations are concentrated in the multifamily real estate market and healthcare industries. In addition, the affiliates operate in heavily regulated environments. The operations of the affiliates are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies.

Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by other regulatory agencies. Each affiliate's ability to repay its advances is predicated upon, in certain cases, regulatory approval and is also dependent upon adequate cash flows from operations or refinancing. The Obligated Group reviews, on a periodic basis, its advances to affiliates for collectability and maintains reserves for potential losses. During the years ended September 30, 2021 and 2020, the Obligated Group provided allowances for advances to affiliates of approximately \$4,576,000 and \$4,567,000, respectively. Actual losses could be materially different than estimated.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 4 INVESTMENTS**

Investments are carried at fair value and consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Certificates of Deposit	\$ 3,742,194	\$ 5,102,839
Government Securities	9,317,316	6,016,603
Corporate Bonds	30,450,255	32,578,477
Exchange Traded Funds	3,438,923	2,552,033
Commerical Paper	499,905	-
Total	<u>47,448,593</u>	<u>46,249,952</u>
Less: Current Portion of Investments	<u>(14,940,257)</u>	<u>(28,301,561)</u>
Investments, Net of Current Portion	<u>\$ 32,508,336</u>	<u>\$ 17,948,391</u>

**NOTE 5 LONG-TERM DEBT**

The following is a summary of long-term debt at September 30:

<u>Description</u>	<u>2021</u>	<u>2020</u>
California Municipal Finance Authority Revenue Bonds, Series 2017A bearing interest at 5.00% at September 30, 2021 and 2020, maturing November 15, 2032.	\$ 25,620,000	\$ 25,620,000
Public Finance Authority Revenue Bonds, Series 2017B bearing interest at 5.00% at September 30, 2021 and 2020, maturing November 15, 2030.	39,480,000	41,170,000
California Obligated Group Taxable Bonds, Series 2017C bearing interest at 1.50% - 3.40% at September 30, 2021 and 2020, maturing November 15, 2024.	4,789,000	6,164,000
National Obligated Group Taxable Bonds, Series 2017D bearing interest at 1.75% - 3.40% at September 30, 2021 and 2020, maturing maturing November 15, 2024.	7,234,000	9,234,000
Various installment loans which are payable in various scheduled monthly installments through January 2022. The notes bear interest at 2.48% and 6.35% and are secured by the property purchased with the installment loans.	13,172	39,316
Total Long-Term Debt	<u>77,136,172</u>	<u>82,227,316</u>
Less: Unamortized Debt Issuance Costs, Net	(1,389,393)	(1,516,119)
Less: Current Maturities	(5,243,167)	(5,099,829)
Add: Unamortized Bond Premium	7,766,204	9,006,817
Total Long-Term Debt and Bond Premium, Net of Current Maturities and Debt Issuance Costs	<u>\$ 78,269,816</u>	<u>\$ 84,618,185</u>

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Aggregate annual maturities of long-term debt are as follows:

<u>Year Ending September 30.</u>	<u>Amount</u>
2022	5,243,167
2023	5,413,000
2024	5,610,000
2025	5,815,000
2026	6,085,000
Thereafter	48,970,005
Total	<u>\$ 77,136,172</u>

**Series 2017 Bonds**

The Obligated Group entered into Series 2017 Bond agreements with the California Municipal Finance Authority (CMFA or California) and the Public Finance Authority (PFA or National) to refinance the previous Series 2014 revenue Bonds and pay certain costs of issuance. Both CMFA and PFA issued a combination of tax-exempt (2017A and 2017B) and taxable bond series (2017C and 2017D). The California Bonds were secured in part by a California Master Trust Indenture (MTI), by and among the California members, RHF and the California Master Trustee. Similarly, the National Bonds were secured by a National MTI, by and among the National members, RHF and the National Master Trustee. Each member of the Obligated Group entered into a Third Amended and Restated Gross Revenue Pledge Agreement, dated September 1, 2017, with a Collateral Agent, on behalf of the California Master Trustee and the National Master Trustee, pursuant to which each member of the Obligated Group pledged and granted a security interest in its Gross Revenues, as defined, to secure the payment of principal and interest on the obligations issued under the MTI's. Each Member also executed a second deed of trust or mortgage to secure the obligations issued under the MTI to which it is not a party.

The 2017 Bonds are fixed-rate issuances with interest rates and maturities disclosed in the schedule above. Interest rates range from 1.50% to 5.0% for an "all-in true interest cost" of 3.28%. The Series 2017 Bonds have separate amortizations for each bond series with a final maturity of November 14, 2032. The bonds are not subject to optional redemption prior to maturity. The bonds are rated by Fitch Ratings, Inc. and during their most recent rating period carry an "A- rating stable." Ratings are subject to change based upon financial performance and market conditions. The amortization on bond premium totaled \$1,240,613 and \$1,296,343 for the years ended September 30, 2021 and 2020, respectively, and is included in interest and other finance costs on the combined statements of activities and changes in net assets.

RHF and FPM entered into separate Reaffirmation of Guaranty Agreements, dated as of September 1, 2017, while the California Master Trustee and National Master Trustee, guarantying the Obligations issued under the Californian and National MTI, and the performance of the Members thereunder.

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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Financial Covenants**

The 2017 bond agreement requires that the Obligated Group, among other matters, maintain a specified level of debt service coverage and days cash on hand, as defined. The 2017 Bonds are collateralized by substantially all property and equipment owned by the Obligated Group. Management believes the Obligated Group is in compliance with such covenants at September 30, 2021.

**NOTE 6 RISK RETENTION LIABILITY**

The Obligated Group maintains risk retention reserves for potential workers' compensation, property, and professional liability claims. The reserves are collected from and held on behalf of the facilities participating in RHF's group insurance programs and maintained in cash and cash equivalents and investments. The purpose is to provide liquid funds to ensure insurance claims and expenses can be paid when required. The reserves are funded by individual projects and RHF maintains a separate accounting for each project. Funds provided by HUD-financed projects are kept separate and not co-mingled with non-HUD funds. Reserve balances are reviewed and adjusted periodically against a targeted amount based on current policy deductibles, claims history, and other market factors.

Risk retention liability consists of the following at September 30:

	2021	2020
Workers' Compensation	\$ 16,264,139	\$ 15,241,600
Property	4,255,271	4,571,484
Professional Liability	417,632	1,006,899
Total	<u>\$ 20,937,042</u>	<u>\$ 20,819,983</u>

**Self-Insured Workers' Compensation Plan**

Effective February 1, 2003, RHF established a self-insured workers' compensation plan for its employees. This plan is administered by a third-party and has stop loss provisions insuring losses in excess of \$350,000 up to \$1,000,000 per employee per occurrence and \$5,090,000 per year in the aggregate, subject to adjustment as defined.

The Workers' Compensation liability represents the Obligated Group's estimated liability of both known claims and claims incurred but not reported as of September 30, 2021 and 2020. The Obligated Group recognized \$1,683,427 and \$1,874,109 in total workers' compensation insurance expense for the years ended September 30, 2021 and 2020, respectively.

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**NOTE 6 RISK RETENTION LIABILITY (CONTINUED)**

**Self-Insured Workers' Compensation Plan (Continued)**

RHF obtained irrevocable letters of credit from a bank as a requirement of its workers' compensation insurance. The insurance policy requires RHF to pay a minimum premium and maintain the letters of credit. Liability payments under the insurance policy are offset against the minimum premium, and when exhausted, a draw, if necessary, is made on the letters of credit. The letters of credit are collateralized with cash, cash equivalents, and investments which are included in the accompanying balance sheets within trustee held funds.

Letters of credit consist of the following at September 30, 2021:

Plan Year Covered	Date Obtained	Maturity Date	Letter of Credit Balances
2003-2004	March 4, 2003	March 3, 2022	\$ 215,000
2004-Current	March 19, 2007	March 19, 2022	4,999,600
Total			\$ 5,214,600

The workers' compensation letter of credit balances represented 32% and 39% of the total workers' compensation insurance reserves at September 30, 2021 and 2020, respectively.

**Professional Liability Insurance**

An affiliate of the Obligated Group has a claims-made policy for professional liability through Caring Communities Insurance Company (CCIC), a Reciprocal Risk Retention Group domiciled in the District of Columbia, USA, which provides professional liability, general liability, excess automobile, and excess employer's liability insurance to its members. RHF has a receivable from RHF Foundation Inc. (RHFFI) of \$2,086,000 related to RHFFI's investment in CCIC. RHFFI has pledged the shares of CCIC as collateral for the receivable.

The affiliate also pays annual amounts to CCIC for their professional liability insurance coverage. The policy calls for a \$75,000 deductible per occurrence and liability limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. Depending on loss history and adequacy of capital, CCIC may, but is not obligated to, return a portion of premiums paid. Conversely, the affiliate may be called upon to contribute additional funds to maintain adequate capital in CCIC.

The Obligated Group's professional liability is estimated based on both known claims and a reserve for claims incurred by not reported. The Obligated Group recognized \$3,022,497 and \$2,797,570 in total professional liability insurance expense for the years ended September 30, 2021 and 2020, respectively.

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**NOTE 7 FAIR VALUE MEASUREMENTS**

The Obligated Group uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Obligated Group measures fair value refer to Note 1 organization and significant accounting policies.

The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Obligated Group measured at fair value on a recurring basis as of September 30:

	2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Government Securities	\$ 9,317,316	\$ 9,317,316	\$ -	\$ -
Corporate Bonds	30,450,255	-	30,450,255	-
Certificates of Deposit	3,742,194	3,742,194	-	-
Exchange Traded Funds	3,438,923	3,438,923	-	-
Commerical Paper	499,905	499,905	-	-
Assets Limited as to Use:				
Government Securities	4,767,445	4,767,445	-	-
Corporate Bonds	503,912	-	503,912	-
Total	<u>\$ 52,719,950</u>	<u>\$ 21,765,783</u>	<u>\$ 30,954,167</u>	<u>\$ -</u>
	2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Government Securities	\$ 6,016,603	\$ 6,016,603	\$ -	\$ -
Corporate Bonds	32,578,477	-	32,578,477	-
Certificates of Deposit	5,102,839	5,102,839	-	-
Exchange Traded Funds	2,552,033	2,552,033	-	-
Assets Limited as to Use:				
Government Securities	6,309,869	6,309,869	-	-
Corporate Bonds	524,078	-	524,078	-
Total	<u>\$ 53,083,899</u>	<u>\$ 19,981,344</u>	<u>\$ 33,102,555</u>	<u>\$ -</u>

**NOTE 8 CONCENTRATION OF CREDIT RISK**

**Financial Instruments**

The Obligated Group's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and temporary cash investments. The Obligated Group believes it places its cash and cash equivalents and temporary cash investments with high quality credit institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 8 CONCENTRATION OF CREDIT RISK (CONTINUED)**

**Investment Risk**

The Obligated Group has investments in a variety of investment funds. In general, investments are exposed to various risks such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that change in the value of the investments will occur in the near term and that such changes could materially affect account balances and the combined statements of activities and changes in net assets.

**Credit Risk**

The Obligated Group grants credit without collateral to its various facility residents or their families, many of whom are local residents and who are insured under third-party payor agreements. The mix of receivables from residents and third-party payors at September 30, 2021 and 2020 was as follows:

	2021	2020
Private Pay and Insurance	39.5 %	28.7 %
Medicare	26.9	30.9
Medicaid	33.6	40.4
Total	100.0 %	100.0 %

**NOTE 9 DEFINED CONTRIBUTION PLAN**

The Obligated Group has a defined contribution plan for its employees. The Obligated Group's contribution to this plan is principally based on a percentage of employee's annual base compensation. The annual cost of this plan to the Obligated Group amounted to approximately \$723,000 and \$777,000 for the years ended September 30, 2021 and 2020, respectively.

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Guarantees**

Obligated Group

The Obligated Group has issued or guaranteed a total of \$87,107,000 as of the years ending September 30, 2021 and 2020, of tax-exempt direct placement bonds and taxable/tax-exempt bonds (the Bonds), including Variable Rate Demand Bonds, for the purpose of providing funds to refund various bonds and certificates of participation and bank loans issued to benefit the affiliated nonprofit entities that own and operate retirement facilities located in California, Florida, Indiana, Kentucky and Missouri. Each member of the Obligated Group is jointly and severally liable for the payment of the Bond obligations. To date, no performance under the guarantee has been required of any member of the Obligated Group.

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**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Guarantees (Continued)**

Obligated Group (Continued)

Additional disclosure related to the 2017 Bonds and the security pledged in relation to the guaranty is discussed in Note 5.

Poway RHF Housing, Inc. dba The Gateway

As of September 30, 2021 and 2020, RHF has guaranteed cash on hand equal to at least 90 days as of September 30 each year for an affiliate, Poway RHF Housing, Inc. dba The Gateway (Gateway) that has issued \$13,345,000 in bonds. As of September 30, 2021 and 2020, RHF has set aside \$759,706 and \$761,074, respectively, in trustee held funds to cover any shortfall of the days' cash on hand covenant. As of September 30, 2021, Gateway was in noncompliance with its Debt Service Coverage Ratio (DSCR) and current ratio financial covenants on the Series 2013 Insured Revenue Bonds. Gateway requested and received a waiver letter on January 26, 2022, from the California Office of Statewide Health Planning and Development (OSHPD) related to this noncompliance. The waiver states that OSHPD agrees not to take action against Gateway based solely on the failure to meet the minimum DSCR of 125% as of September 30, 2021.

**Limited Partnership Liabilities**

An affiliate of RHF, as guarantor in certain limited partnerships, could be liable for obligations, which could be material, if the limited partnerships are not able to satisfy their obligations as they come due in the ordinary course of business. For purposes of these combined financial statements, the partnerships are not consolidated herein.

An affiliate of RHF has guaranteed tax credit deficit obligations to the tax credit investors. Such tax credit deficit obligations include payments to the tax credit investors in the amount of (1) any reduction, disallowance, or recapture of the projected tax credit amount; (2) any interest and penalties imposed by the Internal Revenue Service in the event of a recapture of tax credits, and (3) any income tax liability of the tax credit investors as a result of payments under these tax credit deficit obligations.

**Professional Liability Insurance**

The Obligated Group is subject to asserted and unasserted claims encountered in the normal course of business. The Obligated Group's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Obligated Group or unasserted claims that may result in such proceedings, the Obligated Group's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Obligated Group's financial condition or results of operations.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Health Care**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

**Government Regulations – Medicaid**

The various state departments for which the Obligated Group has a licensed nursing facility reserve the right to perform field audit examinations of the Obligated Group's records. Any adjustments resulting from such examinations could retroactively adjust Medicaid revenue.

**Government Regulations – Medicare**

The Medicare intermediary has the authority to audit the skilled nursing facility's records any time within a three-year period after the date the skilled nursing facility receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

**COVID-19 Pandemic**

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Obligated Group, COVID-19 may impact various parts of its fiscal year 2022 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue fuel to reductions in certain revenue streams. Management believes that the Obligated Group is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of September 30, 2021.

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**NOTE 11 LINE OF CREDIT**

RHF has a three-year bank commitment for a \$20,000,000 line of credit guaranteed by RHFFI. The purpose is to provide bridge financing for property refinancings and acquisitions. Interest is based on a LIBOR index plus 2.125% locked for the maturity of each underlying loan. Pauahi Elderly, Inc. has a \$1,304,000 unsecured bridge loan against the line of credit with a maturity of December 2021. The Pauahi Elderly, Inc. loan was extended for six months and expires June 2022. RHF renewed the three-year bank commitment in December 2021 and expires in December 2024. The new interest index is a Constant Maturity Treasury Rate index plus 2.125% locked for the maturity of each underlying loan.

**NOTE 12 FUNCTIONAL CLASSIFICATION OF EXPENSES**

Functional classification of expenses consisted of the following for the years ended September 30:

	2021								
	Program Activities					Supporting Activities			Total Expenses
	Property Management	Residential Living	Assisted Living	Memory Care	Skilled Nursing	Total Program Activities	Management and General	Fundraising Activities	
Salaries and Benefits	\$ 13,105,653	\$ 11,920,531	\$ 11,825,711	\$ 621,874	\$ 26,871,289	\$ 64,345,058	\$ 5,207,425	\$ 121,807	\$ 69,674,290
Travel and Meeting	404,452	2,395	3,410	-	16,919	427,176	45,387	2,843	475,406
Consulting and Outside Services	426,356	85,050	40,408	-	340,720	892,534	1,212,065	17,877	2,122,476
Repairs and Maintenance	211,292	2,702,837	214,083	532	367,804	3,496,548	57,944	-	3,554,492
Dietary Expense	-	2,656,663	1,357,645	78,377	1,310,821	5,403,506	-	-	5,403,506
Patient Supplies and Services	-	3,335	156,855	-	1,964,222	2,124,412	-	-	2,124,412
Supplies	238,139	582,548	109,215	4,944	252,792	1,187,638	252,245	7,217	1,447,100
Leases and Rentals	97,857	10,741	312	-	169,258	278,168	146,342	-	424,510
Utilities	351,994	3,991,632	1,010,734	62,610	1,048,335	6,465,305	196,418	901	6,662,624
Insurance	145,053	1,105,797	325,570	11,168	1,429,383	3,016,971	35,734	11	3,052,716
Accounting and Auditing	153,177	-	-	-	-	153,177	152,131	-	305,308
Dues, Subscriptions, and Donations	427,078	2,853	-	-	5,630	435,561	240,511	3,010	679,082
Public Relations and Marketing	57,863	323,010	69,265	1,105	46,436	497,679	66,843	722	565,244
Outside Legal	289,258	-	-	-	-	289,258	130,438	-	419,696
Bad Debt Expense	-	-	-	-	-	-	397,636	-	397,636
Taxes and Licenses	80,812	417,430	159,347	8,549	2,107,631	2,773,769	205,994	-	2,979,763
Depreciation	386,716	2,020,041	936,530	65,256	1,723,545	5,132,088	91,966	-	5,224,054
Interest and Other Finance Costs	423,768	1,286,862	526,137	36,622	1,058,782	3,332,171	78,184	-	3,410,355
Total	<u>\$ 16,799,468</u>	<u>\$ 27,111,725</u>	<u>\$ 16,735,222</u>	<u>\$ 891,037</u>	<u>\$ 38,713,567</u>	<u>\$ 100,251,019</u>	<u>\$ 8,517,263</u>	<u>\$ 154,388</u>	<u>\$ 108,922,670</u>

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**NOTE 12 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)**

	2020								
	Program Activities					Supporting Activities			
	Property Management	Residential Living	Assisted Living	Memory Care	Skilled Nursing	Total Program Activities	Management and General	Fundraising Activities	Total Expenses
Salaries and Benefits	\$ 12,562,769	\$ 11,526,030	\$ 11,610,277	\$ 679,237	\$ 29,783,669	\$ 66,161,982	\$ 5,488,741	\$ 100,689	\$ 71,751,412
Travel and Meeting	761,878	10,853	6,371	-	13,627	792,729	139,973	11,807	944,509
Consulting and Outside Services	597,956	153,114	42,792	50	406,453	1,200,365	1,115,705	113	2,316,183
Repairs and Maintenance	171,937	2,722,704	141,179	1,071	373,100	3,409,991	55,636	-	3,465,627
Dietary Expense	-	2,858,606	1,397,899	66,603	1,228,856	5,551,964	-	-	5,551,964
Patient Supplies and Services	-	938	148,991	-	2,080,839	2,230,768	154	-	2,230,922
Supplies	242,724	809,479	167,778	4,581	325,967	1,550,529	306,892	8,023	1,865,444
Leases and Rentals	102,695	16,317	896	-	239,821	359,729	199,602	-	559,331
Utilities	359,787	3,917,179	1,033,552	52,661	1,005,459	6,368,638	94,782	1,483	6,464,903
Insurance	159,634	963,873	368,781	25,318	1,284,860	2,802,466	35,875	-	2,838,341
Accounting and Auditing	197,611	-	-	-	-	197,611	186,083	-	383,694
Dues, Subscriptions, and Donations	365,873	-	-	-	8,493	374,366	330,689	4,064	709,119
Public Relations and Marketing	77,693	412,765	93,214	1,153	94,005	678,830	68,849	2,522	750,201
Outside Legal	186,459	-	-	-	-	186,459	101,705	-	288,164
Bad Debt Expense	-	-	-	-	-	-	483,142	-	483,142
Taxes and Licenses	71,046	367,849	138,839	6,128	2,272,334	2,856,196	231,858	-	3,088,054
Depreciation	277,401	1,962,728	950,045	58,399	1,714,804	4,963,377	79,067	-	5,042,444
Interest and Other Finance Costs	401,961	1,087,699	469,622	28,690	934,384	2,922,356	84,957	-	3,007,313
Total	<u>\$ 16,537,424</u>	<u>\$ 26,810,134</u>	<u>\$ 16,570,236</u>	<u>\$ 923,891</u>	<u>\$ 41,766,671</u>	<u>\$ 102,608,356</u>	<u>\$ 9,003,710</u>	<u>\$ 128,701</u>	<u>\$ 111,740,767</u>

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

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**NOTE 13 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise of the following as of September 30:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 23,324,638	\$ 30,743,147
Accounts Receivable, Net	3,971,531	4,113,183
Current Portion of Investments	<u>14,940,257</u>	<u>28,301,561</u>
Total	<u>\$ 42,236,426</u>	<u>\$ 63,157,891</u>

The Obligated Group structures its financial assets to be available as general expenditures, liabilities, and other obligations are due. Cash in excess of daily requirements are invested in short-term and long-term investments.

**NOTE 14 RESIDENT SERVICES REVENUE**

Resident services revenue is reported at the amount that reflects the consideration to which the Obligated Group expects to be entitled in exchange for providing resident services. These amounts are due from residents. Generally, the Obligated Group bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Obligated Group believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving assisted living services or housing residents receiving services in the facility. The Obligated Group considers daily services provided to residents of the assisted living facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and the Obligated Group does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Obligated Group has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

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**NOTE 14 RESIDENT SERVICES REVENUE (CONTINUED)**

The Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by implicit price concessions provided to residents. The Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Obligated Group determines its estimate of implicit price concessions based on its historical collection experience.

The Obligated Group recognizes the majority of its revenues over a period of time from its residents based on fees for services performed.

Revenue recognized due to changes in its estimates of implicit price concessions and discounts, and contractual adjustments were not considered material for the years ended September 30, 2021 and 2020. Subsequent changes that are determined to be the result of an adverse change in the president's ability to pay are recorded as provision for uncollectible accounts and were not considered material for the years ended September 30, 2021 and 2020.

The Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, and timing of when revenue is recognized. Tables providing details of these factors are presented below.

Resident services revenue of \$83,305,922 and \$93,207,363 is exclusively through third-party payors and private pay from residents for the years ended September 30, 2021 and 2020, respectively.

The composition of resident services revenue by service line is as follows for September 30:

	2021	2020
Residential Living	\$ 34,084,431	\$ 37,575,465
Assisted Living	14,590,967	17,020,348
Memory Care	1,225,618	1,271,679
Skilled Nursing	33,404,906	37,339,871
Total	<u>\$ 83,305,922</u>	<u>\$ 93,207,363</u>

**Financing Component**

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

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**NOTE 14 RESIDENT SERVICES REVENUE (CONTINUED)**

**Contract Costs and Balances**

The Obligated Group has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Obligated Group otherwise would have been recognized is one year or less in duration.

The opening and closing contract balances were as follows:

	Accounts Receivable, net
Balance as of October 1, 2020	\$ 4,250,263
Balance as of September 30, 2020	\$ 4,113,183
Balance as of September 30, 2021	\$ 3,971,531

**NOTE 15 SUBSEQUENT EVENT**

Subsequent to the fiscal year-end, RHF, on behalf of its various affiliated market rate health care facilities began to market certain health care facilities for potential sale. Marketing included all of the facilities that are members of the Obligated Group excluding Mayflower RHF Housing, Inc. On December 2, 2021 a letter of intent (LOI) was executed with an unrelated third party for the potential sale of all market rate health care facilities except for Mayflower RHF Housing (a member of the Obligated Group) and Park Place RHF Housing (not a member of the Obligated Group). On December 30, 2021 a purchase and sale agreement was executed with an original due diligence period of 45 days that was subsequently extended to March 21, 2022. The due diligence period ended on March 21, 2022 and the buyer has indicated their intent to proceed with the transaction.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2021  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Combined Total
<b>CURRENT ASSETS</b>													
Cash:													
Cash - Operations	\$ 19,498,101	\$ 1,006,690	\$ 209,774	\$ 27,226	\$ 895,173	\$ 24,163	\$ 209,922	\$ 277,306	\$ 497,746	\$ 616,456	\$ 35,277	\$ 26,804	\$ 23,324,638
Accounts Receivable:													
Accounts Receivable	-	-	648,094	445,890	663,619	121,241	621,284	1,346,601	845,189	14,736	150	10,180	4,716,984
Accounts Receivable - Other	214,928	-	-	3,745	22,114	-	-	50,017	34,500	5,160	-	-	330,464
Patient Refund	-	-	(3,421)	(33)	(477)	4,719	(11,513)	(6,968)	(186)	4,835	-	1,962	(11,082)
Allowance For Doubtful Accounts	-	-	(67,192)	(20,408)	(303,172)	(62,475)	(195,788)	(430,897)	16,079	-	-	(982)	(1,064,835)
Total Accounts Receivable	214,928	-	577,481	429,194	382,084	63,485	413,983	958,753	895,582	24,731	150	11,160	3,971,531
Investments:													
Short-Term Investments	14,940,257	-	-	-	-	-	-	-	-	-	-	-	14,940,257
Total Investments	14,940,257	-	-	-	-	-	-	-	-	-	-	-	14,940,257
Prepaid and Other Current Assets:													
Interest Receivable	-	-	14,429	10,674	6,485	3,362	11,255	5,354	1,752	23,595	180	18	77,104
Inventory	-	-	30,855	20,212	37,991	6,135	53,157	34,829	19,511	15,411	10,528	5,853	234,482
Prepaid Expenses	(420,391)	215,337	379,715	348,005	135,493	157,913	119,516	89,060	188,075	73,888	41,341	39,432	1,367,384
Total Prepaid and Other Current Assets	(420,391)	215,337	424,999	378,891	179,969	167,410	183,928	129,243	209,338	112,894	52,049	45,303	1,678,970
Current Portion of Assets Limited as to Use	-	-	705,977	786,279	565,585	192,978	1,154,213	890,370	456,027	754,112	191,308	169,620	5,866,469
Total Current Assets	34,232,895	1,222,027	1,918,231	1,621,590	2,022,811	448,036	1,962,046	2,255,672	2,058,693	1,508,193	278,784	252,887	49,781,865
<b>NONCURRENT ASSETS</b>													
Assets Limited as to Use:													
Trustee Held Funds	6,136,700	-	-	-	-	-	-	-	-	-	-	-	6,136,700
Bond Funds	-	-	533,884	749,663	565,585	192,978	1,062,207	885,916	456,027	754,112	191,308	169,620	5,561,300
Board Designated Funds	-	-	172,093	36,616	-	-	92,006	4,454	-	-	-	-	305,169
Resident/Tenant Deposits	2,000	-	16,429	3,184	257,621	681	2,910	9,992	7,525	2,491	-	-	302,833
Total Assets Limited as to Use	6,138,700	-	722,406	789,463	823,206	193,659	1,157,123	900,362	463,552	756,603	191,308	169,620	12,306,002
Less: Current Portion Shown Above	-	-	(705,977)	(786,279)	(565,585)	(192,978)	(1,154,213)	(890,370)	(456,027)	(754,112)	(191,308)	(169,620)	(5,866,469)
Total Noncurrent Assets Limited as to Use	6,138,700	-	16,429	3,184	257,621	681	2,910	9,992	7,525	2,491	-	-	6,439,533
Property and Equipment:													
Land	2,539,582	-	551,548	731,837	223,308	505,460	550,900	775,000	534,584	414,623	197,351	206,093	7,230,286
Building and Improvements	5,366,109	-	18,996,500	23,289,454	10,084,518	7,828,212	23,021,483	20,690,460	14,938,140	15,955,171	6,577,910	6,930,299	153,678,256
Office Furniture and Equipment	1,668,774	22,376	2,975,984	3,412,896	2,719,600	3,359,320	5,569,921	5,449,550	4,117,109	3,689,645	829,044	580,318	34,394,537
Motor Vehicle	-	-	-	126,750	218,513	100,743	126,090	62,857	78,417	134,576	30,034	68,070	946,050
Computer Hardware/Software	4,124,280	12,033	125,226	104,964	83,742	76,250	135,164	301,599	423,006	406,667	4,656	30,625	5,828,212
Construction in Progress	97,139	-	2,324,162	271,595	52,630	-	1,896,558	5,342,853	3,623	109,000	-	-	10,097,560
Total Property and Equipment	13,795,884	34,409	24,973,420	27,937,496	13,382,311	11,869,985	31,300,116	32,622,319	20,094,879	20,709,682	7,638,995	7,815,405	212,174,901
Accumulated Depreciation	(7,124,050)	(31,678)	(12,472,436)	(15,812,088)	(9,680,872)	(8,772,823)	(19,443,354)	(18,371,418)	(14,314,275)	(12,095,706)	(3,696,397)	(3,775,412)	(125,590,509)
Property and Equipment, Net of Accumulated Depreciation	6,671,834	2,731	12,500,984	12,125,408	3,701,439	3,097,162	11,856,762	14,250,901	5,780,604	8,613,976	3,942,598	4,039,993	86,584,392
Advances to (from) Affiliates:													
Reimbursable and Management Fees - Obligated Group	62,009,017	(30,807,183)	(10,047,506)	5,611,436	(244,616)	(2,384,321)	(15,170,897)	(16,116,155)	(10,550,794)	12,088,685	95,941	(5,149,639)	(10,666,032)
Reimbursable and Management Fees - Other	67,631,684	20,706,217	-	-	-	-	-	-	-	-	-	-	88,337,901
Cash and Reserves - Obligated Group	(20,382,007)	-	-	-	-	-	-	-	-	-	-	-	(20,382,007)
Cash and Reserves - Other	867,406	-	-	-	-	-	-	-	-	-	-	-	867,406
Total Advances to (from) Affiliates	110,126,100	(10,100,966)	(10,047,506)	5,611,436	(244,616)	(2,384,321)	(15,170,897)	(16,116,155)	(10,550,794)	12,088,685	95,941	(5,149,639)	58,157,268
Long-Term Investments:													
Long-Term Investments	32,508,336	-	-	-	-	-	-	-	-	-	-	-	32,508,336
Total Long-Term Investments	32,508,336	-	-	-	-	-	-	-	-	-	-	-	32,508,336
Other Assets:													
Utility Deposits	-	2,394	-	-	-	-	-	9,159	-	-	-	-	11,553
Total Other Assets	-	2,394	-	-	-	-	-	9,159	-	-	-	-	11,553
Total Assets	\$ 189,677,865	\$ (8,873,814)	\$ 4,388,138	\$ 19,361,618	\$ 5,737,255	\$ 1,161,558	\$ (1,349,179)	\$ 409,569	\$ (2,703,972)	\$ 22,213,345	\$ 4,317,323	\$ (856,759)	\$ 233,482,947

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING BALANCE SHEET (CONTINUED)  
SEPTEMBER 30, 2021  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Combined Total
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>													
<b>CURRENT LIABILITIES</b>													
Accounts Payable:													
Accounts Payable - Operations	\$ 1,103,823	\$ 44,452	\$ 474,931	\$ 253,846	\$ 372,971	\$ 241,283	\$ 575,316	\$ 442,791	\$ 976,246	\$ 268,075	\$ 73,943	\$ 43,390	\$ 4,871,067
Accrued Expenses:													
Sales Tax Payable	11,513	-	-	555	3,597	11	(172)	970	-	-	-	-	16,474
Other Accrued Expenses	7,487,316	131,897	507,557	336,245	245,448	116,289	708,171	257,819	411,040	211,695	16,293	39,058	10,468,828
Accrued Interest Payable	-	-	115,484	162,159	122,341	41,743	229,766	191,632	98,643	163,122	41,382	36,690	1,202,962
Total Accrued Expenses	7,498,829	131,897	623,041	498,959	371,386	158,043	937,765	450,421	509,683	374,817	57,675	75,748	11,688,264
Other Current Liabilities:													
Current Portion of Long-Term Debt	-	-	502,080	705,004	531,891	181,481	998,930	837,622	428,860	717,872	179,912	159,515	5,243,167
Total Current Liabilities	8,602,652	176,349	1,600,052	1,457,809	1,276,248	580,807	2,512,011	1,730,834	1,914,789	1,360,764	311,530	278,653	21,802,498
<b>LONG-TERM LIABILITIES</b>													
Restricted Liabilities:													
Security Deposits	10,690	-	-	-	234,667	-	5,000	-	-	-	-	-	250,357
Patient Trust Deposits	-	-	16,429	3,063	7,064	681	2,910	9,992	7,525	2,491	-	-	50,155
Unearned Revenue	-	-	72,639	30,274	52,740	35,254	118,175	183,869	191,383	19,174	13,833	13,884	731,225
Total Restricted Liabilities	10,690	-	89,068	33,337	294,471	35,935	126,085	193,861	198,908	21,665	13,833	13,884	1,031,737
Other Long-Term Liabilities:													
Long-Term Debt and Bond Premium, Net of Current Maturities and Deferred Financing Costs	-	-	7,794,834	11,367,154	7,461,757	2,792,277	14,823,617	12,305,462	6,337,068	10,624,411	2,524,159	2,239,077	78,269,816
Risk Retention Liabilities	20,937,022	20	-	-	-	-	-	-	-	-	-	-	20,937,042
Total Other Long-Term Liabilities	20,937,022	20	7,794,834	11,367,154	7,461,757	2,792,277	14,823,617	12,305,462	6,337,068	10,624,411	2,524,159	2,239,077	99,206,858
Total Liabilities	29,550,364	176,369	9,483,954	12,858,300	9,032,476	3,409,019	17,461,713	14,230,157	8,450,765	12,006,840	2,849,522	2,531,614	122,041,093
<b>NET ASSETS (DEFICIT)</b>													
Net Assets (Deficit)													
without Donor Restrictions, Beginning	142,603,445	(7,077,652)	(2,981,062)	6,565,379	(3,840,440)	(1,076,111)	(15,535,754)	(11,548,368)	(8,227,825)	8,979,914	1,746,665	(2,482,196)	107,125,995
Current Change in Net Assets (Deficit)													
without Donor Restrictions	17,524,056	(1,972,531)	(2,114,754)	(62,061)	545,219	(1,171,350)	(3,275,138)	(2,272,220)	(2,926,912)	1,226,591	(278,864)	(906,177)	4,315,859
Total Net Assets (Deficit)	160,127,501	(9,050,183)	(5,095,816)	6,503,318	(3,295,221)	(2,247,461)	(18,810,892)	(13,820,588)	(11,154,737)	10,206,505	1,467,801	(3,388,373)	111,441,854
Total Liabilities and Net Assets (Deficit)	\$ 189,677,865	\$ (8,873,814)	\$ 4,388,138	\$ 19,361,618	\$ 5,737,255	\$ 1,161,558	\$ (1,349,179)	\$ 409,569	\$ (2,703,972)	\$ 22,213,345	\$ 4,317,323	\$ (856,759)	\$ 233,482,947

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	(60,656,793)				Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.									
	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Combined Total	
<b>CURRENT ASSETS</b>														
Cash:														
Cash - Operations	\$ 23,083,813	\$ 1,116,300	\$ 921,012	\$ 939,944	\$ 605,240	\$ 52,456	\$ 679,673	\$ 879,686	\$ 790,512	\$ 1,588,217	\$ 53,474	\$ 32,820	\$ 30,743,147	
Accounts Receivable:														
Accounts Receivable	-	-	616,655	598,642	1,224,730	119,680	560,984	1,236,674	633,483	10,876	30	20,264	5,022,018	
Accounts Receivable - Other	260,482	-	-	1,595	-	-	3,575	-	40,913	-	-	-	306,565	
Patient Refund	-	-	6,877	637	4,238	(1,131)	(8,945)	(6,954)	(2,615)	(2,357)	-	(73)	(10,323)	
Allowance for Doubtful Accounts	-	-	(71,871)	(35,940)	(544,263)	(33,862)	(90,193)	(388,392)	(27,060)	(3,724)	-	(9,772)	(1,205,077)	
Total Accounts Receivable	260,482	-	551,661	564,934	684,705	84,687	465,421	841,328	644,721	4,795	30	10,419	4,113,183	
Investments:														
Short-Term Investments	28,301,561	-	-	-	-	-	-	-	-	-	-	-	28,301,561	
Total Investments	28,301,561	-	-	-	-	-	-	-	-	-	-	-	28,301,561	
Prepaid and Other Current Assets:														
Interest Receivable	-	-	22,559	20,088	8,353	6,824	17,207	6,013	2,627	32,390	180	18	116,259	
Inventory	-	-	30,855	20,212	37,991	6,135	53,157	27,980	19,511	15,411	10,528	5,853	227,633	
Prepaid Expenses	746,527	215,437	41,824	71,923	38,458	9,206	40,891	16,115	189,022	1,603	1,486	584	1,373,076	
Total Prepaid and Other Current Assets	746,527	215,437	95,238	112,223	84,802	22,165	111,255	50,108	211,160	49,404	12,194	6,455	1,716,968	
Current Portion of Assets Limited as to Use	-	-	697,935	775,176	557,210	190,120	1,138,424	877,253	449,275	742,948	188,477	167,108	5,783,926	
Total Current Assets	52,392,383	1,331,737	2,265,846	2,392,277	1,931,957	349,428	2,394,773	2,648,375	2,095,668	2,385,364	254,175	216,802	70,658,785	
<b>NONCURRENT ASSETS</b>														
Assets Limited as to Use:														
Trustee Held Funds	7,160,219	(590)	-	-	-	-	-	-	-	-	-	-	7,159,629	
Bond Funds	-	-	525,980	738,564	557,210	190,120	1,046,482	872,799	449,275	742,948	188,477	167,108	5,478,963	
Board Designated Funds	-	-	171,955	36,612	-	-	91,942	4,454	-	-	-	-	304,963	
Resident/Tenant Deposits	2,000	-	14,488	3,236	250,470	1,265	4,871	10,891	11,878	2,442	-	-	301,541	
Total Assets Limited as to Use	7,162,219	(590)	712,423	778,412	907,680	191,385	1,143,295	888,144	461,153	745,390	188,477	167,108	13,245,096	
Less: Current Portion Shown Above	-	-	(697,935)	(775,176)	(557,210)	(190,120)	(1,138,424)	(877,253)	(449,275)	(742,948)	(188,477)	(167,108)	(5,783,926)	
Total Noncurrent Assets Limited as to Use	7,162,219	(590)	14,488	3,236	250,470	1,265	4,871	10,891	11,878	2,442	-	-	7,461,170	
Property and Equipment:														
Land	2,539,582	-	551,548	731,837	223,308	505,460	550,900	775,000	534,584	414,623	197,351	206,093	7,230,286	
Building and Improvements	5,314,568	-	13,936,767	22,925,217	10,065,188	7,828,212	21,622,340	19,830,644	14,926,353	15,843,647	6,577,910	6,927,249	145,798,095	
Office Furniture and Equipment	1,658,324	22,376	2,871,554	3,338,412	2,719,600	3,356,874	5,550,668	5,430,098	4,093,466	3,410,539	792,673	557,129	33,801,713	
Motor Vehicle	-	-	-	126,750	218,513	100,743	126,090	62,857	78,417	134,576	30,034	68,034	946,050	
Computer Hardware/Software	4,115,138	12,033	122,823	98,837	81,246	67,534	135,164	296,020	418,359	405,126	4,656	30,625	5,787,561	
Construction in Progress	(4,395)	-	5,760,895	564,120	60,632	-	1,948,441	2,870,359	-	432,958	3,895	3,050	11,639,955	
Total Property and Equipment	13,623,217	34,409	23,243,587	27,785,173	13,368,487	11,858,823	29,933,603	29,264,978	20,051,179	20,641,469	7,606,519	7,792,216	205,203,660	
Accumulated Depreciation	(6,696,522)	(29,737)	(12,176,058)	(14,985,621)	(9,399,202)	(8,561,897)	(18,659,705)	(17,692,810)	(13,659,708)	(11,514,806)	(3,470,843)	(3,567,206)	(120,414,115)	
Property and Equipment, Net of Accumulated Depreciation	6,926,695	4,672	11,067,529	12,799,552	3,969,285	3,296,926	11,273,898	11,572,168	6,391,471	9,126,663	4,135,676	4,225,010	84,789,545	
Advances to (from) Affiliates:														
Reimbursable and Management Fees - Obligated Group	49,557,827	(26,393,554)	(5,917,658)	5,358,322	(199,283)	(1,092,574)	(10,683,570)	(10,059,771)	(7,924,897)	10,276,067	393,132	(4,046,856)	(732,815)	
Reimbursable and Management Fees - Other	60,656,793	18,042,812	-	-	-	-	-	-	-	-	-	-	78,699,605	
Cash and Reserves - Obligated Group	(24,247,987)	-	-	-	-	-	-	-	-	-	-	-	(24,247,987)	
Cash and Reserves - Other	606,871	-	-	-	-	-	-	-	-	-	-	-	606,871	
Total Advances to (from) Affiliates	86,573,504	(8,350,742)	(5,917,658)	5,358,322	(199,283)	(1,092,574)	(10,683,570)	(10,059,771)	(7,924,897)	10,276,067	393,132	(4,046,856)	54,325,674	
Long-Term Investments:														
Long-Term Investments	17,948,391	-	-	-	-	-	-	-	-	-	-	-	17,948,391	
Other Assets:														
Utility Deposits	-	2,394	-	-	-	-	-	9,159	-	-	-	-	11,553	
Total Other Assets	-	2,394	-	-	-	-	-	9,159	-	-	-	-	11,553	
Total Assets	\$ 171,003,192	\$ (7,012,529)	\$ 7,430,205	\$ 20,553,387	\$ 5,952,429	\$ 2,555,045	\$ 2,989,972	\$ 4,180,822	\$ 574,120	\$ 21,790,536	\$ 4,782,983	\$ 394,956	\$ 235,195,118	

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING BALANCE SHEET (CONTINUED)  
SEPTEMBER 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Combined Total
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>													
<b>CURRENT LIABILITIES</b>													
Accounts Payable:													
Accounts Payable - Operations	\$ 385,346	\$ 5,234	\$ 660,441	\$ 170,999	\$ 170,987	\$ 156,901	\$ 413,518	\$ 821,344	\$ 1,013,092	\$ 132,764	\$ 35,048	\$ 201,049	\$ 4,166,723
Accrued Expenses:													
Sales Tax Payable	11,513	-	-	556	2,952	996	(124)	749	-	-	-	-	16,642
Other Accrued Expenses	7,172,235	59,869	597,468	579,137	303,807	206,200	765,704	404,624	340,628	310,335	47,026	51,155	10,838,188
Accrued Interest Payable	-	-	120,780	169,596	127,952	43,657	240,303	200,420	103,167	170,602	43,280	38,373	1,258,130
Total Accrued Expenses	7,183,748	59,869	718,248	749,289	434,711	250,853	1,005,883	605,793	443,795	480,937	90,306	89,528	12,112,960
Other Current Liabilities:													
Deferred Grant Revenue	-	-	-	-	214,108	-	-	-	-	-	-	-	214,108
Current Portion of Long-Term Debt	-	-	486,240	682,762	520,778	175,756	967,415	818,479	419,665	695,498	178,753	154,483	5,099,829
Total Other Current Liabilities	-	-	486,240	682,762	734,886	175,756	967,415	818,479	419,665	695,498	178,753	154,483	5,313,937
Total Current Liabilities	7,569,094	65,103	1,864,929	1,603,050	1,340,584	583,510	2,386,816	2,245,616	1,876,552	1,309,199	304,107	445,060	21,593,620
<b>LONG-TERM LIABILITIES</b>													
Restricted Liabilities:													
Security Deposits	10,690	-	-	-	241,684	-	5,000	-	-	-	-	-	257,374
Patient Trust Deposits	-	-	14,488	3,115	4,162	1,265	4,871	10,891	11,878	2,442	-	-	53,112
Unearned Revenue	-	-	83,217	29,021	179,032	21,813	113,714	178,334	69,275	12,478	16,743	23,222	726,849
Total Restricted Liabilities	10,690	-	97,705	32,136	424,878	23,078	123,585	189,225	81,153	14,920	16,743	23,222	1,037,335
Other Long-Term Liabilities:													
Long-Term Debt and Bond Premium, Net of Current Maturities and Deferred Financing Costs	-	-	8,448,633	12,352,822	8,027,407	3,024,568	16,015,325	13,294,349	6,844,240	11,486,503	2,715,468	2,408,870	84,618,185
Risk Retention Liabilities	20,819,963	20	-	-	-	-	-	-	-	-	-	-	20,819,983
Total Other Long-Term Liabilities	20,819,963	20	8,448,633	12,352,822	8,027,407	3,024,568	16,015,325	13,294,349	6,844,240	11,486,503	2,715,468	2,408,870	105,438,168
Total Liabilities	28,399,747	65,123	10,411,267	13,988,008	9,792,869	3,631,156	18,525,726	15,729,190	8,801,945	12,810,622	3,036,318	2,877,152	128,069,123
<b>NET ASSETS (DEFICIT)</b>													
Net Assets (Deficit)													
without Donor Restrictions, Beginning	130,985,457	(3,846,967)	(2,866,345)	2,749,033	(4,737,032)	(533,770)	(13,582,855)	(9,339,827)	(5,786,344)	8,382,437	1,732,371	(1,718,386)	101,437,772
Current Change in Net Assets (Deficit)													
without Donor Restrictions	11,617,988	(3,230,685)	(114,717)	3,816,346	896,592	(542,341)	(1,952,899)	(2,208,541)	(2,441,481)	597,477	14,294	(763,810)	5,688,223
Total Net Assets (Deficit)	142,603,445	(7,077,652)	(2,981,062)	6,565,379	(3,840,440)	(1,076,111)	(15,535,754)	(11,548,368)	(8,227,825)	8,979,914	1,746,665	(2,482,196)	107,125,995
Total Liabilities and Net Assets (Deficit)	\$ 171,003,192	\$ (7,012,529)	\$ 7,430,205	\$ 20,553,387	\$ 5,952,429	\$ 2,555,045	\$ 2,989,972	\$ 4,180,822	\$ 574,120	\$ 21,790,536	\$ 4,782,983	\$ 394,956	\$ 235,195,118

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
YEAR ENDED SEPTEMBER 30, 2021  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Eliminations	Combined Total
<b>OPERATING REVENUES</b>														
Skilled Nursing Revenue:														
Routine Revenue	\$ -	\$ -	\$ 4,598,427	\$ 2,791,219	\$ 3,743,924	\$ -	\$ 3,379,510	\$ 6,604,899	\$ 4,386,929	\$ -	\$ -	\$ -	\$ -	\$ 25,504,908
Ancillary Revenue	-	-	1,258,241	1,973,673	156,138	-	1,532,691	3,250,039	3,475,423	-	-	-	-	11,646,205
Contractual Adjustments	-	-	(525,646)	679,647	(703,345)	-	(662,131)	(2,296,051)	(1,122,955)	-	-	-	-	(4,630,481)
Other Routine	-	-	102,535	64,454	46,282	9,226	40,304	69,699	166,171	-	-	-	-	498,671
Total Skilled Nursing Revenue	-	-	5,433,557	5,508,993	3,242,999	9,226	4,290,374	7,628,586	6,905,568	-	-	-	-	33,019,303
Other Revenue:														
Management Fees	-	18,675,342	-	-	-	-	-	-	-	-	-	-	(5,015,048)	13,660,294
Development Income	1,630,545	-	-	-	-	-	-	-	-	-	-	-	-	1,630,545
Rental Income	-	-	3,886,666	5,521,122	5,796,900	2,620,058	3,897,967	4,218,828	2,177,239	4,870,539	1,371,354	459,305	-	34,819,978
Distributions from Unconsolidated Affiliates, Net	19,968,762	-	-	-	-	-	-	-	-	-	-	-	-	19,968,762
Other Residential Revenue	-	-	322,033	74,994	213,442	35,346	41,868	114,872	50,704	39,025	9,805	23,621	-	925,710
Meal Credits	-	-	-	(10,416)	-	-	-	-	(2,739)	-	-	-	-	(13,155)
Assisted Living Income, Net	-	-	2,118,327	1,416,960	-	1,883,519	3,736,158	-	3,086,166	3,187,859	-	423,880	-	15,852,869
Rental Concessions	-	-	(29,359)	(278,045)	(239)	(40,600)	(217,460)	(425,482)	(109,336)	(90,710)	(60,983)	(46,569)	-	(1,298,783)
Interest Income	648,053	-	67,355	71,458	16,490	25,536	49,738	5,694	16,000	90,023	-	-	-	990,347
Donations and Gifts	-	-	-	500	-	-	-	(26)	500	24	24	-	-	1,022
Corporate Admin Fees	16,792,584	(16,773,744)	-	-	-	-	-	-	-	-	-	-	-	18,840
Grant Revenue	-	-	168,756	64,472	325,433	47,568	80,910	114,907	77,791	61,132	-	61,819	-	1,002,788
Other Income	130,811	264,989	-	-	-	-	-	-	-	-	-	-	-	395,800
Total Other Revenue	39,170,755	2,166,587	6,533,778	6,861,045	6,352,026	4,571,427	7,589,181	4,028,793	5,296,325	8,157,892	1,320,200	922,056	(5,015,048)	87,955,017
Total Operating Revenues	39,170,755	2,166,587	11,967,335	12,370,038	9,595,025	4,580,653	11,879,555	11,657,379	12,201,893	8,157,892	1,320,200	922,056	(5,015,048)	120,974,320
<b>OPERATING EXPENSES</b>														
Payroll Related:														
Payroll Expense - Regular	8,542,567	2,862,432	3,407,995	2,913,024	2,151,904	1,211,676	4,707,097	2,843,877	3,440,234	1,340,284	224,301	338,276	-	33,983,667
Payroll Expense - Overtime	313,932	9,643	282,157	216,532	206,850	135,457	383,863	454,734	364,321	95,884	946	15,964	-	2,480,283
Bonuses	6,249	16,820	208,966	251,705	158,232	73,365	395,893	390,281	291,001	96,322	8,953	17,053	-	1,914,840
Vacation, Sick, Holiday	-	-	351,038	307,501	193,441	121,579	382,415	238,331	288,087	130,988	27,741	26,453	-	2,067,574
Payroll Taxes	593,325	214,384	332,144	332,212	255,489	128,500	484,153	299,188	380,346	134,277	19,682	30,134	-	3,203,834
Retirement	391,725	73,654	56,984	35,948	19,784	11,427	53,880	29,066	28,463	12,874	4,722	4,243	-	722,770
Group Insurance	543,915	184,590	397,797	407,150	188,720	140,577	897,244	465,399	473,481	204,235	43,343	44,566	-	3,991,017
Workers' Compensation Insurance	78,993	26,994	381,735	328,818	179,906	139,242	216,437	136,256	125,248	41,846	11,238	16,714	-	1,683,427
Other Employee Benefits	28,859	238	1,705	57,230	362	758	1,583	2,388	-	-	-	81	-	93,204
Severance	-	-	-	750	-	-	-	-	-	-	-	-	-	750
Outside Services	12,162	7,367	3,461,059	2,773,578	671,103	1,495,159	1,221,998	3,274,119	4,407,841	1,152,873	305,332	376,276	-	19,158,867
Total Payroll Related	\$ 10,511,727	\$ 3,396,122	\$ 8,881,580	7,624,448	4,025,791	3,457,740	8,744,563	8,133,639	9,799,022	3,209,583	646,258	869,760	-	69,300,233

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2021  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Eliminations	Combined Total
<b>OPERATING EXPENSES (CONTINUED)</b>														
Other Expenses:														
Employee Expense Other	\$ -	\$ -	\$ 14,506	\$ 20,864	\$ 24,615	\$ 16,552	\$ 33,570	\$ 11,970	\$ 36,268	\$ 26,494	\$ 4,334	\$ 5,023	\$ -	\$ 194,196
Dietary Expense	-	-	909,239	693,653	220,763	515,295	802,071	667,989	600,072	755,080	129,887	109,457	-	5,403,506
Patient Supplies/Services	-	-	328,024	336,089	259,312	31,828	393,335	404,550	523,304	21,650	-	3,957	-	2,304,049
Supplies and Minor Equipment	299,850	30,034	68,582	61,848	165,656	85,910	111,094	42,943	116,969	66,389	4,538	8,543	-	1,082,356
Utilities - Electricity	-	-	353,435	263,515	564,853	263,006	309,670	212,307	384,468	206,896	102,351	70,661	-	2,731,162
Utilities - Water	-	-	61,000	69,874	201,744	60,509	218,143	116,717	237,223	116,495	25,696	15,538	-	1,122,939
Utilities - Gas	-	-	40,177	81,691	268,919	29,499	24,574	15,239	28,087	21,888	36,319	50,656	-	597,049
Utilities - Telephone	232,656	53,847	109,939	163,696	139,611	58,470	98,099	76,538	41,967	50,471	15,976	66,546	-	1,107,816
Utilities - Trash	-	-	76,669	102,856	77,370	46,589	34,556	78,518	36,295	14,741	7,701	7,055	-	482,550
Leases and Maintenance	86,678	-	-	-	-	-	-	-	-	-	-	-	-	86,678
Repairs and Maintenance	21,415	-	543,879	412,950	606,023	187,535	354,953	460,765	535,983	350,030	87,121	98,201	-	3,658,855
Management Fees	-	-	859,513	501,096	524,449	233,611	953,485	779,054	667,365	66,113	45,994	66,113	(5,015,048)	-
Office Expenses	-	24,401	46,470	37,151	52,020	19,414	46,952	40,581	33,913	43,873	5,243	6,736	-	356,754
Travel, Conference, Seminar	141,268	284,969	8,037	6,071	19,908	3,043	6,842	6,381	3,958	1,463	1,339	752	-	484,031
Marketing and Advertising	28,003	-	44,002	101,173	42,918	38,283	100,199	67,250	129,853	43,965	36,493	12,286	-	644,425
Other Administrative	611,910	76,907	221,598	200,546	269,540	74,121	172,484	92,439	62,366	90,917	11,828	52,785	-	1,937,441
Computer Services Expense	-	-	86,711	83,138	51,406	41,106	115,611	136,341	108,463	61,122	15,685	26,091	-	725,674
Other Services	-	-	16,536	24,441	9,659	5,876	8,495	6,639	1,129	17,228	398	2,751	-	93,152
General Insurance	37,098	84,473	449,619	294,042	364,928	243,859	516,505	517,095	232,135	194,952	39,479	48,312	-	3,022,497
Professional Fees	898,180	64,294	373,140	268,743	362,444	9,327	373,054	483,791	519,112	30,519	7,664	4,494	-	3,394,762
Bad Debt Expense	-	-	(765)	(9,016)	(64,211)	31,288	183,545	156,764	98,366	(64)	-	1,731	-	397,638
Fine/Penalty Expense	-	-	20,000	-	-	-	3,000	-	-	-	-	-	-	23,000
Property Taxes	-	-	35,717	4,490	205,106	241	305,832	170,638	-	148,778	-	-	-	870,802
911 Studebaker	273,706	-	-	-	-	-	-	-	-	-	-	-	-	273,706
Annual Meeting	10,860	2,130	-	-	-	-	-	-	-	-	-	-	-	12,990
Total Other Expenses	2,641,624	621,055	4,666,228	3,718,911	4,367,033	1,995,362	5,166,069	4,544,509	4,409,296	2,637,255	598,165	637,569	(5,015,048)	30,988,028
Total Operating Expenses	13,153,351	4,017,177	13,547,808	11,343,359	8,392,824	5,453,102	13,910,632	12,678,148	14,208,318	5,846,838	1,244,423	1,507,329	(5,015,048)	100,288,261
Change in Net Assets without Donor Restrictions														
Before Other Items	26,017,404	(1,850,590)	(1,580,473)	1,026,679	1,202,201	(872,449)	(2,031,077)	(1,020,769)	(2,006,425)	2,311,054	75,777	(585,273)	-	20,686,059
Interest and Other Finance Costs	470,853	-	232,973	257,944	374,506	87,763	575,100	482,275	264,135	427,380	124,946	112,480	-	3,410,355
Change in Net Assets without Donor Restrictions														
Less Interest and Other Finance Costs	25,546,551	(1,850,590)	(1,813,446)	768,735	827,695	(960,212)	(2,606,177)	(1,503,044)	(2,270,560)	1,883,674	(49,169)	(697,753)	-	17,275,704
Depreciation Expense	427,528	1,941	296,378	826,145	281,869	210,890	795,868	697,214	654,565	598,096	225,554	208,206	-	5,224,054
Change in Net Assets Before Nonoperating Gains (Losses)	25,119,023	(1,852,531)	(2,109,824)	(57,410)	546,026	(1,171,102)	(3,402,045)	(2,200,258)	(2,925,125)	1,285,578	(274,723)	(905,959)	-	12,051,650
Nonoperating Gains (Losses):														
Nonrecoverable Expenses	(6,640,000)	(120,000)	-	-	-	-	-	-	-	-	-	-	-	(6,760,000)
Losses on Disposal of Property and Equipment	-	-	(4,059)	(3,434)	-	-	(25,706)	(33,799)	-	(54,864)	(3,895)	-	-	(125,757)
Unrealized Gains (Losses) on Investments	367,091	-	(871)	(1,217)	(807)	(248)	(2,063)	(1,243)	(1,787)	(4,123)	(246)	(218)	-	354,268
Total Nonoperating Gains (Losses)	(6,272,909)	(120,000)	(4,930)	(4,651)	(807)	(248)	(27,769)	(35,042)	(1,787)	(58,987)	(4,141)	(218)	-	(6,531,489)
Transfer of Net Assets without Donor Restrictions	(1,322,058)	-	-	-	-	-	154,676	(36,920)	-	-	-	-	-	(1,204,302)
Change in Net Assets without Donor Restrictions	\$ 17,524,056	\$ (1,972,531)	\$ (2,114,754)	\$ (62,061)	\$ 545,219	\$ (1,171,350)	\$ (3,275,138)	\$ (2,272,220)	\$ (2,926,912)	\$ 1,226,591	\$ (278,864)	\$ (906,177)	\$ -	\$ 4,315,859

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
YEAR ENDED SEPTEMBER 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Eliminations	Combined Total
<b>OPERATING REVENUES</b>														
Skilled Nursing Revenue:														
Routine Revenue:	\$ -	\$ -	\$ 5,436,579	\$ 4,720,400	\$ 3,628,738	\$ -	\$ 3,976,040	\$ 6,742,714	\$ 4,706,083	\$ -	\$ -	\$ -	\$ -	\$ 29,210,554
Ancillary Revenue	-	-	545,982	2,252,666	147,169	-	1,575,157	3,984,058	3,321,573	-	-	-	-	11,826,605
Contractual Adjustments	-	-	(131,028)	(63,191)	(371,674)	-	(656,184)	(2,013,399)	(996,357)	-	-	-	-	(4,231,833)
Other Routine	-	-	109,752	64,211	24,602	6,932	28,404	123,743	84,039	-	-	-	-	441,683
Total Skilled Nursing Revenue	-	-	5,961,285	6,974,086	3,428,835	6,932	4,923,417	8,837,116	7,115,338	-	-	-	-	37,247,009
Other Revenue:														
Management Fees	1,201,747	17,431,942	-	-	-	-	-	-	-	-	-	-	(5,034,037)	13,599,652
Development Income	689,752	-	-	-	-	-	-	-	-	-	-	-	-	689,752
Rental Income	-	-	4,812,847	5,532,992	5,602,336	3,084,789	4,967,230	4,861,439	2,558,610	4,875,788	1,681,320	772,606	-	38,749,957
Distributions from Unconsolidated Affiliates, Net	9,457,275	-	-	-	-	-	-	-	-	-	-	-	-	9,457,275
Other Residential Revenue	-	-	80,754	51,895	210,476	29,461	127,587	87,098	92,934	51,242	10,100	30,949	-	772,496
Meal Credits	-	-	-	(14,472)	-	-	(600)	-	(7,306)	-	-	-	-	(22,378)
Assisted Living Income, Net	-	-	2,181,959	1,791,818	-	2,301,965	5,232,284	-	3,267,201	3,116,449	-	627,133	-	18,518,809
Rental Concessions	-	-	(99,740)	(396,391)	(3,462)	(105,046)	(453,609)	(551,229)	(214,336)	(61,173)	(88,913)	(84,631)	-	(2,058,530)
Interest Income	797,580	5,065	112,942	122,640	25,207	43,445	80,392	9,372	20,195	134,588	-	-	-	1,351,426
Donations and Gifts	-	-	-	10,000	-	-	-	48	2,752	(2)	248	-	-	13,046
Corporate Admin Fees	16,792,584	(16,749,287)	-	-	-	-	-	-	-	-	-	-	-	43,297
Grant Revenue	-	-	723,433	612,851	199,575	-	459,045	671,641	640,665	-	-	-	-	3,307,210
Other Income	64,012	392,476	-	-	-	-	-	-	-	-	-	-	-	456,488
Total Other Revenue	29,002,950	1,080,196	7,812,195	7,711,333	6,034,132	5,354,614	10,412,329	5,078,369	6,360,715	8,116,892	1,602,755	1,346,057	(5,034,037)	84,878,500
Total Operating Revenues	29,002,950	1,080,196	13,773,480	14,685,419	9,462,967	5,361,546	15,335,746	13,915,485	13,476,053	8,116,892	1,602,755	1,346,057	(5,034,037)	122,125,509
<b>OPERATING EXPENSES</b>														
Payroll Related:														
Payroll Expense - Regular	7,913,791	2,811,471	5,685,398	4,769,308	2,470,043	2,295,572	5,742,626	4,087,197	3,950,047	2,005,356	370,014	569,676	-	42,670,499
Payroll Expense - Overtime	288,676	29,282	408,254	369,362	172,358	237,448	483,023	498,200	275,099	69,327	2,115	35,367	-	2,868,511
Bonuses	3,229	11,380	233,574	295,459	105,138	90,940	302,956	292,640	333,363	83,394	9,951	20,234	-	1,782,258
Vacation, Sick, Holiday	-	-	522,883	363,595	208,333	210,604	417,546	314,375	321,723	155,990	39,260	38,723	-	2,593,032
Payroll Taxes	552,828	225,877	562,126	468,328	249,608	239,367	507,649	385,256	396,339	174,704	30,665	47,913	-	3,840,660
Retirement	344,825	80,994	92,374	47,393	25,778	25,133	58,680	41,302	31,155	16,217	6,598	6,690	-	777,139
Group Insurance	564,342	222,591	890,757	623,382	226,000	208,179	954,550	667,850	675,090	309,203	70,486	132,506	-	5,544,936
Workers' Compensation Insurance	81,087	21,325	448,241	369,958	180,082	138,808	256,172	160,615	149,033	37,965	10,081	20,742	-	1,874,109
Other Employee Benefits	82,940	1,041	5,320	61,905	99	-	10,546	654	1,021	-	-	-	-	163,726
Severance	-	31,542	-	3,920	-	-	-	-	-	-	-	-	-	35,462
Outside Services	8,547	1,954	126,370	723,867	64,666	22,483	1,112,631	2,754,371	4,066,037	34,365	-	192,702	-	9,107,993
Total Payroll Related	\$ 9,840,265	\$ 3,437,457	\$ 8,975,297	\$ 8,096,477	\$ 3,702,105	\$ 3,468,534	\$ 9,846,379	\$ 9,202,660	\$ 10,198,907	\$ 2,886,521	\$ 539,170	\$ 1,064,553	\$ -	\$ 71,258,325

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Eliminations	Combined Total
<b>OPERATING EXPENSES (CONTINUED)</b>														
Other Expenses:														
Employee Expense Other	\$ -	\$ -	\$ 32,037	\$ 51,951	\$ 13,790	\$ 16,818	\$ 38,475	\$ 28,351	\$ 34,698	\$ 36,025	\$ 8,164	\$ 7,042	\$ -	\$ 267,351
Dietary Expense	-	-	977,304	703,722	197,000	450,807	877,739	622,457	687,099	748,331	176,451	111,054	-	5,551,964
Patient Supplies/Services	-	-	237,160	309,500	278,475	25,272	409,800	650,296	489,731	10,147	675	5,556	-	2,416,612
Supplies and Minor Equipment	288,239	46,323	180,060	115,699	158,382	118,169	172,917	80,328	91,884	79,087	19,387	8,632	-	1,359,097
Utilities - Electricity	-	-	437,441	247,968	438,655	228,045	306,338	238,139	354,524	214,210	93,347	89,324	-	2,647,991
Utilities - Water	-	-	70,683	71,667	169,581	58,257	259,172	126,121	195,201	139,400	24,219	23,540	-	1,137,841
Utilities - Gas	-	-	62,809	75,829	250,195	20,609	25,212	15,200	41,962	17,171	47,395	44,004	-	600,386
Utilities - Telephone	236,009	60,963	124,114	170,474	146,655	44,215	86,320	59,101	48,846	38,864	14,685	55,939	-	1,086,185
Utilities - Trash	-	-	51,937	103,104	57,694	43,165	49,337	52,515	32,029	14,323	4,399	7,556	-	416,059
Leases and Maintenance	71,662	-	-	-	-	-	-	-	-	-	-	-	-	71,662
Repairs and Maintenance	15,855	-	511,949	438,230	635,680	188,266	452,097	539,318	368,978	380,655	82,713	124,313	-	3,738,054
Management Fees	-	-	855,360	498,674	521,198	232,609	948,877	775,289	674,109	372,559	80,089	75,273	(5,034,037)	-
Office Expenses	-	30,395	53,577	34,029	64,885	34,915	73,322	67,684	42,580	38,221	8,170	11,169	-	458,947
Travel, Conference, Seminar	344,782	367,937	8,946	24,475	13,789	9,632	14,010	20,184	21,161	7,829	6,595	5,381	-	844,721
Marketing and Advertising	24,335	833	60,159	141,952	55,829	64,179	137,848	97,106	139,700	49,007	60,217	22,405	-	853,570
Other Administrative	537,019	86,856	235,665	198,746	239,037	66,739	160,889	93,982	81,959	95,495	12,943	56,496	-	1,865,826
Computer Services Expense	-	-	82,477	81,987	50,543	42,077	111,095	123,913	104,971	55,299	15,739	25,900	-	694,001
Other Services	-	-	32,128	28,472	16,873	9,281	10,864	10,727	5,958	21,255	3,563	5,389	-	144,510
General Insurance	51,032	77,014	398,901	258,882	326,612	218,663	494,873	456,327	240,128	192,851	38,204	44,083	-	2,797,570
Professional Fees	994,334	78,401	492,846	403,416	324,238	10,282	409,875	488,551	534,664	24,532	8,892	8,694	-	3,778,725
Bad Debt Expense	-	-	53,801	(5,614)	66,949	35,775	104,374	139,007	84,131	3,724	-	995	-	483,142
Fine/Penalty Expense	-	-	-	-	-	-	21,000	-	-	-	-	-	-	21,000
Property Taxes	-	-	34,469	4,470	204,204	241	278,075	145,952	-	120,946	-	-	-	788,357
911 Studebaker	266,386	-	-	-	-	-	-	-	-	-	-	-	-	266,386
Annual Meeting	141,378	1,350	-	-	-	-	-	-	-	-	-	-	-	142,728
Total Other Expenses	2,971,031	750,072	4,993,823	3,957,633	4,230,264	1,918,016	5,442,509	4,830,548	4,274,293	2,659,941	705,847	732,745	(5,034,037)	32,432,685
Total Operating Expenses	12,811,296	4,187,529	13,969,120	12,054,110	7,932,369	5,386,550	15,288,888	14,033,208	14,473,200	5,546,462	1,245,017	1,797,298	(5,034,037)	103,691,010
Change in Net Assets without Donor Restrictions Before Other Items	16,191,654	(3,107,333)	(195,640)	2,631,309	1,530,598	(25,004)	46,858	(117,723)	(997,147)	2,570,430	357,738	(451,241)	-	18,434,499
Interest and Other Finance Costs	446,623	-	198,954	209,182	346,560	77,393	510,177	438,064	222,191	337,894	118,856	105,419	-	3,007,313
Change in Net Assets without Donor Restrictions Less Interest and Other Finance Costs	15,745,031	(3,107,333)	(394,594)	2,422,127	1,184,038	(102,397)	(463,319)	(553,787)	(1,219,338)	2,232,536	240,882	(556,660)	-	15,427,186
Depreciation Expense	304,500	3,352	304,882	698,579	285,313	205,785	803,482	723,542	677,244	603,350	225,887	206,528	-	5,042,444
Change in Net Assets Before Nonoperating Gains (Losses)	15,440,531	(3,110,685)	(699,476)	1,723,548	898,725	(308,182)	(1,266,801)	(1,277,329)	(1,896,582)	1,629,186	14,995	(763,188)	-	10,384,742
Nonoperating Gains (Losses):														
Nonrecoverable Expenses	(2,685,000)	(120,000)	-	-	-	-	-	-	-	-	-	-	-	(2,805,000)
Losses on Disposal of Property and Equipment	-	-	(180,764)	(96,542)	-	-	-	(426,688)	-	(25,333)	-	-	-	(729,327)
Unrealized Gains (Losses) on Investments	368,836	-	(2,095)	(2,937)	(2,133)	(707)	(4,417)	(3,324)	(2,575)	(5,138)	(701)	(622)	-	344,187
Total Nonoperating Gains (Losses)	(2,316,164)	(120,000)	(182,859)	(99,479)	(2,133)	(707)	(4,417)	(430,012)	(2,575)	(30,471)	(701)	(622)	-	(3,190,140)
Transfer of Net Assets without Donor Restrictions	(1,506,379)	-	767,618	2,192,277	-	(233,452)	(681,681)	(501,200)	(542,324)	(1,001,238)	-	-	-	(1,506,379)
Change in Net Assets without Donor Restrictions	\$ 11,617,988	\$ (3,230,685)	\$ (114,717)	\$ 3,816,346	\$ 896,592	\$ (542,341)	\$ (1,952,899)	\$ (2,208,541)	\$ (2,441,481)	\$ 597,477	\$ 14,294	\$ (763,810)	\$ -	\$ 5,688,223



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Retirement Housing Foundation  
Obligated Group  
Long Beach, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the combined financial statements of Retirement Housing Foundation Obligated Group (the Obligated Group), which comprise the combined balance sheets as of September 30, 2021, and the related combined statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated March 22, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Obligated Group's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Obligated Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Obligated Group's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Retirement Housing Foundation  
Obligated Group

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Obligated Group's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and that result of that testing, and not to provide an opinion of the effectiveness of the Obligated Group's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Obligated Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 22, 2022

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- b. Retirement Housing Foundation Obligated Group – Combined Financial Statements and Supplementary Information for Years Ended September 30, 2020 and 2019.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP**

**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**



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**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Retirement Housing Foundation  
Obligated Group  
Long Beach, California

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of Retirement Housing Foundation Obligated Group (the Obligated Group), which comprise the combined balance sheets as of September 30, 2020 and 2019, the combined statements of activities and changes in net assets, and the combined statements of cash flows for the years then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 entity'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 combined financial statements.

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

***Basis for Qualified Opinion***

As discussed in Note 1 to the combined financial statements, certain affiliates of the Obligated Group are not reported in these combined financial statements. In our opinion, accounting principles generally accepted in the United States of America require that certain affiliates be accounted for as consolidated subsidiaries. If the combined financial statements of certain affiliates had been consolidated with those of the Obligated Group, total assets and total liabilities would be increased by \$1,770,371,928 and \$1,278,968,399, respectively, as of September 30, 2020 and \$1,781,447,011 and \$1,245,979,285, respectively as of September 30, 2019, and the change in net assets without donor restrictions would be decreased by \$11,436,837 and \$4,805,247, respectively, for the years then ended.

***Qualified Opinion***

In our opinion, except for the effects of not consolidating certain material affiliates, as described in the basis for qualified opinion paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Obligated Group as of September 30, 2020 and 2019, and the results of its operations, changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter Regarding a Change in Accounting Principles***

As discussed in Note 1 to the combined financial statements, during the year ended September 30, 2020, the Obligated Group implemented Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, ASU No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* and ASU 2016-18 *Statement of Cash Flows (Topic 230) Restricted Cash*. Our opinion was not modified with respect to these matters.

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary combining financial statements are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information noted in the preceding paragraph, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 19, 2021

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINED BALANCE SHEETS  
SEPTEMBER 30, 2020 AND 2019**

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 30,743,147	\$ 29,613,459
Accounts Receivable, Net	4,113,183	4,250,263
Current Portion of Investments	28,301,561	14,147,936
Prepaid Expenses and Other Current Assets	1,716,968	1,257,002
Current Portion of Assets Limited as to Use	5,783,926	9,972,177
Total Current Assets	70,658,785	59,240,837
<b>ASSETS LIMITED AS TO USE</b>		
Trustee Held Funds	12,638,592	16,740,396
Resident/Tenant Deposits	606,504	594,560
Total Assets Limited as to Use	13,245,096	17,334,956
Less: Current Portion Shown Above	(5,783,926)	(9,972,177)
Total Noncurrent Assets Limited as to Use	7,461,170	7,362,779
<b>PROPERTY AND EQUIPMENT</b>		
Land	6,198,351	6,198,351
Land Held for Development or Sale	1,031,935	1,031,935
Buildings and Improvements	145,798,095	139,047,582
Furniture and Equipment	40,535,324	40,677,546
Construction in Progress	11,639,955	8,431,479
Total Property and Equipment	205,203,660	195,386,893
Less: Accumulated Depreciation	(120,414,115)	(116,006,821)
Total Property and Equipment, Net	84,789,545	79,380,072
<b>OTHER ASSETS</b>		
Advances to Affiliates, Net	54,325,674	50,762,934
Investments	17,948,391	36,647,124
Other Assets	11,553	11,553
Total Other Assets	72,285,618	87,421,611
 Total Assets	 \$ 235,195,118	 \$ 233,405,299

See accompanying Notes to Combined Financial Statements.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINED BALANCE SHEETS (CONTINUED)  
SEPTEMBER 30, 2020 AND 2019**

<b>LIABILITIES AND NET ASSETS</b>	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 5,099,829	\$ 4,995,472
Accounts Payable	4,166,723	2,912,223
Accrued Expenses	10,854,830	10,586,968
Accrued Interest	1,258,130	1,306,612
Deferred Grant Revenue	214,108	-
Total Current Liabilities	<u>21,593,620</u>	<u>19,801,275</u>
 <b>OTHER LIABILITIES</b>		
Unearned Revenue	726,849	551,237
Tenant Deposits	310,486	311,102
Long-Term Debt and Bond Premium, Net of Current Maturities and Deferred Financing Costs	84,618,185	90,918,997
Risk Retention Liability	<u>20,819,983</u>	<u>20,384,916</u>
Total Other Liabilities	<u>106,475,503</u>	<u>112,166,252</u>
 <b>Total Liabilities</b>		
	128,069,123	131,967,527
 <b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	<u>107,125,995</u>	<u>101,437,772</u>
Total Liabilities and Net Assets	<u>\$ 235,195,118</u>	<u>\$ 233,405,299</u>

See accompanying Notes to Combined Financial Statements.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Resident Services Revenue	\$ 93,207,363	\$ 96,588,522
Management Fees	13,599,652	13,781,557
Development Income	689,752	664,753
Interest Income, Net	1,351,426	1,603,692
Distributions from Unconsolidated Affiliates, Net	9,457,275	18,432,375
Grant Revenue	3,307,210	-
Other	512,831	614,398
Total Operating Revenues	<u>122,125,509</u>	<u>131,685,297</u>
<b>OPERATING EXPENSES</b>		
Payroll Related Expenses	71,258,325	70,343,423
Dietary Expense	5,551,964	6,024,911
Utilities	5,888,462	5,997,517
Other Administrative	1,865,826	1,792,489
General Insurance	2,797,570	2,537,110
Interest and Other Finance Costs	3,007,313	3,091,690
Depreciation	5,042,444	5,522,352
Other Operating Expenses	16,328,863	17,293,466
Total Operating Expenses	<u>111,740,767</u>	<u>112,602,958</u>
<b>OPERATING INCOME</b>	10,384,742	19,082,339
<b>NONOPERATING GAIN (LOSS)</b>		
Nonrecoverable Expenses	(2,805,000)	(2,167,800)
Loss on Disposal of Property and Equipment	(729,327)	(56,932)
Unrealized Gain on Investments	344,187	222,407
Total Nonoperating Loss	<u>(3,190,140)</u>	<u>(2,002,325)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	7,194,602	17,080,014
<b>TRANSFER OF NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>(1,506,379)</u>	<u>(1,497,022)</u>
<b>TOTAL CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	5,688,223	15,582,992
Net Assets Without Donor Restrictions - Beginning of Year	<u>101,437,772</u>	<u>85,854,780</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	<u>\$ 107,125,995</u>	<u>\$ 101,437,772</u>

See accompanying Notes to Combined Financial Statements.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total Change in Net Assets Without Donor Restrictions	\$ 5,688,223	\$ 15,582,992
Transfer of Net Assets Without Donor Restrictions	1,506,379	1,497,022
Adjustments to Reconcile Total Change in Net Assets Without Donor Restrictions to Net Cash Provided by Operating Activities:		
Depreciation	5,042,444	5,522,352
Interest Expense - Debt Issue Costs	126,725	126,723
Amortization of Bond Premium	(1,296,343)	(1,346,124)
Unrealized Gain on Investments	(344,187)	(222,407)
Loss on Disposal of Property and Equipment	729,327	56,932
Changes in Operating Assets and Liabilities:		
Accounts Receivable	137,080	474,738
Prepaid Expenses and Other Current Assets	(459,966)	(530,578)
Accounts Payable	1,254,500	(3,373,152)
Accrued Expenses	267,863	192,488
Accrued Interest	(48,482)	(48,895)
Deferred Grant Revenue	214,108	-
Tenant Deposits and Unearned Revenue	174,996	(16,473)
Risk Retention Liability	435,067	2,522,827
Net Cash Provided by Operating Activities	13,427,734	20,438,445
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(11,181,244)	(7,332,030)
Net Change in Investments	3,382,916	(2,004,573)
Net Change in Assets Limited as to Use	(3,085,288)	2,886,878
Net Change in Advances to Affiliates	(3,562,740)	(101,339)
Net Cash Used by Investing Activities	(14,446,356)	(6,551,064)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(5,026,838)	(4,926,479)
Net Cash Used by Financing Activities	(5,026,838)	(4,926,479)
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(6,045,460)	8,960,902
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	43,199,756	34,238,854
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 37,154,296	\$ 43,199,756
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR PER THE COMBINED BALANCE SHEETS TO THE COMBINED STATEMENTS OF CASH FLOWS</b>		
Cash and Cash Equivalents	\$ 30,743,147	\$ 29,613,459
Cash Portion of Assets Limited as to Use	6,411,149	13,586,297
Cash, Cash Equivalents, and Restricted Cash - End of Year per Combined Statements of Cash Flows	\$ 37,154,296	\$ 43,199,756
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 3,847,128	\$ 3,993,723

See accompanying Notes to Combined Financial Statements.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Retirement Housing Foundation (RHF) is a California nonprofit corporation which sponsors or co-sponsors and manages, through itself and affiliated corporations, affordable and market rate housing, skilled nursing and assisted living services for senior adults, low-income families, and persons with disabilities throughout the United States. The following entities and divisions are included in these combined financial statements:

- Retirement Housing Foundation
- Foundation Property Management, Inc.
- Bixby Knolls Towers, Inc.
- Bixby Knolls Health Care and Rehabilitation Center
- Gold Country Health Center, Inc.
- Gold Country Retirement Center
- Mayflower Gardens Health Facilities, Inc.
- Mayflower RHF Housing, Inc.
- Sun City RHF Housing, Inc.
- Holly Hill RHF Housing, Inc. dba: Bishop's Glen
- Merritt Island RHF Housing, Inc. dba: Courtenay Springs Village
- Yellowwood Acres, Inc. dba: Westminster
- Westminster Healthcare Center
- Bluegrass RHF Housing, Inc. dba: Colonial Heights
- Colonial Gardens
- St. Catherine RHF Housing, Inc.
- DeSmet RHF Housing, Inc.

Hereinafter, the foregoing organizations are collectively referred to as the Obligated Group. All significant intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

Information concerning the Obligated Group members, other than RHF as detailed above, is as follows:

*Foundation Property Management, Inc.* (FPM) manages substantially all of the RHF-controlled nonprofit facilities (including those listed below) under approved management agreements.

*Bixby Knolls Towers, Inc. dba: Bixby Knolls* consists of Bixby Knolls Towers, Inc. and Bixby Knolls Healthcare & Rehabilitation Center, which owns and operates a multilevel retirement facility in Long Beach, California, containing 168 independent senior apartment units, 53 assisted living units and a licensed 99-bed skilled nursing facility in two high rise buildings.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Organization (Continued)**

*Gold Country Health Center, Inc. dba: Gold Country* consists of Gold Country and Gold Country Retirement Center, which owns and operates a multilevel retirement facility in Placerville, California containing 150 independent senior apartment units, 36 assisted living units, and licensed 68-bed skilled nursing facility.

*Mayflower Gardens Health Facilities, Inc. dba: Mayflower Health Center* owns and operates a skilled nursing facility in Lancaster, California containing a licensed 48-bed skilled nursing facility.

*Mayflower RHF Housing, Inc. dba: Mayflower Gardens* owns and operates a retirement facility located adjacent to Mayflower Gardens Health Facilities, Inc. containing 502 independent senior apartment units.

*Sun City RHF Housing, Inc. dba: Sun City Gardens* owns and operates a retirement facility in Sun City, California containing 127 independent senior apartment units, 48 assisted living units and 17 dementia units.

*Holly Hill RHF Housing, Inc. dba: Bishop's Glen* owns and operates a multilevel retirement facility in Holly Hill, Florida, containing 191 independent senior apartment units, 69 assisted living units, 35 memory-care units; and a licensed 60-bed skilled nursing facility.

*Merritt Island RHF Housing, Inc. dba: Courtenay Springs Village* owns and operates a multilevel retirement facility in Merritt Island, Florida, consisting of 154 independent senior apartment units and a licensed 96-bed skilled nursing facility.

*Yellowwood Acres, Inc. dba: Westminster* consists of Westminster Village and Westminster Healthcare Center, which owns and operates a multilevel retirement facility in Clarksville, Indiana, consisting of 162 independent senior apartment units, 94 assisted living units and a licensed 94-bed skilled nursing facility.

*Bluegrass RHF Housing, Inc. dba: Colonial Heights and Colonial Gardens* own and operate a multilevel retirement facility in Florence, Kentucky, consisting of 179 independent senior apartment units, 61 assisted living units and 9 dementia units.

*St. Catherine RHF Housing, Inc.* owns and operates a retirement community in Florissant, Missouri, containing 85 independent living units.

*DeSmet RHF Housing, Inc.* owns and operates a multilevel retirement community in Florissant, Missouri, consisting of 55 independent living units and 29 assisted living units.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Combination**

The combined financial statements include all the accounts of the Obligated Group including all of the related parties identified above.

Accounting principles generally accepted in the United States of America (U.S. GAAP) require the Obligated Group to consolidate or combine certain of the aforementioned affiliated entities. However, management of the Obligated Group believes that, for its general-purpose combined financial statement needs, the combination of such affiliated entities would not present a meaningful set of combined financial statements. Specifically, these combined financial statements reflect the “management” operations of the Obligated Group. The affiliated entities that management has chosen not to combine or combine are the operating facilities that RHF (a member of the Obligated Group) manages.

The Obligated Group accounts for its advances made to such affiliated entities at cost and has elected not to consolidate the aforementioned affiliated entities. Had the accounts of such affiliates been combined with those of the Obligated Group, the combined balance sheets, and the related combined statements of activities, changes in net assets and cash flows, and the footnotes related thereto, would have reflected material additional information that would affect the reader’s understanding of the combined financial position and the combined changes in net assets and cash flows of the Obligated Group. Therefore, these combined financial statements are not prepared in accordance with U.S. GAAP.

Certain controlled subsidiaries and affiliates of RHF are not members of the Obligated Group and thus are not reflected in the accompanying presentation. As a result, these combined financial statements are not intended to be a complete presentation of the combined financial statements of RHF and its subsidiaries.

The properties controlled or managed by RHF are divided into two groups. The first group “affordable housing” consists of approximately 162 facilities providing low- and moderate-income apartments for senior adults, for those with special needs and for families. RHF and its nonprofit affiliates control 161 of these facilities. Either community-based nonprofits or partnerships, which have contracted for management with RHF affiliates, own the balance of the facilities.

Most of the low-and-moderate income facilities are financed with grants or loans from, or mortgage loans insured by, the United States Department of Housing and Urban Development (HUD) under programs including Section 202, 221(d)(4), 231 and 236. In addition, a majority of these projects receive Housing Assistance Payments (HAP) under contracts with HUD. For the years ended September 30, 2020 and 2019, these payments from HUD represented approximately 58% and 57%, respectively, of total revenues for those facilities. Properties that do not have HAP contracts receive other types of subsidies or have been financed through the Federal Low-Income Housing Tax Credit (LIHTC) Program or other governmental programs for affordable housing projects.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Combination (Continued)**

With respect to each controlled HUD property, either RHF is the sole member of a single purpose nonprofit corporation formed to own the facility, or it has the power to appoint and remove a majority of the directors. The debt, if any, on these facilities is nonrecourse with respect to the Obligated Group. With respect to each partnership property, RHF or an affiliate is a general partner in a single purpose partnership that controls and manages the facility. The debt on the partnership facilities is also nonrecourse with respect to the Obligated Group. Because of applicable laws, regulations, or contracts restricting distributions, in most cases, RHF itself does not have access to the funds or other assets of the low and moderate income housing portfolio, other than through management fees and other contractual distributions paid to RHF or its subsidiaries.

Twenty-one (21) “market rate” projects comprise the other group of RHF facilities. These facilities do not have HUD financing or LIHTC equity and are not subject to accompanying regulatory restrictions, nor, with limited exceptions, do the properties have rental assistance payments available to residents. A single purpose nonprofit corporation, of which RHF is the sole member, owns each of these facilities, with the exception of one project, in which the skilled nursing facility and the housing facilities are owned by separate single purpose corporations – Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc. RHF classifies as “market rate” all of the entities and divisions in the Obligated Group, other than RHF and FPM.

The affiliated owners of fifteen (15) of RHF’s market rate projects are included in the Obligated Group. The five (5) market rate facilities whose affiliated owners are not members of the Obligated Group are: The Carolinian in Florence, South Carolina; The Gateway in Poway, California which consists of The Gateway and Gateway Gardens; The Cloisters in Deland, Florida; Plymouth Square in Stockton, California, and Pioneer House in Sacramento, California.

The following is a summary of affiliated entities, which are not combined in the financial statements:

<u>Entity Classification</u>	<u>Number of Entities</u>
Nonprofit Single-Purpose Entities Owned and Receiving Government Subsidy, Currently in Operations	122
Nonprofit Healthcare Facilities Owned, Currently in Operation	6
Nonprofit Corporate Entities Owned	2
Forprofit Corporate Entities Owned	4
Nonprofit Properties Owned, Managed by Others	14
Partnerships Controlled by a Nonprofit General Partner in Operation (Ownership Interest Ranging from .01% to 16.9%)	39
Properties Managed for Third-Party Owners	1
Nonprofit Properties Owned, Currently in Development	1
Total Entities Not Consolidated	<u>189</u>

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Combination (Continued)**

The unaudited combined financial information of the entities that RHF is either the sole or controlling member (not covered by the independent auditors' report) at September 30, 2020 and 2019 is presented below. This information excludes one facility managed for third-party owners (in thousands).

	2020 (Unaudited)	2019 (Unaudited)
Total Assets	\$ 1,770,372	\$ 1,781,447
Total Liabilities	1,278,968	1,245,979
Net Assets	<u>\$ 491,404</u>	<u>\$ 535,468</u>
Unrestricted Revenues	\$ 238,207	\$ 232,513
Unrestricted Expenses	249,644	237,318
Change in Net Assets	<u>\$ (11,437)</u>	<u>\$ (4,805)</u>

Refer to the Notes that follow as they relate to advances to (from) affiliates, guarantees of debt of certain affiliates and other related party transactions, respectively.

The Obligated Group provides a variety of services to the aforementioned affiliated entities, including, but not limited to, financing arrangements, management, consulting, and administrative services. The Obligated Group receives fees for all such services provided.

**Tax-Exempt Status**

All the organizations that comprise the Obligated Group qualify as tax-exempt corporations described in Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the Obligated Group is not subject to federal and state income taxes under Section 501(a) of the IRC. The Obligated Group is classified as publicly supported charitable organizations under the IRC and contributions to the Obligated Group qualify as a charitable tax deduction for the contributor.

The Obligated Group applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Obligated Group is not aware of any activities that would jeopardize their tax-exempt status.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Obligated Group and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* – Those resources over which the board of directors has discretionary control.

*Net Assets with Donor Restrictions* – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Obligated Group or passage of time. Other donor-imposed restrictions are permanent in nature, where resources subject to a donor-imposed restriction that they be maintained permanently by the Obligated Group.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as donations with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as contributions without donor restrictions. When the Obligated Group has resources with donor restrictions and without donor restrictions available to finance various programs, it is the Obligated Group's policy to use restricted resources before unrestricted resources. There are no net assets with donor restrictions at September 30, 2020 and 2019.

**Use of Estimates**

The preparation of combined financial statements 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 combined financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Obligated Group considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents consist of demand deposits and money market accounts.

**Accounts Receivable**

The Obligated Group provides an allowance for doubtful accounts based on historical experience and management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or as the claim is submitted for third-party payors. The allowance for doubtful accounts was approximately \$1,205,000 and \$2,227,000 at September 30, 2020 and 2019, respectively.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are reported at fair value. Investment income (including interest and dividends net of investment expenses and realized and unrealized gains and losses) is included in the combined statements of activities and changes in net assets.

Investments are classified as trading. Investments consist, primarily, of government and debt securities that are managed by an unrelated third-party with specific guidance as to the types of investments allowed. Under the classification of trading, unrealized gains and losses are included in the excess of revenues over expenses. The cost of securities sold is based on the specific identification method.

**Property and Equipment**

Property and equipment is recorded at cost and, except for land, is depreciated using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years. The Obligated Group capitalizes items costing \$1,000 and greater. Depreciation expense was \$5,042,444 and \$5,522,352 for the years ended September 30, 2020 and 2019, respectively. Major betterments and renewals are capitalized, while routine repairs and maintenance are charged to expense when incurred.

**Construction in Progress**

Construction in progress as of September 30, 2020 primarily relates to capital improvements across the Obligated Group's retirement facilities, including replacement of balconies, roofs, HVAC units, and generators. The total cost of the projects is estimated to be approximately \$7,578,000 and is being funded through the Obligated Group's internal funds. The projects are expected to be completed in September 2021. All other projects are routine capital improvements and are expected to be completed in fiscal year 2021.

**Impairment of Long-Lived Assets**

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use and eventual disposition of these assets. Should the sum of the expected future net cash flows be less than carrying value, an impairment loss would be recognized. There were no impairments identified in fiscal years 2020 or 2019.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Land Held for Development or Sale**

All direct and indirect land costs, offsite and onsite improvements and applicable interest and carrying charges are capitalized to real estate projects under development. Capitalized costs are expensed as real estate is sold; direct marketing costs are expensed in the period incurred. Land and land development costs are accumulated by project and are allocated to individual phases using the relative sales value method. Land held for development is carried at cost. The Obligated Group reviews, on a periodic basis, its land held for development for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment has been determined by management as of September 30, 2020.

**Debt Issuance Costs**

The Obligated Group has incurred issuance costs pertaining to the issuances of long-term debt. Original issuance costs of \$1,900,908 as of September 30, 2020 and 2019, are being amortized in a manner designated to approximate a constant annual effective interest rate over the term of the issuance. Accumulated amortization as of September 30, 2020 and 2019 was \$366,250 and \$239,525, respectively. Amortization of the debt issuance costs was \$126,725 and \$126,723 for the years ended September 30, 2020 and 2019, respectively. Debt issuance costs are included with long-term debt on the combined balance sheets and amortization expense is included with interest and other finance costs on the combined statements of activities and changes in net assets.

**Deferred Grant Revenue**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by Obligated Group was \$3,521,318 at September 30, 2020. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At September 30, 2020, the Obligated Group recognized \$3,307,210 as grant revenue in the combined statement of operations and \$214,108 as deferred grant revenue in the combined balance sheets. Management believes the amounts have been recognized appropriately as of September 30, 2020.

**Resident Services Revenue**

Resident service revenue is reported at the estimated transaction price from residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between estimated amounts accrued and interim and final settlements are reported on the combined statements of activities in the year of settlement.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Third-Party Reimbursement Agreements**

The Obligated Group members' nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The participants are paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. CMS finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

The Obligated Group members' nursing facilities located in California participate in the Medicaid program known as Medi-Cal, which is a financial assistance program administered by the California Department of Health Care Services. Medi-Cal pays for services in accordance with a prospective payment system based upon nursing facilities' annually reported cost data, including fixed or capital-related costs, property taxes and labor costs. A specific per diem rate applies to each of six different levels of service and may change annually based upon audited facility costs.

The Obligated Group members' nursing facilities located in Florida participate in the Medicaid program which is administered by the Florida Agency for Health Care Administration. Services rendered to Medicaid program beneficiaries are reimbursed using predetermined daily rates based, in part, on reasonable costs, as defined and limited by the Medicaid program. Effective October 1, 2018, the Florida Medicaid program began the transition to a prospective payment system (PPS). The PPS system will pay a fixed reimbursement rate based on a median of costs of all providers in a geographical area adjusted for quality metrics and other factors. The current regulations provide for a three-year transition period in which providers will receive the higher of their published September 1, 2016 rate or the annually calculated PPS reimbursement rate. The transition period is scheduled to last through September 30, 2021, at which time the cost components of the PPS rate calculation will be rebased utilizing audited Medicaid cost reports submitted by all providers during the transition period.

The Obligated Group members' nursing facility located in Indiana participates in the Medicaid program that is administered by the Indiana Family and Social Services Administration, Office of Medicaid Policy and Planning (OMPP). A licensed skilled nursing facility that participated in the Medicaid program in the state of Indiana for the years ended September 30, 2020 and 2019, was reimbursed upon prospective rates based upon the most recently submitted cost reports. The rate calculations consider the individual community costs and variations in patient case mix. The cost reports are subject to periodic audit by the OMPP which may result in retroactive adjustment to set rates.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Third-Party Reimbursement Agreements (Continued)**

Nursing facilities licensed for participation in the Medicare and Medicaid assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the nursing facility.

**Management Fee Income**

RHF and FPM provide management services to senior living organizations. Revenue is reported at the amount that reflects the consideration to which RHF and FPM expect to be entitled in exchange for providing services. Revenue is recognized from providing these services as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by RHF and FPM. Revenue for performance obligations satisfied over time relate primarily to management services on a monthly basis. Revenue is earned over the course of a month which represents the period over which RHF and FPM satisfy the performance obligation. RHF and FPM believe this provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

RHF and FPM determine the transaction price based on the consideration to which RHF and FPM expect to be entitled in exchange for providing management and other services based on stated contract terms. Generally, RHF and FPM bill subsequent to the month in which management services are provided. Revenue is recognized as the performance obligations are satisfied.

During 2020 and 2019, RHF and FPM earned \$13,599,652 and \$13,781,571, respectively, for these services.

**Development Income**

RHF sponsors and develops new projects as management deems appropriate. In the process of developing a project, RHF will advance money and/or pay expenses on behalf of a project and may earn a development fee. Development fees earned during 2020 and 2019 were \$689,752 and \$664,753, respectively, in connection with the supervision of the development and construction of various sponsored projects. The fees were earned at certain stages of development and construction. As of September 30, 2020 and 2019, \$7,251,417 and \$9,563,970, respectively, remains unpaid and is included in Advances to Affiliates, Net in the combined balance sheets.

**RETIREMENT HOUSING FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Distributions from Unconsolidated Affiliates**

Distributions received from or paid to unconsolidated affiliates are unconditional transfers of cash or other assets in a nonreciprocal transfer. Such transfers are made for the purpose of supporting operations, maximizing investments or such other purpose as RHF deems prudent. RHF, through board control, has the ability to determine the amount and timing of any transfer between these entities except as it relates to affiliates participating in HUD programs. Distributions received from or paid to HUD projects are made in accordance with HUD compliance requirements. During the years ended September 30, 2020 and 2019, distributions received from unconsolidated affiliates were approximately \$9,464,000 and \$18,436,000, respectively, while distributions paid to affiliates were approximately \$7,000 and \$4,000, respectively.

**Other Operating Revenues**

Other operating revenue consists primarily of nonresident rental income, laundry, barber and beauty, cafeteria sales and other miscellaneous revenue.

**Fair Value of Financial Instruments**

Fair value applies to report balances that are required or permitted to be measured at fair value under existing accounting standards. The Obligated Group emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Obligated Group has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Trading Securities**

Trading securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities. The Obligated Group does not have any securities that are valued using Level 3 inputs.

**Advertising Expenses**

Advertising expenses approximated \$854,000 and \$939,000 for the years ended September 30, 2020 and 2019, respectively. Advertising costs are expensed when incurred.

**Excess of Revenues Over Expenses**

The combined statements of activities and changes in net assets include a measurement of excess of revenues over expenses as a performance indicator.

**Contributed Services**

The Obligated Group receives a substantial amount of services donated by volunteers. No amounts have been reflected in the combined financial statements for these services.

**Transfer of Net Assets**

RHF formed the RHF Charitable Foundation (RHFCF) to be used as the fundraising and benevolent care arm of RHF and its subsidiaries. RHF provides support services annually for RHFCF, for which it allocates costs, but doesn't charge for. As a result, this has been recorded as a transfer of net assets without donor restrictions.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Changes in Accounting Principles**

For the year ended September 30, 2020, the Obligated Group adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide the sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Obligated Group's combined financial statements reflect the application of ASC 606 guidance beginning October 1, 2019. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Obligated Group's reported historical revenue.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the combined statements of cash flows. The combined financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The combined financial statements reflect the application of ASU 2018-08 beginning October 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not significantly impact the Obligated Group's combined financial statements.

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**NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Guidance**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent amount the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Management is evaluating the potential impact of these changes on the Obligated Group's combined financial statements.

**Reclassifications**

Certain items in the prior year combined financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Obligated Group's overall net assets.

**Subsequent Events**

In preparing these combined financial statements, the Obligated Group has evaluated events and transactions for potential recognition or disclosure through February 19, 2021, the date the combined financial statements were available for issuance.

**NOTE 2 ASSETS LIMITED AS TO USE**

Assets limited as to use consist of the following at September 30:

	2020	2019
Cash and Cash Equivalents	\$ 6,411,149	\$ 13,586,297
Government Securities	6,309,869	3,280,443
Corporate Bonds	524,078	468,216
Total	<u>\$ 13,245,096</u>	<u>\$ 17,334,956</u>
	2020	2019
Trustee Held Funds	\$ 12,638,592	\$ 16,740,396
Resident/Tenant Deposits	606,504	594,560
	<u>\$ 13,245,096</u>	<u>\$ 17,334,956</u>

**Trustee Held Funds**

Trustee held funds consist of bond funds held by the bond trustee, amounts deposited as guaranty of the Obligated Group debt, other affiliates' debt, and the letters of credit maintained for the self-insured workers' compensation plan.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 2 ASSETS LIMITED AS TO USE (CONTINUED)**

**Resident/Tenant Deposits**

Resident/tenant deposits are amounts paid by residents upon occupancy of apartments. At departure time from the retirement community, these security deposits are utilized to defray the costs of any damage to the apartment or otherwise refunded to the residents.

**NOTE 3 ADVANCES TO AFFILIATES, NET**

Advances to affiliates are unsecured, noninterest bearing and due on demand. The Obligated Group and its affiliates have agreed that repayment of such advances will not be demanded within the next 12 months; accordingly, such advances have been classified as long-term. The ultimate collectability of the amounts due from affiliates is dependent upon the future performance of such affiliates and/or future sale of such properties. The affiliates' operations are concentrated in the multifamily real estate market and healthcare industries. In addition, the affiliates operate in heavily regulated environments. The operations of the affiliates are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies.

Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by other regulatory agencies. Each affiliate's ability to repay its advances is predicated upon, in certain cases, regulatory approval and is also dependent upon adequate cash flows from operations or refinancing. The Obligated Group reviews, on a periodic basis, its advances to affiliates for collectability and maintains reserves for potential losses. During the years ended September 30, 2020 and 2019, the Obligated Group provided allowances for advances to affiliates of approximately \$4,567,000 and \$4,558,000, respectively. Actual losses could be materially different than estimated.

**NOTE 4 INVESTMENTS**

Investments are carried at fair value and consist of the following at September 30:

	2020	2019
Certificates of Deposit	\$ 5,102,839	\$ 2,830,318
Government Securities	6,016,603	4,649,894
Corporate Bonds	32,578,477	41,732,386
Exchange Traded Funds	2,552,033	1,582,462
Total	46,249,952	50,795,060
Less: Current Portion of Investments	(28,301,561)	(14,147,936)
Investments, Net of Current Portion	\$ 17,948,391	\$ 36,647,124

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 5 LONG-TERM DEBT**

The following is a summary of long-term debt at September 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
California Municipal Finance Authority Revenue Bonds, Series 2017A bearing interest at 5.00% at September 30, 2020 and 2019, maturing November 15, 2032.	\$ 25,620,000	\$ 25,620,000
Public Finance Authority Revenue Bonds, Series 2017B bearing interest at 5.00% at September 30, 2020 and 2019, maturing November 15, 2030.	41,170,000	42,740,000
California Obligated Group Taxable Bonds, Series 2017C bearing interest at 1.50% - 3.40% at September 30, 2020 and 2019, maturing November 15, 2024.	6,164,000	7,513,000
National Obligated Group Taxable Bonds, Series 2017D bearing interest at 1.75% - 3.40% at September 30, 2020 and 2019, maturing maturing November 15, 2024.	9,234,000	11,234,000
Various installment loans which are payable in various scheduled monthly installments through January 2022. The notes bear interest at 2.48% and 6.35% and are secured by the property purchased with the installment loans.	39,316	147,153
Total Long-Term Debt	<u>82,227,316</u>	<u>87,254,153</u>
Less: Unamortized Debt Issuance Costs, Net	(1,516,119)	(1,642,844)
Less: Current Maturities	(5,099,829)	(4,995,472)
Add: Unamortized Bond Premium	<u>9,006,817</u>	<u>10,303,160</u>
Total Long-Term Debt and Bond Premium, Net of Current Maturities and Debt Issuance Costs	<u>\$ 84,618,185</u>	<u>\$ 90,918,997</u>

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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Aggregate annual maturities of long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 5,099,829
2022	5,234,487
2023	5,413,000
2024	5,610,000
2025	5,815,000
Thereafter	55,055,000
Total	<u>\$ 82,227,316</u>

**Series 2017 Bonds**

The Obligated Group entered into Series 2017 Bond agreements with the California Municipal Finance Authority (CMFA or California) and the Public Finance Authority (PFA or National) to refinance the previous Series 2014 revenue Bonds and pay certain costs of issuance. Both CMFA and PFA issued a combination of tax-exempt (2017A and 2017B) and taxable bond series (2017C and 2017D). The California Bonds were secured in part by a California Master Trust Indenture (MTI), by and among the California members, RHF and the California Master Trustee. Similarly, the National Bonds were secured by a National MTI, by and among the National members, RHF and the National Master Trustee. Each member of the Obligated Group entered into a Third Amended and Restated Gross Revenue Pledge Agreement, dated September 1, 2017 with a Collateral Agent, on behalf of the California Master Trustee and the National Master Trustee, pursuant to which each member of the Obligated Group pledged and granted a security interest in its Gross Revenues, as defined, to secure the payment of principal and interest on the obligations issued under the MTI's. Each Member also executed a second deed of trust or mortgage to secure the obligations issued under the MTI to which it is not a party.

The 2017 Bonds are fixed-rate issuances with interest rates and maturities disclosed in the schedule above. Interest rates range from 1.50% to 5.0% for an "all-in true interest cost" of 3.28%. The Series 2017 Bonds have separate amortizations for each bond series with a final maturity of November 14, 2032. The bonds are not subject to optional redemption prior to maturity. The bonds are rated by Fitch Ratings, Inc. and during their most recent rating period carry an "A- rating stable." Ratings are subject to change based upon financial performance and market conditions. The amortization on bond premium totaled \$1,296,343 and \$1,346,124 for the years ended September 30, 2020 and 2019, respectively, and is included in interest and other finance costs on the combined statements of activities and changes in net assets.

RHF and FPM entered into separate Reaffirmation of Guaranty Agreements, dated as of September 1, 2017, while the California Master Trustee and National Master Trustee, guarantying the Obligations issued under the Californian and National MTI, and the performance of the Members thereunder.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Financial Covenants**

The 2017 bond agreement requires that the Obligated Group, among other matters, maintain a specified level of debt service coverage and days cash on hand, as defined. The 2017 Bonds are collateralized by substantially all property and equipment owned by the Obligated Group. Management believes the Obligated Group is in compliance with such covenants at September 30, 2020.

**NOTE 6 RISK RETENTION LIABILITY**

The Obligated Group maintains risk retention reserves for potential workers' compensation, property, and professional liability claims. The reserves are collected from and held on behalf of the facilities participating in RHF's group insurance programs and maintained in cash and cash equivalents and investments. The purpose is to provide liquid funds to ensure insurance claims and expenses can be paid when required. The reserves are funded by individual projects and RHF maintains a separate accounting for each project. Funds provided by HUD-financed projects are kept separate and not co-mingled with non-HUD funds. Reserve balances are reviewed and adjusted periodically against a targeted amount based on current policy deductibles, claims history, and other market factors.

Risk retention liability consists of the following at September 30:

	2020	2019
Workers' Compensation	\$ 15,241,600	\$ 13,987,353
Property	4,571,484	5,911,994
Professional Liability	1,006,899	485,569
Total	<u>\$ 20,819,983</u>	<u>\$ 20,384,916</u>

**Self-Insured Workers' Compensation Plan**

Effective February 1, 2003, RHF established a self-insured workers' compensation plan for its employees. This plan is administered by a third-party and has stop loss provisions insuring losses in excess of \$350,000 up to \$1,000,000 per employee per occurrence and \$5,282,000 per year in the aggregate, subject to adjustment as defined.

The Workers' Compensation liability represents the Obligated Group's estimated liability of both known claims and claims incurred but not reported as of September 30, 2020 and 2019. The Obligated Group recognized \$1,874,109 and \$1,931,247 in total workers' compensation insurance expense for the years ended September 30, 2020 and 2019, respectively.

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**NOTE 6 RISK RETENTION LIABILITY (CONTINUED)**

**Self-Insured Workers' Compensation Plan (Continued)**

RHF obtained irrevocable letters of credit from a bank as a requirement of its workers' compensation insurance. The insurance policy requires RHF to pay a minimum premium and maintain the letters of credit. Liability payments under the insurance policy are offset against the minimum premium, and when exhausted, a draw, if necessary, is made on the letters of credit. The letters of credit are collateralized with cash, cash equivalents, and investments which are included in the accompanying balance sheets within trustee held funds.

Letters of credit consist of the following at September 30, 2020:

<u>Plan Year Covered</u>	<u>Date Obtained</u>	<u>Maturity Date</u>	<u>Letter of Credit Balances</u>
2003-2004	March 4, 2003	March 3, 2021	\$ 215,000
2004-Current	March 19, 2007	March 19, 2021	5,675,600
Total			<u>\$ 5,890,600</u>

The workers' compensation letter of credit balances represented 39% and 42% of the total workers' compensation insurance reserves at September 30, 2020 and 2019, respectively.

**Professional Liability Insurance**

An affiliate of the Obligated Group has a claims-made policy for professional liability through Caring Communities Insurance Company (CCIC), a Reciprocal Risk Retention Group domiciled in the District of Columbia, USA, which provides professional liability, general liability, excess automobile, and excess employer's liability insurance to its members. RHF has a receivable from RHFFI of \$2,086,000 related to RHFFI's investment in CCIC. RHFFI has pledged the shares of CCIC as collateral for the receivable.

The affiliate also pays annual amounts to CCIC for their professional liability insurance coverage. The policy calls for a \$75,000 deductible per occurrence and liability limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. Depending on loss history and adequacy of capital, CCIC may, but is not obligated to, return a portion of premiums paid. Conversely, the affiliate may be called upon to contribute additional funds to maintain adequate capital in CCIC.

The Obligated Group's professional liability is estimated based on both known claims and a reserve for claims incurred by not reported. The Obligated Group recognized \$2,797,570 and \$2,537,110 in total professional liability insurance expense for the years ended September 30, 2020 and 2019, respectively.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 7 FAIR VALUE MEASUREMENTS**

The Obligated Group uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Obligated Group measures fair value refer to Note 1 organization and significant accounting policies.

The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Obligated Group measured at fair value on a recurring basis as of September 30, 2020 and 2019:

	2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Government Securities	\$ 6,016,603	\$ 6,016,603	\$ -	\$ -
Corporate Bonds	32,578,477	-	32,578,477	-
Certificates of Deposit	5,102,839	5,102,839	-	-
Exchange Traded Funds	2,552,033	2,552,033	-	-
Assets Limited as to Use:				
Government Securities	6,309,869	6,309,869	-	-
Corporate Bonds	524,078	-	524,078	-
Total	<u>\$ 53,083,899</u>	<u>\$ 19,981,344</u>	<u>\$ 33,102,555</u>	<u>\$ -</u>
2019				
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Government Securities	\$ 4,649,894	\$ 4,649,894	\$ -	\$ -
Corporate Bonds	41,732,386	-	41,732,386	-
Certificates of Deposit	2,830,318	2,830,318	-	-
Exchange Traded Funds	1,582,462	1,582,462	-	-
Assets Limited as to Use:				
Government Securities	3,280,443	3,280,443	-	-
Corporate Bonds	468,216	-	468,216	-
Total	<u>\$ 54,543,719</u>	<u>\$ 12,343,117</u>	<u>\$ 42,200,602</u>	<u>\$ -</u>

**NOTE 8 CONCENTRATION OF CREDIT RISK**

**Financial Instruments**

The Obligated Group's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and temporary cash investments. The Obligated Group believes it places its cash and cash equivalents and temporary cash investments with high quality credit institutions. At times such investments may be in excess of the FDIC insurance limit.

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**NOTE 8 CONCENTRATION OF CREDIT RISK (CONTINUED)**

**Investment Risk**

The Obligated Group has investments in a variety of investment funds. In general, investments are exposed to various risks such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that change in the value of the investments will occur in the near term and that such changes could materially affect account balances and the combined statements of activities and changes in net assets.

**Credit Risk**

The Obligated Group grants credit without collateral to its various facility residents or their families, many of whom are local residents and who are insured under third-party payor agreements. The mix of receivables from residents and third-party payors at September 30, 2020 and 2019 was as follows:

	2020	2019
Private Pay and Insurance	28.7 %	21.6 %
Medicare	30.9	23.8
Medicaid	40.4	54.6
Total	100.0 %	100.0 %

**NOTE 9 DEFINED CONTRIBUTION PLAN**

The Obligated Group has a defined contribution plan for its employees. The Obligated Group's contribution to this plan is principally based on a percentage of employee's annual base compensation. The annual cost of this plan to the Obligated Group amounted to approximately \$777,000 and \$822,000 for the years ended September 30, 2020 and 2019, respectively.

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Guarantees**

**Obligated Group**

The Obligated Group has issued or guaranteed a total of \$87,107,000 as of the years ending September 30, 2020 and 2019, of tax-exempt direct placement bonds and taxable/tax-exempt bonds (the Bonds), including Variable Rate Demand Bonds, for the purpose of providing funds to refund various bonds and certificates of participation and bank loans issued to benefit the affiliated nonprofit entities that own and operate retirement facilities located in California, Florida, Indiana, Kentucky and Missouri. Each member of the Obligated Group is jointly and severally liable for the payment of the Bond obligations. To date, no performance under the guarantee has been required of any member of the Obligated Group.

Additional disclosure related to the 2017 Bonds and the security pledged in relation to the guaranty is discussed in Note 5.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Guarantees (Continued)**

**Poway RHF Housing, Inc. dba The Gateway**

As of September 30, 2020 and 2019, RHF has guaranteed cash on hand equal to at least 90 days as of September 30 each year for an affiliate, Poway RHF Housing, Inc. dba The Gateway (Gateway) that has issued \$13,345,000 in bonds. As of September 30, 2020 and 2019, RHF has set aside \$761,074 and \$743,311, respectively, in trustee held funds to cover any shortfall of the days' cash on hand covenant. As of September 30, 2020, Gateway was in noncompliance with its Debt Service Coverage Ratio (DSCR) and current ratio financial covenants on the Series 2013 Insured Revenue Bonds. Gateway requested and received a waiver letter on December 31, 2020 from the California Office of Statewide Health Planning and Development (OSHPD) related to this noncompliance. The waiver states that OSHPD agrees not to take action against Gateway based solely on the failure to meet the minimum DSCR of 125% as of September 30, 2020.

**Limited Partnership Liabilities**

An affiliate of RHF, as guarantor in certain limited partnerships, could be liable for obligations, which could be material, if the limited partnerships are not able to satisfy their obligations as they come due in the ordinary course of business. For purposes of these combined financial statements, the partnerships are not consolidated herein.

An affiliate of RHF has guaranteed tax credit deficit obligations to the tax credit investors. Such tax credit deficit obligations include payments to the tax credit investors in the amount of (1) any reduction, disallowance, or recapture of the projected tax credit amount; (2) any interest and penalties imposed by the Internal Revenue Service in the event of a recapture of tax credits, and (3) any income tax liability of the tax credit investors as a result of payments under these tax credit deficit obligations.

**Professional Liability Insurance**

The Obligated Group is subject to asserted and unasserted claims encountered in the normal course of business. The Obligated Group's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Obligated Group or unasserted claims that may result in such proceedings, the Obligated Group's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Obligated Group's financial condition or results of operations.

**Health Care**

Health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

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**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Health Care (Continued)**

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

**Government Regulations - Medicaid**

The various state departments for which the Obligated Group has a licensed nursing facility reserve the right to perform field audit examinations of the Obligated Group's records. Any adjustments resulting from such examinations could retroactively adjust Medicaid revenue.

**Government Regulations - Medicare**

The Medicare intermediary has the authority to audit the skilled nursing facility's records any time within a three-year period after the date the skilled nursing facility receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

**COVID-19 Pandemic**

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Obligated Group, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue fuel to reductions in certain revenue streams. Management believes that the Obligated Group is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of September 30, 2020.

**RETIREMENT HOUSING FOUNDATION  
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**NOTE 11 FUNCTIONAL CLASSIFICATION OF EXPENSES**

Functional classification of expenses for the years ended September 30, 2020 and 2019 consisted of the following:

	2020						Supporting		Total
	Program Activities					Total Program	Activities		
	Property Management	Residential Living	Assisted Living	Memory Care	Skilled Nursing		Activities	Management and General	
Salaries and Benefits	\$ 12,562,769	\$ 11,526,030	\$ 11,610,277	\$ 679,237	\$ 29,783,669	\$ 66,161,982	\$ 5,488,741	\$ 100,689	\$ 71,751,412
Travel and Meeting	761,878	10,853	6,371	-	13,627	792,729	139,973	11,807	944,509
Consulting and Outside Services	597,956	153,114	42,792	50	406,453	1,200,365	1,115,705	113	2,316,183
Repairs and Maintenance	171,937	2,722,704	141,179	1,071	373,100	3,409,991	55,636	-	3,465,627
Dietary Expense	-	2,858,606	1,397,899	66,603	1,228,856	5,551,964	-	-	5,551,964
Patient Supplies and Services	-	938	148,991	-	2,080,839	2,230,768	154	-	2,230,922
Supplies	242,724	809,479	167,778	4,581	325,967	1,550,529	306,892	8,023	1,865,444
Leases and Rentals	102,695	16,317	896	-	239,821	359,729	199,602	-	559,331
Utilities	359,787	3,917,179	1,033,552	52,661	1,005,459	6,368,638	94,782	1,483	6,464,903
Insurance	159,634	963,873	368,781	25,318	1,284,860	2,802,466	35,875	-	2,838,341
Accounting and Auditing	197,611	-	-	-	-	197,611	186,083	-	383,694
Dues, Subscriptions, and Donations	365,873	-	-	-	8,493	374,366	330,689	4,064	709,119
Public Relations and Marketing	77,693	412,765	93,214	1,153	94,005	678,830	68,849	2,522	750,201
Outside Legal	186,459	-	-	-	-	186,459	101,705	-	288,164
Bad Debt Expense	-	81,266	12,340	3,660	385,876	483,142	-	-	483,142
Taxes and Licenses	71,046	367,849	138,839	6,128	2,272,334	2,856,196	231,858	-	3,088,054
Depreciation	277,401	1,962,728	950,045	58,399	1,714,804	4,963,377	79,067	-	5,042,444
Interest and Other Finance Costs	401,961	1,087,699	469,622	28,690	934,384	2,922,356	84,957	-	3,007,313
Total	<u>\$ 16,537,424</u>	<u>\$ 26,891,400</u>	<u>\$ 16,582,576</u>	<u>\$ 927,551</u>	<u>\$ 42,152,547</u>	<u>\$ 103,091,498</u>	<u>\$ 8,520,568</u>	<u>\$ 128,701</u>	<u>\$ 111,740,767</u>

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**NOTE 11 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)**

	2019						Supporting		Total
	Program Activities					Activities		Expenses	
	Property Management	Residential Living	Assisted Living	Memory Care	Skilled Nursing	Total Program Activities	Management and General		
Salaries and Benefits	\$ 12,566,513	\$ 11,712,542	\$ 11,172,454	\$ 686,079	\$ 29,281,166	\$ 65,418,754	\$ 5,359,341	\$ 74,270	\$ 70,852,365
Travel and Meeting	929,042	8,666	2,800	-	17,194	957,702	164,319	15,557	1,137,578
Consulting and Outside Services	519,189	170,257	61,155	134	378,720	1,129,455	1,050,682	265	2,180,402
Repairs and Maintenance	206,969	2,607,742	139,314	244	336,235	3,290,504	161,243	-	3,451,747
Dietary Expense	-	3,039,403	1,567,432	69,820	1,348,256	6,024,911	-	-	6,024,911
Patient Supplies and Services	-	3,983	126,567	-	2,289,161	2,419,711	149	-	2,419,860
Supplies	244,928	866,396	172,396	4,527	343,904	1,632,151	334,784	4,501	1,971,436
Leases and Rentals	101,313	15,137	2,910	-	232,379	351,739	205,909	-	557,648
Utilities	374,788	3,958,648	1,112,744	50,683	998,110	6,494,973	104,325	702	6,600,000
Insurance	136,866	815,022	389,106	32,940	1,141,852	2,515,786	30,562	(22)	2,546,326
Accounting and Auditing	175,668	-	-	-	-	175,668	210,122	-	385,790
Dues, Subscriptions, and Donations	350,396	-	-	-	-	350,396	198,034	4,166	552,596
Public Relations and Marketing	95,181	517,286	104,950	1,722	100,085	819,224	69,084	(78)	888,230
Outside Legal	202,958	-	-	-	-	202,958	107,503	-	310,461
Bad Debt Expense	-	65,581	32	-	679,626	745,239	-	-	745,239
Taxes and Licenses	91,540	356,455	161,015	7,028	2,494,965	3,111,003	253,249	75	3,364,327
Depreciation	740,806	1,966,279	1,011,141	55,541	1,617,483	5,391,250	131,102	-	5,522,352
Interest and Other Finance Costs	479,927	1,024,875	482,064	25,888	1,001,068	3,013,822	77,868	-	3,091,690
Total	<u>\$ 17,216,084</u>	<u>\$ 27,128,272</u>	<u>\$ 16,506,080</u>	<u>\$ 934,606</u>	<u>\$ 42,260,204</u>	<u>\$ 104,045,246</u>	<u>\$ 8,458,276</u>	<u>\$ 99,436</u>	<u>\$ 112,602,958</u>

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

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**NOTE 12 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 30,743,147	\$ 29,613,459
Accounts Receivable, Net	4,113,183	4,250,263
Current Portion of Investments	<u>28,301,561</u>	<u>14,147,936</u>
Total	<u>\$ 63,157,891</u>	<u>\$ 48,011,658</u>

The Obligated Group structures its financial assets to be available as general expenditures, liabilities, and other obligations are due. Cash in excess of daily requirements are invested in short-term and long-term investments.

**NOTE 13 RESIDENT SERVICES REVENUE**

Resident services revenue is reported at the amount that reflects the consideration to which the Obligated Group expects to be entitled in exchange for providing resident services. These amounts are due from residents. Generally, the Obligated Group bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Obligated Group believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving assisted living services or housing residents receiving services in the facility. The Obligated Group considers daily services provided to residents of the assisted living facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and the Obligated Group does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Obligated Group has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

**RETIREMENT HOUSING FOUNDATION  
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SEPTEMBER 30, 2020 AND 2019**

**NOTE 13 RESIDENT SERVICES REVENUE (CONTINUED)**

The Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by implicit price concessions provided to residents. The Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Obligated Group determines its estimate of implicit price concessions based on its historical collection experience.

The Obligated Group recognizes the majority of its revenues over a period of time from its residents based on fees for services performed.

Revenue recognized due to changes in its estimates of implicit price concessions and discounts, and contractual adjustments were not considered material for the years ended September 30, 2020 and 2019. Subsequent changes that are determined to be the result of an adverse change in the president's ability to pay are recorded as provision for uncollectible accounts and were not considered material for the years ended September 30, 2020 and 2019.

The Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, and timing of when revenue is recognized. Tables providing details of these factors are presented below.

Resident services revenue of \$93,207,363 and \$96,588,522 is exclusively through third-party payors and private pay from residents for the years ended September 30, 2020 and 2019, respectively.

The composition of resident services revenue by service line for the years ended September 30, 2020 and 2019 is as follows:

	2020	2019
Residential Living	\$ 37,575,465	\$ 39,098,706
Assisted Living	17,020,348	17,125,080
Memory Care	1,271,679	1,331,720
Skilled Nursing	37,339,871	39,033,016
Total	<u>\$ 93,207,363</u>	<u>\$ 96,588,522</u>

**Financing Component**

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

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
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**NOTE 13 RESIDENT SERVICES REVENUE (CONTINUED)**

**Contract Costs**

The Obligated Group has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Obligated Group otherwise would have been recognized is one year or less in duration.

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Combined Total
<b>CURRENT ASSETS</b>													
Cash:													
Cash - Operations	\$ 23,083,813	\$ 1,116,300	\$ 921,012	\$ 939,944	\$ 605,240	\$ 52,456	\$ 679,673	\$ 879,686	\$ 790,512	\$ 1,588,217	\$ 53,474	\$ 32,820	\$ 30,743,147
Accounts Receivable:													
Accounts Receivable	-	-	616,655	598,642	1,224,730	119,680	560,984	1,236,674	633,483	10,876	30	20,264	5,022,018
Accounts Receivable - Other	260,482	-	-	1,595	-	-	3,575	-	40,913	-	-	-	306,565
Patient Refund	-	-	6,877	637	4,238	(1,131)	(8,945)	(6,954)	(2,615)	(2,357)	-	(73)	(10,323)
Allowance For Doubtful Accounts	-	-	(71,871)	(35,940)	(544,263)	(33,862)	(90,193)	(388,392)	(27,060)	(3,724)	-	(9,772)	(1,205,077)
Total Accounts Receivable	260,482	-	551,661	564,934	684,705	84,687	465,421	841,328	644,721	4,795	30	10,419	4,113,183
Investments:													
Short-Term Investments	28,301,561	-	-	-	-	-	-	-	-	-	-	-	28,301,561
Total Investments	28,301,561	-	-	-	-	-	-	-	-	-	-	-	28,301,561
Prepaid and Other Current Assets:													
Interest Receivable	-	-	22,559	20,088	8,353	6,824	17,207	6,013	2,627	32,390	180	18	116,259
Inventory	-	-	30,855	20,212	37,991	6,135	53,157	27,980	19,511	15,411	10,528	5,853	227,633
Prepaid Expenses	746,527	215,437	41,824	71,923	38,458	9,206	40,891	16,115	189,022	1,603	1,486	584	1,373,076
Total Prepaid and Other Current Assets	746,527	215,437	95,238	112,223	84,802	22,165	111,255	50,108	211,160	49,404	12,194	6,455	1,716,968
Current Portion of Assets Limited as to Use	-	-	697,935	775,176	557,210	190,120	1,138,424	877,253	449,275	742,948	188,477	167,108	5,783,926
Total Current Assets	52,392,383	1,331,737	2,265,846	2,392,277	1,931,957	349,428	2,394,773	2,648,375	2,095,668	2,385,364	254,175	216,802	70,658,785
<b>NONCURRENT ASSETS</b>													
Assets Limited as to Use:													
Trustee Held Funds	7,160,219	(590)	-	-	-	-	-	-	-	-	-	-	7,159,629
Bond Funds	-	-	525,980	738,564	557,210	190,120	1,046,482	872,799	449,275	742,948	188,477	167,108	5,478,963
Board Designated Funds	-	-	171,955	36,612	-	-	91,942	4,454	-	-	-	-	304,963
Resident/Tenant Deposits	2,000	-	14,488	3,236	250,470	1,265	4,871	10,891	11,878	2,442	-	-	301,541
Total Assets Limited as to Use	7,162,219	(590)	712,423	778,412	807,680	191,385	1,143,295	888,144	461,153	745,390	188,477	167,108	13,245,096
Less: Current Portion Shown Above	-	-	(697,935)	(775,176)	(557,210)	(190,120)	(1,138,424)	(877,253)	(449,275)	(742,948)	(188,477)	(167,108)	(5,783,926)
Total Noncurrent Assets Limited as to Use	7,162,219	(590)	14,488	3,236	250,470	1,265	4,871	10,891	11,878	2,442	-	-	7,461,170
Property and Equipment:													
Land	2,539,582	-	551,548	731,837	223,308	505,460	550,900	775,000	534,584	414,623	197,351	206,093	7,230,286
Building and Improvements	5,314,568	-	13,936,767	22,925,217	10,065,188	7,828,212	21,622,340	19,830,644	14,926,353	15,843,847	6,577,910	6,927,249	145,798,095
Office Furniture and Equipment	1,658,324	22,376	2,871,554	3,338,412	2,719,600	3,356,874	5,550,668	5,430,098	4,093,466	3,410,539	792,673	557,129	33,801,713
Motor Vehicle	-	-	-	126,750	218,513	100,743	126,090	62,857	78,417	134,576	30,034	68,070	946,050
Computer Hardware/Software	4,115,138	12,033	122,823	98,837	81,246	67,534	135,164	296,020	418,359	405,126	4,656	30,625	5,787,561
Construction in Progress	(4,395)	-	5,760,895	564,120	60,632	-	1,948,441	2,870,359	-	432,958	3,895	3,050	11,639,955
Total Property and Equipment	13,623,217	34,409	23,243,587	27,785,173	13,968,487	11,858,823	29,933,603	29,264,978	20,051,179	20,641,469	7,606,519	7,792,216	205,203,660
Accumulated Depreciation	(6,696,522)	(29,737)	(12,176,058)	(14,965,621)	(9,399,202)	(8,561,897)	(18,659,705)	(17,692,810)	(13,659,708)	(11,514,806)	(3,470,843)	(3,567,206)	(120,414,115)
Property and Equipment, Net of Accumulated Depreciation	6,926,695	4,672	11,067,529	12,799,552	3,969,285	3,296,926	11,273,898	11,572,168	6,391,471	9,126,663	4,135,676	4,225,010	84,789,545
Advances to (from) Affiliates:													
Reimbursable and Management Fees - Obligated Group	49,557,827	(26,393,554)	(5,917,658)	5,358,322	(199,283)	(1,092,574)	(10,683,570)	(10,059,771)	(7,924,897)	10,276,067	393,132	(4,046,856)	(732,815)
Reimbursable and Management Fees - Other	60,656,793	18,042,812	-	-	-	-	-	-	-	-	-	-	78,699,605
Cash and Reserves - Obligated Group	(24,247,987)	-	-	-	-	-	-	-	-	-	-	-	(24,247,987)
Cash and Reserves - Other	606,871	-	-	-	-	-	-	-	-	-	-	-	606,871
Total Advances to (from) Affiliates	86,573,504	(8,350,742)	(5,917,658)	5,358,322	(199,283)	(1,092,574)	(10,683,570)	(10,059,771)	(7,924,897)	10,276,067	393,132	(4,046,856)	54,325,674
Long-Term Investments:													
Long-Term Investments	17,948,391	-	-	-	-	-	-	-	-	-	-	-	17,948,391
Total Long-Term Investments	17,948,391	-	-	-	-	-	-	-	-	-	-	-	17,948,391
Other Assets:													
Utility Deposits	-	2,394	-	-	-	-	-	9,159	-	-	-	-	11,553
Total Other Assets	-	2,394	-	-	-	-	-	9,159	-	-	-	-	11,553
<b>Total Assets</b>	<b>\$ 171,003,192</b>	<b>\$ (7,012,529)</b>	<b>\$ 7,430,205</b>	<b>\$ 20,553,387</b>	<b>\$ 5,952,429</b>	<b>\$ 2,555,045</b>	<b>\$ 2,989,972</b>	<b>\$ 4,180,822</b>	<b>\$ 574,120</b>	<b>\$ 21,790,536</b>	<b>\$ 4,782,983</b>	<b>\$ 394,956</b>	<b>\$ 235,195,118</b>

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING BALANCE SHEET (CONTINUED)  
SEPTEMBER 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Combined Total
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>													
<b>CURRENT LIABILITIES</b>													
Accounts Payable:													
Accounts Payable - Operations	\$ 385,346	\$ 5,234	\$ 660,441	\$ 170,999	\$ 170,987	\$ 156,901	\$ 413,518	\$ 821,344	\$ 1,013,092	\$ 132,764	\$ 35,048	\$ 201,049	\$ 4,166,723
Accrued Expenses:													
Sales Tax Payable	11,513	-	-	556	2,952	996	(124)	749	-	-	-	-	16,642
Other Accrued Expenses	7,172,235	59,869	597,468	579,137	303,807	206,200	765,704	404,624	340,628	310,335	47,026	51,155	10,838,188
Accrued Interest Payable	-	-	120,780	169,596	127,952	43,657	240,303	200,420	103,167	170,602	43,280	38,373	1,258,130
Total Accrued Expenses	7,183,748	59,869	718,248	749,289	434,711	250,853	1,005,883	605,793	443,795	480,937	90,306	89,528	12,112,960
Other Current Liabilities:													
Deferred Grant Revenue	-	-	-	-	214,108	-	-	-	-	-	-	-	214,108
Current Portion of Long-Term Debt	-	-	486,240	682,762	520,778	175,756	967,415	818,479	419,665	695,498	178,753	154,483	5,099,829
Total Other Current Liabilities	-	-	486,240	682,762	734,886	175,756	967,415	818,479	419,665	695,498	178,753	154,483	5,313,937
Total Current Liabilities	7,569,094	65,103	1,864,929	1,603,050	1,340,584	583,510	2,386,816	2,245,616	1,876,552	1,309,199	304,107	445,060	21,593,620
<b>LONG-TERM LIABILITIES</b>													
Restricted Liabilities:													
Security Deposits	10,690	-	-	-	241,684	-	5,000	-	-	-	-	-	257,374
Patient Trust Deposits	-	-	14,488	3,115	4,162	1,265	4,871	10,891	11,878	2,442	-	-	53,112
Unearned Revenue	-	-	83,217	29,021	179,032	21,813	113,714	178,334	69,275	12,478	16,743	23,222	726,849
Total Restricted Liabilities	10,690	-	97,705	32,136	424,878	23,078	123,585	189,225	81,153	14,920	16,743	23,222	1,037,335
Other Long-Term Liabilities:													
Long-Term Debt and Bond Premium, Net of Current Maturities and Deferred Financing Costs	-	-	8,448,633	12,352,822	8,027,407	3,024,568	16,015,325	13,294,349	6,844,240	11,486,503	2,715,468	2,408,870	84,618,185
Risk Retention Liabilities	20,819,963	20	-	-	-	-	-	-	-	-	-	-	20,819,983
Total Other Long-Term Liabilities	20,819,963	20	8,448,633	12,352,822	8,027,407	3,024,568	16,015,325	13,294,349	6,844,240	11,486,503	2,715,468	2,408,870	105,438,168
Total Liabilities	28,399,747	65,123	10,411,267	13,988,008	9,792,869	3,631,156	18,525,726	15,729,190	8,801,945	12,810,622	3,036,318	2,877,152	128,069,123
<b>NET ASSETS (DEFICIT)</b>													
Net Assets (Deficit)													
without Donor Restrictions, Beginning	130,985,457	(3,846,967)	(2,866,345)	2,749,033	(4,737,032)	(533,770)	(13,582,855)	(9,339,827)	(5,786,344)	8,382,437	1,732,371	(1,718,386)	101,437,772
Current Change in Net Assets (Deficit)													
without Donor Restrictions	11,617,988	(3,230,685)	(114,717)	3,816,346	896,592	(542,341)	(1,952,899)	(2,208,541)	(2,441,481)	597,477	14,294	(763,810)	5,888,223
Total Net Assets (Deficit)	142,603,445	(7,077,652)	(2,981,062)	6,565,379	(3,840,440)	(1,076,111)	(15,535,754)	(11,548,368)	(8,227,825)	8,979,914	1,746,665	(2,482,196)	107,125,995
Total Liabilities and Net Assets (Deficit)	\$ 171,003,192	\$ (7,012,529)	\$ 7,430,205	\$ 20,553,387	\$ 5,952,429	\$ 2,555,045	\$ 2,989,972	\$ 4,180,822	\$ 574,120	\$ 21,790,536	\$ 4,782,983	\$ 394,956	\$ 235,195,118

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Combined Total
<b>CURRENT ASSETS</b>													
Cash:													
Cash - Operations	\$ 25,530,094	\$ 1,605,669	\$ 346,288	\$ 524,190	\$ 232,224	\$ 34,566	\$ 157,144	\$ 604,782	\$ 134,804	\$ 362,589	\$ 68,756	\$ 12,353	\$ 29,613,459
Accounts Receivable:													
Accounts Receivable	-	-	596,970	623,120	1,744,077	55,875	599,455	1,526,052	733,082	-	-	19,361	5,897,992
Accounts Receivable - Other	333,135	-	-	795	-	-	1,894	-	13,467	-	-	-	349,291
Accounts Receivable - Litigation	-	-	4,320	775	9,719	7,058	29,908	179,583	11,165	-	-	11,328	253,856
Patient Refund	-	-	(7,562)	(832)	(2,551)	5,835	(12,294)	(6,830)	(2,615)	2,653	589	(73)	(23,680)
Allowance for Doubtful Accounts	-	-	(35,221)	(36,278)	(1,269,308)	(16,616)	(102,009)	(714,571)	(27,427)	-	-	(25,766)	(2,227,196)
Total Accounts Receivable	333,135	-	558,507	587,580	481,937	52,152	516,954	984,234	727,672	2,653	589	4,850	4,250,263
Investments:													
Short-Term Investments	14,147,936	-	-	-	-	-	-	-	-	-	-	-	14,147,936
Total Investments	14,147,936	-	-	-	-	-	-	-	-	-	-	-	14,147,936
Prepaid and Other Current Assets:													
Interest Receivable	-	-	29,257	27,793	9,846	9,774	21,407	6,446	1,868	35,933	180	18	142,522
Inventory	-	-	29,402	20,212	37,991	6,150	53,694	32,734	67,207	13,483	12,013	5,395	278,281
Prepaid Expenses	515,972	150,996	32,508	68,454	28,393	9,206	15,503	7,745	1,902	2,738	2,198	584	836,199
Total Prepaid and Other Current Assets	515,972	150,996	91,167	116,459	76,230	25,130	90,604	46,925	70,977	52,154	14,391	5,997	1,257,002
Current Portion of Assets Limited as to Use	-	-	1,847,310	103,947	549,768	557,727	2,475,976	1,366,750	985,599	1,734,265	185,959	164,876	9,972,177
Total Current Assets	40,527,137	1,756,665	2,843,272	1,332,176	1,340,159	669,575	3,240,678	3,002,691	1,919,052	2,151,661	269,695	188,076	59,240,837
<b>NONCURRENT ASSETS</b>													
Assets Limited as to Use:													
Trustee Held Funds	7,072,822	(590)	-	-	-	-	-	-	-	-	-	-	7,072,232
Bond Funds	-	-	1,675,943	67,345	549,768	557,727	2,384,339	1,362,343	985,599	1,734,265	185,959	164,876	9,668,164
Board Designated Funds	-	-	171,367	36,602	-	-	-	4,407	-	-	-	-	304,013
Resident/Tenant Deposits	2,000	-	9,125	4,836	235,807	2,349	8,130	13,834	11,618	2,848	-	-	290,547
Total Assets Limited as to Use	7,074,822	(590)	1,856,435	108,783	785,575	560,076	2,484,106	1,380,584	997,217	1,737,113	185,959	164,876	17,334,956
Less: Current Portion Shown Above	-	-	(1,847,310)	(103,947)	(549,768)	(557,727)	(2,475,976)	(1,366,750)	(985,599)	(1,734,265)	(185,959)	(164,876)	(9,972,177)
Total Noncurrent Assets Limited as to Use	7,074,822	(590)	9,125	4,836	235,807	2,349	8,130	13,834	11,618	2,848	-	-	7,362,779
Property and Equipment:													
Land	2,539,582	-	551,548	731,837	223,308	505,460	550,900	775,000	534,584	414,623	197,351	206,093	7,230,286
Building and Improvements	5,302,318	-	13,556,241	17,705,661	10,058,438	7,459,544	21,311,684	19,889,154	14,880,417	15,390,076	6,577,910	6,916,139	139,047,582
Office Furniture and Equipment	1,658,324	22,376	2,858,545	3,306,225	2,697,314	3,281,790	5,550,088	5,758,596	4,098,680	3,388,784	796,353	532,935	33,950,010
Motor Vehicle	-	-	-	133,620	208,877	102,717	122,890	62,857	78,417	134,576	30,034	68,070	942,058
Computer Hardware/Software	4,118,009	12,033	124,012	112,140	87,322	69,173	140,116	240,706	436,788	411,063	3,689	30,427	5,785,478
Construction in Progress	(8,245)	-	885,562	5,312,677	75,140	307,980	848,761	538,659	3,898	460,102	3,895	3,050	8,431,479
Total Property and Equipment	13,609,988	34,409	17,975,908	27,302,160	13,350,399	11,726,664	28,524,439	27,264,972	20,032,784	20,199,224	7,609,232	7,756,714	195,386,893
Accumulated Depreciation	(6,403,490)	(26,386)	(11,900,596)	(14,416,452)	(9,170,405)	(8,397,402)	(17,935,807)	(17,090,289)	(13,069,127)	(10,971,453)	(3,248,638)	(3,376,776)	(116,006,821)
Property and Equipment, Net of Accumulated Depreciation	7,206,498	8,023	6,075,312	12,885,708	4,179,994	3,329,262	10,588,632	10,174,683	6,963,657	9,227,771	4,360,594	4,379,938	79,380,072
Advances to (from) Affiliates:													
Reimbursable and Management Fees - Obligated Group	50,541,906	(20,487,341)	(942,439)	3,317,263	(639,086)	(615,076)	(8,078,850)	(6,078,685)	(5,674,220)	10,717,505	306,290	(3,422,438)	18,944,829
Reimbursable and Management Fees - Other	45,176,612	15,557,123	-	-	-	-	-	-	-	-	-	-	60,733,735
Cash and Reserves - Obligated Group	(29,815,278)	-	-	-	-	-	-	-	-	-	-	-	(29,815,278)
Cash and Reserves - Other	899,648	-	-	-	-	-	-	-	-	-	-	-	899,648
Total Advances to (from) Affiliates	66,802,888	(4,930,218)	(942,439)	3,317,263	(639,086)	(615,076)	(8,078,850)	(6,078,685)	(5,674,220)	10,717,505	306,290	(3,422,438)	50,782,934
Long-Term Investments:													
Long-Term Investments	36,647,124	-	-	-	-	-	-	-	-	-	-	-	36,647,124
Other Assets:													
Utility Deposits	-	2,394	-	-	-	-	-	9,159	-	-	-	-	11,553
Total Other Assets	-	2,394	-	-	-	-	-	9,159	-	-	-	-	11,553
Total Assets	\$ 158,258,469	\$ (3,163,726)	\$ 7,985,270	\$ 17,539,983	\$ 5,116,874	\$ 3,388,110	\$ 5,758,590	\$ 7,121,682	\$ 3,220,107	\$ 22,099,785	\$ 4,936,579	\$ 1,145,576	\$ 233,405,299

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING BALANCE SHEET (CONTINUED)  
SEPTEMBER 30, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Combined Total
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>													
<b>CURRENT LIABILITIES</b>													
Accounts Payable:													
Accounts Payable - Operations	\$ 412,921	\$ 1,333	\$ 341,547	\$ 124,858	\$ 118,475	\$ 262,992	\$ 246,364	\$ 478,585	\$ 639,482	\$ 208,265	\$ 40,835	\$ 36,566	\$ 2,912,223
Accrued Expenses:													
Sales Tax Payable	11,513	-	-	937	3,517	1,169	84	684	-	-	-	-	17,904
Other Accrued Expenses	6,426,550	681,908	719,987	485,332	262,632	183,727	676,191	337,395	423,720	291,239	34,108	46,275	10,569,064
Accrued Interest Payable	-	-	125,435	176,131	132,883	45,339	249,563	208,143	107,142	177,177	44,947	39,852	1,306,612
Total Accrued Expenses	6,438,063	681,908	845,422	662,400	399,032	230,235	925,838	546,222	530,862	468,416	79,055	86,127	11,893,580
Other Current Liabilities:													
Current Portion of Long-Term Debt	26,422	-	472,224	663,081	506,496	170,689	939,529	794,497	399,673	698,689	174,142	150,030	4,995,472
Total Current Liabilities	6,877,406	683,241	1,659,193	1,450,339	1,024,003	663,916	2,111,731	1,819,304	1,570,017	1,375,370	284,032	272,723	19,801,275
<b>LONG-TERM LIABILITIES</b>													
Restricted Liabilities:													
Security Deposits	10,690	-	-	-	236,716	-	5,000	-	-	-	-	-	252,406
Patient Trust Deposits	-	-	9,125	4,715	3,897	2,349	8,130	13,834	11,618	2,848	-	2,180	58,696
Unearned Revenue	-	-	89,344	6,273	4,683	-	31,317	356,577	39,129	5,269	3,851	14,794	551,237
Total Restricted Liabilities	10,690	-	98,469	10,988	245,296	2,349	44,447	370,411	50,747	8,117	3,851	16,974	862,339
Other Long-Term Liabilities:													
Long-Term Debt and Bond Premium, Net of Current Maturities and Deferred Financing Costs	-	-	9,093,953	13,329,623	8,584,607	3,253,615	17,185,267	14,271,794	7,385,687	12,333,861	2,906,325	2,574,265	90,918,997
Risk Retention Liabilities	20,384,916	-	-	-	-	-	-	-	-	-	-	-	20,384,916
Total Other Long-Term Liabilities	20,384,916	-	9,093,953	13,329,623	8,584,607	3,253,615	17,185,267	14,271,794	7,385,687	12,333,861	2,906,325	2,574,265	111,303,913
Total Liabilities	27,273,012	683,241	10,851,615	14,790,950	9,853,906	3,919,880	19,341,445	16,461,509	9,006,451	13,717,348	3,204,208	2,863,962	131,967,527
<b>NET ASSETS (DEFICIT)</b>													
Net Assets (Deficit)													
without Donor Restrictions, Beginning	109,446,216	263,359	(1,908,062)	1,056,324	(4,779,465)	74,099	(12,787,032)	(8,812,702)	(3,654,968)	6,593,081	1,600,882	(1,236,952)	85,854,780
Current Change in Net Assets (Deficit)													
without Donor Restrictions	21,539,241	(4,110,326)	(958,283)	1,692,709	42,433	(607,869)	(795,823)	(527,125)	(2,131,376)	1,789,356	131,489	(481,434)	15,582,992
Total Net Assets (Deficit)	130,985,457	(3,846,967)	(2,866,345)	2,749,033	(4,737,032)	(533,770)	(13,582,855)	(9,339,827)	(5,786,344)	8,382,437	1,732,371	(1,718,386)	101,437,772
Total Liabilities and Net Assets (Deficit)	\$ 158,258,469	\$ (3,163,726)	\$ 7,985,270	\$ 17,539,983	\$ 5,116,874	\$ 3,386,110	\$ 5,758,590	\$ 7,121,682	\$ 3,220,107	\$ 22,099,785	\$ 4,936,579	\$ 1,145,576	\$ 233,405,299

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
YEAR ENDED SEPTEMBER 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Eliminations	Combined Total
<b>OPERATING REVENUES</b>														
Skilled Nursing Revenue:														
Routine Revenue	\$ -	\$ -	\$ 5,436,579	\$ 4,720,400	\$ 3,628,738	\$ -	\$ 3,976,040	\$ 6,742,714	\$ 4,706,083	\$ -	\$ -	\$ -	\$ -	\$ 29,210,554
Ancillary Revenue	-	-	545,982	2,252,666	147,169	-	1,575,157	3,984,058	3,321,573	-	-	-	-	11,826,605
Contractual Adjustments	-	-	(131,028)	(63,191)	(371,674)	-	(656,184)	(2,013,399)	(996,357)	-	-	-	-	(4,231,833)
Other Routine	-	-	109,752	64,211	24,602	6,932	28,404	123,743	84,039	-	-	-	-	441,683
Total Skilled Nursing Revenue	-	-	5,961,285	6,974,086	3,428,835	6,932	4,923,417	8,837,116	7,115,338	-	-	-	-	37,247,009
Other Revenue:														
Management Fees	1,201,747	17,431,942	-	-	-	-	-	-	-	-	-	-	(5,034,037)	13,599,652
Development Income	689,752	-	-	-	-	-	-	-	-	-	-	-	-	689,752
Rental Income	-	-	4,812,847	5,532,992	5,602,336	3,084,789	4,967,230	4,861,439	2,558,610	4,875,788	1,681,320	772,606	-	38,749,957
Distributions from Unconsolidated Affiliates, Net	9,457,275	-	-	-	-	-	-	-	-	-	-	-	-	9,457,275
Other Residential Revenue	-	-	80,754	51,895	210,476	29,461	127,587	87,098	92,934	51,242	10,100	30,949	-	772,496
Meal Credits	-	-	-	(14,472)	-	-	(600)	-	(7,306)	-	-	-	-	(22,378)
Assisted Living Income, Net	-	-	2,181,959	1,791,818	-	2,301,965	5,232,284	-	3,267,201	3,116,449	-	627,133	-	18,518,809
Rental Concessions	-	-	(99,740)	(396,391)	(3,482)	(105,046)	(453,609)	(551,229)	(214,336)	(61,173)	(88,913)	(84,631)	-	(2,058,530)
Interest Income	797,580	5,065	112,942	122,640	25,207	43,445	80,392	9,372	20,195	134,588	-	-	-	1,351,426
Donations and Gifts	-	-	-	10,000	-	-	-	48	2,752	(2)	248	-	-	13,046
Corporate Admin Fees	16,792,584	(16,749,287)	-	-	-	-	-	-	-	-	-	-	-	43,297
Grant Revenue	-	-	723,433	612,851	199,575	-	459,045	671,641	640,665	-	-	-	-	3,307,210
Other Income	64,012	392,476	-	-	-	-	-	-	-	-	-	-	-	456,488
Total Other Revenue	29,002,950	1,080,196	7,812,195	7,711,333	6,034,132	5,354,614	10,412,329	5,078,369	6,360,715	8,116,892	1,602,755	1,346,057	(5,034,037)	84,878,500
Total Operating Revenues	29,002,950	1,080,196	13,773,480	14,685,419	9,462,967	5,361,546	15,335,746	13,915,485	13,476,053	8,116,892	1,602,755	1,346,057	(5,034,037)	122,125,509
<b>OPERATING EXPENSES</b>														
Payroll Related:														
Payroll Expense - Regular	7,913,791	2,811,471	5,685,398	4,769,308	2,470,043	2,295,572	5,742,626	4,087,197	3,950,047	2,005,356	370,014	569,676	-	42,670,499
Payroll Expense - Overtime	288,676	29,282	408,254	369,362	172,358	237,448	483,023	498,200	275,099	69,327	2,115	35,367	-	2,868,511
Bonuses	3,229	11,380	233,574	295,459	105,138	90,940	302,956	292,640	333,363	83,394	9,951	20,234	-	1,782,258
Vacation, Sick, Holiday	-	-	522,883	363,595	208,333	210,604	417,546	314,375	321,723	155,990	39,260	38,723	-	2,593,032
Payroll Taxes	552,828	225,877	562,126	468,328	249,608	239,367	507,649	385,256	396,339	174,704	30,665	47,913	-	3,840,660
Retirement	344,825	80,994	92,374	47,393	25,778	25,133	58,680	41,302	31,155	16,217	6,598	6,690	-	777,139
Group Insurance	564,342	222,591	890,757	623,382	226,000	208,179	954,550	667,850	675,090	309,203	70,486	132,506	-	5,544,936
Workers' Compensation Insurance	81,087	21,325	448,241	369,958	180,082	138,808	256,172	160,615	149,033	37,965	10,081	20,742	-	1,874,109
Other Employee Benefits	82,940	1,041	5,320	61,905	99	-	10,546	854	1,021	-	-	-	-	163,726
Severance	-	31,542	-	3,920	-	-	-	-	-	-	-	-	-	35,462
Outside Services	8,547	1,954	126,370	723,867	64,666	22,483	1,112,631	2,754,371	4,066,037	34,365	-	192,702	-	9,107,993
Total Payroll Related	\$ 9,840,265	\$ 3,437,457	\$ 8,975,297	\$ 8,096,477	\$ 3,702,105	\$ 3,468,534	\$ 9,846,379	\$ 9,202,680	\$ 10,198,907	\$ 2,886,521	\$ 539,170	\$ 1,064,553	\$ -	\$ 71,258,325

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Eliminations	Combined Total
<b>OPERATING EXPENSES (CONTINUED)</b>														
Other Expenses:														
Employee Expense Other	\$ -	\$ -	\$ 32,037	\$ 51,951	\$ 13,790	\$ 16,818	\$ 38,475	\$ 28,351	\$ 34,698	\$ 36,025	\$ 8,164	\$ 7,042	\$ -	\$ 267,351
Dietary Expense	-	-	977,304	703,722	197,000	450,807	877,739	622,457	687,099	748,331	176,451	111,054	-	5,551,964
Patient Supplies/Services	-	-	237,160	299,533	280,733	25,272	409,800	650,296	489,731	10,147	675	5,556	-	2,408,903
Supplies and Minor Equipment	288,239	46,323	180,060	125,666	156,124	118,169	172,917	80,328	91,864	79,097	19,387	8,632	-	1,366,806
Utilities - Electricity	-	-	437,441	247,968	438,655	228,045	306,338	238,139	354,524	214,210	93,347	89,324	-	2,647,991
Utilities - Water	-	-	70,683	71,667	169,581	58,257	259,172	126,121	195,201	139,400	24,219	23,540	-	1,137,841
Utilities - Gas	-	-	62,809	75,829	250,195	20,609	25,212	15,200	41,962	17,171	47,395	44,004	-	600,386
Utilities - Telephone	236,009	60,963	124,114	170,474	146,655	44,215	86,320	59,101	48,846	38,864	14,685	55,939	-	1,086,185
Utilities - Trash	-	-	51,937	103,104	57,694	43,165	49,337	52,515	32,029	14,323	4,399	7,556	-	416,059
Leases and Maintenance	71,662	-	-	-	-	-	-	-	-	-	-	-	-	71,662
Repairs and Maintenance	15,855	-	511,949	438,230	635,680	188,266	452,097	539,318	368,978	380,655	82,713	124,313	-	3,738,054
Management Fees	-	-	855,360	498,674	521,198	232,609	948,877	775,289	674,109	372,559	80,089	75,273	(5,034,037)	-
Office Expenses	-	30,395	53,577	34,029	64,885	34,915	73,322	67,684	42,580	38,221	8,170	11,169	-	458,947
Travel, Conference, Seminar	344,782	367,937	8,946	24,475	13,789	9,632	14,010	20,184	21,161	7,829	6,595	5,381	-	844,721
Marketing and Advertising	24,335	833	60,159	141,952	55,829	64,179	137,848	97,106	139,700	49,007	60,217	22,405	-	853,570
Other Administrative	537,019	86,856	235,665	198,746	239,037	66,739	160,889	93,982	81,959	95,495	12,943	56,496	-	1,865,826
Computer Services Expense	-	-	82,477	81,987	50,543	42,077	111,095	123,913	104,971	55,299	15,739	25,900	-	694,001
Other Services	-	-	32,128	28,472	16,873	9,281	10,864	10,727	5,958	21,255	3,563	5,389	-	144,510
General Insurance	51,032	77,014	398,901	258,882	326,612	218,663	494,873	456,327	240,128	192,851	38,204	44,083	-	2,797,570
Professional Fees	994,334	78,401	492,846	403,416	324,238	10,282	409,875	488,551	534,664	24,532	8,892	8,694	-	3,778,725
Bad Debt Expense	-	-	53,801	(5,614)	66,949	35,775	104,374	139,007	84,131	3,724	-	995	-	483,142
Fine/Penalty Expense	-	-	-	-	-	-	21,000	-	-	-	-	-	-	21,000
Property Taxes	-	-	34,469	4,470	204,204	241	278,075	145,952	-	120,946	-	-	-	788,357
911 Studebaker	266,386	-	-	-	-	-	-	-	-	-	-	-	-	266,386
Annual Meeting	141,378	1,350	-	-	-	-	-	-	-	-	-	-	-	142,728
Total Other Expenses	2,971,031	750,072	4,993,823	3,957,633	4,230,264	1,918,016	5,442,509	4,830,548	4,274,293	2,659,941	705,847	732,745	(5,034,037)	32,432,685
Total Operating Expenses	12,811,296	4,187,529	13,969,120	12,054,110	7,932,369	5,386,550	15,288,888	14,033,208	14,473,200	5,546,462	1,245,017	1,797,298	(5,034,037)	103,691,010
Change in Net Assets without Donor Restrictions Before Other Items	16,191,654	(3,107,333)	(195,640)	2,631,309	1,530,598	(25,004)	46,858	(117,723)	(997,147)	2,570,430	357,738	(451,241)	-	18,434,499
Interest and Other Finance Costs	446,623	-	198,954	209,182	346,560	77,393	510,177	436,064	222,191	337,894	116,856	105,419	-	3,007,313
Change in Net Assets without Donor Restrictions Less Interest and Other Finance Costs	15,745,031	(3,107,333)	(394,594)	2,422,127	1,184,038	(102,397)	(463,319)	(553,787)	(1,219,338)	2,232,536	240,882	(556,660)	-	15,427,186
Depreciation Expense	304,500	3,352	304,882	698,579	285,313	205,785	803,482	723,542	677,244	603,350	225,887	206,528	-	5,042,444
Change in Net Assets Before Nonoperating Gains (Losses)	15,440,531	(3,110,685)	(699,476)	1,723,548	898,725	(308,182)	(1,266,801)	(1,277,329)	(1,896,582)	1,629,186	14,995	(763,188)	-	10,384,742
Nonoperating Gains (Losses)														
Nonrecoverable Expenses	(2,685,000)	(120,000)	-	-	-	-	-	-	-	-	-	-	-	(2,805,000)
Losses on Disposal of Property and Equipment	-	-	(180,764)	(96,542)	-	-	-	(426,688)	-	(25,333)	-	-	-	(729,327)
Unrealized Gains (Losses) on Investments	368,836	-	(2,095)	(2,937)	(2,133)	(707)	(4,417)	(3,324)	(2,575)	(5,138)	(701)	(622)	-	344,187
Total Nonoperating Gains (Losses)	(2,316,164)	(120,000)	(182,859)	(99,479)	(2,133)	(707)	(4,417)	(430,012)	(2,575)	(30,471)	(701)	(622)	-	(3,190,140)
Transfer of Net Assets without Donor Restrictions	(1,506,379)	-	767,618	2,192,277	-	(233,452)	(681,681)	(501,200)	(542,324)	(1,001,238)	-	-	-	(1,506,379)
Change in Net Assets without Donor Restrictions (Deficit)	\$ 11,617,988	\$ (3,230,685)	\$ (114,717)	\$ 3,816,346	\$ 896,592	\$ (542,341)	\$ (1,952,899)	\$ (2,208,541)	\$ (2,441,481)	\$ 597,477	\$ 14,294	\$ (763,810)	\$ -	\$ 5,688,223

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
YEAR ENDED SEPTEMBER 30, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Eliminations	Combined Total
<b>OPERATING REVENUES</b>														
Skilled Nursing Revenue:														
Routine Revenue	\$ -	\$ -	\$ 6,156,005	\$ 5,492,089	\$ 3,488,623	\$ -	\$ 4,289,130	\$ 7,849,090	\$ 5,438,850	\$ -	\$ -	\$ -	\$ -	\$ 32,713,787
Ancillary Revenue	-	-	553,529	2,545,109	151,839	-	2,048,171	4,568,049	3,153,279	-	-	-	-	13,019,976
Contractual Adjustments	-	-	(835,833)	(551,833)	(869,467)	-	(1,206,933)	(2,776,018)	(1,237,890)	-	-	-	-	(7,477,974)
Other Routine	-	-	244,530	89,369	66,735	4,170	41,523	112,191	98,585	-	-	-	-	657,103
Total Skilled Nursing Revenue	-	-	6,118,231	7,574,734	2,837,730	4,170	5,171,891	9,753,312	7,452,824	-	-	-	-	38,912,892
Other Revenue:														
Management Fees	1,651,441	17,099,868	-	-	-	-	-	-	-	-	-	-	(4,969,752)	13,781,557
Development Income	664,753	-	-	-	-	-	-	-	-	-	-	-	-	664,753
Rental Income	-	-	5,265,071	5,565,672	5,405,279	2,713,014	5,658,607	5,253,345	2,614,731	4,826,349	1,769,609	843,977	-	39,915,654
Distributions from Unconsolidated Affiliates, Net	18,432,375	-	-	-	-	-	-	-	-	-	-	-	-	18,432,375
Other Residential Revenue	-	-	122,622	115,375	246,349	54,436	212,175	151,179	120,454	138,716	17,954	61,982	-	1,241,242
Meal Credits	-	-	-	(16,961)	-	-	(96)	-	(5,926)	-	-	-	-	(22,983)
Assisted Living Income, Net	-	-	2,032,018	1,758,947	-	2,356,752	5,586,354	45,845	3,055,712	3,091,672	-	765,647	-	18,892,947
Rental Concessions	-	-	(49,995)	(375,265)	10,194	(104,157)	(641,802)	(584,003)	(195,444)	(80,605)	(88,952)	(41,201)	-	(2,151,230)
Interest Income	1,096,663	17,482	101,565	107,205	21,882	38,603	71,844	8,151	18,521	121,776	-	-	-	1,603,692
Donations and Gifts	-	-	50	6	-	200	-	1,796	3,500	-	2,296	-	-	7,848
Corporate Admin Fees	16,792,584	(16,756,744)	-	-	-	-	-	-	-	-	-	-	-	35,840
Other Income	57,458	190,666	-	-	-	-	-	322,586	-	-	-	-	-	570,710
Total Other Revenue	38,695,274	551,272	7,471,331	7,154,979	5,683,704	5,058,848	10,887,082	5,198,899	5,611,548	8,097,908	1,700,907	1,630,405	(4,969,752)	92,772,405
Total Operating Revenues	38,695,274	551,272	13,589,562	14,729,713	8,521,434	5,063,018	16,058,973	14,952,211	13,064,372	8,097,908	1,700,907	1,630,405	(4,969,752)	131,685,297
<b>OPERATING EXPENSES</b>														
Payroll Related:														
Payroll Expense - Regular	7,329,751	3,106,448	5,835,954	4,812,888	2,477,349	2,148,550	6,074,756	4,462,501	4,799,029	1,978,354	366,593	636,221	-	44,028,394
Payroll Expense - Overtime	453,102	37,041	458,456	478,931	192,724	208,309	538,846	501,501	302,118	53,976	5,894	76,722	-	3,307,620
Bonuses	796	-	4,459	79,257	109	4,492	70,274	108,843	145,797	28,259	3,498	2,634	-	448,418
Vacation, Sick, Holiday	-	-	571,958	414,003	211,800	186,992	413,323	284,319	404,766	129,663	33,424	38,364	-	2,688,612
Payroll Taxes	579,901	230,736	547,464	447,288	248,732	213,906	522,406	397,203	426,173	164,269	30,727	56,205	-	3,865,010
Retirement	334,813	98,886	98,713	61,811	33,732	22,324	59,864	42,474	39,792	14,507	6,146	8,046	-	821,108
Group Insurance	537,045	237,456	717,250	642,048	252,160	373,504	1,040,975	656,246	852,675	352,965	65,490	119,463	-	5,847,277
Workers' Compensation Insurance	81,248	29,814	461,255	378,239	183,106	133,781	231,681	220,096	150,316	38,051	6,618	17,042	-	1,931,247
Other Employee Benefits	67,779	805	5,400	65,595	76	-	8,917	775	14,832	-	-	-	-	164,179
Outside Services	94,966	4,637	145,492	733,673	47,655	75,174	1,007,084	2,568,909	2,513,154	27,821	-	22,993	-	7,241,558
Total Payroll Related	\$ 9,479,401	\$ 3,745,823	\$ 8,846,401	\$ 8,113,733	\$ 3,647,443	\$ 3,367,032	\$ 9,968,126	\$ 9,242,867	\$ 9,648,652	\$ 2,787,865	\$ 518,390	\$ 977,690	\$ -	\$ 70,343,423

**RETIREMENT HOUSING FOUNDATION  
OBLIGATED GROUP  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	RHF	FPM	Bixby Knoll Towers, Inc.	Gold Country Health Center Inc.	Mayflower Gardens Health Facilities, Inc. and Mayflower RHF Housing, Inc.	Sun City RHF Housing, Inc.	Holly Hill RHF Housing, Inc.	Merritt Island RHF Housing, Inc.	Yellowwood Acres, Inc.	Bluegrass RHF Housing, Inc.	St. Catherine RHF Housing Inc.	DeSmet RHF Housing, Inc.	Eliminations	Combined Total
<b>OPERATING EXPENSES (CONTINUED)</b>														
Other Expenses:														
Employee Expense Other	\$ -	\$ -	\$ 37,297	\$ 64,914	\$ 22,873	\$ 26,627	\$ 39,949	\$ 32,934	\$ 62,547	\$ 40,996	\$ 7,253	\$ 11,856	\$ -	\$ 347,246
Dietary Expense	-	-	1,069,186	726,682	220,273	514,151	959,535	723,103	767,101	758,603	161,608	124,669	-	6,024,911
Patient Supplies/Services	-	-	276,726	352,386	289,683	21,867	414,393	696,008	591,727	7,707	-	5,787	-	2,656,284
Supplies and Minor Equipment	306,043	30,684	191,519	132,247	149,789	95,450	207,669	53,907	116,785	83,698	14,931	13,311	-	1,396,033
Utilities - Electricity	-	-	427,565	235,682	389,509	243,294	363,121	229,446	449,358	228,889	99,439	87,315	-	2,751,618
Utilities - Water	-	-	70,068	73,795	170,060	58,736	266,607	128,384	191,838	75,123	24,373	17,695	-	1,076,679
Utilities - Gas	-	-	100,714	93,973	292,051	27,458	30,501	22,954	29,688	18,902	42,415	47,938	-	706,594
Utilities - Telephone	261,517	57,147	107,205	151,034	102,885	65,648	94,999	53,463	61,296	41,170	14,464	71,755	-	1,082,583
Utilities - Trash	-	-	40,836	93,402	52,224	37,049	39,475	59,268	28,433	15,079	4,234	10,043	-	380,043
Leases and Maintenance	59,425	821	-	-	-	-	-	-	-	-	-	-	-	60,246
Repairs and Maintenance	54,278	-	585,184	391,118	510,313	236,497	452,182	596,035	366,074	319,449	92,392	118,090	-	3,721,612
Management Fees	-	-	840,230	492,195	513,911	229,562	935,612	764,544	659,782	367,351	85,045	81,520	(4,969,752)	-
Office Expenses	-	30,374	57,077	39,965	44,470	20,535	78,716	88,075	50,689	31,020	5,730	10,715	-	437,366
Travel, Conference, Seminar	362,403	419,846	11,925	33,741	12,421	6,508	19,908	27,785	18,373	6,281	6,103	4,270	-	929,564
Marketing and Advertising	24,212	530	71,170	121,818	47,340	76,271	163,688	90,942	165,653	73,052	73,728	37,972	-	946,376
Other Administrative	570,491	40,286	200,872	194,173	239,781	55,202	160,364	101,717	70,970	90,321	12,522	55,790	-	1,792,489
Computer Services Expense	-	-	79,196	91,849	47,864	41,081	112,992	89,898	109,482	54,957	13,372	25,700	-	666,391
Other Services	-	-	64,768	24,739	19,234	17,023	24,486	15,971	6,815	26,008	3,327	4,619	-	206,990
General Insurance	62,695	71,467	372,137	229,373	287,112	207,341	415,934	437,553	221,018	154,975	34,606	42,899	-	2,537,110
Professional Fees	911,652	95,881	538,547	448,884	361,201	18,810	445,815	589,309	497,805	26,370	10,644	16,850	-	3,961,768
Bad Debt Expense	-	-	21,756	6,809	218,147	18,674	44,052	238,722	188,064	-	1,705	7,310	-	745,239
Fine/Penalty Expense	-	-	-	500	-	-	-	-	-	-	-	-	-	500
Property Taxes	-	-	38,218	4,392	198,742	241	301,359	77,588	-	143,633	-	-	-	764,173
911 Studebaker	237,762	-	-	-	-	-	-	-	-	-	-	-	-	237,762
Annual Meeting	170,837	45,079	-	-	-	-	-	-	-	-	-	-	-	215,916
Total Other Expenses	3,021,315	792,115	5,202,196	4,003,671	4,189,883	2,018,025	5,571,357	5,097,606	4,653,498	2,561,584	707,891	796,104	(4,969,752)	33,645,493
Total Operating Expenses	12,500,716	4,537,938	14,048,597	12,117,404	7,837,326	5,385,057	15,539,483	14,340,473	14,302,150	5,349,449	1,226,281	1,773,794	(4,969,752)	103,988,916
Change in Net Assets without Donor Restrictions Before Other Items	26,194,558	(3,986,666)	(459,035)	2,612,309	684,108	(322,039)	519,490	611,738	(1,237,778)	2,748,459	474,626	(143,389)	-	27,696,381
Interest and Other Finance Costs	524,969	-	201,134	207,661	353,759	77,853	514,565	442,719	213,823	329,433	119,422	106,352	-	3,091,690
Change in Net Assets without Donor Restrictions Less Interest and Other Finance Costs	25,669,589	(3,986,666)	(660,169)	2,404,648	330,349	(399,892)	4,925	169,019	(1,451,601)	2,419,026	355,204	(249,741)	-	24,604,691
Depreciation Expense	815,307	3,660	297,493	711,069	287,287	207,769	799,433	695,163	674,516	603,192	223,509	203,954	-	5,522,352
Change in Net Assets Before Nonoperating Gains (Losses)	24,854,282	(3,990,326)	(957,662)	1,693,579	43,062	(607,661)	(794,508)	(526,144)	(2,126,117)	1,815,834	131,695	(453,695)	-	19,082,339
Nonoperating Gains (Losses):														
Nonrecoverable Expenses	(2,047,800)	(120,000)	-	-	-	-	-	-	-	-	-	-	-	(2,167,800)
Losses on Disposal of Property and Equipment	-	-	-	(870)	(629)	(208)	(1,315)	(981)	(4,476)	(24,900)	-	(27,556)	-	(56,932)
Unrealized Gains (Losses) on Investments	229,781	-	(621)	(870)	(629)	(208)	(1,315)	(981)	(783)	(1,578)	(206)	(183)	-	222,407
Total Nonoperating Gains (Losses)	(1,818,019)	(120,000)	(621)	(870)	(629)	(208)	(1,315)	(981)	(5,259)	(26,478)	(206)	(27,739)	-	(2,002,325)
Transfer of Net Assets without Donor Restrictions	(1,497,022)	-	-	-	-	-	-	-	-	-	-	-	-	(1,497,022)
Change in Net Assets without Donor Restrictions (Deficit)	\$ 21,539,241	\$ (4,110,326)	\$ (958,283)	\$ 1,692,709	\$ 42,433	\$ (607,869)	\$ (795,823)	\$ (527,125)	\$ (2,131,376)	\$ 1,789,356	\$ 131,489	\$ (481,434)	\$ -	\$ 15,562,992

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP



- c. Congregational Church Retirement Community (Auburn Ravine) Audited Financials for Years Ended November 30, 2021 and 2020.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED NOVEMBER 30, 2021 AND 2020**



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**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
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**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
AUDITOR DISCLOSURE INFORMATION  
NOVEMBER 30, 2021**

FIRM	<u>CliftonLarsonAllen LLP</u>
AUDIT PARTNER	<u>Chad D. Kunze, CPA</u>
ADDRESS	<u>20 E. Thomas Road Suite 2300 Phoenix, Arizona 85012</u>
TELEPHONE NUMBER	<u>630-954-8166</u>
EMPLOYER IDENTIFICATION NUMBER	<u>41-0746749</u>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace  
Long Beach, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Congregational Church Retirement Community dba: Auburn Ravine Terrace (the Project), HUD Project No. 136-38040 which comprise the balance sheets as of November 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor considers internal control relevant to the entity'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 entity'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.

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace

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 Congregational Church Retirement Community dba: Auburn Terrace Ravine as of November 30, 2021 and 2020, and the related statements of activities and changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting information shown on pages 20 to 32 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The supporting information required by HUD and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2022, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
August 19, 2022

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
BALANCE SHEETS  
NOVEMBER 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 700,767	\$ 679,438
Accounts Receivable, Net	624,997	459,047
Current Portion of Assets Limited as to Use	21,385	27,745
Other Current Assets	282,966	135,670
Total Current Assets	1,630,115	1,301,900
<b>ASSETS LIMITED AS TO USE</b>	1,228,386	1,232,978
Less: Current Portion of Assets Limited as to Use	(21,385)	(27,745)
Noncurrent Assets Limited as to Use	1,207,001	1,205,233
<b>PROPERTY AND EQUIPMENT</b>		
Land and Improvements	171,500	171,500
Buildings and Improvements	8,052,605	7,926,021
Furniture and Fixtures	1,546,397	1,521,137
Construction in Process	3,637	149,941
Total	9,774,139	9,768,599
Less: Accumulated Depreciation	(7,353,564)	(7,124,807)
Total Property and Equipment	2,420,575	2,643,792
 Total Assets	 \$ 5,257,691	 \$ 5,150,925
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 287,802	\$ 250,196
Accrued Interest Payable	-	1,342
Accrued Expenses	268,354	528,762
Due to Related Party	2,437,661	1,483,868
Resident Security Deposits	21,385	27,745
Total Current Liabilities	3,015,202	2,291,913
Total Liabilities	3,015,202	2,291,913
<b>NET ASSETS</b>		
Without Donor Restrictions	2,242,489	2,859,012
Total Liabilities and Net Assets	\$ 5,257,691	\$ 5,150,925

See accompanying Notes to Financial Statements.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED NOVEMBER 30, 2021 AND 2020**

	2021		2020	
	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS</b>				
Resident Services	\$ 8,205,519	96.8 %	\$ 8,682,705	93.7 %
Investment Income	3,528	0.0	8,521	0.1
Other Revenue	267,930	3.2	576,390	6.2
Total Revenue and Gains without Donor Restrictions	8,476,977	100.0	9,267,616	100.0
<b>EXPENSES</b>				
Administrative	1,149,597	13.6	1,272,450	13.7
Utilities	385,710	4.6	403,469	4.4
Operating and Maintenance	658,435	7.8	667,336	7.2
Taxes and Insurance	1,417,524	16.7	1,597,013	17.2
Nursing and Patient Service Expense	5,251,635	62.0	4,890,863	52.8
Financial	1,842	0.0	2,750	0.0
Depreciation	228,757	2.7	188,938	2.0
Total Expense	9,093,500	107.4	9,022,819	97.3
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(616,523)	(7.4)	244,797	2.7
Total Net Assets - Beginning of Year	2,859,012		2,614,215	
<b>TOTAL NET ASSETS - END OF YEAR</b>	\$ 2,242,489		\$ 2,859,012	

See accompanying Notes to Financial Statements.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED NOVEMBER 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Resident Services	\$ 8,307,499	\$ 9,265,893
Cash Paid to Suppliers and Employees	(8,285,566)	(8,988,840)
Interest Paid	(3,184)	(2,750)
Interest Received	3,528	8,521
Net Cash Provided by Operating Activities	22,277	282,824
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Purchases of Property and Equipment	(5,540)	(300,645)
Net Cash Used by Investing Activities	(5,540)	(300,645)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	-	(106,451)
<b>INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	16,737	(124,272)
Cash and Restricted Cash - Beginning of Year	1,912,416	2,036,688
<b>CASH AND RESTRICTED CASH - END OF YEAR</b>	\$ 1,929,153	\$ 1,912,416
<b>RECONCILIATION OF CASH AND RESTRICTED CASH - END OF YEAR PER THE STATEMENT OF CASH FLOWS TO CASH AND RESTRICTED CASH PER THE BALANCE SHEET</b>		
Cash	\$ 700,767	\$ 679,438
Residual Receipts	970,225	966,929
Resident Funds	21,385	27,745
Other Reserves	236,776	238,304
Cash - End of Year per Cash Flow Statement	\$ 1,929,153	\$ 1,912,416

See accompanying Notes to Financial Statements.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**

**Operations**

Congregational Church Retirement Community dba: Auburn Ravine Terrace (the Project), a California nonprofit corporation, is a housing project for the elderly with 107 independent senior apartment units, 22 assisted living units, and 59 skilled nursing beds located in Auburn, California. Operations began in 1979. The Project is operated under Section 231 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's Section 231 insured loan was paid off during the period ended November 30, 2020.

The Project is also subject to a Section 8 Housing Assistance Payment agreement with HUD, providing for payments for the apartment units leased to eligible low-income, elderly tenants pursuant to Section 8 of the U.S. Housing Act of 1937. The contract was renewed April 1, 2020 and has a term of 20 years. The housing assistance payments recognized under the contract during the years ended November 30, 2021 and 2020 were \$739,073 and \$731,557, respectively.

**Tax-Exempt Status**

The Project qualifies as a tax-exempt corporation described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Project is not subject to federal income taxes under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The Project is classified as a publicly supported charitable organization under the Code and contributions to the organization qualify as a charitable tax deduction for the contributor.

The Project applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in a Project's financial statements. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Project is not aware of any activities that would jeopardize their tax-exempt status.

**Financial Statement Presentation**

Contributions received are recorded as an increase in net assets without restrictions or net assets with restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Project and changes therein are classified and reported as follows:

*Net Assets without Restrictions* – Those resources over which the board of directors has discretionary control.

*Net Assets with Donor Restrictions* – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Project or passage of time. Other donor-imposed restrictions are permanent in nature, where resources subject to a donor-imposed restriction shall be maintained permanently by the Project.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
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NOVEMBER 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**Financial Statement Presentation (Continued)**

When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. The Project does not hold any net assets with donor restrictions as of November 30, 2021 and 2020.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Project considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents consist of Federal Deposit Insurance Corporation (FDIC) insured bank deposits and certificates of deposit.

**Accounts Receivable**

The Project provides an allowance for uncollectible accounts based on the reserve method using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice. Accounts are individually analyzed on a monthly basis for collectability. Once accounts are deemed uncollectible, the accounts are written off. The allowance for uncollectible accounts was approximately \$37,000 and \$14,000 at November 30, 2021 and 2020, respectively.

**Assets Limited as to Use**

Assets limited as to use include funds held by trustees under loan agreements and funds maintained on behalf of the residents. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

**Resident Services Revenue**

The Project provides services to certain patients covered by various third-party payor programs including the Federal Medicare and State Medi-Cal programs. Resident service revenue is reported on the accrual basis in the period services are provided at established billing rates. Contractual adjustments are reported as deductions from resident service revenues. Contractual adjustments include differences between established billing rates and estimated program rates. Adjustments to the estimated amounts based on final settlement with the programs are recorded upon settlement.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 NOTES TO FINANCIAL STATEMENTS  
 NOVEMBER 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
 (CONTINUED)**

**Resident Services Revenue (Continued)**

The Project rents apartment units on a month-to-month basis and recognizes revenues when earned. Under the HUD regulatory agreement, the Project may not increase rents charged to qualified tenants without prior HUD approval.

The Project's patient service operations are primarily with patients receiving Medicare and Medi-Cal assistance. During the years end November 30, 2021 and 2020, the Project received approximately 45%, of resident service revenues from residents receiving Medicare and Medi-Cal assistance.

**Grant Revenue**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total accumulated grant funds approved and received by the Project was \$571,870 November 30, 2021. The PRFs are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At November 30, 2021 and November 30, 2020, the Project recognized \$157,414 and \$414,456, respectively, as other revenue in the statement of activities and changes in net assets. Management believes the amounts have been recognized appropriately as of November 30, 2021 and November 30, 2020.

**Advertising Expense**

Advertising expenses of \$40,926 and \$48,825 were recorded for the years ended November 30, 2021 and 2020, respectively. Advertising costs are expensed when incurred.

**Concentration of Credit Risk**

The Project maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Project has not experienced any losses in such accounts.

The Project grants credit without collateral to its various facility residents or their families, many of whom are local residents and who are insured under third-party payor agreements. The mix of receivables from residents and third-party payors at November 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	1.0 %	7.4 %
Medicaid	64.4	57.9
Private and Insurance	34.6	34.7
Total	<u>100.0 %</u>	<u>100.0 %</u>

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**Property and Equipment**

Property and equipment is carried at cost. Major additions and betterments at a cost greater than \$1,000 and a useful life greater than one year are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

**Construction in Progress**

Construction in progress consists of costs for proposed future construction and remodeling. When these projects are completed, the construction in progress costs are capitalized and depreciated over the life of the project.

**Fair Value Measurement**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Project emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Project has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Subsequent Events**

In preparing these financial statements, the Project has evaluated events and transactions for potential recognition or disclosure through August 19, 2022, the date the financial statements were available to be issued (See Note 10).

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
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**NOTE 2 ASSETS LIMITED AS TO USE**

**HUD**

In accordance with the provisions of the HUD regulatory agreement, funded reserves are held in separate bank accounts in the name of the Project. Monthly deposits in the amount identified in the regulatory agreements are required. With the approval of HUD, withdrawals may be made from the residual receipts reserves for repairs or replacement of capital items and project operating purposes.

**Resident Funds**

The Project is the trustee of funds received on behalf of various residents. The Project has a fiduciary responsibility for the administration of the bank account and the distribution of the funds for residents.

**Other Reserves**

Other reserves consist of paint funds. Paint reserve funds are designated for painting resident rooms, which HUD requires to be performed on a regular basis.

	2021	2020
HUD:		
Residual Receipts	\$ 970,225	\$ 966,929
Resident Funds	21,385	27,745
Other Reserves	236,776	238,304
Total	\$ 1,228,386	\$ 1,232,978

Assets limited as to use consist of the following at November 30:

	2021	2020
Cash and Cash Equivalents	\$ 548,386	\$ 551,984
Fixed Income	680,000	421,405
Certificates of Deposit	-	259,589
Total	\$ 1,228,386	\$ 1,232,978

**NOTE 3 EMPLOYEE RETIREMENT PLAN**

The Project participates in a defined contribution plan for its employees. Project's contribution to this plan is principally based on a percentage of the employee's contribution to the plan. The annual cost of this plan to the Project amounts to approximately \$49,000 and \$55,000 for the years ended November 30, 2021 and 2020, respectively.

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**NOTE 4 RELATED PARTY TRANSACTIONS**

Foundation Property Management, Inc. (FPM), the management agent and an affiliate to Retirement Housing Foundation (RHF), provides a variety of management services to the Project including, but not limited to, financing arrangements, consulting, and administrative services. During the years ended November 30, 2021 and 2020, the Project incurred expenses of \$365,365 and \$420,258, respectively, as a management fee and approximately \$38,000 and \$48,000, as a bookkeeping fee, respectively. The management fee is based on a variety of rates charged per unit, per month, as stated in the management agreement. Additionally, the management agent is reimbursed for administrative and other expenses directly attributable to the project. As of November 30, 2021 and 2020, the Project owed FPM and RHF a combined \$2,437,661 and \$1,483,868, respectively, for management fees and expenses paid on behalf of the Project which is included in due to related party on the balance sheets.

RHF is one of the members/owners of Caring Communities, a Reciprocal Risk Retention Group (Caring Communities), an insurance company based in the District of Columbia. Caring Communities, an A.M. Best A rated company, is a reciprocal interinsurance exchange existing as an association captive under the laws of the District of Columbia. Caring Communities is a reciprocal insurer owned by its member insureds and reinsureds. The members control all the voting interests of Caring Communities. Caring Communities provides professional, general liability, excess automobile and excess employers' liability insurance for individual policies to each member. Caring Communities utilizes insurance to spread the risk of loss to reinsurers.

The Project purchases its professional liability insurance through this affiliate and the premiums are supported by competitive bids. Liability insurance expense is included in taxes and insurance line item on the statements of activities and changes in net assets. Insurance expense for the years ended November 30, 2021 and 2020 amounted to \$199,201 and \$114,272, respectively.

**NOTE 5 COMMITMENTS AND CONTINGENCIES**

**Health Care**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

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**NOTE 5 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Government Regulations – Medicaid**

The California State department for which the Project has a licensed nursing facility reserves the right to perform field audit examinations of the Project's records. Any adjustments resulting from such examinations could retroactively adjust Medicaid revenue.

**Government Regulations – Medicare**

The Medicare intermediary has the authority to audit the Project's records any time within a three-year period after the date the Project receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

**Risks and Uncertainties**

The Project's operations are concentrated in the multi-family real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

There also exists other federal and state reimbursement and regulatory issues, including the Health Insurance Portability and Accountability Act (HIPAA), federal anti-fraud and abuse provisions and state licensing and certification requirements for the members of the Project. Noncompliance with such requirements or any violations of federal or state laws could have a material adverse effect on the Project's financial condition and/or results of operations.

**COVID-19 Pandemic**

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Project, COVID-19 may impact various parts of its fiscal year 2021 and 2022 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Project is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of November 30, 2021.

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**NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Project uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Project measures fair values refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Project measured at fair value on a recurring basis as of November 30, 2020. As of November 30, 2021 reserve accounts consisted solely of cash and money market accounts.

		2021			
		Level 1	Level 2	Level 3	Total
Fixed Income		\$ 680,000	\$ -	\$ -	\$ 680,000
Total		\$ 680,000	\$ -	\$ -	\$ 680,000
		2020			
		Level 1	Level 2	Level 3	Total
Fixed Income		\$ 421,405	\$ -	\$ -	\$ 421,405
Total		\$ 421,405	\$ -	\$ -	\$ 421,405

**NOTE 7 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of November 30:

	2021	2020
Cash and Cash Equivalents	\$ 700,767	\$ 679,438
Accounts Receivable, Net	624,997	459,047
Total	\$ 1,325,764	\$ 1,138,485

The Project structures its financial assets to be available as general expenditures, liabilities, and other obligations are due. Cash in excess of daily requirements are invested in short-term and long-term investments.

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**NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES**

Functional classification of expenses for the years ended November 30, 2021 and 2020 consisted of the following:

	2021				
	Program Activities			Supporting Activities	Total Expenses
	Independent Living	Assisted Living	Skilled Nursing	Management and General	
Administrative	\$ 90,294	\$ 76,902	\$ 84,213	\$ 898,188	\$ 1,149,597
Utilities	222,774	46,393	111,271	5,272	385,710
Operating and Maintenance	921,250	254,522	818,375	73,808	2,067,955
Taxes and Insurance	199,334	172,315	917,376	128,499	1,417,524
Nursing and Patient Services	271,832	435,703	2,881,617	252,963	3,842,115
Financial	542	448	810	42	1,842
Depreciation	59,455	24,441	142,181	2,680	228,757
Grand Total	<u>\$ 1,765,481</u>	<u>\$ 1,010,724</u>	<u>\$ 4,955,843</u>	<u>\$ 1,361,452</u>	<u>\$ 9,093,500</u>
	2020				
	Program Activities			Supporting Activities	Total Expenses
	Independent Living	Assisted Living	Skilled Nursing	Management and General	
Administrative	\$ 181,608	\$ 77,482	\$ 91,593	\$ 921,767	\$ 1,272,450
Utilities	232,089	45,558	120,308	5,514	403,469
Operating and Maintenance	446,544	45,816	120,717	54,259	667,336
Taxes and Insurance	323,096	179,629	962,406	131,882	1,597,013
Nursing and Patient Services	800,807	485,253	3,266,621	338,182	4,890,863
Financial	835	300	1,577	38	2,750
Depreciation	57,371	21,839	107,145	2,583	188,938
Grand Total	<u>\$ 2,042,350</u>	<u>\$ 855,877</u>	<u>\$ 4,670,367</u>	<u>\$ 1,454,225</u>	<u>\$ 9,022,819</u>

The costs of providing various programs have been summarized on a functional basis. Whenever feasible, expenses are charged directly to the appropriate program. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising expenses are immaterial and are included with Management and General.

**NOTE 9 RESIDENT SERVICE FEES**

Resident service fees and patient health center revenue is reported at the amount that reflects the consideration to which the Project expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Project bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

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**NOTE 9 RESIDENT SERVICE FEES (CONTINUED)**

Performance obligations are determined based on the nature of the services provided by the Project. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Project believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving assisted living services or housing residents receiving services in the facility. The Project considers daily services provided to residents of the assisted living facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, gift shop, salon, transportation, and cafeteria meals) and the Project does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Project has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Project determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Project's policy and/or implicit price concessions provided to residents. The Project determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Project determines its estimate of implicit price concessions based on its historical collection experience.

The Project recognizes the majority of its revenues over a period of time from its payors based on fees for services performed. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The nursing facility participated in the Medicaid program known as Medi-Cal, which is a financial assistance program administered by the California Department of Health Care Services. Medi-Cal pays for services in accordance with a prospective payment system based upon nursing facilities' annually reported cost data, including fixed or capital-related costs, property taxes and labor costs. A specific per diem rate applies to each of the different levels of service and may change annually based upon audited facility costs.

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**NOTE 9 RESIDENT SERVICE FEES (CONTINUED)**

Medicare

The licensed nursing facility participated in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The participants are paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. CMS finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility. Effective August 1, 2019, management elected to end skilled nursing operations at the Project and terminate its related contract with Medicare.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Project's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2021.

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**NOTE 9 RESIDENT SERVICE FEES (CONTINUED)**

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Project estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident and client services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the year ended November 30, 2021. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as provision for uncollectible accounts and were not considered material for the years ended November 30, 2021. The Project has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, and timing of when revenue is recognized. Tables providing details of these factors are presented below.

The composition of resident services revenue by primary payor for the year ended November 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Private Pay and Private Insurances	\$ 3,695,916	\$ 3,986,419
Medicaid	3,268,567	3,322,246
HUD	739,073	731,557
Medicare	501,963	642,483
Total	<u>\$ 8,205,519</u>	<u>\$ 8,682,705</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident services revenue by service line for the year ended November 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Skilled Nursing	\$ 5,033,446	\$ 5,112,079
Independent Living	2,393,262	2,539,236
Assisted Living	778,811	1,031,390
Total	<u>\$ 8,205,519</u>	<u>\$ 8,682,705</u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 NOTES TO FINANCIAL STATEMENTS  
 NOVEMBER 30, 2021 AND 2020**

**NOTE 9 RESIDENT SERVICE FEES (CONTINUED)**

**Financing Component**

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

**Contract Costs**

The Project has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Project otherwise would have been recognized is one year or less in duration.

The opening and closing contract balances were as follows:

	Accounts Receivable, Net
Balance as of December 1, 2019	\$ 465,844
Balance as of November 30, 2020	459,047
Balance as of November 30, 2021	624,997

**NOTE 10 SUBSEQUENT EVENT**

Subsequent to the fiscal year-end, RHF, on behalf of its various affiliated market rate health care facilities began to market certain health care facilities for potential sale, including the Project. On December 2, 2021 a letter of intent (LOI) was executed with an unrelated third party for the potential sale of the Project. On December 30, 2021 a purchase and sale agreement was executed with an original due diligence period of 45 days that was subsequently extended to March 21, 2022. The due diligence period ended on March 21, 2022 and the buyer has indicated their intent to proceed with the transaction.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 BALANCE SHEET  
 NOVEMBER 30, 2021**

Account  
 Number

**ASSETS**

**CURRENT ASSETS**

1120	Cash - Operations	\$ 700,767
1130	Tenant/Member Accounts Receivable (Coops)	148,356
1131	Allowance for Doubtful Accounts	37,385
1130N	Net Tenant Accounts Receivable	<u>110,971</u>
1137	Medicare/Medicaid/Other Insurance Receivable	514,026
1137N	Net Medicare/Medicaid/Other Insurance Receivable	<u>514,026</u>
1140	Accounts and Notes Receivable - Operations	3,056
1180	Inventory	15,889
1200	Prepaid Expenses	264,021
1100T	Total Current Assets	<u>1,608,730</u>
1191	Tenant/Patient Deposits Held in Trust	21,385

**ASSETS LIMITED AS TO USE**

1330	Other Reserves	236,776
1340	Residual Receipts Reserve	970,225
1300T	Total Assets Limited as to Use	<u>1,207,001</u>

**PROPERTY AND EQUIPMENT**

1410	Land	171,500
1420	Buildings	7,922,810
1440	Building Equipment (Portable)	129,795
1450	Furniture for Project/Tenant Use	680,996
1465	Office Furniture and Equipment	527,984
1470	Maintenance Equipment	232,999
1480	Motor Vehicles	104,418
1490	Miscellaneous Fixed Assets	3,637
1400T	Total Fixed Assets	<u>9,774,139</u>
1495	Accumulated Depreciation	7,353,564
1400N	Net Fixed Assets	<u>2,420,575</u>
1000T	Total Assets	<u>\$ 5,257,691</u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 BALANCE SHEET (CONTINUED)  
 NOVEMBER 30, 2021**

Account  
 Number

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

2110	Accounts Payable - Operations	\$ 286,835
2116	Accounts Payable - Section 8 and Other	967
2120	Accrued Wages Payable	222,694
2123	Accrued Management Fee Payable	403,210
2190	Miscellaneous Current Liabilities	<u>2,080,111</u>
2122T	Total Current Liabilities	2,993,817

2191	<b>TENANT/PATIENT DEPOSITS HELD IN TRUST</b>	<u>21,385</u>
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**LONG-TERM LIABILITIES**

2000T	Total Liabilities	3,015,202
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**NET ASSETS**

3131	Net Assets without Donor Restrictions	<u>2,242,489</u>
3130	Total Net Assets	<u>2,242,489</u>

2033T	Total Liabilities and Net Assets	<u><u>\$ 5,257,691</u></u>
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**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 HUD STATEMENT OF ACTIVITIES  
 YEAR ENDED NOVEMBER 30, 2021**

Account Number		
	<b>Rent Revenue</b>	
5120	Rent Revenue - Gross Potential	\$ 1,653,653
5121	Tenant Assistance Payments	<u>739,073</u>
5100T	Total Rent Revenue	<u>2,392,726</u>
	<b>Vacancies</b>	
5220	Apartments	<u>394,439</u>
5200T	Total Vacancies	<u>394,439</u>
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	1,998,287
5300	Nursing Homes/Assisted Living/Board and Care/ Other Elderly Care/Coop/ and Other Revenues	6,207,232
	<b>Financial Revenue</b>	
5410	Financial Revenue - Project Operations	205
5430	Revenue from Investments - Residual Receipts	<u>3,323</u>
5400T	Total Financial Revenue	<u>3,528</u>
	<b>Other Revenue</b>	
5990	Miscellaneous Revenue	<u>267,930</u>
5900T	Total Other Revenue	<u>267,930</u>
5000T	Total Revenue	8,476,977
	<b>Administrative Expenses</b>	
6204	Management Consultants	33,335
6210	Advertising and Marketing	40,926
6310	Office Salaries	413,998
6311	Office Expenses	105,290
6320	Management Fee	365,365
6340	Legal Expense - Project	10,620
6350	Audit Expense	16,357
6351	Bookkeeping Fees/Accounting Services	38,349
6370	Bad Debts	28,990
6390	Miscellaneous Administrative Expenses	<u>96,367</u>
6263T	Total Administrative Expenses	<u>1,149,597</u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 HUD STATEMENT OF ACTIVITIES (CONTINUED)  
 YEAR ENDED NOVEMBER 30, 2021**

Account Number			
	<b>Utilities Expenses</b>		
6450	Electricity	\$	273,993
6451	Water		49,383
6452	Gas		38,545
6453	Sewer		23,789
6400T	Total Utilities Expense		<u>385,710</u>
	<b>Operating and Maintenance Expenses</b>		
6510	Payroll		392,697
6515	Supplies		15,709
6520	Contracts		103,821
6525	Garbage and Trash Removal		51,644
6546	Heating/Cooling Repairs and Maintenance		15,955
6570	Vehicle and Maintenance Equipment Operation and Repairs		7,692
6590	Miscellaneous Operating and Maintenance Expenses		70,917
6500T	Total Operating and Maintenance Expenses		<u>658,435</u>
	<b>Taxes and Insurance</b>		
6711	Payroll Taxes (Project's Share)		300,521
6720	Property and Liability Insurance (Hazard)		199,201
6722	Workmen's Compensation		283,256
6723	Health Insurance and Other Employee Benefits		578,260
6790	Miscellaneous Taxes, Licenses, Permits, and Insurance		56,286
6700T	Total Taxes and Insurance		<u>1,417,524</u>
	<b>Financial Expenses</b>		
6820	Interest on First Mortgage (or Bonds) Payable		<u>1,842</u>
6800T	Total Financial Expenses		1,842
6900	Nursing Homes/Assisted Living/Board and Care/Other Elderly Care Expenses		<u>5,251,635</u>
	<b>Operating Results</b>		
6000T	Total Cost of Operations before Depreciation		<u>8,864,743</u>
5060T	Profit Before Depreciation		(387,766)
6600	Depreciation Expense		<u>228,757</u>
5060N	Operating Loss		<u>(616,523)</u>
	<b>Change in Net Assets from Operations</b>		
3247	Change in Net Assets without Donor Restrictions from Operations		<u>(616,523)</u>
3250	Change in Total Net Assets from Operations	\$	<u><u>(616,523)</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY**  
**DBA: AUBURN RAVINE TERRACE**  
**HUD PROJECT NUMBER 136-38040**  
**SUPPORTING DATA REQUIRED BY HUD**  
**HUD STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED NOVEMBER 30, 2021**

Account Number			
	<b>Profit and Loss Data Part II</b>		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year.	\$	-
S1000-020	Total of 12 monthly deposits into the Replacement Reserve, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	\$	-
S1000-030	Replacement Reserves, or Residual Receipts, releases which are included as expense items on this Profit and Loss Statement.	\$	-
S1000-040	Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss Statement.	\$	-

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY**  
**DBA: AUBURN RAVINE TERRACE**  
**HUD PROJECT NUMBER 136-38040**  
**SUPPORTING DATA REQUIRED BY HUD**  
**HUD STATEMENT OF NET ASSETS**  
**YEAR ENDED NOVEMBER 30, 2021**

Account Number		
	<b>Net Assets without Donor Restrictions</b>	
S1100-60	Previous Year Net Assets without Donor Restrictions	\$ 2,859,012
3247	Change in Net Assets without Donor Restrictions from Operations	<u>(616,523)</u>
3131	Net Assets without Donor Restrictions	<u>2,242,489</u>
	<b>Total Net Assets</b>	
S1100-50	Previous Year Total Net Assets	2,859,012
3250	Change in Total Net Assets from Operations	<u>(616,523)</u>
3130	Total Net Assets	<u><u>\$ 2,242,489</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 HUD STATEMENT OF CASH FLOWS  
 YEAR ENDED NOVEMBER 30, 2021**

<u>Account Number</u>		
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
S1200-010	Rental Receipts	\$ 1,998,287
S1200-020	Interest Receipts	3,528
S1200-030	Other Operating Receipts	6,309,212
S1200-040	Total Receipts	<u>8,311,027</u>
S1200-050	Administrative	(929,719)
S1200-070	Management Fee	(219,878)
S1200-090	Utilities	(385,710)
S1200-110	Operating and Maintenance	(658,435)
S1200-150	Miscellaneous Taxes and Insurance	(1,417,524)
S1200-170	Other Operating Expenses	(4,674,300)
S1200-220	Miscellaneous Financial	(3,184)
S1200-230	Total Disbursements	<u>(8,288,750)</u>
S1200-240	Net Cash Provided by Operating Activities	22,277
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
S1200-255	Net Withdrawals from Other Reserves	7,888
S1200-260	Net Deposits to Residual Receipts Account	(3,296)
S1200-330	Net Purchase of Fixed Assets	(5,540)
S1200-350	Net Cash Used by Investing Activities	<u>(948)</u>
S1200-470	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	21,329
	<b>CASH AND CASH EQUIVALENTS</b>	
S1200-480	Beginning of Period Cash	<u>679,438</u>
S1200T	End of Period	<u>\$ 700,767</u>
1120	Cash - Operations	<u>\$ 700,767</u>
	Total Cash and Cash Equivalents	<u>\$ 700,767</u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 YEAR ENDED NOVEMBER 30, 2021**

**RESIDUAL RECEIPTS**

In accordance with the provision of the regulatory agreement, the Project is required to deposit any surplus cash into a separate residual receipt account.

1340P	Balance at Beginning of Year	\$	966,929
1340OWT	Other Withdrawals		(27)
1340INT	Interest on Residual Receipts Accounts		<u>3,323</u>
1340	Balance at Current Fiscal Year End	\$	<u><u>970,225</u></u>

**COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS**

<b>CASH</b>			
S1300-010	Cash	\$	700,767
S1300-010	Tenant Security Deposits		<u>21,385</u>
S1300-040	Total Cash		722,152
 <b>CURRENT OBLIGATIONS</b>			
S1300-075	Accounts Payable due Within 30 Days		286,835
2116	Accounts Payable - Section 8		967
S1300-100	Accrued Liabilities (Not Escrowed)		2,302,805
2191	Tenant Security Deposits		<u>21,385</u>
S1300-140	Total Current Obligations		<u><u>2,611,992</u></u>
S1300-150	<b>SURPLUS CASH (DEFICIENCY)</b>	\$	<u><u>(1,889,840)</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SUPPORTING DATA REQUIRED BY HUD  
YEAR ENDED NOVEMBER 30, 2021**

**SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT**

	Assets				
	Balance	Additions	Transfers/ Deletions	Balance	
	November 30, 2020			November 30, 2021	
Land	\$ 171,500	\$ -	\$ -	\$ 171,500	
Building and Improvements	7,796,226	126,584	-	7,922,810	
Building Equipment	129,795	-	-	129,795	
Furniture for Project/Tenant	666,464	14,532	-	680,996	
Office Furniture and Equipment	517,256	10,728	-	527,984	
Maintenance Equipment	232,999	-	-	232,999	
Motor Vehicles	104,418	-	-	104,418	
Construction in Process	149,941	-	(146,304)	3,637	
Total	<u>\$ 9,768,599</u>	<u>\$ 151,844</u>	<u>\$ (146,304)</u>	<u>\$ 9,774,139</u>	
	Accumulated Depreciation				Net Book
	Balance	Additions	Deletions	Balance	Value
	November 30, 2020			November 30, 2021	November 30, 2021
Land	\$ -	\$ -	\$ -	\$ -	\$ 171,500
Building and Improvements	5,981,412	113,211	-	6,094,623	1,828,187
Building Equipment	103,536	5,090	-	108,626	21,169
Furniture for Project/Tenant	348,009	54,869	-	402,878	278,118
Office Furniture and Equipment	375,345	36,892	-	412,237	115,747
Maintenance Equipment	228,027	5,983	-	234,010	(1,011)
Motor Vehicles	88,478	12,712	-	101,190	3,228
Construction in Process	-	-	-	-	3,637
Total	<u>\$ 7,124,807</u>	<u>\$ 228,757</u>	<u>\$ -</u>	<u>\$ 7,353,564</u>	<u>\$ 2,420,575</u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 YEAR ENDED NOVEMBER 30, 2021**

**SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT (CONTINUED)**

**ADDITIONS:**

**Furniture for Project/Tenant**

Carpet	\$ 12,547
Room/Bathroom Flooring	1,985
Total	<u>\$ 14,532</u>

**Office Furniture and Equipment**

Touchscreen Terminals	\$ 6,165
Convection Oven	4,563
Total	<u>\$ 10,728</u>

**Building and Improvements**

Architect	\$ 71,955
HVAC	28,401
Elevator Refurbish	12,700
OSHPD Project	8,186
Balcony	5,342
Total	<u>\$ 126,584</u>

**TOTAL ADDITIONS:** \$ 151,844

**DELETIONS:**

**Construction In Process**

Transfers to Depreciable Assets	<u>\$ 146,304</u>
Total	<u>\$ 146,304</u>

**TOTAL DELETIONS:** \$ 146,304

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 YEAR ENDED NOVEMBER 30, 2021**

**MISCELLANEOUS AND OTHER ACCOUNT DETAIL**

Account 1140 Detail	
A/R- Other	\$ 3,056
Total Line 1140	<u>\$ 3,056</u>
Account 2190 Detail	
Due to RHF - Reimbursables	\$ 1,815,776
Accrued Workers Compensation	152,843
Due to RHF - Insurance	49,411
Accrued Accounting Fees	45,095
Tenant Prepaid Rent	16,715
Patient/Resident Trust	271
Total Line 2190	<u>\$ 2,080,111</u>
Account 5990 Detail	
Provider Relief Funds	\$ 157,414
Cable/Television Income	55,664
Miscellaneous Revenue	21,598
SNF Non-Covered Services	20,036
Employee and Guest Meals	13,218
Total Line 5990	<u>\$ 267,930</u>
Account 6390 Detail	
Dues and Subscriptions	\$ 30,926
Cable Television	17,454
Leases and Rentals	16,424
Miscellaneous Administrative	12,930
Payroll Processing Fees	12,631
Tenant Relations	2,790
Other Financial Expense	1,740
Loss on Disposition of Asset	1,472
Total Line 6390	<u>\$ 96,367</u>
Account 6590 Detail	
Computer Services	\$ 69,789
Occupancy Fees	1,128
Total Line 6590	<u>\$ 70,917</u>
Account 1340OWT Detail	
Bank Fees	\$ 27
Total Line 1340OWT	<u>\$ 27</u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SUPPORTING DATA REQUIRED BY HUD  
YEAR ENDED NOVEMBER 30, 2021**

**SCHEDULE OF 5300 ACCOUNT DETAIL**

5301	Private Pay Room and Board	\$ 1,338,468
5302	Private Pay Ancillary	7,996
5303	Contractual Adjustments	(88)
5305	Medicare Room and Board	127,152
5306	Medicare Ancillary	220,572
5307	Medicare Contractual Adjustments	104,987
5309	Medicaid Room and Board	2,905,801
5310	Medicaid Ancillary	26,343
5312	Medicaid Contractual Adjustments	335,557
5321	Hospice	302,148
5330	Dietary Salaries	372,256
5350	Housekeeping Salaries	100,473
5360	Drugs/Medical Supplies and Pharmaceuticals	28,543
5370	Laundry and Linen	13,638
5390	Other Service Revenue	<u>323,386</u>
	Total Line 5300	<u><u>\$ 6,207,232</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 YEAR ENDED NOVEMBER 30, 2021**

**SCHEDULE OF 6900 ACCOUNT DETAIL**

6930	Dietary Salaries	\$ 681,650
6932	Food	345,024
6933	Dietary Supplies	96,768
6940	Registered Nurses Payroll	149,410
6941	Licensed Practical Nurses Payroll	461,589
6942	Other Nursing Salaries	972,966
6943	Director of Nurses Salaries	85,088
6944	Nursing Purchase Services	7,198
6950	Housekeeping Salaries	24,593
6951	Housekeeping Supplies	33,052
6963	Medical Supplies	162,195
6966	Pharmacy Supplies	26,770
6970	Laundry and Linen	2,481
6971	Laundry Salaries	7,966
6975	Medical Records Salaries	103,511
6980	Recreation and Rehabilitation	232,621
6981	Activities Supplies	17,011
6982	Activities Purchased Services	196
6985	Rehabilitation Purchased Services	170,221
6990	Other Services Expenses	<u>1,671,325</u>
	Total Line 6900	<u><u>\$ 5,251,635</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED NOVEMBER 30, 2021**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>				
Section 8 Housing Assistance Payments	14.195	N/A	N/A	\$ 739,073
<b>U.S. Department of Health and Human Services:</b>				
COVID-19 Provider Relief Funding	93.498	N/A	N/A	<u>356,765</u>
Total				<u><u>\$ 1,095,838</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY**  
**DBA: AUBURN RAVINE TERRACE**  
**HUD PROJECT NUMBER 136-38040**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED NOVEMBER 30, 2021**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Congregational Church Retirement Community dba: Auburn Ravine Terrace under programs of the federal government for the year ended November 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Congregational Church Retirement Community dba: Auburn Ravine Terrace, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Congregational Church Retirement Community dba: Auburn Ravine Terrace.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Congregational Church Retirement Community dba: Auburn Ravine Terrace has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 RECONCILIATION OF SEFA TO FINANCIAL STATEMENTS**

The financial statements reflect revenue recognized from the Provider Relief Fund of approximately \$157,414 and \$414,456 for the years ended November 30, 2021 and 2020, respectively. The SEFA includes Provider Relief Funds of \$356,765 that were received in Period 1 in accordance with the requirements of the compliance supplement for Federal Assistance Listing number 93.498.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace  
Long Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Congregational Church Retirement Community dba: Auburn Ravine Terrace (the Project), which comprise the balance sheet as of November 30, 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Project’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Project’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
August 19, 2022



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace  
Long Beach, California

### **Report on Compliance for Each Major Federal Program**

We have audited Congregational Church Retirement Community dba: Auburn Ravine Terrace (the Project) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Project's major federal programs for the year ended November 30, 2021. The Project's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Project's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Project's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Project complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
August 19, 2022

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 NOVEMBER 30, 2021**

***Section I – Summary of Auditors’ Results***

***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        X   no

***Identification of Major Federal Programs***

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
93.948	COVID-19 Provider Relief Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>  750,000  </u>
Auditee qualified as low-risk auditee?	<u>  X  </u> yes      _____ no

CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
NOVEMBER 30, 2021

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***Section II – Financial Statement Findings***

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There were no findings noted.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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There were no findings noted.

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***Section IV – Prior Year Findings***

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There were no findings noted.



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- d. Congregational Church Retirement Community (Auburn Ravine) Audited Financials for Years Ended November 30, 2020 and 2019.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED NOVEMBER 30, 2020 AND 2019**



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AUDIT, TAX, AND CONSULTING

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**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
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CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
AUDITOR DISCLOSURE INFORMATION  
NOVEMBER 30, 2020

FIRM	<u>CliftonLarsonAllen LLP</u>
AUDIT PARTNER	<u>Chad D. Kunze, CPA</u>
ADDRESS	<u>20 E. Thomas Road Suite 2300 Phoenix, Arizona 85012</u>
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EMPLOYER IDENTIFICATION NUMBER	<u>41-0746749</u>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace  
Long Beach, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Congregational Church Retirement Community dba: Auburn Ravine Terrace (the Project), HUD Project No. 136-38040 which comprise the balance sheets as of November 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor considers internal control relevant to the entity'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 entity'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.

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Congregational Church Retirement Community dba: Auburn Terrace Ravine as of November 30, 2020 and 2019, and the related statements of activities, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis-of-Matter Regarding a Change in Accounting Principle**

As discussed in Note 1 to the consolidated financial statements, the Project adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. The new accounting standard clarifies how revenue is to be recognized and requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

### **Other Matters**

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting information shown on pages 23 to 36 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The supporting information required by HUD and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2021, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
September 9, 2021

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY**  
**DBA: AUBURN RAVINE TERRACE**  
**HUD PROJECT NUMBER 136-38040**  
**BALANCE SHEETS**  
**NOVEMBER 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 679,438	\$ 384,296
Accounts Receivable, Net	459,047	465,844
Current Portion of Assets Limited as to Use	27,745	141,925
Other Current Assets	135,670	86,694
Total Current Assets	1,301,900	1,078,759
<b>ASSETS LIMITED AS TO USE</b>	1,232,978	1,652,392
Less: Current Portion of Assets Limited as to Use	(27,745)	(141,925)
Noncurrent Assets Limited as to Use	1,205,233	1,510,467
<b>PROPERTY AND EQUIPMENT</b>		
Land and Improvements	171,500	171,500
Buildings and Improvements	7,926,021	7,641,425
Furniture and Fixtures	1,521,137	1,441,151
Construction in Process	149,941	269,402
Total	9,768,599	9,523,478
Less: Accumulated Depreciation	(7,124,807)	(6,991,392)
Total Property and Equipment	2,643,792	2,532,086
Total Assets	\$ 5,150,925	\$ 5,121,312
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ -	\$ 106,451
Accounts Payable	250,196	391,941
Accrued Interest Payable	1,342	1,342
Accrued Expenses	2,012,630	1,980,140
Resident Security Deposits	27,745	27,223
Total Current Liabilities	2,291,913	2,507,097
Total Liabilities	2,291,913	2,507,097
<b>NET ASSETS</b>		
Without Donor Restrictions	2,859,012	2,614,215
Total Liabilities and Net Assets	\$ 5,150,925	\$ 5,121,312

See accompanying Notes to Financial Statements.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED NOVEMBER 30, 2020 AND 2019**

	2020		2019	
	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS</b>				
Resident Services	\$ 8,682,705	93.7 %	\$ 8,410,997	96.7 %
Investment Income	8,521	0.1	20,402	0.2
Other Revenue	576,390	6.2	265,775	3.1
Total Revenue and Gains without Donor Restrictions	<u>9,267,616</u>	100.0	<u>8,697,174</u>	100.0
<b>EXPENSES</b>				
Administrative	1,272,450	13.7	1,154,427	13.3
Utilities	403,469	4.4	437,477	5.0
Operating and Maintenance	667,336	7.2	745,860	8.6
Taxes and Insurance	1,597,013	17.2	1,637,358	18.8
Nursing and Patient Service Expense	4,890,863	52.8	4,730,147	54.4
Financial	2,750	0.0	26,101	0.3
Depreciation	188,938	2.0	368,444	4.2
Total Expense	<u>9,022,819</u>	97.4	<u>9,099,814</u>	104.6
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	244,797	2.6	(402,640)	(4.6)
Total Net Assets - Beginning of Year	<u>2,614,215</u>		<u>3,016,855</u>	
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u><u>\$ 2,859,012</u></u>		<u><u>\$ 2,614,215</u></u>	

See accompanying Notes to Financial Statements.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
STATEMENTS OF CASH FLOWS  
YEARS ENDED NOVEMBER 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Resident Services	\$ 9,265,893	\$ 8,610,492
Cash Paid to Suppliers and Employees	(8,988,840)	(7,832,536)
Interest Paid	(2,750)	(27,965)
Interest Received	8,521	20,402
Net Cash Provided by Operating Activities	282,824	770,393
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Purchases of Property and Equipment	(300,645)	(215,027)
Net Cash Used by Investing Activities	(300,645)	(215,027)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(106,451)	(406,486)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(124,272)	148,880
Cash and Cash Equivalents - Beginning of Year	2,036,688	1,887,808
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,912,416	\$ 2,036,688
<b>RECONCILIATION OF CASH AND RESTRICTED CASH - END OF YEAR PER THE STATEMENT OF CASH FLOWS TO CASH AND RESTRICTED CASH PER THE BALANCE SHEET</b>		
Cash	\$ 679,438	\$ 384,296
Assets Limited as to Use	1,232,978	1,652,392
Cash - End of Year per Cash Flow Statement	\$ 1,912,416	\$ 2,036,688

See accompanying Notes to Financial Statements.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**

**Operations**

Congregational Church Retirement Community dba: Auburn Ravine Terrace (the Project), a California nonprofit corporation, is a housing project for the elderly with 107 independent senior apartment units, 22 assisted living units, and 59 skilled nursing beds located in Auburn, California. Operations began in 1979. The Project is operated under Section 231 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's Section 231 insured loan was paid off during the period ended November 30, 2020.

The Project is also subject to a Section 8 Housing Assistance Payment agreement with HUD, providing for payments for the apartment units leased to eligible low-income, elderly tenants pursuant to Section 8 of the U.S. Housing Act of 1937. The contract was renewed April 1, 2020 and has a term of 20 years. The housing assistance payments recognized under the contract during the years ended November 30, 2020 and 2019 were \$731,557 and \$717,223, respectively.

**Tax Exempt Status**

The Project qualifies as a tax-exempt corporation described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Project is not subject to federal income taxes under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The Project is classified as a publicly supported charitable organization under the Code and contributions to the organization qualify as a charitable tax deduction for the contributor.

The Project applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in a Project's financial statements. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Project is not aware of any activities that would jeopardize their tax-exempt status.

**Financial Statement Presentation**

Contributions received are recorded as an increase in net assets without restrictions or net assets with restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Project and changes therein are classified and reported as follows:

Net Assets without Restrictions – Those resources over which the board of directors has discretionary control.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**Financial Statement Presentation (Continued)**

Net Assets with Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Project or passage of time. Other donor-imposed restrictions are permanent in nature, where resources subject to a donor-imposed restriction shall be maintained permanently by the Project.

When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. The Project does not hold any net assets with donor restrictions as of November 30, 2020 and 2019.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Project considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents consist of FDIC insured bank deposits and certificates of deposit.

**Accounts Receivable**

The Project provides an allowance for uncollectible accounts based on the reserve method using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice. Accounts are individually analyzed on a monthly basis for collectability. Once accounts are deemed uncollectible, the accounts are written off. The allowance for uncollectible accounts was approximately \$14,000 and \$1,000 at November 30, 2020 and 2019, respectively.

**Assets Limited as to Use**

Assets limited as to use include funds held by trustees under loan agreements and funds maintained on behalf of the residents. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**Resident Services Revenue**

The Project provides services to certain patients covered by various third-party payor programs including the Federal Medicare and State Medi-Cal programs. Resident service revenue is reported on the accrual basis in the period services are provided at established billing rates. Contractual adjustments are reported as deductions from resident service revenues. Contractual adjustments include differences between established billing rates and estimated program rates. Adjustments to the estimated amounts based on final settlement with the programs are recorded upon settlement.

The Project rents apartment units on a month-to-month basis and recognizes revenues when earned. Under the HUD regulatory agreement, the Project may not increase rents charged to qualified tenants without prior HUD approval.

The Project's patient service operations are primarily with patients receiving Medicare and Medi-Cal assistance. During the years end November 30, 2020 and 2019, the Project received approximately 45%, of resident service revenues from residents receiving Medicare and Medi-Cal assistance.

**Grant Revenue**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Project was \$452,315 at November 30, 2020. The PRFs are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. Management believes the amounts have been recognized appropriately as of November 30, 2020.

**Advertising Expense**

Advertising expenses of \$48,825 and \$48,218 were recorded for the years ended November 30, 2020 and 2019, respectively. Advertising costs are expensed when incurred.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 NOTES TO THE FINANCIAL STATEMENTS  
 NOVEMBER 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
 (CONTINUED)**

**Concentration of Credit Risk**

The Project maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Project has not experienced any losses in such accounts.

The Project grants credit without collateral to its various facility residents or their families, many of whom are local residents and who are insured under third-party payor agreements. The mix of receivables from residents and third-party payors at November 30, 2020 and 2019 was as follows:

	2020	2019
Medicare	7.4 %	19.5 %
Medicaid	57.9	52.4
Private and Insurance	34.7	28.1
Total	100.0 %	100.0 %

**Property and Equipment**

Property and equipment is carried at cost. Major additions and betterments at a cost greater than \$1,000 and a useful life greater than one year are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

**Construction in Progress**

Construction in progress consists of costs for proposed future construction and remodeling. When these projects are completed, the construction in progress costs are capitalized and depreciated over the life of the project. Construction in progress as of November 30, 2020, consists of costs related to various renovation and remodeling projects. These projects are being financed internally with anticipated completion dates in 2021. The anticipated total cost of these projects is approximately \$400,000.

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY**  
**DBA: AUBURN RAVINE TERRACE**  
**HUD PROJECT NUMBER 136-38040**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**Fair Value Measurement**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Project emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Project has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**Changes in Accounting Principles**

For the year ended November 30, 2020, the Project adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide the sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Project's financial statements reflect the application of ASC 606 guidance beginning December 1, 2019. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Project's reported historical revenue.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

**Subsequent Events**

In preparing these financial statements, the Project has evaluated events and transactions for potential recognition or disclosure through September 9, 2021, the date the financial statements were available to be issued.

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**NOTE 2 ASSETS LIMITED AS TO USE**

**HUD**

In accordance with the provisions of the HUD regulatory agreement, funded reserves are held in separate bank accounts in the name of the Project. Monthly deposits in the amount identified in the regulatory agreements are required. With the approval of HUD, withdrawals may be made from the replacement and residual receipts reserves for repairs or replacement of capital items and project operating purposes. The replacement reserve was closed upon the maturity of the HUD mortgage in February 2020.

In accordance with the provisions of the HUD regulatory agreement, an escrow for insurance and taxes must also be maintained. Monthly deposits are made to these escrows as determined by the trustee in amounts estimated to meet future obligations. The tax and insurance escrow was closed upon the maturity of the HUD mortgage in February 2020.

**Resident Funds**

The Project is the trustee of funds received on behalf of various residents. The Project has a fiduciary responsibility for the administration of the bank account and the distribution of the funds for residents.

**Other Reserves**

Other reserves consist of paint funds. Paint reserve funds are designated for painting resident rooms, which HUD requires to be performed on a regular basis.

	<u>2020</u>	<u>2019</u>
HUD:		
Replacement Reserves	\$ -	\$ 321,387
Residual Receipts	966,929	958,684
Insurance and Tax Escrow	-	114,702
Resident Funds	27,745	27,223
Other Reserves	238,304	230,396
Total	<u>\$ 1,232,978</u>	<u>\$ 1,652,392</u>

Assets limited as to use consist of the following at November 30:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 551,984	\$ 979,384
Fixed Income	421,405	662,592
Certificates of Deposit	259,589	10,416
Total	<u>\$ 1,232,978</u>	<u>\$ 1,652,392</u>

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**NOTE 3 LONG-TERM DEBT**

Long-term debt consists of the following at November 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
7.5% mortgage note payable to The Forest City - Meridian Mortgage Corporation in the original amount of \$5,411,000; insured by the U.S. Department of Housing and Urban Development under Section 231 of the National Housing Act; collateralized by all assets, receipts and profits of the Project. Payable in monthly installments of \$35,931, including principal and interest. Matured February 2020.	\$ -	\$ 106,451
Less: Current Maturities	-	(106,451)
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>

Interest expenses of \$2,487 and \$24,599 were recorded for the years ended November 30, 2020 and 2019, respectively.

**Restrictive Covenants**

The provisions of the mortgage agreement contain restrictive covenants pertaining to financial and operational requirements of the Project.

**NOTE 4 EMPLOYEE RETIREMENT PLAN**

The Project participates in a defined contribution plan for its employees. Project's contribution to this plan is principally based on a percentage of the employee's contribution to the plan. The annual cost of this plan to the Project amounts to approximately \$49,000 and \$55,000 for the years ended November 30, 2020 and 2019, respectively.

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**NOTE 5 RELATED PARTY TRANSACTIONS**

Foundation Property Management, Inc. (FPM), the management agent and an affiliate to Retirement Housing Foundation (RHF), provides a variety of management services to the Project including, but not limited to, financing arrangements, consulting, and administrative services. During the years ended November 30, 2020 and 2019, the Project incurred expenses of \$420,258 and \$385,528, respectively, as a management fee and approximately \$48,000 and \$34,000, as a bookkeeping fee, respectively. The management fee is based on a variety of rates charged per unit, per month, as stated in the management agreement. Additionally, the management agent is reimbursed for administrative and other expenses directly attributable to the project. As of November 30, 2020 and 2019, the Project owed FPM and RHF a combined \$1,483,868 and \$1,565,179, respectively, for management fees and expenses paid on behalf of the Project which is included in accrued expenses on the balance sheets.

RHF is one of the members/owners of Caring Communities, a Reciprocal Risk Retention Group (Caring Communities), an insurance company based in the District of Columbia. Caring Communities, an A.M. Best A rated company, is a reciprocal interinsurance exchange existing as an association captive under the laws of the District of Columbia. Caring Communities is a reciprocal insurer owned by its member insureds and reinsureds. The members control all the voting interests of Caring Communities. Caring Communities provides professional, general liability, excess automobile and excess employers' liability insurance for individual policies to each member. Caring Communities utilizes insurance to spread the risk of loss to reinsurers.

The Project purchases its professional liability insurance through this affiliate and the premiums are supported by competitive bids. Liability insurance expense is included in taxes and insurance line item on the statements of activities and changes in net assets. Insurance expense for the years ended November 30, 2020 and 2019 amounted to \$114,272 and \$158,938, respectively.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

**Health Care**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

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**NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Government Regulations – Medicaid**

The California State department for which the Project has a licensed nursing facility reserves the right to perform field audit examinations of the Project's records. Any adjustments resulting from such examinations could retroactively adjust Medicaid revenue.

**Government Regulations – Medicare**

The Medicare intermediary has the authority to audit the Project's records any time within a three-year period after the date the Project receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

**Risks and Uncertainties**

The Project's operations are concentrated in the multi-family real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

There also exists other federal and state reimbursement and regulatory issues, including the Health Insurance Portability and Accountability Act (HIPAA), federal anti-fraud and abuse provisions and state licensing and certification requirements for the members of the Project. Noncompliance with such requirements or any violations of federal or state laws could have a material adverse effect on the Project's financial condition and/or results of operations.

**COVID-19 Pandemic**

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Project, COVID-19 may impact various parts of its fiscal year 2020 and 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Project is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of November 30, 2020.

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**NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Project uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Project measures fair values refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Project measured at fair value on a recurring basis as of November 30, 2020 and 2019:

	2020			Total
	Level 1	Level 2	Level 3	
Fixed Income	\$ 421,405	\$ -	\$ -	\$ 421,405
Total	<u>\$ 421,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,405</u>
	2019			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 662,592	\$ -	\$ -	\$ 662,592
Total	<u>\$ 662,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662,592</u>

**NOTE 8 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of November 30:

	2020	2019
Cash and Cash Equivalents	\$ 679,438	\$ 384,296
Accounts Receivable, Net	459,047	465,844
Total	<u>\$ 1,138,485</u>	<u>\$ 850,140</u>

The Project structures its financial assets to be available as general expenditures, liabilities, and other obligations are due. Cash in excess of daily requirements are invested in short-term and long-term investments.

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**NOTE 9 FUNCTIONAL CLASSIFICATION OF EXPENSES**

Functional classification of expenses for the years ended November 30, 2020 and 2019 consisted of the following:

	2020				
	Program Activities			Supporting Activities	Total Expenses
	Independent Living	Assisted Living	Skilled Nursing	Management and General	
Administrative	\$ 181,608	\$ 77,482	\$ 91,593	\$ 921,767	\$ 1,272,450
Utilities	232,089	45,558	120,308	5,514	403,469
Operating and Maintenance	446,544	45,816	120,717	54,259	667,336
Taxes and Insurance	323,096	179,629	962,406	131,882	1,597,013
Nursing and Patient Services	800,807	485,253	3,266,621	338,182	4,890,863
Financial	835	300	1,577	38	2,750
Depreciation	57,371	21,839	107,145	2,583	188,938
Grand Total	<u>\$ 2,042,350</u>	<u>\$ 855,877</u>	<u>\$ 4,670,367</u>	<u>\$ 1,454,225</u>	<u>\$ 9,022,819</u>

	2019				
	Program Activities			Supporting Activities	Total Expenses
	Independent Living	Assisted Living	Skilled Nursing	Management and General	
Administrative	\$ 150,415	\$ 41,928	\$ 84,368	\$ 877,716	\$ 1,154,427
Utilities	250,548	45,920	135,029	5,980	437,477
Operating and Maintenance	466,544	41,892	163,891	73,533	745,860
Taxes and Insurance	325,826	191,869	1,049,609	70,054	1,637,358
Nursing and Patient Services	697,980	434,178	3,298,467	299,522	4,730,147
Financial	8,057	2,757	14,930	357	26,101
Depreciation	124,721	37,203	201,484	5,036	368,444
Grand Total	<u>\$ 2,024,091</u>	<u>\$ 795,747</u>	<u>\$ 4,947,778</u>	<u>\$ 1,332,198</u>	<u>\$ 9,099,814</u>

The costs of providing various programs have been summarized on a functional basis. Whenever feasible, expenses are charged directly to the appropriate program. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising expenses are immaterial and are included with Management and General.

**NOTE 10 RESIDENT SERVICE FEES**

Resident service fees and patient health center revenue is reported at the amount that reflects the consideration to which the Project expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Project bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

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**NOTE 10 RESIDENT SERVICE FEES (CONTINUED)**

Performance obligations are determined based on the nature of the services provided by the Project. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Project believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving assisted living services or housing residents receiving services in the facility. The Project considers daily services provided to residents of the assisted living facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, gift shop, salon, transportation, and cafeteria meals) and the Project does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Project has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Project determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Project's policy and/or implicit price concessions provided to residents. The Project determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Project determines its estimate of implicit price concessions based on its historical collection experience.

The Project recognizes the majority of its revenues over a period of time from its payors based on fees for services performed. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The nursing facility participated in the Medicaid program known as Medi-Cal, which is a financial assistance program administered by the California Department of Health Care Services. Medi-Cal pays for services in accordance with a prospective payment system based upon nursing facilities' annually reported cost data, including fixed or capital-related costs, property taxes and labor costs. A specific per diem rate applies to each of the different levels of service and may change annually based upon audited facility costs.

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**NOTE 10 RESIDENT SERVICE FEES (CONTINUED)**

Medicare

The licensed nursing facility participated in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The participants are paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. CMS finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility. Effective August 1, 2019, management elected to end skilled nursing operations at the Project and terminate its related contract with Medicare.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Project's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2020.

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**NOTE 10 RESIDENT SERVICE FEES (CONTINUED)**

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Project estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident and client services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the year ended November 30, 2020. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as provision for uncollectible accounts and were not considered material for the years ended November 30, 2020. The Project has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, and timing of when revenue is recognized. Tables providing details of these factors are presented below.

The composition of resident services revenue by primary payer for the year ended November 30, 2020 and 2019 is as follows:

	2020	2019
Private Pay and Private Insurances	\$ 3,986,419	\$ 3,922,503
Medicaid	3,322,246	3,083,927
HUD	731,557	717,223
Medicare	642,483	687,344
Total	<u>\$ 8,682,705</u>	<u>\$ 8,410,997</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident services revenue by service line for the year ended November 30, 2020 and 2019 is as follows:

	2020	2019
Skilled Nursing	\$ 5,112,079	\$ 4,731,030
Independent Living	2,539,236	2,593,811
Assisted Living	1,031,390	1,086,156
Total	<u>\$ 8,682,705</u>	<u>\$ 8,410,997</u>

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**NOTE 10 RESIDENT SERVICE FEES (CONTINUED)**

**Financing Component**

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

**Contract Costs**

The Project has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Project otherwise would have been recognized is one year or less in duration.

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 SUPPORTING DATA REQUIRED BY HUD  
 BALANCE SHEET  
 NOVEMBER 30, 2020**

Account  
 Number

**ASSETS**

**CURRENT ASSETS**

1120	Cash - Operations	\$	679,438
1130	Tenant/Member Accounts Receivable (Coops)		140,182
1131	Allowance for Doubtful Accounts		13,954
1130N	Net Tenant Accounts Receivable		<u>126,228</u>
1137	Medicare/Medicaid/Other Insurance Receivable		332,819
1137N	Net Medicare/Medicaid/Other Insurance Receivable		<u>332,819</u>
1140	Accounts and Notes Receivable - Operations		6,212
1180	Inventory		15,889
1200	Prepaid Expenses		113,569
1100T	Total Current Assets		<u>1,274,155</u>
1191	Tenant/Patient Deposits Held in Trust		27,745

**ASSETS LIMITED AS TO USE**

1330	Other Reserves		238,304
1340	Residual Receipts Reserve		966,929
1300T	Total Assets Limited as to Use		<u>1,205,233</u>

**PROPERTY AND EQUIPMENT**

1410	Land		171,500
1420	Buildings		7,796,226
1440	Building Equipment (Portable)		129,795
1450	Furniture for Project/Tenant Use		666,464
1465	Office Furniture and Equipment		517,256
1470	Maintenance Equipment		232,999
1480	Motor Vehicles		104,418
1490	Miscellaneous Fixed Assets		149,941
1400T	Total Fixed Assets		<u>9,768,599</u>
1495	Accumulated Depreciation		7,124,807
1400N	Net Fixed Assets		<u>2,643,792</u>
1000T	Total Assets	\$	<u><u>5,150,925</u></u>

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 SUPPORTING DATA REQUIRED BY HUD  
 BALANCE SHEET (CONTINUED)  
 NOVEMBER 30, 2020**

Account  
 Number

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

2110	Accounts Payable - Operations	\$	249,603
2116	Accounts Payable - Section 8 and Other		593
2120	Accrued Wages Payable		389,986
2123	Accrued Management Fee Payable		257,723
2131	Accrued Interest Payable - First Mortgage (or Bonds)		1,342
2190	Miscellaneous Current Liabilities		1,364,921
2122T	Total Current Liabilities		<u>2,264,168</u>

2191	<b>TENANT/PATIENT DEPOSITS HELD IN TRUST</b>		<u>27,745</u>
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2000T	Total Liabilities		2,291,913
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**NET ASSETS**

3131	Net Assets without Donor Restrictions		<u>2,859,012</u>
3130	Total Net Assets		<u>2,859,012</u>
2033T	Total Liabilities and Net Assets	\$	<u><u>5,150,925</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
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 SUPPORTING DATA REQUIRED BY HUD  
 HUD STATEMENT OF ACTIVITIES  
 YEAR ENDED NOVEMBER 30, 2020**

Account Number		
	<b>Rent Revenue</b>	
5120	Rent Revenue - Gross Potential	\$ 1,632,102
5121	Tenant Assistance Payments	<u>731,557</u>
5100T	Total Rent Revenue	<u>2,363,659</u>
	<b>Vacancies</b>	
5220	Apartments	<u>246,385</u>
5200T	Total Vacancies	<u>246,385</u>
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	2,117,274
5300	Nursing Homes/Assisted Living/Board and Care/ Other Elderly Care/Coop/ and Other Revenues	6,565,431
	<b>Financial Revenue</b>	
5410	Financial Revenue - Project Operations	271
5430	Revenue from Investments - Residual Receipts	8,245
5440	Revenue from Investments - Replacement Reserve	<u>5</u>
5400T	Total Financial Revenue	<u>8,521</u>
	<b>Other Revenue</b>	
5990	Miscellaneous Revenue	<u>576,390</u>
5900T	Total Other Revenue	<u>576,390</u>
5000T	Total Revenue	9,267,616
	<b>Administrative Expenses</b>	
6203	Conventions and Meetings	271
6204	Management Consultants	35,071
6210	Advertising and Marketing	48,825
6310	Office Salaries	431,577
6311	Office Expenses	131,999
6320	Management Fee	420,258
6340	Legal Expense - Project	16,123
6350	Audit Expense	21,539
6351	Bookkeeping Fees/Accounting Services	47,575
6370	Bad Debts	19,799
6390	Miscellaneous Administrative Expenses	<u>99,413</u>
6263T	Total Administrative Expenses	<u>1,272,450</u>

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SUPPORTING DATA REQUIRED BY HUD  
HUD STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED NOVEMBER 30, 2020**

Account Number			
	<b>Utilities Expenses</b>		
6450	Electricity	\$	228,602
6451	Water		46,556
6452	Gas		29,817
6453	Sewer		98,494
6400T	Total Utilities Expense		<u>403,469</u>
	<b>Operating and Maintenance Expenses</b>		
6510	Payroll		375,279
6515	Supplies		22,659
6520	Contracts		124,676
6525	Garbage and Trash Removal		53,249
6546	Heating/Cooling Repairs and Maintenance		14,113
6570	Vehicle and Maintenance Equipment Operation and Repairs		11,944
6590	Miscellaneous Operating and Maintenance Expenses		65,416
6500T	Total Operating and Maintenance Expenses		<u>667,336</u>
	<b>Taxes and Insurance</b>		
6711	Payroll Taxes (Project's Share)		408,122
6720	Property and Liability Insurance (Hazard)		114,272
6722	Workmen's Compensation		291,968
6723	Health Insurance and Other Employee Benefits		730,070
6790	Miscellaneous Taxes, Licenses, Permits, and Insurance		52,581
6700T	Total Taxes and Insurance		<u>1,597,013</u>
	<b>Financial Expenses</b>		
6820	Interest on First Mortgage (or Bonds) Payable		2,487
6850	Mortgage Insurance Premium/Service Charge		263
6800T	Total Financial Expenses		<u>2,750</u>
6900	Nursing Homes/Assisted Living/Board and Care/Other Elderly Care Expenses		<u>4,890,863</u>
	<b>Operating Results</b>		
6000T	Total Cost of Operations before Depreciation		<u>8,833,881</u>
5060T	Profit Before Depreciation		433,735
6600	Depreciation Expense		<u>188,938</u>
5060N	Operating Loss		<u>244,797</u>
	<b>Change in Net Assets from Operations</b>		
3247	Change in Net Assets without Donor Restrictions from Operations		<u>244,797</u>
3250	Change in Total Net Assets from Operations	\$	<u><u>244,797</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SUPPORTING DATA REQUIRED BY HUD  
HUD STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED NOVEMBER 30, 2020**

**Profit and Loss Data Part II**

S1000-010	Total first mortgage (or bond) principal payments required during the audit year.	\$	106,451
S1000-020	Total of 12 monthly deposits into the Replacement Reserve, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.		15,266
S1000-030	Replacement Reserves, or Residual Receipts, releases which are included as expense items on this Profit and Loss Statement.		-
S1000-040	Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss Statement.		-

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY**  
**DBA: AUBURN RAVINE TERRACE**  
**HUD PROJECT NUMBER 136-38040**  
**SUPPORTING DATA REQUIRED BY HUD**  
**HUD STATEMENT OF NET ASSETS**  
**YEAR ENDED NOVEMBER 30, 2020**

Account Number		
	<b>Net Assets without Donor Restrictions</b>	
S1100-60	Previous Year Net Assets without Donor Restrictions	\$ 2,614,215
3247	Change in Net Assets without Donor Restrictions from Operations	<u>244,797</u>
3131	Net Assets without Donor Restrictions	<u>2,859,012</u>
	<b>Total Net Assets</b>	
S1100-50	Previous Year Total Net Assets	2,614,215
3250	Change in Total Net Assets from Operations	<u>244,797</u>
3130	Total Net Assets	<u><u>\$ 2,859,012</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 HUD STATEMENT OF CASH FLOWS  
 YEAR ENDED NOVEMBER 30, 2020**

Account Number		
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
S1200-010	Rental Receipts	\$ 2,117,274
S1200-020	Interest Receipts	8,521
S1200-030	Other Operating Receipts	7,148,618
S1200-040	Total Receipts	9,274,413
S1200-050	Administrative	(852,191)
S1200-070	Management Fee	(420,258)
S1200-090	Utilities	(403,469)
S1200-110	Operating and Maintenance	(667,336)
S1200-150	Miscellaneous Taxes and Insurance	(1,597,013)
S1200-170	Other Operating Expenses	(5,048,572)
S1200-180	Interest on First Mortgage	(2,750)
S1200-230	Total Disbursements	(8,991,589)
S1200-240	Net Cash Provided by Operating Activities	282,824
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
S1200-245	Net Deposits to the Mortgage Escrow Account	106,272
S1200-250	Net Withdrawals from Reserve for Replacement Account	321,387
S1200-260	Net Deposits to Residual Receipts Account	(8,245)
S1200-330	Net Purchase of Fixed Assets	(300,645)
S1200-350	Net Cash Provided by Investing Activities	118,769
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
S1200-360	Principal Payments - First Mortgage (or Bonds)	(106,451)
S1200-460	Net Cash Used by Financing Activities	(106,451)
S1200-470	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	295,142
	<b>CASH AND CASH EQUIVALENTS</b>	
S1200-480	Beginning of Period Cash	384,296
S1200T	End of Period	\$ 679,438
1120	Cash - Operations	\$ 679,438
	Total Cash and Cash Equivalents	\$ 679,438

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SUPPORTING DATA REQUIRED BY HUD  
YEAR ENDED NOVEMBER 30, 2020**

**RESERVE FOR REPLACEMENTS**

In accordance with provisions of the Regulatory Agreement, restricted cash is held in separate bank accounts to be used for the replacement of property and other various uses with approval of HUD as follows:

1320P	Balance at Beginning of Year	\$ 321,387
1320DT	Total Monthly Deposits	15,266
1320INT	Interest on Replacement Reserve Accounts	5
1320WT	Approved Withdrawals	<u>(336,658)</u>
1320	Balance at End of Year, Confirmed by Mortgage	<u>\$ -</u>
1320R	Deposits Suspended or Waived Indicator	<u>YES</u>

**RESIDUAL RECEIPTS**

In accordance with the provision of the regulatory agreement, the Project is required to deposit any surplus cash into a separate residual receipt account.

1340P	Balance at Beginning of Year	\$ 958,684
1340INT	Interest on Residual Receipts Accounts	<u>8,245</u>
1340	Balance at Current Fiscal Year End	<u><u>\$ 966,929</u></u>

**COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS**

<b>CASH</b>		
S1300-010	Cash	\$ 679,438
S1300-010	Tenant Security Deposits	<u>27,745</u>
S1300-040	Total Cash	<u>707,183</u>
<b>CURRENT OBLIGATIONS</b>		
S1300-050	Accrued Interest Payable	1,342
S1300-075	Accounts Payable due Within 30 Days	249,603
2116	Accounts Payable - Section 8	593
S1300-100	Accrued Liabilities (Not Escrowed)	1,754,907
2191	Tenant Security Deposits	<u>27,745</u>
S1300-140	Total Current Obligations	<u><u>2,034,190</u></u>
S1300-150	<b>SURPLUS CASH (DEFICIENCY)</b>	<u><u>\$ (1,327,007)</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SUPPORTING DATA REQUIRED BY HUD  
YEAR ENDED NOVEMBER 30, 2020**

**SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT**

	Assets				
	Balance	Additions	Transfers/ Deletions	Balance	
	November 30, 2019			November 30, 2020	
Land	\$ 171,500	\$ -	\$ -	\$ 171,500	
Building and Improvements	7,520,513	275,713	-	7,796,226	
Building Equipment	120,911	13,780	(4,896)	129,795	
Furniture for Project/Tenant	559,189	124,423	(17,148)	666,464	
Office Furniture and Equipment	534,446	6,190	(23,380)	517,256	
Maintenance Equipment	241,696	-	(8,697)	232,999	
Motor Vehicles	105,820	-	(1,402)	104,418	
Construction in Process	269,402	141,128	(260,589)	149,941	
<b>Total</b>	<b>\$ 9,523,477</b>	<b>\$ 561,234</b>	<b>\$ (316,112)</b>	<b>\$ 9,768,599</b>	
					Net Book
	Accumulated Depreciation			Balance	Value
	Balance	Additions	Deletions	November 30,	November 30,
	November 30, 2019			November 30, 2020	2020
Land	\$ -	\$ -	\$ -	\$ -	\$ 171,500
Building and Improvements	5,907,842	73,570	-	5,981,412	1,814,814
Building Equipment	103,498	4,934	(4,896)	103,536	26,259
Furniture for Project/Tenant	317,451	47,706	(17,148)	348,009	318,455
Office Furniture and Equipment	358,160	40,565	(23,380)	375,345	141,911
Maintenance Equipment	227,373	9,351	(8,697)	228,027	4,972
Motor Vehicles	77,068	12,812	(1,402)	88,478	15,940
Construction in Process	-	-	-	-	149,941
<b>Total</b>	<b>\$ 6,991,392</b>	<b>\$ 188,938</b>	<b>\$ (55,523)</b>	<b>\$ 7,124,807</b>	<b>\$ 2,643,792</b>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 YEAR ENDED NOVEMBER 30, 2020**

**SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT (CONTINUED)**

**ADDITIONS:**

**Building and Improvements**

Elevator	\$ 257,332
Backflow Prevention System	9,401
Automatic Slide Door	8,980
Total	<u>\$ 275,713</u>

**Apartment/Project Renovations**

Room/Bathroom Flooring	\$ 124,423
Total	<u>\$ 124,423</u>

**Office Furniture and Equipment**

HVAC Replacement	\$ 13,780
Total	<u>\$ 13,780</u>

**Computers**

Wallmount Bracket	\$ 1,822
Touchscreen Terminal	1,823
Replacement Touchscreens	1,578
iPads	967
Total	<u>\$ 6,190</u>

**Construction In Process**

Renovation Project	\$ 141,128
Total	<u>\$ 141,128</u>

**TOTAL ADDITIONS:** \$ 561,234

**DELETIONS:**

**Furniture for Project/Tenant**

Total \$ 17,148

**Office Furniture and Equipment**

Total \$ 23,380

**Maintenance Equipment**

Total \$ 8,697

**Building Equipment**

Total \$ 4,896

**Motor Vehicles**

Total \$ 1,402

**TOTAL DELETIONS:** \$ 55,523

**Construction In Process**

Transfers/Deletions \$ (260,589)  
 Total \$ (260,589)

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
 DBA: AUBURN RAVINE TERRACE  
 HUD PROJECT NUMBER 136-38040  
 SUPPORTING DATA REQUIRED BY HUD  
 YEAR ENDED NOVEMBER 30, 2020**

**MISCELLANEOUS AND OTHER ACCOUNT DETAIL**

Account 1140 Detail	
A/R- Other	\$ 6,212
Total Line 1140	<u>\$ 6,212</u>
Account 2190 Detail	
Due to RHF - Reimbursables	\$ 1,001,764
Accrued Workers Compensation	152,843
Due to RHF - Insurance	49,411
Accrued Sewer Expense	79,326
Deferred Provider Relief Funds	37,859
Accrued Audit Fees	28,175
Tenant Prepaid Rent	13,626
Patient/Resident Trust	1,917
Total Line 2190	<u>\$ 1,364,921</u>
Account 5990 Detail	
Provider Relief Funds	\$ 414,456
Cable/Television Income	63,890
Miscellaneous Revenue	51,981
SNF Non-Covered Services	30,099
Employee and Guest Meals	15,964
Total Line 5990	<u>\$ 576,390</u>
Account 6390 Detail	
Dues and Subscriptions	\$ 30,761
Cable Television	24,206
Payroll Processing Fees	14,030
Leases and Rentals	12,970
Miscellaneous Administrative	7,384
Accommodation Expense	5,453
Tenant Relations	3,446
Travel Reimbursement	1,163
Total Line 6390	<u>\$ 99,413</u>
Account 6590 Detail	
Computer Services	\$ 65,416
Total Line 6590	<u>\$ 65,416</u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SUPPORTING DATA REQUIRED BY HUD  
YEAR ENDED NOVEMBER 30, 2020**

**SCHEDULE OF 5300 ACCOUNT DETAIL**

5301	Private Pay Room and Board	\$ 1,299,404
5302	Private Pay Ancillary	2,259
5305	Medicare Room and Board	199,377
5306	Medicare Ancillary	343,962
5307	Medicare Contractual Adjustments	97,877
5309	Medicaid Room and Board	3,234,872
5310	Medicaid Ancillary	19,540
5312	Medicaid Contractual Adjustments	36,356
5321	Hospice	338,279
5330	Dietary Salaries	414,365
5350	Housekeeping Salaries	116,728
5360	Drugs/Medical Supplies and Pharmaceuticals	5,699
5370	Laundry and Linen	17,793
5390	Other Service Revenue	<u>438,920</u>
	Total Line 5300	<u><u>\$ 6,565,431</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SUPPORTING DATA REQUIRED BY HUD  
YEAR ENDED NOVEMBER 30, 2020**

**SCHEDULE OF 6900 ACCOUNT DETAIL**

6930	Dietary Salaries	\$ 1,269,948
6932	Food	325,547
6933	Dietary Supplies	39,676
6940	Registered Nurses Payroll	98,224
6941	Licensed Practical Nurses Payroll	472,249
6942	Other Nursing Salaries	1,012,621
6943	Director of Nurses Salaries	90,919
6944	Nursing Purchase Services	46,131
6950	Housekeeping Salaries	263,228
6951	Housekeeping Supplies	57,251
6963	Medical Supplies	143,405
6966	Pharmacy Supplies	29,296
6970	Laundry and Linen	13,402
6971	Laundry Salaries	78,590
6975	Medical Records Salaries	94,798
6980	Recreation and Rehabilitation	241,211
6981	Activities Supplies	15,054
6982	Activities Purchased Services	484
6985	Rehabilitation Purchased Services	173,903
6990	Other Services Expenses	<u>424,926</u>
	Total Line 6900	<u><u>\$ 4,890,863</u></u>

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED NOVEMBER 30, 2020**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Section 231 Insured Loan	14.138	N/A	N/A	\$ 106,451
Section 8 Housing Assistance Payments	14.195	N/A	N/A	<u>731,557</u>
Total				<u>\$ 838,008</u>

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Congregational Church Retirement Community dba: Auburn Ravine Terrace under programs of the federal government for the year ended November 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Congregational Church Retirement Community dba: Auburn Ravine Terrace, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Congregational Church Retirement Community dba: Auburn Ravine Terrace.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Congregational Church Retirement Community dba: Auburn Ravine Terrace has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 ENDING LOAN BALANCE**

The ending Section 231 loan balance is \$-0- at November 30, 2020.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace  
Long Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Congregational Church Retirement Community dba: Auburn Ravine Terrace (the Project), which comprise the balance sheet as of November 30, 2020, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Project’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Project’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
September 9, 2021



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Congregational Church Retirement Community  
dba: Auburn Ravine Terrace  
Long Beach, California

### **Report on Compliance for Each Major Federal Program**

We have audited Congregational Church Retirement Community dba: Auburn Ravine Terrace (the Project) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Project's major federal programs for the year ended November 30, 2020. The Project's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Project's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Project's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Project complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2020.

**Report on Internal Control Over Compliance**

Management of the Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
September 9, 2021

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
NOVEMBER 30, 2020**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Congregational Church Retirement Community dba: Auburn Ravine Terrace.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Congregational Church Retirement Community dba: Auburn Ravine Terrace were disclosed during the audit.
4. No material weakness was identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program for Congregational Church Retirement Community dba: Auburn Ravine Terrace expresses an unmodified opinion.
6. No audit findings that are required to be reported in accordance with the Uniform Grant Guidance are reported in this schedule.
7. Program tested as a major program was the: HUD Section 8 Housing Assistance Payments (CFDA #14.195).
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Congregational Church Retirement Community dba: Auburn Ravine Terrace qualified as a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**NONE**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**NONE**

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
SCHEDULE OF PRIOR YEAR FINDINGS  
NOVEMBER 30, 2020**

**NONE**

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
MORTGAGOR'S CERTIFICATION  
NOVEMBER 30, 2020**

We hereby certify that we have read the accompanying financial statements and supplemental data of Congregational Church Retirement Community dba: Auburn Ravine Terrace (HUD Project Number 136-38040), and to the best of our knowledge and belief, the same are complete and accurate.

Signature	<small>DocuSigned by:</small> <i>Stuart Hartman</i>
Printed Name	<small>0A34F416529E452...</small> Stuart Hartman
Title	President & CEO

Signature	<small>DocuSigned by:</small> <i>Frank Rossello</i>
Printed Name	<small>5D7AFDD997E443E...</small> Frank Rossello
Title	CFO

E.I.N. 94-2645317

**CONGREGATIONAL CHURCH RETIREMENT COMMUNITY  
DBA: AUBURN RAVINE TERRACE  
HUD PROJECT NUMBER 136-38040  
MANAGEMENT AGENT'S CERTIFICATION  
NOVEMBER 30, 2020**

**MANAGEMENT AGENT'S CERTIFICATION**

I hereby certify that I have examined the accompanying financial statements and supplementary data of Congregational Church Retirement Community dba: Auburn Ravine Terrace (HUD Project No. 136-38040), and to the best of my knowledge and belief, the same are complete and accurate.

Signature

Printed Name

Title

DocuSigned by:

*Stuart Hartman*

0A34F416329E452...

Stuart Hartman

President & CEO

Foundation Property Management, Inc.  
E.I.N. 95-3651050

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- e. Cathedral Pioneer Church Homes (Pioneer House) Audited Financial Statements for Years Ended September 30, 2020 and 2019.

# **Cathedral Pioneer Church Homes Number Two dba Pioneer House**

**Financial Statements with Report of Independent Auditors  
September 30, 2020 and 2019**



**NOVOGRADAC  
& COMPANY LLP®**

Report of Independent Auditors

To the Board of Directors  
Cathedral Pioneer Church Homes Number Two  
dba Pioneer House:

*Report on the Financial Statements*

We have audited the accompanying financial statements of Cathedral Pioneer Church Homes Number Two dba Pioneer House (the “Organization”), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses 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 audit 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 entity’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 entity’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 Cathedral Pioneer Church Homes Number Two dba Pioneer House as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Novogradac & Company LLP*

Long Beach, California  
June 10, 2022

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 783,474	\$ 612,323
Cash - security deposits	4,307	2,948
Board designated cash	7,838	9,007
Accounts receivable, net of allowance for uncollectible accounts of \$83,686 and \$680,263 as of September 30, 2020 and 2019, respectively	355,194	290,544
Prepaid expenses	61,337	60,527
Total current assets	1,212,150	975,349
Property and equipment		
Land	93,431	93,431
Buildings	3,229,116	3,229,116
Building equipment	856,608	851,800
Furniture, fixtures and equipment	1,173,039	1,198,558
Construction in progress	25,979	19,328
Total property and equipment	5,378,173	5,392,233
Accumulated depreciation	(3,667,678)	(3,534,861)
Net property and equipment	1,710,495	1,857,372
Other asset		
Replacement reserve	208,877	339,594
Total assets	\$ 3,131,522	\$ 3,172,315
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and other accrued expenses	\$ 148,703	\$ 149,669
Accrued wages payable	281,846	248,083
Prepaid rent	77,005	-
Tenant/patients' deposits held in trust payable	4,307	2,948
Total current liabilities	511,861	400,700
Long-term liabilities		
Amounts payable to related parties	2,245,589	1,700,317
Total long-term liabilities	2,245,589	1,700,317
Total liabilities	2,757,450	2,101,017
Net assets without donor restrictions	374,072	1,071,298
Total liabilities and net assets	\$ 3,131,522	\$ 3,172,315

See accompanying notes

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND OTHER SUPPORT		
Patient services revenues	\$ 4,144,566	\$ 4,411,652
Less: provision for uncollectible accounts and contractual adjustments	(404,044)	(714,174)
Apartment and assisted living revenues	2,209,006	2,385,497
Interest income	845	1,103
Other income	410,774	42,199
Total revenue and other support	6,361,147	6,126,277
EXPENDITURES		
Program services	5,785,820	6,049,641
Administrative and support	1,270,777	1,234,133
Total expenditures	7,056,597	7,283,774
Revenues over expenditures	(695,450)	(1,157,497)
NONOPERATING ACTIVITIES		
Investment return, net	(1,148)	(66)
Interest expense	(628)	(481)
Total nonoperating activities	(1,776)	(547)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(697,226)	(1,158,044)
NET ASSETS AT BEGINNING OF YEAR	1,071,298	2,229,342
NET ASSETS AT END OF YEAR	\$ 374,072	\$ 1,071,298

See accompanying notes

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

EXPENDITURES	Program services				Administrative and Support	2020 Total
	Skilled nursing	Independent living	Assisted living	Total program services		
Salaries and wages	\$ 1,833,021	\$ 537,011	\$ 695,998	\$ 3,066,030	\$ 321,896	\$ 3,387,926
Employee benefits	784,855	160,937	263,287	1,209,079	96,305	1,305,384
Ancillary services	164,093	1,147	30,539	195,779	821	196,600
Food and supplies	245,882	100,101	172,988	518,971	56,547	575,518
General and administrative	49,284	3,342	599	53,225	137,467	190,692
Utilities	97,121	80,921	83,551	261,593	-	261,593
Repairs and maintenance	3,758	108,674	5,508	117,940	5,840	123,780
Advertising	1,753	23,969	948	26,670	8,932	35,602
Management fee	-	-	-	-	318,057	318,057
Professional services	-	-	-	-	38,700	38,700
Taxes and insurance	126,324	21,406	32,817	180,547	-	180,547
Depreciation	102,761	24,212	41,417	168,390	-	168,390
Provision for bad debts	(17,525)	(5,656)	(4,306)	(27,487)	-	(27,487)
Other	13,374	1,709	-	15,083	286,212	301,295
<b>Total expenditures</b>	<b>\$ 3,404,701</b>	<b>\$ 1,057,773</b>	<b>\$ 1,323,346</b>	<b>\$ 5,785,820</b>	<b>\$ 1,270,777</b>	<b>\$ 7,056,597</b>

EXPENDITURES	Program services				Administrative and Support	2019 Total
	Skilled nursing	Independent living	Assisted living	Total program services		
Salaries and wages	\$ 1,937,791	\$ 458,494	\$ 782,911	\$ 3,179,196	\$ 295,388	\$ 3,474,584
Employee benefits	796,004	178,823	258,744	1,233,571	100,690	1,334,261
Ancillary services	128,236	-	40,896	169,132	1,111	170,243
Food and supplies	256,766	91,284	157,298	505,348	26,886	532,234
General and administrative	80,821	6,870	316	88,007	113,493	201,500
Utilities	94,321	79,522	83,935	257,778	7,936	265,714
Repairs and maintenance	2,953	93,574	5,031	101,558	-	101,558
Advertising	3,904	32,593	2,874	39,371	-	39,371
Management fee	-	-	-	-	306,314	306,314
Professional services	-	-	-	-	53,468	53,468
Taxes and insurance	95,525	16,925	23,813	136,263	-	136,263
Depreciation	144,810	23,554	707	169,071	-	169,071
Provision for bad debts	127,901	21,656	13,775	163,332	-	163,332
Other	1,300	4,476	1,238	7,014	328,847	335,861
<b>Total expenditures</b>	<b>\$ 3,670,332</b>	<b>\$ 1,007,771</b>	<b>\$ 1,371,538</b>	<b>\$ 6,049,641</b>	<b>\$ 1,234,133</b>	<b>\$ 7,283,774</b>

See accompanying notes

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (697,226)	\$ (1,158,044)
Noncash items included in net assets:		
Depreciation expense	168,390	169,071
Changes in:		
Accounts receivable, net	(64,650)	377,465
Prepaid expenses	(810)	(4,349)
Accounts payable and accrued expenses	(966)	(153,427)
Wages payable	33,763	14,097
Prepaid rent	77,005	(349)
Tenant/patients' deposits held in trust payable	1,359	(9,821)
Net cash used in operating activities	<u>(483,135)</u>	<u>(765,357)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment and furniture	<u>(21,513)</u>	<u>(41,429)</u>
Net cash used in investing activities	<u>(21,513)</u>	<u>(41,429)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from related parties	<u>545,272</u>	<u>920,611</u>
Net cash provided by financing activities	<u>545,272</u>	<u>920,611</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	40,624	113,825
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>963,872</u>	<u>850,047</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u>\$ 1,004,496</u>	<u>\$ 963,872</u>
Cash and cash equivalents	\$ 783,474	\$ 612,323
Cash security deposits	4,307	2,948
Board designated cash	7,838	9,007
Replacement reserve	208,877	339,594
Total cash, cash equivalents and restricted cash	<u>\$ 1,004,496</u>	<u>\$ 963,872</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 628</u>	<u>\$ 481</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>		
Retirement of fixed assets	<u>\$ 35,573</u>	<u>\$ -</u>

See accompanying notes

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2020 and 2019

1. General

Cathedral Pioneer Church Homes Number Two dba Pioneer House (the “Organization”), a California nonprofit corporation is a housing project for the elderly with 47 rental units, 41 assisted living units, and 49 skilled nursing beds located in Sacramento, California. Operations began in 1963.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Organization’s significant estimates include their allowance for uncollected accounts. Actual results could differ from those estimates.

Economic concentrations

The Organization’s operations are concentrated in the skilled nursing and multifamily real estate markets. The Organization operates one property in Sacramento, California. Future operations could be affected by changes in the economic or other conditions in that geographical area.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2020 and 2019

2. Summary of significant accounting policies and nature of operations (continued)

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, repairs or improvements to the buildings which extend their useful lives, and funds designated by the Board of Directors for specific uses. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions.

Concentration of credit risk

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

Other risks and uncertainties

There also exist other federal and state reimbursement and regulatory issues, including the Health Insurance Portability and Accountability Act ("HIPAA"), federal anti-fraud and abuse provisions, and state licensing and certificate requirements for the Organization. Non-compliance with such requirements or any violations of federal or state laws could have a material adverse effect on the Organization's financial condition and/or results of operations.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of September 30, 2020 and 2019, the balance of the allowance for doubtful accounts was \$83,686 and \$680,263, respectively.

Accounts receivable include gross amounts due from Medicare and Medi-Cal of approximately \$285,426 and \$674,721 as of September 30, 2020 and 2019, respectively.

Method of estimating allowances for losses

The Organization's method for estimating allowances for losses on accounts receivable is 25% at 120 days past due, 50% at 150 days past due and 100% at 180 days past due.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2020 and 2019

2. Summary of significant accounting policies and nature of operations (continued)

Patient service revenues, contractual allowances and revenue recognition

The Organization provides services to certain patients covered by various third-party payer programs including the Federal Medicare and state Medi-Cal programs. Patient service revenue is reported on the accrual basis in the period services are provided at established billing rates. Contractual adjustments and the provision for uncollectible accounts are reported as deductions from patient service revenues. Contractual adjustments include differences between established billing rates and estimated program rates. Adjustments to the estimated amounts based on final settlement with the programs are recorded upon settlement.

The Organization's patient service operations are primarily with patients receiving Medicare and Medi-Cal assistance. For the years ended September 30, 2020 and 2019, the Organization recorded \$3,442,033 and \$3,005,837 net of contractual adjustments, respectively, of patient service revenues from patients receiving Medicare and Medi-Cal assistance.

Apartment and assisted living revenues attributable to residential leases are recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenue results from fees for late payments, cleaning, damages and laundry facilities and is recorded when earned. Advance receipts of revenue are deferred and classified as liabilities until earned.

Medical malpractice coverage

An affiliate of the Organization has a claims-made policy for professional and general liability through Caring Communities Insurance Company (CCIC), a Reciprocal Risk Retention Group domiciled in the District of Columbia, USA. The affiliate was required to make capital contributions totaling \$2,086,000. The capital contributions are recorded as an investment using the cost method at September 30, 2020 and 2019 on the affiliate's books. Investments recorded at cost are assessed for impairment each year.

The affiliate also pays annual amounts to CCIC for their professional liability insurance coverage. The policy includes professional, commercial, and employee benefits liability and calls for a \$75,000 deductible per occurrence and liability limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

Competition

The revenues and expenses associated with the operation of the Organization's existing nursing care and other residential facilities will be affected by further events and conditions relating generally to, among other things, government regulations, third-party reimbursement programs, demand for nursing home, assisted living and residential services, the ability of the members of the Organization to provide the services required by residents, economic developments in the affected service areas, and competition from facilities providing similar or comparable services. Such competition likely will inhibit the extent to which the Organization will be able to raise charges and maintain or increase admissions. There can be no assurance that additional competing facilities will not be constructed in the future.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2020 and 2019

2. Summary of significant accounting policies and nature of operations (continued)

Health care industry

The health care industry is facing various challenges, including increased government and private payer pressure on health care providers to control costs. In addition to the reforms enacted and considered by Congress from time to time, state legislatures periodically consider various health care reform proposals. Congress and state legislatures can be expected to continue to review and assess alternative health care delivery systems and payment methodologies and public debate of these issues can be expected to continue in the future. Changes in the law, new interpretations of existing laws, and changes in payment methodology may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by both government and other third-party payers. These changes may be applied retroactively. The ultimate timing or effect of legislative efforts cannot be predicted and may impact the Organization in different ways. Any future action by the Federal government with respect to Medicare, or by the California state government with respect to Medi-Cal, which limits or reduces the total amount of funds available for such programs, limits or reduces the amount of reimbursement for items and services rendered, or limits the ability of the Organization to maintain or increase the level of services provided to patients, could negatively affect the revenues of the Organization.

Property and equipment

Fixed assets are recorded at cost. Buildings, which include rehabilitation costs for the residential rental property, are depreciated over their estimated useful lives of up to 40 years under the straight-line method. Building equipment is depreciated over 15 years under the straight-line method. Furniture, fixtures and equipment are depreciated over 10 years under the straight-line method. Vehicles and computers are depreciated over 5 years under the straight-line method. Depreciation expense for the years ended September 30, 2020 and 2019 was \$168,390 and \$169,071, respectively. Major betterments and renewals are capitalized, while routine repairs and maintenance are charged to expense when incurred.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. As of September 30, 2020 and 2019, no impairment losses were recognized.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2020 and 2019

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Revenues over expenditures

The accompanying statement of activities include revenues over expenditures. Changes in net assets which are excluded from revenues over expenditures, include unrealized gains and losses on investments and interest expense.

Functional expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and administrative and support benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Purpose
Employee benefits	Purpose
Ancillary services	Purpose
Food and supplies	Purpose
Advertising	Purpose
General and administrative	Purpose
Utilities	Purpose
Repairs and maintenance	Purpose
Other	Purpose

Advertising

Advertising costs are expensed as incurred. For the years ended September 30, 2020 and 2019, the Organization incurred \$35,602 and \$39,371, respectively, in advertising costs.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2020 and 2019

3. Board designated cash

Certain non-operating funds have been designated by the Board of Directors for use at the Board's discretion for project specific activities or for the furtherance of the Organization's mission. The Organization's mission is to develop, purchase or acquire affordable housing, and to provide funds to existing entities for capital improvements which will enhance the quality of life for its residents. The Organization's board designated cash balance as of September 30, 2020 and 2019 was \$7,838 and \$9,007, respectively.

4. Liquidity and availability of financial assets

The following represents the Organization's financial assets at September 30, 2020 and 2019:

Financial assets at year-end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 783,474	\$ 612,323
Cash – security deposits	4,307	2,948
Board designated cash	7,838	9,007
Replacement reserve	208,877	339,594
Accounts receivable, net	355,194	290,544
Prepaid expenses	<u>61,337</u>	<u>60,527</u>
Total financial assets	1,421,027	1,314,943
Less amounts not available to be used within one year:		
Cash – security deposits	(4,307)	(2,948)
Board designated cash	(7,838)	(9,007)
Replacement reserve	<u>(208,877)</u>	<u>(339,594)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,200,005</u>	<u>\$ 963,394</u>

The Organization manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures in meeting liabilities and other obligations as they become due and maintains a reserve for replacements that may be drawn upon as needed during the year to manage cash flow and make necessary repairs to the property. The Organization's cash and cash equivalents is available within one year of the statement of financial position date to meet cash needs for general expenditures.

5. Related party transactions

Management fee payable

Foundation Property Management, Inc. ("FPM"), the management agent and an affiliate of RHF, provides a variety of management services to the Organization including, but not limited to, financing arrangements, consulting, and administrative services. For the years ended September 30, 2020 and 2019, the Organization incurred expenses of \$318,057 and \$306,314, respectively, as a management fee, and \$13,090 and \$14,399, respectively, as a bookkeeping fee. As of September 30, 2020 and 2019, the outstanding management fee payable was \$442,410 and \$338,390, respectively.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2020 and 2019

5. Related party transactions (continued)

Advances from affiliates

Advances from affiliates are unsecured, non-interest bearing and due upon demand. As of September 30, 2020 and 2019, advances from affiliates consisted of \$1,803,179 and \$1,361,927, respectively, due to RHF.

Insurance

Retirement Housing Foundation is one of the members/owners of Caring Communities, a Reciprocal Risk Retention Group (“Caring Communities”), an insurance company based in the District of Columbia. Caring Communities, an A.M. Best A rated company, is a reciprocal inter-insurance exchange existing as an association captive under the laws of the District of Columbia. Caring Communities is a reciprocal insurer owned by its member insureds and reinsureds. The members control all the voting interests of Caring Communities. Caring Communities provides professional, general liability, excess automobile and excess employers’ liability insurance for individual policies to each member. Caring Communities utilizes insurance to spread the risk of loss to reinsurers.

The Organization purchases its professional liability insurance through this affiliate and the premiums are supported by competitive bids. Liability insurance expense is included in general and administrative expenses on the Statements of Activities. Insurance costs for the years ended September 30, 2020 and 2019 amounted to \$173,174 and \$130,030, respectively.

6. Retirement plan

The Organization participates in a defined contribution plan for its employees. The Organization’s contribution to this plan is principally based on a percentage of the employee’s contribution to the plan. The annual cost of this plan to the Organization amounted to \$42,588 and \$48,091 for the years ended September 30, 2020 and 2019, respectively.

7. Net assets

Net assets without donor restrictions consist of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Board-designated	\$ 7,838	\$ 9,007
Undesignated	<u>366,234</u>	<u>1,062,291</u>
Total net assets without donor restrictions	<u>\$ 374,072</u>	<u>\$ 1,071,298</u>

8. Vulnerability – impact of COVID-19

The severity of the impact of COVID-19 on the Organization’s operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Organization’s tenants, all of which are uncertain and cannot be predicted. The Organization’s future results could be adversely impacted by delays in rent collection. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended September 30, 2020 and 2019

9. Subsequent events

Subsequent events have been evaluated through June 10, 2022, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure except as follows:

Subsequent to the fiscal year end, RHF, on behalf of its various affiliated market rate health care facilities began to market certain health care facilities for potential sale, including the Organization. On December 2, 2021, a letter of intent (LOI) was executed with an unrelated third party for the potential sale of various market rate health care facilities including the Organization. On December 30, 2021, a purchase and sale agreement was executed with an original due diligence period of 45 days that was subsequently extended to March 16, 2022. The due diligence period ended on March 21, 2022 and the buyer has indicated their intent to proceed with the transaction.

- f. Cathedral Pioneer Church Homes (Pioneer House) Audited Financial Statements for Years Ended September 30, 2019 and 2018.

# **Cathedral Pioneer Church Homes Number Two dba Pioneer House**

**Financial Statements with Report of Independent Auditors  
September 30, 2019 and 2018**



## Report of Independent Auditors

To the Board of Directors  
Cathedral Pioneer Church Homes Number Two  
dba Pioneer House:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Cathedral Pioneer Church Homes Number Two dba Pioneer House (the "Organization"), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses 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 audit 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 entity'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 entity'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 Cathedral Pioneer Church Homes Number Two dba Pioneer House as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Changes in Accounting Principles*

As discussed in Note 2 to the financial statements, Cathedral Pioneer Church Homes Number Two dba Pioneer House adopted changes in accounting principles related the presentation of net assets, required disclosures related to liquidity and functional expenses, revenue recognition, and presentation and disclosure of the statements of cash flows. Our opinion is not modified with respect to those matters.

*Novogradec & Company LLP*

Long Beach, California  
December 2, 2020

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**

**DBA PIONEER HOUSE**

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 612,323	\$ 537,031
Cash - security deposits	2,948	12,769
Board designated cash	9,007	9,097
Accounts receivable, net of allowance for uncollectible accounts of \$680,263 and \$526,012 as of September 30, 2019 and 2018, respectively	290,544	668,009
Prepaid expenses	60,527	56,178
Total current assets	975,349	1,283,084
Property and equipment		
Land	93,431	93,431
Buildings	3,229,116	3,229,116
Building equipment	851,800	833,178
Furniture, fixtures and equipment	1,198,558	1,175,751
Construction in progress	19,328	19,328
Total property and equipment	5,392,233	5,350,804
Accumulated depreciation	(3,534,861)	(3,365,790)
Net property and equipment	1,857,372	1,985,014
Other asset		
Replacement reserve	339,594	291,150
Total assets	\$ 3,172,315	\$ 3,559,248
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and other accrued expenses	\$ 149,669	\$ 303,096
Accrued wages payable	248,083	233,986
Prepaid rent	-	349
Tenant/patients' deposits held in trust payable	2,948	12,769
Total current liabilities	400,700	550,200
Long-term liabilities		
Amounts payable to related parties	1,700,317	779,706
Total long-term liabilities	1,700,317	779,706
Total liabilities	2,101,017	1,329,906
Net assets without donor restrictions	1,071,298	2,229,342
Total liabilities and net assets	\$ 3,172,315	\$ 3,559,248

See accompanying notes

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND OTHER SUPPORT		
Patient services revenues	\$ 4,411,652	\$ 4,599,026
Less: provision for uncollectible accounts and contractual adjustments	(714,174)	(490,054)
Apartment and assisted living revenues	2,385,497	2,480,845
Interest income	1,103	913
Other income	42,199	307,151
Total revenue and other support	6,126,277	6,897,881
EXPENDITURES		
Program services	6,049,641	6,167,489
Administrative and support	1,234,133	1,123,756
Total expenditures	7,283,774	7,291,245
Revenues over expenditures	(1,157,497)	(393,364)
NONOPERATING ACTIVITIES		
Investment return, net	(66)	931
Interest expense	(481)	(756)
Total nonoperating activities	(547)	175
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,158,044)	(393,189)
NET ASSETS AT BEGINNING OF YEAR	2,229,342	2,622,531
NET ASSETS AT END OF YEAR	\$ 1,071,298	\$ 2,229,342

See accompanying notes

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

EXPENDITURES	Program services					2019 Total
	Skilled nursing	Independent living	Assisted living	Total program services	Administrative and Support	
Salaries and wages	\$ 1,937,791	\$ 458,494	\$ 782,911	\$ 3,179,196	\$ 295,388	\$ 3,474,584
Employee benefits	796,004	178,823	258,744	1,233,571	100,690	1,334,261
Ancillary services	128,236	-	40,896	169,132	1,111	170,243
Food and supplies	256,766	91,284	157,298	505,348	26,886	532,234
General and administrative	80,821	6,870	316	88,007	113,493	201,500
Utilities	94,321	79,522	83,935	257,778	7,936	265,714
Repairs and maintenance	2,953	93,574	5,031	101,558	-	101,558
Advertising	3,904	32,593	2,874	39,371	-	39,371
Management fee	-	-	-	-	306,314	306,314
Professional services	-	-	-	-	53,468	53,468
Taxes and insurance	95,525	16,925	23,813	136,263	-	136,263
Depreciation	144,810	23,554	707	169,071	-	169,071
Provision for bad debts	127,901	21,656	13,775	163,332	-	163,332
Other	1,300	4,476	1,238	7,014	328,847	335,861
<b>Total expenditures</b>	<b>\$ 3,670,332</b>	<b>\$ 1,007,771</b>	<b>\$ 1,371,538</b>	<b>\$ 6,049,641</b>	<b>\$ 1,234,133</b>	<b>\$ 7,283,774</b>

EXPENDITURES	Program services					2018 Total
	Skilled nursing	Independent living	Assisted living	Total program services	Administrative and Support	
Salaries and wages	\$ 2,008,957	\$ 390,561	\$ 739,290	\$ 3,138,808	\$ 256,322	\$ 3,395,130
Employee benefits	735,850	246,563	153,203	1,135,616	65,575	1,201,191
Ancillary services	214,259	-	37,268	251,527	249	251,776
Food and supplies	284,441	143,547	159,200	587,188	27,197	614,385
General and administrative	51,328	7,808	1,008	60,144	114,109	174,253
Utilities	94,958	156,765	5,010	256,733	-	256,733
Repairs and maintenance	3,647	100,827	5,084	109,558	527	110,085
Advertising	2,539	31,771	3,017	37,327	482	37,809
Management fee	-	-	-	-	344,895	344,895
Professional services	-	-	-	-	38,866	38,866
Taxes and insurance	99,202	42,319	-	141,521	-	141,521
Depreciation	123,750	18,032	49,599	191,381	-	191,381
Provision for bad debts	255,599	(2,357)	(744)	252,498	-	252,498
Other	-	5,188	-	5,188	275,534	280,722
<b>Total expenditures</b>	<b>\$ 3,874,530</b>	<b>\$ 1,141,024</b>	<b>\$ 1,151,935</b>	<b>\$ 6,167,489</b>	<b>\$ 1,123,756</b>	<b>\$ 7,291,245</b>

See accompanying notes

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (1,158,044)	\$ (393,189)
Noncash items included in net assets:		
Depreciation expense	169,071	191,381
Changes in:		
Accounts receivable, net	377,465	(135,382)
Prepaid expenses	(4,349)	4,373
Accounts payable and accrued expenses	(153,427)	246,244
Wages payable	14,097	14,349
Prepaid rent	(349)	(8,636)
Tenant/patients' deposits held in trust payable	(9,821)	1,715
Net cash used in operating activities	<u>(765,357)</u>	<u>(79,145)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment and furniture	<u>(41,429)</u>	<u>(129,877)</u>
Net cash used in investing activities	<u>(41,429)</u>	<u>(129,877)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from related parties	<u>920,611</u>	<u>514,565</u>
Net cash provided by financing activities	<u>920,611</u>	<u>514,565</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	113,825	305,543
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>850,047</u>	<u>544,504</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u>\$ 963,872</u>	<u>\$ 850,047</u>
Cash and cash equivalents	\$ 612,323	\$ 537,031
Cash security deposits	2,948	12,769
Board designated cash	9,007	9,097
Replacement reserve	339,594	291,150
Total cash, cash equivalents and restricted cash	<u>\$ 963,872</u>	<u>\$ 850,047</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 481</u>	<u>\$ 756</u>

See accompanying notes

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

**NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018**

1. General

Cathedral Pioneer Church Homes Number Two dba Pioneer House (the “Organization”), a California nonprofit corporation is a housing project for the elderly with 47 rental units, 41 assisted living units, and 49 skilled nursing beds located in Sacramento, California. Operations began in 1963.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The Organization has negative cash flow from operating activities. Management anticipates that the Organization will not generate sufficient cash flow during the next fiscal year to support itself and, consequently, will continue its reliance on Retirement Housing Foundation (“RHF”), an affiliate of the Organization. RHF has committed to provide any necessary funding required for the Organization to operate through December 3, 2021.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Organization’s significant estimates include their allowance for uncollected accounts. Actual results could differ from those estimates.

Economic concentrations

The Organization’s operations are concentrated in the skilled nursing and multifamily real estate markets. The Organization operates one property in Sacramento, California. Future operations could be affected by changes in the economic or other conditions in that geographical area.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018

2. Summary of significant accounting policies and nature of operations (continued)

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, repairs or improvements to the buildings which extend their useful lives, and funds designated by the Board of Directors for specific uses. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions.

Concentration of credit risk

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

Other risks and uncertainties

There also exist other federal and state reimbursement and regulatory issues, including the Health Insurance Portability and Accountability Act ("HIPAA"), federal anti-fraud and abuse provisions, and state licensing and certificate requirements for the Organization. Non-compliance with such requirements or any violations of federal or state laws could have a material adverse effect on the Organization's financial condition and/or results of operations.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of September 30, 2019 and 2018, the balance of the allowance for doubtful accounts was \$680,263 and \$526,012, respectively.

Accounts receivable include gross amounts due from Medicare and Medi-Cal of approximately \$674,721 and \$1,071,875 as of September 30, 2019 and 2018, respectively.

Method of estimating allowances for losses

The Organization's method for estimating allowances for losses on accounts receivable is 25% at 120 days past due, 50% at 150 days past due and 100% at 180 days past due.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2019 and 2018

2. Summary of significant accounting policies and nature of operations (continued)

Patient service revenues, contractual allowances and revenue recognition

The Organization provides services to certain patients covered by various third party payer programs including the Federal Medicare and state Medi-Cal programs. Patient service revenue is reported on the accrual basis in the period services are provided at established billing rates. Contractual adjustments and the provision for uncollectible accounts are reported as deductions from patient service revenues. Contractual adjustments include differences between established billing rates and estimated program rates. Adjustments to the estimated amounts based on final settlement with the programs are recorded upon settlement.

The Organization's patient service operations are primarily with patients receiving Medicare and Medi-Cal assistance. For the years ended September 30, 2019 and 2018, the Organization recorded \$3,005,837 and \$3,377,897 net of contractual adjustments, respectively, of patient service revenues from patients receiving Medicare and Medi-Cal assistance.

Apartment and assisted living revenues attributable to residential leases are recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenue results from fees for late payments, cleaning, damages and laundry facilities and is recorded when earned. Advance receipts of revenue are deferred and classified as liabilities until earned.

Medical malpractice coverage

An affiliate of the Organization has a claims-made policy for professional and general liability through Caring Communities Insurance Company (CCIC), a Reciprocal Risk Retention Group domiciled in the District of Columbia, USA. The affiliate was required to make capital contributions totaling \$2,086,000. The capital contributions are recorded as an investment using the cost method at September 30, 2019 and 2018 on the affiliate's books. Investments recorded at cost are assessed for impairment each year.

The affiliate also pays annual amounts to CCIC for their professional liability insurance coverage. The policy includes professional, commercial, and employee benefits liability and calls for a \$75,000 deductible per occurrence and liability limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

Competition

The revenues and expenses associated with the operation of the Organization's existing nursing care and other residential facilities will be affected by further events and conditions relating generally to, among other things, government regulations, third-party reimbursement programs, demand for nursing home, assisted living and residential services, the ability of the members of the Organization to provide the services required by residents, economic developments in the affected service areas, and competition from facilities providing similar or comparable services. Such competition likely will inhibit the extent to which the Organization will be able to raise charges and maintain or increase admissions. There can be no assurance that additional competing facilities will not be constructed in the future.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018

2. Summary of significant accounting policies and nature of operations (continued)

Health care industry

The health care industry is facing various challenges, including increased government and private payer pressure on health care providers to control costs. In addition to the reforms enacted and considered by Congress from time to time, state legislatures periodically consider various health care reform proposals. Congress and state legislatures can be expected to continue to review and assess alternative health care delivery systems and payment methodologies and public debate of these issues can be expected to continue in the future. Changes in the law, new interpretations of existing laws, and changes in payment methodology may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by both government and other third-party payers. These changes may be applied retroactively. The ultimate timing or effect of legislative efforts cannot be predicted and may impact the Organization in different ways. Any future action by the Federal government with respect to Medicare, or by the California state government with respect to Medi-Cal, which limits or reduces the total amount of funds available for such programs, limits or reduces the amount of reimbursement for items and services rendered, or limits the ability of the Organization to maintain or increase the level of services provided to patients, could negatively affect the revenues of the Organization.

Property and equipment

Fixed assets are recorded at cost. Buildings, which include rehabilitation costs for the residential rental property, are depreciated over their estimated useful lives of up to 40 years under the straight-line method. Building equipment is depreciated over 15 years under the straight-line method. Furniture, fixtures and equipment are depreciated over 10 years under the straight-line method. Vehicles and computers are depreciated over 5 years under the straight-line method. Depreciation expense for the years ended September 30, 2019 and 2018 was \$169,071 and \$191,381, respectively. Major betterments and renewals are capitalized, while routine repairs and maintenance are charged to expense when incurred.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. As of September 30, 2019 and 2018, no impairment losses were recognized.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Revenues over expenditures

The accompanying statement of activities include revenues over expenditures. Changes in net assets which are excluded from revenues over expenditures, include unrealized gains and losses on investments and interest expense.

Functional expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and administrative and support benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Purpose
Employee benefits	Purpose
Ancillary services	Purpose
Food and supplies	Purpose
General and administrative	Purpose
Utilities	Purpose
Repairs and maintenance	Purpose
Other	Purpose

Advertising

Advertising costs are expensed as incurred. For the years ended September 30, 2019 and 2018, the Organization incurred \$39,371 and \$37,809, respectively, in advertising costs.

Reclassifications

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

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

**NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018**

2. Summary of significant accounting policies and nature of operations (continued)

Changes in accounting principles

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

On October 1, 2018, the Organization adopted a new accounting standard that affects the accounting for revenue. The Organization's revenue is mainly derived from leases, which is not impacted by this standard. Adopting this standard did not have a significant impact on the financial statements.

The new revenue standard also introduced new guidance for accounting for other income. Adopting this standard did not have a significant impact on the financial statements.

On October 1, 2018, the Organization adopted new accounting standards that affect the statement of cash flows. These new standards address how certain cash receipts and payments are presented and classified in the statement of cash flows, including that debt prepayments and other debt extinguishment related payments are required to be classified as financing activities, when previously these payments were classified as an operating activity. The new standards also require the statement of cash flows to explain the change in cash, cash equivalents and restricted cash. Previously, changes in restricted cash were presented in the statement of cash flows as operating, investing or financing activities depending upon the intended purpose of the restricted funds. The effect of the revisions to the statements of cash flows for the year ended September 30, 2018 is as follows:

	As Previously <u>Reported</u>	<u>Adjustments</u>	<u>As Revised</u>
Net cash flows from operating activities	(\$ 80,860)	\$ 1,715	(\$ 79,145)
Net cash flows from investing activities	(\$ 179,217)	\$ 49,340	(\$ 129,877)

3. Board designated cash

Certain non-operating funds have been designated by the Board of Directors for use at the Board's discretion for project specific activities or for the furtherance of the Organization's mission. The Organization's mission is to develop, purchase or acquire affordable housing, and to provide funds to existing entities for capital improvements which will enhance the quality of life for its residents. The Organization's board designated cash balance as of September 30, 2019 and 2018 was \$9,007 and \$9,097, respectively.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO  
DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018

4. Liquidity and availability of financial assets

The following represents the Organization's financial assets at September 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 612,323
Cash – security deposits	2,948
Board designated cash	9,007
Replacement reserve	339,594
Accounts receivable, net	290,544
Prepaid expenses	<u>60,527</u>
Total financial assets	1,314,943
Less amounts not available to be used within one year:	
Cash – security deposits	( 2,948)
Board designated cash	( 9,007)
Replacement reserve	<u>( 339,594)</u>

Financial assets available to meet general expenditures over the next twelve months \$ 963,394

The Organization manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures in meeting liabilities and other obligations as they become due and maintains a reserve for replacements that may be drawn upon as needed during the year to manage cash flow and make necessary repairs to the property. The Organization's cash and cash equivalents is available within one year of the statement of financial position date to meet cash needs for general expenditures.

5. Related party transactions

Management fee payable

Foundation Property Management, Inc. ("FPM"), the management agent and an affiliate of RHF, provides a variety of management services to the Organization including, but not limited to, financing arrangements, consulting, and administrative services. For the years ended September 30, 2019 and 2018, the Organization incurred expenses of \$306,314 and \$344,895, respectively, as a management fee, and \$14,399 and \$18,327, respectively, as a bookkeeping fee. As of September 30, 2019 and 2018, the outstanding management fee payable was \$338,390 and \$107,029, respectively.

Advances from affiliates

Advances from affiliates are unsecured, non-interest bearing and due upon demand. As of September 30, 2019 and 2018, advances from affiliates consisted of \$1,361,927 and \$672,677, respectively, due to RHF.

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018

5. Related party transactions (continued)

Insurance

Retirement Housing Foundation is one of the members/owners of Caring Communities, a Reciprocal Risk Retention Group (“Caring Communities”), an insurance company based in the District of Columbia. Caring Communities, an A.M. Best A rated company, is a reciprocal inter-insurance exchange existing as an association captive under the laws of the District of Columbia. Caring Communities is a reciprocal insurer owned by its member insureds and reinsureds. The members control all the voting interests of Caring Communities. Caring Communities provides professional, general liability, excess automobile and excess employers’ liability insurance for individual policies to each member. Caring Communities utilizes insurance to spread the risk of loss to reinsurers.

The Organization purchases its professional liability insurance through this affiliate and the premiums are supported by competitive bids. Liability insurance expense is included in general and administrative expenses on the Statements of Activities and Changes in Net Assets. Insurance costs for the years ended September 30, 2019 and 2018 amounted to \$130,030 and \$135,629, respectively.

6. Retirement plan

The Organization participates in a defined contribution plan for its employees. The Organization’s contribution to this plan is principally based on a percentage of the employee’s contribution to the plan. The annual cost of this plan to the Organization amounted to \$48,091 and \$32,188 for the years ended September 30, 2019 and 2018, respectively.

7. Net assets

Net assets without donor restrictions consist of the following as of September 30:

	<u>2019</u>	<u>2018</u>
Board-designated	\$ 9,007	\$ 9,097
Undesignated	<u>1,062,291</u>	<u>2,220,245</u>
Total net assets without donor restrictions	<u>\$ 1,071,298</u>	<u>\$ 2,229,342</u>

**CATHEDRAL PIONEER CHURCH HOMES NUMBER TWO**  
**DBA PIONEER HOUSE**

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended September 30, 2019 and 2018

8. Subsequent events

Subsequent events have been evaluated through December 2, 2020, which is the date the financial statements were available to be issued. The following is a summary of significant transactions through December 2, 2020.

The spread of a novel strain of coronavirus (COVID-19) beginning in the first quarter of 2020 has caused significant volatility in U.S. markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be determined at this time. As of December 2, 2020, the Organization has incurred increased costs and is experiencing a decline in residential occupancy. The Organization has received \$389,361 in CARES Act funding, as well as a return of the 2% Medicare sequestration and an increase in the Medical reimbursement rate. These additional funds will offset some of the increased costs and lost revenue due to COVID 19. Management of the Organization does not expect any significant negative long-term consequences.