ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2024

PROVIDER(S):	
CC-Palo Alto, Inc.	
CCRC(S):	
Vi at Palo Alto	
PROVIDER CONTACT PERSON:	
Tara Cope	
TELEPHONE NUMBER:	E-MAIL ADDRESS:
312-803-8555	tcope@viliving.com

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

☑ Annual Report Checklist.

☑ Annual Provider Fee in the amount of: $62,507.30

- ☐ If applicable, late fee in the amount of: $________

☑ Certification by the provider's ***Chief Executive Officer*** that:

- ☑ The reports are correct to the best of his/her knowledge.
- ☑ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ☑ The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.

☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).

☑ "Continuing Care Retirement Community Disclosure Statement" for ***each*** community.

☑ Form 7-1, "Report on CCRC Monthly Service Fees" for ***each*** community.

☑ Form 9-1, "Calculation of Refund Reserve Amount", if applicable.

☑ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	599
[2]	Number at end of fiscal year	615
[3]	Total Lines 1 and 2	1,214
		×.50
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	
[5]	Mean number of continuing care residents Please allow decimal points for Line [5]	607.0

All Residents

Line		TOTAL
[6]	Number at beginning of fiscal year	629
[7]	Number at end of fiscal year	640
[8]	Total Lines 6 and 7	1,269
		×.05
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	
[10]	Mean number of *all* residents	634.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	95.67

Please allow decimal points in Line [11]

FORM 1-2: ANNUAL PROVIDER FEE

Line		TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	76,483,199.00
[a]	Depreciation	11,140,139.00
[b]	Debt Service (Interest Only)	6,698.00
[2]	Subtotal (add Line 1a and 1b)	11,146,837.00
[3]	Subtract Line 2 from Line 1 and enter result.	65,336,362.00
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	95.67
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	62,507,298.00
[6]	**Total Amount Due** (multiply Line 5 by .001)	$ 62,507.30

PROVIDER: CC-Palo Alto, Inc

COMMUNITY: Vi at Palo Alto

California Department of Social Services

Application for Certificate of Authority

CERTIFICATION

The undersigned certifies that the Annual Report for the fiscal year ended 12/31/2024 is correct to the best of his knowledge, that each continuing care contract form in use or offered to new residents has been approved by the Department, and the provider is maintaining the required liquid reserve and refund reserve.

Dated: April 25, 2025

CC-Palo Alto, Inc., a Delaware corporation

By: ______________________________

Gary Smith, President

CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY): 12/30/2024

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

PRODUCER
MARSH USA LLC
155 N. WACKER, SUITE 1200
Chicago, IL 60606

CONTACT NAME: Marsh | U.S. Operations
PHONE (A/C, No, Ext): 866-966-4664
FAX (A/C, No): 212-948-0770
E-MAIL ADDRESS: Chicago.CertRequest@marsh.com
PRODUCER CUSTOMER ID:

INSURED
CC-Palo Alto, Inc.
620 Sand Hill Road
Palo Alto, CA 94304

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : See Attached Schedule of Insurers	
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

COVERAGES **CERTIFICATE NUMBER:** CHI-009974768-11 **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Re: Vi at Palo Alto, 620 Sand Hill Road, Palo Alto, CA 94304

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

INSR LTR	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
A	X PROPERTY		See Attached	12/31/2024	12/31/2025	X BUILDING	$ SEE BELOW
	CAUSES OF LOSS	DEDUCTIBLES				X PERSONAL PROPERTY	$ SEE BELOW
	BASIC	BUILDING	Other deductibles may apply as per			X BUSINESS INCOME	$ SEE BELOW
	BROAD	CONTENTS	policy terms and conditions.			X EXTRA EXPENSE	$ SEE BELOW
	X SPECIAL					X RENTAL VALUE	$ SEE BELOW
	X EARTHQUAKE	See Attached				BLANKET BUILDING	$
	X WIND	See Attached				BLANKET PERS PROP	$
	X FLOOD	See Attached				X BLANKET BLDG & PP	$
						X LOSS LIMIT	$ 400,000,000
							$
	INLAND MARINE		TYPE OF POLICY				$
	CAUSES OF LOSS						$
	NAMED PERILS		POLICY NUMBER				$
							$
	CRIME						$
	TYPE OF POLICY						$
							$
	BOILER & MACHINERY / EQUIPMENT BREAKDOWN						$
							$
							$
							$

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

CERTIFICATE HOLDER

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

CANCELLATION

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

AUTHORIZED REPRESENTATIVE
Marsh USA Inc.

Insured CC- Development Group, Inc.
Policy period 12/31/2024-12/31/2025

Issuing Companies: Quota Share Participation By Layer

All-Risk			
$25,000,000 Excess Deductible			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Allied World Assurance Company Ltd	P006392/018	7.5000%	$1,875,000
Velocity (Various Carriers)	United Specialty Insurance Company: VTX-CN-0000681-08 Certain Underwriters at Lloyd's, London: VRN-CN-0000681-08 Certain Underwriters at Lloyd's, London: VNB-CN-0000681-08 Velocity Specialty Insurance Company: VSI-CN-0000681-08 National Fire & Marine Insurance Company: VNI-CN-0000681-08 Fortegra Specialty Insurance Company: FSV-CN-0000681-08	7.5000%	$1,875,000
Illinois Union Insurance Company	D39075532 004	10.0000%	$2,500,000
Lloyds of London	BOWPF2451107	43.5000%	$10,875,000
Certain Underwriters at Lloyd's Syndicate 4444 (Canopius)	B73982CAA	5.0000%	$1,250,000

$50,000,000 Excess Deductibles			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Ironshore Specialty Insurance Company	1000370378-06	6.5000%	$3,250,000

$80,000,000 Excess Deductibles			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Lexington Insurance Company	034250013	10.0000%	$8,000,000
Everest Indemnity Insurance Company	RP8P000066-241	10.0000%	$8,000,000

25,000,000 Excess $25,000,000			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Lloyds of London - Brit Lead	BOWPF2451108	32.0000%	$8,000,000
Alcor - Lloyds of London Syndicate 4242	24ALC642250A	5.0000%	$1,250,000

$55,000,000 Excess $25,000,000			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Hamilton Re Ltd.	PX24-4695-01	5.0000%	$2,750,000
Endurance Specialty Insurance Limited (Sompo)	BPD30000382502	5.0000%	$2,750,000
Certain Underwriters at Lloyd's Syndicate 4444 (Canopius)	B73982CBA	7.5000%	$4,125,000
Steadfast Insurance Company	XPP-5679423-01	9.0000%	$4,950,000
Allianz Global Risks US Insurance Company	USP00172424	10.0000%	$5,500,000

$30,000,000 Excess $50,000,000			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Lloyds of London - ARK/INIGO	BOWPF2451109	33.2779%	$9,983,370
Lloyds of London - Advocat	BOWPF2451111	10.2221%	$3,066,630

$320,000,000 Excess $80,000,000			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Chubb Bermuda Insurance Ltd - INCLUDES TERRORISM	CCDEVEL002217P03	100.0000%	$320,000,000

Terrorism			
$80,000,000 Excess Deductible			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Lloyds of London	B0509BOWTN2450963	100.0000%	$80,000,000

Active Shooter/Active Assailant			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Lloyds of London	B0509BOWTN2450965	100.0000%	$1,000,000
Excess Earthquake			
$150,000,000 Excess of $80,000,000			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Lexington Insurance Company	43404985	13.3300%	$20,000,000
General Security Indemnity Company of Arizona	TR00014861842324	15.0000%	$22,500,000
Palomar Excess and Surplus Insurance Company-Treaty 1	PE706156	16.6700%	$25,000,000
Palomar Excess and Surplus Insurance Company-Treaty 3	PN700147	6.6700%	$10,000,000
Palomar Excess and Surplus Insurance Company-Treaty 4	PD700081	3.3300%	$5,000,000
Princeton Excess and Surplus Lines Insurance Company	B2A3IM000408300	15.0000%	$22,500,000
QBE Specialty Insurnace Company	ESE2256500	15.0000%	$22,500,000
Steadfast Insurance Company	BPP1350796	15.0000%	$22,500,000

Earthquake			
Carrier	**Policy Number**	**Participation (%)**	**Participation ($)**
Lloyds of London - CA EQ Buy Down	BOWPF2451106	100.0000%	$2,000,000

Insured CC- Development Group, Inc.
Policy period 12/31/2024-12/31/2025

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

Flood- FEMA 100 Year Flood Zones (Occurrence/ Aggregate)	$50,000,000
Flood- All Other Locations (Occurrence/ Aggregate)	$200,000,000
Earth Movement- Alaska, California, Hawaii, Puerto Rico (Occurrence/ Aggregate)	$80,000,000
Earth Movement- Critical New Madrid & Pacific Northwest Areas (Occurrence/ Aggregate	$50,000,000
Earth Movement- All Other Locations (Occurrence/ Aggregate)	$200,000,000
Named Storm- FL, HI, PR, US VI, and First Tier Areas in other states	$80,000,000
Debris Removal	$50,000,000
Extended Period of Indemnity	365 Days
Extra Expense	$100,000,000

Terrorism-	
Lloyds Standalone Policy	$80,000,000
Chubb BDA via All Risk	$320,000,000
Total TRIA Limits	**$400,000,000**

DIC Coverages- Standalone Policy	
Excess EQ Including Time Element	$150,000,000
Excess EQ - Building Ordinance/ ICC/Demolition Sublimit	$25,000,000

Active Shooter/Active Assailant	
Active Shooter/Active Assailant Sublimit	$1,000,000 Excess Deductible

Special Deductibles

Earth Movement- AK, CA, HI, PR--	5% of the reported "unit of insurance" Minimum: $250,000 Maximum: $5,000,000 per occurrence
Earth Movement- Critical New Madrid Areas and Critical Pacific Northwestern Areas	2% of the reported "unit of insurance" Minimum: $100,000 per occurrence
Earth Movement- All other locations	$100,000 per occurrence
Flood - FEMA 100 Year Flood Zones	$1,000,000 per occurrence
Flood- All Other Locations	$100,000 per occurrence
Named Windstorm- South Carolina	3% of the reported "unit of insurance" Minimum: $250,000 per occurrence
Named Windstorm- FL, HI, PR, US VI, and First Tier Areas in all other states (except SC)	5% of the reported "unit of insurance" Minimum $250,000 per occurrence

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 12/20/2024

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

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

PRODUCER
MARSH USA LLC.
155 N. WACKER, SUITE 1200
CHICAGO, IL 60661

CONTACT NAME: Marsh | U.S. Operations
PHONE (A/C, No, Ext): 866-966-4664
FAX (A/C, No): 212-948-0770
E-MAIL ADDRESS: Chicago.CertRequest@marsh.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : National Fire & Marine Insurance Co	20079
INSURER B : N/A	N/A
INSURER C : N/A	N/A
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
CC-Palo Alto, Inc.
620 Sand Hill Road
Palo Alto, CA 94304

COVERAGES **CERTIFICATE NUMBER:** CHI-009948247-10 **REVISION NUMBER:**

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY; X CLAIMS-MADE; OCCUR; X Ded: $100,000 per occurrence; GEN'L AGGREGATE LIMIT APPLIES PER: POLICY; PRO-JECT; X LOC; OTHER:			42-PSC-306898-07	12/31/2024	12/31/2025	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 3,000,000
							PRODUCTS - COMP/OP AGG	$ 3,000,000
							POLICY LIMIT	$ 10,000,000
	AUTOMOBILE LIABILITY; ANY AUTO; OWNED AUTOS ONLY; SCHEDULED AUTOS; HIRED AUTOS ONLY; NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident)	$
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
A	X UMBRELLA LIAB; OCCUR; EXCESS LIAB; X CLAIMS-MADE; DED; X RETENTION $ 100,000			42-USC-306899-07	12/31/2024	12/31/2025	EACH OCCURRENCE	$ 5,000,000
							AGGREGATE	$ 5,000,000
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N; ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBEREXCLUDED? (Mandatory in NH); If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					PER STATUTE / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	PROFESSIONAL LIABILITY; Claims Made			42-PSC-306898-07; Policy Limit: $10,000,000	12/31/2024	12/31/2025	EA CLAIM / AGG (LOC)	1M / 3M
							DEDUCTIBLE	100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Re: Vi at Palo Alto; 620 Sand Hill Rd.; Palo Alto, CA 94304

CERTIFICATE HOLDER

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

CANCELLATION

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

AUTHORIZED REPRESENTATIVE
Marsh USA Inc.

ADDITIONAL REMARKS SCHEDULE

AGENCY		NAMED INSURED
MARSH USA LLC.		CC-Palo Alto, Inc. 620 Sand Hill Road Palo Alto, CA 94304
POLICY NUMBER		
CARRIER	NAIC CODE	EFFECTIVE DATE:

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: 25 FORM TITLE: Certificate of Liability Insurance

EXCESS PROFESSIONAL LIABILITY
Carrier: National Fire & Marine Insurance Company
Policy No.: 42-USC-306899-07
Effective Date: 12/31/2024
Expiration Date: 12/31/2025
Each Claim Limit: $5,000,000
Aggregate Limit: $5,000,000
Retention: $100,000

FIRST EXCESS LIABILITY ($10M XS $5M)
Carrier: Berkley Healthcare Medical Professional
Policy No.: SCE280000903
Effective Date: 12/31/2024
Expiration Date: 12/31/2025
Each Claim Limit: $10,000,000
Aggregate Limit: $10,000,000

SECOND EXCESS LIABILITY ($9M XS $15M)
Carrier: Allied World Assurance Company, Ltd.
Policy Number: C058848/006
Effective Date: 12/31/2024
Expiration Date: 12/31/2025
Each Occurrence: $9,000,000
Aggregate Limit: $9,000,000

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

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Financial Statements

December 31, 2024 and 2023

(With Independent Auditors’ Report Thereon)

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Table of Contents

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

Independent Auditors' Report

The Partners
Classic Residence Management Limited Partnership:

Opinion

We have audited the financial statements of Classic Residence Management Limited Partnership (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Chicago, Illinois
March 20, 2025

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Balance Sheets

December 31, 2024 and 2023

Assets		**2024**	**2023**
Current assets:			
Cash and cash equivalents	$	12,059,951	9,134,189
Current portion of assets limited as to use		6,819,781	5,817,434
Due from affiliates		6,850,919	6,733,859
Deposits and other		13,177,020	14,440,227
Total current assets		38,907,671	36,125,709
Assets limited as to use, net of amounts required for current liabilities		1,282,640	1,795,077
Property and equipment:			
Leasehold improvements		5,198,775	5,198,775
Furniture, fixtures, and equipment		12,089,067	11,839,080
Construction in progress		785	27,437
		17,288,627	17,065,292
Less accumulated depreciation and amortization		13,743,622	12,773,919
Property and equipment, net		3,545,005	4,291,373
Right of use assets – operating lease		3,777,991	4,296,415
Estimated insurance recoveries		1,425,755	1,896,787
Total assets	$	48,939,062	48,405,361
Liabilities and Partners' Equity			
Current liabilities:			
Accounts payable	$	837,003	842,764
Accrued expenses		22,186,121	18,073,500
Current installments of obligations under operating lease		984,461	932,683
Benefit claims payable		7,593,761	6,430,481
Total current liabilities		31,601,346	26,279,428
General and professional liability claims payable		1,334,415	2,278,817
Obligations under operating lease		5,991,637	6,976,107
Total liabilities		38,927,398	35,534,352
Partners' equity:			
Contributed capital, net		79,724,705	77,724,705
Accumulated deficit		(69,713,041)	(64,853,696)
Total partners' equity		10,011,664	12,871,009
Total liabilities and partners' equity	$	48,939,062	48,405,361

See accompanying notes to financial statements.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Statements of Operations

Years ended December 31, 2024 and 2023

		2024	2023
Revenue:			
Management fee revenue	$	25,839,516	23,852,743
Commission revenue		2,156,748	2,052,721
Marketing fee revenue		3,757,000	1,668,000
Interest income		272,455	94,516
Total revenue		32,025,719	27,667,980
Expense:			
Salaries and benefits		30,610,520	28,287,598
Lease expense		1,306,390	1,136,847
Professional services		1,069,496	1,248,006
Administration		2,224,101	2,043,083
Property taxes		570,992	464,624
Interest on finance lease obligations		—	113
Gain on sale of equipment		—	(66,092)
Depreciation and amortization		969,703	1,005,706
Insurance		133,862	116,899
Total expense		36,885,064	34,236,784
Net loss	$	(4,859,345)	(6,568,804)

See accompanying notes to financial statements.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Statements of Partners' Equity

Years ended December 31, 2024 and 2023

		Contributed capital, net	Accumulated deficit	Total partners' equity
Balance at December 31, 2022	$	75,724,705	(58,284,892)	17,439,813
Contributions		2,000,000	—	2,000,000
Net loss		—	(6,568,804)	(6,568,804)
Balance at December 31, 2023		77,724,705	(64,853,696)	12,871,009
Contributions		2,000,000	—	2,000,000
Net loss		—	(4,859,345)	(4,859,345)
Balance at December 31, 2024	$	79,724,705	(69,713,041)	10,011,664

See accompanying notes to financial statements.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Statements of Cash Flows

Years ended December 31, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Net loss	$	(4,859,345)	(6,568,804)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		969,703	1,005,706
Gain on sale of equipment		—	(66,092)
Lease incentives recognized		(414,268)	(387,004)
Changes in assets and liabilities:			
Due from affiliates		(117,060)	3,864,181
Deposits and other		1,263,207	(2,134,304)
Accounts payable		(5,761)	(601,455)
Accrued expenses		4,112,621	3,098,321
Net cash provided by (used in) operating activities		949,097	(1,789,451)
Cash flows from investing activities:			
Purchase of property and equipment, net		(223,335)	(283,968)
Proceeds from sale of property and equipment, net		—	30,916
Change in estimated benefit and general and professional liability claims payable		689,910	623,400
Net cash provided by investing activities		466,575	370,348
Cash flows from financing activities:			
Principal payments on finance lease obligations		—	(47,405)
Capital contributions		2,000,000	2,000,000
Net cash provided by financing activities		2,000,000	1,952,595
Net change in cash, cash equivalents, and restricted cash		3,415,672	533,492
Cash, cash equivalents, and restricted cash at beginning of year		16,746,700	16,213,208
Cash, cash equivalents, and restricted cash at end of year	$	20,162,372	16,746,700

See accompanying notes to financial statements.

(1) Purpose and Organization

Classic Residence Management Limited Partnership (the Company) was organized as a limited partnership under the laws of the State of Illinois on December 28, 1987. The Company was formed for the purpose of developing and managing senior living communities. The Company currently manages 10 operating communities (the Communities) that maintain operations in Arizona, California, Colorado, Florida, Illinois, and South Carolina.

The Company comprises two partners: CC-Development Group, Inc. (the Limited Partner) and CRMI, L.L.C. (the General Partner). The Limited Partner has a 99% ownership percentage in the partnership while the General Partner has a 1% ownership percentage. During 2024 and 2023, the Limited Partner contributed $2,000,000 of capital to the Company in each year, respectively.

Pursuant to the Partnership Agreement, the General Partner has full exclusive responsibility, control, and authority to do any and all things necessary or incidental in connection with the management and administration of the Company's business and affairs, financing, and disposition of assets. No partnership interest may be transferred or sold, and no partner may be admitted without the consent of all partners.

The Partnership Agreement provides for distributions of available cash and allocations of net profits and losses to the partners in accordance with their respective ownership percentages.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash, Cash Equivalents, and Restricted Cash

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

		2024	2023
Cash and cash equivalents	$	12,059,951	9,134,189
Assets limited as to use – cash and cash equivalents		8,102,421	7,612,511
Total cash, cash equivalents, and restricted cash	$	20,162,372	16,746,700

(c) Fair Value Measurements

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

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

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

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

Level 2 are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs are unobservable inputs for the asset or liability.

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

In estimating the fair value of its financial instruments, the Company determined the carrying amount reported in the balance sheet for cash and cash equivalents and assets limited as to use approximate fair value because of the short maturities of these instruments and are considered Level 1 investments within the fair value hierarchy.

(d) Property and Equipment

Property and equipment are stated at cost. Depreciation is being provided by the straight-line method over the estimated useful lives of the assets, which range from 4 to 15 years. Amortization of leasehold improvements is provided over the shorter of the lease term or useful lives of the leasehold improvements. No significant contractual commitments exist as of December 31, 2024.

(e) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell, and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2024 and 2023.

(f) Leases

The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes right of use (ROU) asset and a lease liability at the lease commencement date if the lease period exceeds one year. Leases less than one year are expensed monthly as incurred.

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

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

The Company has a non-cancellable operating lease for certain office facilities that expires in 2031. These leases generally contain renewal options for periods ranging from one to five years. When the Company is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from lease payments. The Company also previously had finance leases, primarily for on-site vehicles that expired in 2023. The Company’s leases generally do not include termination options for either party to the lease, restrictive financial or other covenants or residual value guarantees.

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

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

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

The Company’s leases may include non-lease maintenance services (i.e. equipment maintenance or common area maintenance). For all leases, the Company has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. See note 5 for additional lease disclosures.

(Continued)

(g) Assets Limited as to Use

Assets limited as to use include amounts maintained by the Company to pay for estimated general and professional liability and workers' compensation claims and amounts maintained by the Company to collateralize a letter of credit issued to the lessor of the Company's new office space (note 5(a)). Assets limited as to use are invested in money market accounts and certificates of deposit and are considered cash and cash equivalents. Assets limited as to use are classified as noncurrent assets to the extent that they are not expected to be expended to satisfy obligations classified as current liabilities.

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2024. None of these assets have any redemption restrictions, so the redemption frequency is on a daily basis and would have a one-day notice for redemption:

		Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$	8,102,421	8,102,421	—	—
Total	$	8,102,421	8,102,421	—	—

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2023. None of these assets have any redemption restrictions, so the redemption frequency is on a daily basis and would have a one-day notice for redemption:

		Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$	7,612,511	7,612,511	—	—
Total	$	7,612,511	7,612,511	—	—

(h) Self-Insurance

The Company applies the provisions of ASC Subtopic 954-450, *Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries.

(i) Management Fee Revenue

Management fee revenue is reported at amounts that reflect the consideration which the Company expects to receive in exchange for services provided. Management fee revenue consists of revenue received pursuant to various management agreements with the Communities. The transaction price of management fees are calculated as a specified percentage of revenues of the Communities ranging from 5% to 10% of revenues as defined in the management agreements. The management agreements expire on various dates through 2055. The Company has determined that the services provided are a series of distinct services that are considered one performance obligation, which is satisfied over time.

(j) Commission Revenue

Commission revenue is reported at amounts that reflect the consideration which the Company expects to receive in exchange for services provided. Commission revenue consists of revenues received pursuant to management and marketing agreements. The transaction price of commissions are calculated as a specified percentage of certain entrance fees received by the Communities as a one-time payment by new residents as defined in the management and marketing agreements. Percentages are equal to 5% of entrance fee proceeds, as defined. The management and marketing agreements expire on various dates through 2046. The Company has determined that the services provided are a series of distinct services that are considered one performance obligation, which is satisfied over time.

(k) Marketing Fee Revenue

Marketing fee revenue is reported at amounts that reflect the consideration which the Company expects to receive in exchange for services provided. The transaction price of marketing fee revenue consists of revenue received pursuant to a management and marketing agreement with a community undergoing a repositioning. Marketing fees are received during the construction period. The Company has determined that the services provided are a series of distinct services that are considered one performance obligation, which is satisfied over time.

(l) Income Taxes

No provision for federal and state income taxes has been provided in the accompanying financial statements because such taxes are the obligations of the owners of the Company.

(m) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated events and transactions through March 20, 2025, the date the financial statements were issued, noting no subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

(3) Transactions with Related Parties

The Company entered into agreements with the Communities whereby the Company manages the operations of the Communities. The Limited Partner has a full or partial ownership interest in all but one of the Communities. Management fee revenue and commission revenue are received pursuant to these agreements.

The Company contracts with third parties on behalf of the Communities to provide property, health, and liability insurance, and various marketing and other services. The Company advances funds to third parties and is reimbursed by the Communities. Reimbursement to the Company for such advances amounted to $81,495,566 and $76,155,218 for the years ended December 31, 2024 and 2023, respectively. There is no interest associated with these advances as they are reimbursed on a current basis. Net amounts due from the Communities are reported as due from affiliates and totaled $6,850,919 and $6,733,859 at December 31, 2024 and 2023, respectively.

The Company processes premium and claim payments for property, health, workers' compensation, and general and professional liability policies and claims. The Company has made premium payments in accordance with the payment terms of the policies. The Company is reimbursed by the Communities for these payments on a monthly basis over the term of the policy. Included in deposits and other are $11,556,640 and $12,415,668 of prepaid insurance under these policies at December 31, 2024 and 2023, respectively.

Additionally, the Company processes claim payments for health, workers' compensation, and general and professional liability claims, which fall below the deductible and stop-loss reinsurance levels set forth in the policies. The Company is reimbursed by the Communities for claim payments on a monthly basis over the term of the policy. Monthly payments are determined based on estimated ultimate claims costs inclusive of the ultimate cost of both reported losses and losses incurred but not reported. Amounts received from the Communities for future claim payments are included in assets limited as to use and will be utilized to pay claims as they become due. The Company has estimated benefit claims payable under health and workers' compensation programs of $7,593,761 and $6,430,481 and related recoveries of $773,980 and $613,047 at December 31, 2024 and 2023, respectively. The portion of health and workers' compensation claims expected to be paid beyond one year of the balance sheet date is not readily determinable, and therefore, the entire accrual is classified as a current liability in the accompanying balance sheets. The Company accounts for estimated general and professional liability claims payable without consideration of estimated insurance recoveries, which are shown separately in the accompanying balance sheets. The Company has estimated general and professional liability claims payable of $1,334,415 and $2,278,817 and related recoveries of $651,775 and $1,283,740 at December 31, 2024 and 2023, respectively. The portion of the accrual for estimated general and professional liability claims expected to be paid within one year of the balance sheet is not readily determinable, and therefore, the entire accrual is classified as a noncurrent liability. It is the opinion of management that the estimated costs accrued for benefit and general and professional liability claims at December 31, 2024 and 2023 are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities. In the event that actual claim payments differ from estimates, it is the intent of the Company to recover or return such differences with the Communities.

(4) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by the Company. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2024 and 2023, contribution expense of $735,497 and $748,539, respectively, is included as a component of salaries and benefits in the accompanying statements of operations. Contributions are funded on a current basis.

(5) Leases

On March 25, 2019, the Company entered into an operating lease agreement for office facilities at 233 South Wacker Drive, Chicago, IL 60606. Rent payments under this lease commenced on February 3, 2020. The lease agreement entitled the Company to tenant improvement allowances of $3,045,000 and abatement for rent for the first lease year of the term and for a portion of the second year of the term. The Company elected to convert the rent abatement amounts into additional tenant improvement allowances in accordance with the terms of the lease agreement. Tenant improvement allowance and converted rent abatements of $4,975,175 were received during 2020. The Company also previously had finance leases, primarily for vehicles, that expired in 2023. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments. The Company has elected not to separate lease and non-lease components but rather has elected to include all components within a single, combined lease component. The Company also elected to discount its related operating and finance lease liabilities using a risk-free rate.

Amounts are reported in the accompanying balance sheets as follows:

		2024	2023
Right of use assets – operating leases	$	5,266,353	5,266,353
Accumulated amortization		(1,488,362)	(969,938)
Right of use assets – operating leases, net		3,777,991	4,296,415
Right of use assets – finance leases		93,791	93,791
Accumulated amortization		(93,791)	(93,791)
Right of use assets – finance leases, net		—	—
Total right of use asset	$	3,777,991	4,296,415
Current portion of operating lease liabilities	$	984,461	932,683
Operating lease liabilities, net of current portion		5,991,637	6,976,107
Total operating lease liabilities		6,976,098	7,908,790
Current portion of finance lease liabilities		—	—
Finance lease liabilities, net of current portion		—	—
Total finance lease liabilities		—	—
Total lease liabilities	$	6,976,098	7,908,790

Other information related to leases as of December 31, 2024 and 2023 was as follows:

		2024	2023
Cash paid for amounts included in the measurement of lease liabilities	$	932,692	930,196
Weighted average remaining lease term – operating leases		6.17 years	7.17 years
Weighted average discount rate		2.50%	2.50%

Maturities of lease liabilities under noncancellable leases as of December 31, 2024 are as follows:

Year ending December 31:		
2025	$	984,461
2026		1,038,428
2027		1,094,418
2028		1,152,695
2029		1,213,112
Thereafter		1,492,984
Total lease liabilities	$	6,976,098

KPMG

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Financial Statements and Supplemental Schedules

December 31, 2024 and 2023

(With Independent Auditors’ Report Thereon)

CC-PALO ALTO, INC. AND SUBSIDIARY

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

Independent Auditors' Report

Board of Directors
CC-Palo Alto, Inc.:

Opinion

We have audited the financial statements of CC-Palo Alto, Inc. (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Form 5-1 through Form 5-5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Chicago, Illinois
April 23, 2025

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2024 and 2023

Assets		**2024**	**2023**
Current assets:			
Cash and cash equivalents	$	19,507,291	15,186,916
Current portion of assets limited as to use		4,093,722	2,723,217
Resident accounts receivable		895,972	958,364
Prepaids expenses and other current assets		730,327	810,032
Total current assets		25,227,312	19,678,529
Assets limited as to use, net of amounts required for current liabilities		37,916,161	36,459,191
Property and equipment:			
Land improvements		17,966,122	17,894,103
Building and improvements		209,678,154	208,910,131
Furniture, fixtures, and equipment		48,010,964	43,883,831
Construction in progress		74,332	253,109
		275,729,572	270,941,174
Less accumulated depreciation		151,366,692	140,280,047
Property and equipment, net		124,362,880	130,661,127
Right-of-use assets – finance leases		153,448	113,853
Right-of-use assets – operating lease		47,799,384	48,196,547
Deferred tax asset, net		32,799,475	27,425,175
Deposits		1,429,302	1,356,414
Total assets	$	269,687,962	263,890,836
Liabilities and Stockholders' Deficit			
Current liabilities:			
Accounts payable	$	1,474,758	1,252,337
Accrued expenses		5,030,447	4,552,294
Due to affiliate		853,486	1,079,540
Due to Parent		7,073,094	5,987,018
Current installments of obligations under finance leases		49,736	41,872
Current installments of obligations under operating leases		408,322	396,183
Prepaid resident service revenue		3,812,307	2,725,800
Resident deposits		576,610	401,000
Current portion of repayable entrance fees		2,107,716	—
Total current liabilities		21,386,476	16,436,044
Repayable entrance fees		477,448,382	471,168,890
Deferred revenue from nonrepayable entrance fees		222,466,347	191,395,963
Obligations under finance leases		103,712	71,981
Obligations under operating leases		47,391,062	47,800,364
Other liabilities		283,330	230,203
Total liabilities		769,079,309	727,103,445
Stockholders' deficit:			
Common stock, no par value, no assigned value. Authorized, issued, and outstanding, 100 shares		—	—
Distributions in excess of paid-in capital		(369,671,236)	(329,671,236)
Accumulated deficit		(129,720,111)	(133,541,373)
Total stockholders' deficit		(499,391,347)	(463,212,609)
Total liabilities and stockholders' deficit	$	269,687,962	263,890,836

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years ended December 31, 2024 and 2023

		2024	2023
Revenue:			
Net resident service revenue	$	57,769,801	55,326,750
Amortization of entrance fees		21,855,603	18,029,089
Investment return		2,002,816	2,145,574
Other income		375,035	382,115
Total revenue		82,003,255	75,883,528
Expenses:			
Culinary and dining		8,445,936	8,198,564
Housekeeping and laundry		3,541,099	3,317,331
Resident services		4,274,890	4,261,206
Resident care		11,206,497	11,178,478
Repairs and maintenance		3,204,286	2,832,809
Sales and marketing		1,197,038	1,188,185
Administration		6,460,985	5,535,121
Utilities		2,623,313	2,698,145
Insurance		2,590,025	2,280,117
Total departmental expenses		43,544,069	41,489,956
Management fees		4,727,818	4,526,355
Property taxes		5,560,880	5,476,465
Provision for doubtful accounts		3,253	—
Ground lease expense – base rent		1,837,565	1,837,565
Variable ground lease expense – participating rent		9,661,352	8,979,281
Other expense		1,425	14,983
Interest on finance lease obligations		6,698	7,049
Depreciation and amortization		11,140,139	11,121,755
Total expenses		76,483,199	73,453,409
Income before income taxes		5,520,056	2,430,119
Income tax expense		(1,554,170)	(689,350)
Net income	$	3,965,886	1,740,769

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Deficit

Years ended December 31, 2024 and 2023

	Common stock		Distributions in excess of paid-in capital	Accumulated deficit	Total
	Shares	Amount			
Balance at December 31, 2022	100	$ —	(302,671,236)	(135,137,478)	(437,808,714)
Tax adjustment	—	—	—	(144,664)	(144,664)
Net income	—	—	—	1,740,769	1,740,769
Distribution to Parent	—	—	(27,000,000)	—	(27,000,000)
Balance at December 31, 2023	100	—	(329,671,236)	(133,541,373)	(463,212,609)
Tax adjustment	—	—	—	(144,624)	(144,624)
Net income	—	—	—	3,965,886	3,965,886
Distribution to Parent	—	—	(40,000,000)	—	(40,000,000)
Balance at December 31, 2024	100	$ —	(369,671,236)	(129,720,111)	(499,391,347)

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Cash received from residents with continuing care contracts	$	48,618,089	47,431,132
Cash received from residents without continuing care contracts		10,655,526	10,241,700
Proceeds received from nonrepayable entrance fees		54,391,251	42,974,850
Interest received		2,170,875	1,846,645
Interest paid for finance lease obligations		(6,698)	(7,049)
Cash paid to suppliers and employees		(44,848,595)	(43,368,191)
Cash paid for management fees		(4,727,818)	(4,526,355)
Cash paid for real estate taxes		(5,560,880)	(5,476,465)
Cash paid for participating rent		(9,661,352)	(8,979,281)
Cash paid for income taxes		(5,987,018)	(3,076,379)
Net cash provided by operating activities		45,043,380	37,060,607
Cash flows from investing activities:			
Additions to property and equipment		(4,798,358)	(4,520,635)
Net change in resident deposits		175,610	2,500
Net change in assets limited as to use		1,272,405	(9,504,244)
Net cash used in investing activities		(3,350,343)	(14,022,379)
Cash flows from financing activities:			
Proceeds from repayable entrance fees		24,664,251	32,488,850
Entrance fee repayments		(17,725,440)	(36,564,343)
Principal payments on finance lease obligations		(43,534)	(38,454)
Distributions to Parent		(40,000,000)	(27,000,000)
Net cash used in financing activities		(33,104,723)	(31,113,947)
Net change in cash, cash equivalents, and restricted cash		8,588,314	(8,075,719)
Cash, cash equivalents, and restricted cash at beginning of year		22,275,839	30,351,558
Cash, cash equivalents, and restricted cash at end of year	$	30,864,153	22,275,839
Reconciliation of net income to net cash provided by operating activities:			
Net income	$	3,965,886	1,740,769
Adjustments to reconcile net income to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		54,391,251	42,974,850
Depreciation and amortization		11,140,139	11,121,755
Amortization of entrance fees		(21,855,603)	(18,029,089)
Net realized and change in unrealized losses (gains)		168,059	(298,929)
Provision for doubtful accounts		3,253	—
Utilization of repayable entrance fees in lieu of monthly fees		(16,867)	(52,969)
Income tax adjustment		(144,624)	(144,664)
Changes in assets and liabilities:			
Accounts receivable		59,139	248,855
Prepaids expenses and other current assets		79,705	(382,115)
Deposits		(72,888)	(63,759)
Accounts payable		222,421	(192,182)
Accrued expenses		478,153	557,367
Due to affiliate		(226,054)	67,919
Due to Parent		1,086,076	2,910,640
Prepaid resident service revenue		1,086,507	1,768,081
Deferred tax asset		(5,374,300)	(5,153,005)
Other liabilities		53,127	(12,917)
Net cash provided by operating activities	$	45,043,380	37,060,607
Supplemental information of noncash activities:			
Lease obligations arising from obtaining ROU assets	$	83,130	124,106

See accompanying notes to consolidated financial statements.

(1) Purpose and Organization

The accompanying consolidated financial statements include the accounts of CC-Palo Alto, Inc. (the Company) and its consolidated affiliate, Palo Alto Care Center, Inc. The Company and Palo Alto Care Center, Inc. are both subsidiaries of CC-Development Group, Inc. (Parent).

The Company, a Delaware corporation, was incorporated on June 23, 1999 for the purpose of developing, owning, and operating a 494-unit senior living community (the Community) in Palo Alto, California. The Community comprises 388 units of independent living and a 106-unit care center that includes units of assisted living, memory support, and skilled nursing. The independent living component of the community opened in 2005, followed by the assisted living, memory support, and skilled nursing units of the care center in 2006.

Palo Alto Care Center, Inc. was incorporated for the purpose of owning the care center and leasing it back to the Company. The Company applies Accounting Standards Codification (ASC) Subtopic 810-10, *Consolidation — Overall*, to its variable interest in Palo Alto Care Center, Inc., whereby the entity is consolidated with the Company due to the Company's controlling financial interest in Palo Alto Care Center, Inc.

All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash, Cash Equivalents, and Restricted Cash

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

		2024	2023
Cash and cash equivalents	$	19,507,291	15,186,916
Assets limited as to use:			
Cash and cash equivalents		4,373,437	1,994,691
Money markets and certificates of deposit		6,983,425	5,094,232
Total cash, cash equivalents, and restricted cash reported in the consolidated statements of cash flows	$	30,864,153	22,275,839

(c) Fair Value Measurements

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

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

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

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
>
> Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> Level 3 inputs are unobservable inputs for the asset or liability.

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

(d) Assets Limited as to Use

Assets limited as to use include restricted resident deposits, assets held by the Company for entrance fee repayments, assets held by the Company under Ground Lease Agreement (note 6), and assets set aside by the Company for the Community’s operations and capital improvements, in accordance with the Company’s policies. Restricted resident deposits represent good faith deposits received by the Company upon the commitment of prospective residents to enter into a residency agreement. Assets held by the Company for entrance fee repayments represent funds designated to establish certain entrance fee repayment reserves for active residents with move-in dates prior to January 1, 2017 (Settlement Class members). The Company funded assets held for entrance fee repayments equal to 75% of the annual entrance fee repayments that are actuarially estimated to be due to the Settlement Class members in the following year. The amount of entrance fee repayment reserves will decline over time. Assets held by the Company under the Ground Lease Agreement represent funds designated to secure payments under the ground lease (note 6). Assets held for operations are for funding operating reserves over which the Company retains control and may use in accordance with the Company’s policies. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, in accordance with the Company’s policies. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from 4 to 40 years. Construction in progress at December 31, 2024 relates to costs associated with renovations that will be placed in service during 2025. No significant contractual commitments exist as of December 31, 2024.

(f) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell, and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2024 or 2023.

(g) Leases

The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes an ROU asset and a lease liability at the lease commencement date if the lease period exceeds one year. Leases less than one year are expensed monthly as incurred.

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

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

The Company has a noncancelable operating ground lease with the Board of Trustees of the Leland Stanford Junior University (Lessor) that expires in 2075. The Company also has finance leases, primarily for on-site vehicles that expire over the next four years. The Company’s leases generally do not include termination options for either party to the lease, restrictive financial or other covenants, or residual value guarantees.

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

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

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

The Company's leases may include nonlease maintenance services (i.e., equipment maintenance or common area maintenance). For all leases, the Company has elected the practical expedient to account for the lease and nonlease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. See note 10 for additional lease disclosures.

(h) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at December 31, 2024 and 2023, and accordingly, no obligation to provide future services has been recognized in the accompanying consolidated balance sheets.

(i) Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee upon admission and 2% of the entrance fee per month up to a maximum of 100%, 50%, 40%, 30%, 25%, 20%, or 10% dependent on the contract provisions of the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. The Company has recorded the repayable portion of the entrance fees separately from the nonrepayable portion within the accompanying consolidated balance sheets. If all contracts terminated on December 31, 2024, the repayable portion of the entrance fees due to all residents would be approximately $538,139,000.

(j) Ground Lease Participating Rent

Pursuant to its Ground Lease Agreement with the lessor (note 6), beginning with initial occupancy of the Community, the Company pays a percentage of all gross receipts to Stanford University, as defined in the Ground Lease Agreement. Gross receipts include net resident service revenue, other income, and proceeds from entrance fees net of certain repayments. As the associated lease payments are variable in nature, they are recognized as expense in their entirety in the period in which the related net resident service revenue and other income are recognized, and in the period in which the proceeds from entrance fees are received.

(k) Income Taxes

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

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

The Company accounts for tax provisions in accordance with ASC Topic 740, *Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The Company has recognized no liabilities as of December 31, 2024 and 2023 related to uncertain tax positions.

(l) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated events and transactions after the balance sheet date of December 31, 2024 through April 23, 2025, the date the consolidated financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

(3) Net Resident Service Revenue

Net resident service revenue is reported at amounts that reflect the consideration which the Company expects to receive in exchange for services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive revenue adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. During 2024 and 2023, the Company determined that it would return a portion of its excess cash flows generated from operations back to its residents in the amount of $3,517,112 and $2,322,217, respectively. For the 2024 amount, the Company will reduce monthly fees paid by residents in 2025. For the 2023 amount, $2,322,217 was returned as a reduction of 2024 monthly fees. As of December 31, 2024 and 2023, $3,517,112 and $2,322,217 is reflected as a component of prepaid resident service revenue in the accompanying 2024 and 2023 consolidated balance sheets, respectively.

(a) Daily or Monthly Fee Revenue

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

(b) Healthcare Services Revenue

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

(c) Disaggregation of Revenue

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

		2024	**2023**
Independent living revenue	$	40,569,970	39,314,314
Care center revenue:			
Revenue under continuing care residency agreements		5,593,028	4,912,767
Revenue from private payors		2,489,562	3,028,188
Revenue under Medicare and third-party arrangements		8,024,093	7,074,548
Other service revenue		1,093,148	996,933
Net resident service revenue	$	57,769,801	55,326,750
Amortization of entrance fee revenue	$	21,855,603	18,029,089
Other income		375,035	382,115

(d) Contract Balances

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

Resident fee revenue for stand-alone or certain healthcare services is generally billed monthly in arrears. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied. The Company had total deferred revenue (included within prepaid resident service revenue and deferred revenue from nonrepayable entrance fees within the balance sheets) of $226,278,654 and $194,121,763, including $3,812,307 and $2,725,800 of resident monthly fees billed and received in advance, as of December 31, 2024 and 2023, respectively. For the year ended December 31, 2024, the Company recognized $20,158,000 of revenue that was included in the deferred revenue balance as of January 1, 2024. The Company applies the practical expedient in ASC Paragraph 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

(4) Concentration of Credit Risk

The Company grants credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2024 and 2023 is as follows:

	2024	2023
Medicare	57 %	70 %
Self-pay and commercial insurance	43	30
	100 %	100 %

(5) Assets Limited as to Use and Investments

The Company reports its investments and assets limited as to use as trading securities. Money market funds with readily determinable fair values and all other investments are reported at fair value. Fair value is determined primarily on the basis of quoted market prices or observable market inputs.

Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is reported as investment return in the accompanying consolidated statements of operations.

A summary of the composition of the Company's investment portfolio at December 31, 2024 and 2023 is as follows:

	2024	2023
Cash and cash equivalents	$ 4,373,437	1,994,691
Money markets and certificates of deposit	12,983,425	11,094,232
Government agencies	4,109,340	5,349,854
Corporate bonds and notes	20,543,681	20,743,631
	$ 42,009,883	39,182,408

Investments are reported in the accompanying consolidated balance sheets as follows:

	2024	2023
Current portion of assets limited as to use – by Company for operations	$ 3,517,112	2,322,217
Current portion of assets limited as to use – resident deposits	576,610	401,000
Current portion of assets limited as to use	4,093,722	2,723,217
Assets limited as to use – by Company for capital improvements	8,142,708	7,864,052
Assets limited as to use – by Company for operations	2,473,630	2,423,367
Assets limited as to use – by Company for entrance fee repayments	21,299,823	20,171,772
Assets limited as to use – by Company for ground lease	6,000,000	6,000,000
Assets limited as to use, net of amounts required for current liabilities	37,916,161	36,459,191
	$ 42,009,883	39,182,408

The following table presents the Company’s fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2024. None of these assets has any redemption restrictions, so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 4,373,437	4,373,437	—	—
Money markets and certificates of deposit	12,983,425	12,983,425	—	—
Government agencies	4,109,340	—	4,109,340	—
Corporate bonds and notes	20,543,681	—	20,543,681	—
Total	$ 42,009,883	17,356,862	24,653,021	—

The following table presents the Company’s fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2023. None of these assets has any redemption restrictions, so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

		Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$	1,994,691	1,994,691	—	—
Money markets and certificates of deposit		11,094,232	11,094,232	—	—
Government agencies		5,349,854	—	5,349,854	—
Corporate bonds and notes		20,743,631	—	20,743,631	—
Total	$	39,182,408	13,088,923	26,093,485	—

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2024 and 2023 is as follows:

		2024	2023
Interest and dividend income	$	2,170,875	1,846,645
Net realized and change in unrealized (losses) gains during the holding period		(168,059)	298,929
	$	2,002,816	2,145,574

(6) Ground Lease

On August 1, 2000, the Company entered into a 75-year Ground Lease Agreement with The Board of Trustees of the Leland Stanford Junior University (Lessor). During the construction period, the lease called for monthly payments of $125,000 plus annual Consumer Price Index (CPI) increases. The lease payments began with the commencement of the construction of the Community in July 2003. After initial occupancy, the monthly payments reset to $125,000 and are adjusted every five years to reflect increases in CPI; the maximum CPI increase is 7% for a five-year period. The payments for the years ended December 31, 2024 and 2023 totaled $1,837,565, each year. The ground lease also requires participating rent of approximately 6% of all gross receipts, payable monthly beginning with the initial occupancy, as defined.

In February 2002, the Company paid a $1,000,000 deposit as required by the Ground Lease Agreement. The Ground Lease Agreement also requires that the Company maintain a letter of credit in the amount of $6,000,000 as security for the Company's performance of its obligations under the lease.

(7) Transactions with Related Parties

The Company entered into a management agreement dated August 1, 2000 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of the Company, whereby Classic manages the operations of the Company. The agreement is for a term of 55 years and requires the Company to pay an annual management fee equal to 8% of annual resident service revenue, excluding certain items as defined in the management agreement. The Company incurred management fee expense of $4,727,818 and $4,526,355 for the years ended December 31, 2024 and 2023, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to the third parties on behalf of the Company. Such advances amounted to $10,291,681 and $8,986,469 for the years ended December 31, 2024 and 2023, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $853,486 and $1,079,540 at December 31, 2024 and 2023, respectively, and are reported as due to affiliate in the accompanying consolidated balance sheets. Amounts due to the Parent of $7,073,094 and $5,987,019 at December 31, 2024 and 2023, respectively, are reflected as due to Parent in the accompanying consolidated balance sheets.

(8) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2024 and 2023, the Company recorded matching contribution expense of $716,401 and $675,721, respectively. Contributions are funded on a current basis.

(9) Income Taxes

The operating results of the Company are included in the Parent's consolidated federal income tax return. The Company is party to a tax sharing agreement, which follows the provisions of ASC Topic 740 and provides that, among other things, the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the consolidated federal income tax return of the Parent. The tax sharing agreement also provides that the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the various combined state income tax returns of the Parent and its subsidiaries. The Company is required to pay the Parent for any tax liability that may arise from its operations, computed on a separate return basis. For the years ended December 31, 2024 and 2023, Palo Alto Care Center, Inc. sustained losses for federal and state income tax purposes. Accordingly, the current tax benefit attributable to Palo Alto Care Center, Inc. in the Parent's income tax return has been eliminated through an adjustment to stockholders' deficit.

The income tax expense for the years ended December 31, 2024 and 2023 comprises the following:

	2024	2023
Current:		
U.S. federal	$ (4,732,173)	(3,989,158)
State	(2,196,297)	(1,853,197)
Total current	(6,928,470)	(5,842,355)
Deferred:		
U.S. federal	4,033,087	3,867,019
State	1,341,213	1,285,986
Total deferred	5,374,300	5,153,005
Income tax expense	$ (1,554,170)	(689,350)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2024 and 2023 are as follows:

	2024	2023
Deferred tax assets:		
Deferred revenue from nonrepayable entrance fees	$ 45,254,140	40,213,101
Other	1,711,397	1,451,280
Gross deferred tax assets	46,965,537	41,664,381
Deferred tax liabilities:		
Depreciation and amortization	(14,137,232)	(14,123,574)
Other	(28,830)	(115,632)
Gross deferred tax liabilities	(14,166,062)	(14,239,206)
Total deferred tax asset, net	$ 32,799,475	27,425,175

As of December 31, 2024 and 2023, no valuation allowance was considered necessary as management believed that it was more likely than not that the results of future operations would generate sufficient taxable income to realize the deferred tax assets.

Income tax expense was $1,554,170 and $689,350 for the years ended December 31, 2024 and 2023, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% in 2024 and 2023 to pretax income from continuing operations as a result of the following:

		2024	2023
Computed “expected” tax expense	$	(1,159,211)	(510,325)
Change in income tax expense resulting from:			
State and local income taxes, net of federal income tax expense		(393,862)	(178,038)
Other, net		(1,097)	(987)
	$	(1,554,170)	(689,350)

(10) Leases

The Company has an operating ground lease with the lessor that expires in 2075, along with finance leases, primarily for vehicles that expire over the next four years. Payments due under the lease contracts include fixed payments plus, for many of the Company’s leases, variable payments, including the participating rent discussed in note 2(j). The Company has elected not to separate lease and non-lease components but rather has elected to include all components within a single, combined lease component. The Company also elected to discount its lease liabilities using a risk-free rate.

Amounts are reported in the accompanying consolidated balance sheets as follows:

		2024	2023
Right-of-use assets – operating leases	$	48,956,160	48,956,160
Accumulated amortization		(1,156,776)	(759,613)
Right-of-use assets – operating leases, net		47,799,384	48,196,547
Right-of-use assets – finance leases		258,469	175,340
Accumulated amortization		(105,021)	(61,487)
Right-of-use assets – finance leases, net		153,448	113,853
Total right-of-use asset	$	47,952,832	48,310,400

(Continued)

		2024	2023
Current portion of operating lease liabilities	$	408,322	396,183
Operating lease liabilities, net of current portion		47,391,062	47,800,364
Total operating lease liabilities		47,799,384	48,196,547
Current portion of finance lease liabilities		49,736	41,872
Finance lease liabilities, net of current portion		103,712	71,981
Total finance lease liabilities		153,448	113,853
Total lease liabilities	$	47,952,832	48,310,400

Other information related to leases as of December 31, 2024 and 2023 was as follows:

		2024	2023
Cash paid for amounts included in the measurement of lease liabilities	$	440,697	423,950
Weighted average remaining lease term – operating leases		50.62 years	51.62 years
Weighted average remaining lease term – finance leases		3.26 years	3.14 years
Weighted average discount rate – finance leases		6.08 %	5.63 %
Weighted average discount rate – operating leases		3.00	3.00

Maturities of lease liabilities under noncancelable leases as of December 31, 2024 are as follows:

Year ending December 31		
2025	$	458,058
2026		471,487
2027		466,940
2028		469,353
2029		461,415
Thereafter		45,625,579
Total lease liabilities	$	47,952,832

(11) Commitments and Contingencies

(a) State Regulatory Requirements

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

(b) Federal Regulatory Compliance

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

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-1

Long-Term Debt Incurred in a Prior Fiscal Year
(Including Balloon Debt)

Long-term debt obligation	(a) Date incurred	(b) Principal paid during fiscal year	(c) Interest paid during fiscal year	(d) Credit enhancement premiums paid in fiscal year	(e) Total paid (columns (b) + (c) + (d))
1		$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		$ —	—	—	—
					(Transfer this amount to Form 5-3, line 1)

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

Provider: CC-Palo Alto, Inc.

Community: CC-Palo Alto, Inc.

See accompanying independent auditors’ report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-2

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

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

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

Provider: CC-Palo Alto, Inc.

Community: CC-Palo Alto, Inc.

See accompanying independent auditors’ report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-3

Calculation of Long-Term Debt Reserve Amount

Line					Total
1	Total from Form 5-1 bottom of Column (e)				$ —
2	Total from Form 5-2 bottom of Column (e)				—
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)				5,326,255
4	Total amount required for long-term debt reserve (A)				$ 5,326,255
(A)	Amount is comprised of the following (see note 5 in the notes to the consolidated financial statements):				
	Ground lease Base Rent			$ 1,837,565	
	Resident service and other revenue	$ 58,144,836			
	Participating Rent percentage	6.0 %			
	2024 Participating Rent on resident service and other revenue (B)			3,488,690	
	Total			$ 5,326,255	

(B) As described in note 6 to the consolidated financial statements, pursuant to its Ground Lease Agreement, the Provider pays the lessor approximately 6.0% of resident service revenue and approximately 7.5% of gross entrance fee proceeds collected. Based on discussions with the State of California Department of Social Services (DSS), and consistent with prior years, facility leasehold or rental payments reportable on Form 5-3 should only include base rent and participating rent attributable to resident service and other revenue.

Provider: CC-Palo Alto, Inc.

Community: CC-Palo Alto, Inc.

See accompanying independent auditors’ report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-4

Calculation of Net Operating Expenses

Line			Amounts	Total
1	Total operating expenses from financial statements			76,483,199
2	Deductions:			
	(a)	Interest paid on long-term debt (see instructions)	$ —	
	(b)	Credit enhancement premiums paid for long-term debt (see instructions)	—	
	(c)	Depreciation	11,096,605	
	(d)	Amortization	43,534	
	(e)	Revenues received during fiscal year for services to residents who did not have a continuing care contract	10,655,526	
	(f)	Extraordinary expenses approved by the Department (A)	5,326,255	
3		Total deductions		27,121,920
4		Net operating expenses		49,361,279
5	Divide line 4 by 365 and enter the result			135,236
6	Multiply line 5 by 75 and enter the result. This is the provider's operating expense reserve amount			$ 10,142,700

(A)	Extraordinary expenses approved by the department consist of amounts classified as debt service as follows:	
	Ground Lease Base Rent (see Form 5-3)	$ 1,837,565
	Participating Rent on Resident Service and other Revenue (see Form 5-3)	3,488,690
		$ 5,326,255

Provider: CC-Palo Alto, Inc.

Community: CC-Palo Alto, Inc.

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-5

Annual Reserve Certification

Provider Name: CC-Palo Alto, Inc.

Fiscal year ended December 31, 2024

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2024 and are in compliance with those requirements.

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

			Amount
(1)	Debt service reserve amount	$	5,326,255
(2)	Operating expense reserve amount		10,142,700
(3)	Total liquid reserve amount	$	15,468,955

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

				Amount (market value at end of quarter)		
	Qualifying asset description			Debt service reserve		Operating reserve
(4)	Cash and cash equivalents		$	5,326,255		14,181,036
(5)	Investment securities			—		5,990,742
(6)	Equity securities			—		—
(7)	Unused available lines of credit			—		—
(8)	Unused available letters of credit			—		6,000,000
(9)	Debt service reserve			—		—
(10)	Other – security deposit			—		1,429,302
	Total amount of qualifying assets listed for liquid reserve	(11)		5,326,255	(12)	27,601,080
	Total amount required	(13)		5,326,255	(14)	10,142,700
	Surplus (deficiency)	(15)	$	—	(16)	17,458,380

Signature

Date 4/24/2025

Tom Muszynski

(Title) Vice President & Treasurer

See accompanying independent auditors' report on supplementary information.

CC-Palo Alto, Inc.

Form 5-5 Supplemental Details on All Reserves

Reserves Classified as Cash and Cash Equivalents on Form 5-5:				
Financial Institution	**Account Type**	**Account Details**	**Amount**	
None	Cash	Petty Cash maintained on site	$ 987	
Bank of America, N.A.	Business Checking Account	Petty Cash Checking Account	$ 15,333	
Bank of America, N.A.	Business Checking Account	Operating Account	$ 952,444	
Bank of America Merrill Lynch	Money Market Account	Operating Account (invested portion)	$ 3,141,580	
Bank of America, N.A.	Business Checking Account	Ownership Account (operating portion)	$ 14,766,646	
Bank of America, N.A.	Business Checking Account	Payroll Account	$ 620,134	
Bank of America, N.A.	Business Checking Account	Real Estate Tax Account	$ 10,167	
Total Cash and Cash Equivalents			**$ 19,507,291**	A

Reserves Classified as Investment Securities on Form 5-5:				
Financial Institution	**Account Type**	**Account Details**	**Amount**	
UBS	Self Directed Investment Account	Operating Reserve - CD's, Money Market	$ 5,990,742	
Total Investment Securities			**$ 5,990,742**	B

Reserves Classified as Unused Available Letters of Credit on Form 5-5:				
Financial Institution	**Account Type**	**Account Details**	**Amount**	
Bank of America, N.A.	Certificate of Deposit	Ground Lease Letter of Credit Collateral	$ 6,000,000	
Total Unused Available Letters of Credit			**$ 6,000,000**	C

Reserves Classified as Other - Security Deposit on Form 5-5:				
Financial Institution	**Account Type**	**Account Details**	**Amount**	
Stanford	Security Deposit	Stanford Cash Reserve	$ 1,429,302	
Total Other - Security Deposit			**$ 1,429,302**	D

Reserves Not Considered as Qualifying Assets and Not Listed on Form 5-5:				
Financial Institution	**Account Type**	**Account Details**	**Amount**	
Bank of America, N.A.	Business Checking Account	Ownership Account (resident deposit portion)	$ 576,610	
UBS	Self Directed Investment Account	Class Restricted Cash Account	$ 21,299,823	
UBS	Self Directed Investment Account	Capital Reserve - CD's, Money Market, Bonds and Note	$ 8,142,708	
Total Reserves Not Listed on Form 5-5			**$ 30,019,141**	E
Total Cash and Cash Equivalents and Investment Securities		**(A+B+C+D+E)**	**$ 62,946,476**	

Cash, Assets Limited as to Use, and Deposits in Audited Financial Statements:	
Cash and cash equivalents (page 3) (policy disclosed on page 7)	$ 19,507,291
Current portion of assets limited as to use (page 3) (policy disclosed on page 8&13)	$ 4,093,722
Assets limited as to use, net of amounts required for current liabilities (page 3) (policy disclosed on page 8 &13)	$ 37,916,161
Deposits (page 3) (policy disclosed on page 15)	$ 1,429,302
Total cash and cash equivalents and assets limited as to use	**$ 62,946,476**

Reconciliation of Details Above to Form 5-5:		
Total Qualifying Assets listed for liquid reserve	**(A+B+C+D)**	**$ 32,927,335**
Qualifying Assets - Cash and Cash Equivalents - Operating Expense Reserve		$ 14,181,036
Qualifying Assets - Investment Securities - Operating Expense Reserve		$ 5,990,742
Qualifying Assets - Cash and Cash Equivalents - Debt Service Reserve		$ 5,326,255
Qualifying Assets - Unused Available Letters of Credit - Operating Expense Reserve		$ 6,000,000
Qualifying Assets - Other - Security Deposit - Operating Expense Reserve		$ 1,429,302
Total Qualifying Assets listed for liquid reserve		**$ 32,927,335**

Per Capita Cost Detail:	
Form 1-2 line 5 - Total Operating Expense for Continuing Care Residents	$ 62,507,298
Form 1-1 line 5 - Mean # of Continuing Care Residents	607.0
Per Capita Costs	**$ 102,977**

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/25/25

FACILITY NAME: Vi at Palo Alto

ADDRESS: 620 Sandhill Road, Palo Alto, CA ZIP CODE: 94304 PHONE: (650) 853-5000

PROVIDER NAME: CC-Palo Alto, Inc. FACILITY OPERATOR: Classic Residence Management Limited Partnership

RELATED FACILITIES: Yes - see page 2 RELIGIOUS AFFILIATION: None

YEAR OPENED: 2005 # OF ACRES: 22 ☑ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 1

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	0	ASSISTED LIVING:	38
APARTMENTS – 1 BDRM:	152	SKILLED NURSING:	44
APARTMENTS – 2 BDRM:	229 + 7 3bdrm	SPECIAL CARE:	24
COTTAGES/HOUSES:	0	DESCRIPTION: >	Dementia Care
RLU OCCUPANCY (%) AT YEAR END:	99.5%	>	

* *

TYPE OF OWNERSHIP: ☐ NOT-FOR-PROFIT ☑ FOR- PROFIT ACCREDITED?: ☐ YES ☐ NO BY: ______

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

REFUND PROVISIONS: *(Check all that apply)* ☐ 90% ☐ 75% ☐ 50% ☐ FULLY AMORTIZED ☑ OTHER: 0%, 60% (70% 3bdrm)

RANGE OF ENTRANCE FEES: $1,317,500 - $12,323,300 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

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

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

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): > Per 1771.8(s), in lieu of appointing a resident as a voting member of the

> board of directors, members of the bd of directors of provider meet periodically with elected resident reps to ensure that opinions of residents are relayed to the governing body of provider.

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☑	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☐	☐
COFFEE SHOP	☑	☑
CRAFT ROOMS	☐	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☑	☐
SHUFFLEBOARD	☐	☐
SPA	☑	☐
SWIMMING POOL-INDOOR	☑	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER Computer Room	☑	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
MEALS (1 /DAY)	☑	☐
SPECIAL DIETS AVAILABLE	☐	☑
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☑	☑
NURSING/WELLNESS CLINIC	☑	☑
PERSONAL HOME CARE	☐	☐
TRANSPORTATION-PERSONAL	☑	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER ______	☐	☐

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

PROVIDER NAME: CC-Palo Alto, Inc

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Vi at La Jolla Village	San Diego, CA	(858) 646-7712
Vi at Bentley Village	Naples, FL	(941) 598-3153
Vi at Lakeside Village	Lantana, FL	(561) 966-4600
TidePointe, a Vi Community (fee for service)	Hilton Head Island, SC	(843) 341-7200
Vi at Grayhawk, a Vi and Plaza Companies Company	Scottsdale, AZ	(480) 659-5100
Vi at Aventura	Aventura, FL	(305) 692-4700
Vi at the Glen	Glenview, IL	(847) 904-4600
Vi at Highlands Ranch	Highlands Ranch, CO	(720) 747-1234
Vi at Silverstone	Scottsdale, AZ	(480) 476-6100

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
None		

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)
None		

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
None		

No listed facility is life care as defined in California

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

PROVIDER NAME: CC-Palo Alto, Inc.

	2021	2022	2023	2024
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$49,608,447	$54,758,809	$57,854,439	60,147,652
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$48,465,365	$50,645,458	$53,345,324	55,675,010
NET INCOME FROM OPERATIONS	$1,143,082	$4,113,351	$4,509,115	4,472,642
LESS INTEREST EXPENSE	$0	$0	$0	$0
PLUS CONTRIBUTIONS	$0	$0	$0	$0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	($8,810,084)	$(8,449,893)	$(8,896,330)	$(9,668,050)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	($7,667,002)	$(4,336,542)	$(4,477,215)	$(5,195,408)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$47,285,682	$27,591,350	$38,899,357	$61,330,062

* *

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

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

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2017 CCAC Medians 50th Percentile *(optional)*	2022	2023	2024
DEBT TO ASSET RATIO		0	0	0
OPERATING RATIO		.92	.92	.93
DEBT SERVICE COVERAGE RATIO		0	0	0
DAYS CASH ON HAND RATIO		178.07	190.19	220.55

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2021	%	2022	%	2023	%	2024	%
STUDIO	N/A		N/A		N/A		N/A	
ONE BEDROOM	$6,047	4.9	$6,224	3.0	$6,570	5.5	$6,931	5.5
TWO BEDROOM	$8,436	4.9	$8,695	3.0	$9,176	5.5	$9,676	5.5
COTTAGE/HOUSE	N/A		N/A		N/A		N/A	
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

* *

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

PROVIDER NAME: CC-Palo Alto, Inc

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

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

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.

2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.

3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.

4. Check *each* of the appropriate boxes.

5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

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

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

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

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

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1.	Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	6,085-13,796	6,020-21,804	6,691-15,420	6,691-21,596
2.	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	5.50%	5.50%	5.50%	5.50%

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

3. Indicate the date the fee increase was implemented: 1/1/2024
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

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

☑ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
Date of Notice: 12/1/2023 **Method of Notice:** Letter

☑ At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 11/21/2023

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

☑ The Provider distributed the documents to all residents by [Optional - check all that apply]:

- ☐ Emailed the documents to those residents for whom the provider had email addresses on file
- ☐ Placed hard copies in resident cubby
- ☑ Placed hard copies at designated locations
- ☑ Provided hard copies to residents upon request, and/or
- ☐ Other: [please describe] ________________
- ☐ **Date of Notice:** ________________

☐ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
Date of Notice: 11/2/2023

☐ The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.
Date of Posting: 11/2/2023 **Location of Posting:** Bulletin boards, mailroom, outside of library

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

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

PROVIDER: CC-Palo Alto, Inc. **COMMUNITY:** Vi at Palo Alto

FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING YEAR - FY 2024

Line	Fiscal Years	2022	2023	2024
1	FY 2022 Operating Expenses (Note 1)	(53,604,523)		
2	FY 2023 Operating Expenses (Note 1)		(56,956,504)	
3	FY 2024 Projected Operating Expenses (Note 1)			(60,583,894)
4	FY 2024 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			57,969,585
5	Projected FY 2024 Net Operating Results without an MCFI (Line 3 plus Line 4)			(2,614,309)
6	Projected FY 2024 MCF Revenue Based on Current and Projected Occupancy and Other with a MCFI of 5.5%			60,584,169
7	Grand Total - Projected FY 2024 Net Operating Activity after 5.5% MCFI (Line 3 plus Line 6)			275

Monthly Care Fee Increase - 5.5%

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

	2022	2023	2024
Total Expenses	72,428,151	73,453,409	76,526,274
Less - depreciation and amortization	(13,042,436)	(11,121,755)	(9,401,178)
Less - expenses specifically excluded from MCFI considerations (Note 2)	(8,587,266)	(8,765,905)	(9,902,643)
Add - funding of capital reserves	2,806,074	3,390,755	3,361,441
Total Operating Expenses above	**53,604,523**	**56,956,504**	**60,583,894**

Note 2:

Participating rent payments and certain other administrative costs are not considered in determining the monthly fee increase whereby they are excluded here.

Form 7-1 Supplement to Narrative Explanations

		2023 Actual	2024 Budget	Dollar Change	Percent Change
Salaries and Wages		21,793,261	23,033,262	(1,240,001)	-5.7%
Employee Benefits		4,976,234	5,889,008	(912,773)	-18.3%
Food Cost		2,642,413	2,636,392	6,021	0.2%
Resident Care (non-salary)		2,095,370	2,008,281	87,089	4.2%
Maintenance		1,472,603	1,602,936	(130,333)	-8.9%
Other Functional Expenses		2,258,767	2,596,812	(338,045)	-15.0%
Utilities		2,698,145	2,859,054	(160,910)	-6.0%
Sales & Marketing		200,070	234,863	(34,792)	-17.4%
Administration		1,143,979	1,250,770	(106,791)	-9.3%
Insurance		2,280,117	2,855,107	(574,990)	-25.2%
Property Taxes		5,476,465	5,571,671	(95,206)	-1.7%
Lease Expense		1,837,564	1,837,564	0	0.0%
Management Fees		4,690,760	4,846,734	(155,973)	-3.3%
Total Expenses	A	53,565,749	57,222,453	(3,656,704)	-6.8%
Net Operating Income	B	5,073,193	3,361,716	(1,711,477)	
Funding of Capital Replacement Reserve	C	(3,390,755)	(3,361,441)	29,314	0.9%
Total Cash Flow		1,682,438	275	(1,682,163)	
Total Expenses	A	53,565,749	57,222,453	(3,656,704)	-6.8%
Funding of Capital Replacement Reserve	C	3,390,755	3,361,441	29,314	0.9%
Total Expenses for Monthly Fee Consideration		**56,956,504**	**60,583,894**	**(3,686,019)**	**-6.5%**

CC – Palo Alto, Inc.

Form 7-1 Explanation for Increase in Monthly Service Fees

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

IL 5.5%

AL 5.5%

SNF 5.5%

PART 9

CC-Palo Alto, Inc. does not offer a refundable contract or assume responsibility for any outstanding refundable contracts. Accordingly, CC-Palo Alto, Inc. is not required to maintain a refund reserve in trust for the residents in the manner required by Health and Safety Code (H&SC) section 1792.6.