ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2021

PROVIDER(S):	
CC La Jolla, Inc. and CCW La Jolla, LLC	
CCRC(S):	
Vi at La Jolla Village	
PROVIDER CONTACT PERSON:	
Tara Cope	
TELEPHONE NUMBER:	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: $39,252.28
  - ☐ If applicable, late fee in the amount of: $________________
- ☑ Certification by the provider's ***Chief Executive Officer*** that:
  - ☑ The reports are correct to the best of his/her knowledge.
  - ☑ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ☑ The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- ☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- ☑ "Continuing Care Retirement Community Disclosure Statement" for ***each*** community.
- ☑ Form 7-1, "Report on CCRC Monthly Service Fees" for ***each*** community.
- ☑ Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- ☑ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	550
[2]	Number at end of fiscal year	550
[3]	Total Lines 1 and 2	1,100
		x.50
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	
[5]	Mean number of continuing care residents	550
	All Residents	
[6]	Number at beginning of fiscal year	556
[7]	Number at end of fiscal year	561
[8]	Total Lines 6 and 7	1,117
		x.50
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	
[10]	Mean number of *all* residents	559
[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).	98

FORM 1-2: ANNUAL PROVIDER FEE

Line		TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	52,205,343.00
[a]	Depreciation	12,347,216.00
[b]	Debt Service (Interest Only)	0.00
[2]	Subtotal (add Line 1a and 1b)	12,347,216.00
[3]	Subtract Line 2 from Line 1 and enter result.	39,858,127.00
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	98.48
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	39,252,283.00
[6]	**Total Amount Due** (multiply Line 5 by .001)	$ 39,252.28

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

COMMUNITY: Vi at La Jolla Village

California Department of Social Services

Application for Certificate of Authority

CERTIFICATION

The undersigned certifies that the Annual Report for the fiscal year ended 12/31/2021 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: March 29, 2022

CCW La Jolla, L.L.C., a Delaware limited liability company
By: CC-La Jolla, Inc., a Delaware corporation
Its: Managing Member

By: Randal J. Richardson
Randal J. Richardson, President

CC-La Jolla, Inc., a Delaware corporation

By: Randal J. Richardson
Randal J. Richardson, President

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 03/02/2022

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

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

PRODUCER MARSH USA INC. 540 W. MADISON CHICAGO, IL 60661 CN102041886-BERMU-GAUP-21-	CONTACT NAME: PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL ADDRESS:
INSURED CCW La Jolla, L.L.C. 8515 Costa Verde Drive San Diego, CA 92122	

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

COVERAGES **CERTIFICATE NUMBER:** CHI-009948246-06 **REVISION NUMBER:** 1

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY			42-PSC-306898-04	12/31/2021	12/31/2022	EACH OCCURRENCE	$ 1,000,000
	X CLAIMS-MADE ☐ OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
	X Ded: $100,000 per occurrence						MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$ 3,000,000
	☐ POLICY ☐ PRO-JECT X LOC						PRODUCTS - COMP/OP AGG	$ 3,000,000
	OTHER:						POLICY LIMIT	$ 10,000,000
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident)	$
	☐ ANY AUTO						BODILY INJURY (Per person)	$
	☐ OWNED AUTOS ONLY ☐ SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	☐ HIRED AUTOS ONLY ☐ NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	$
								$
A	X UMBRELLA LIAB ☐ OCCUR			42-USC-306899-04	12/31/2021	12/31/2022	EACH OCCURRENCE	$ 5,000,000
	EXCESS LIAB X CLAIMS-MADE						AGGREGATE	$ 5,000,000
	DED X RETENTION $ 100,000							$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (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-306898-04	12/30/2021	12/30/2022	Limits Deductible (Per Claim)	See Attached 100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Re: Vi at LaJolla Village, Tower 2, 8515 Costa Verde Drive, San Diego, CA 92122

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

AGENCY CUSTOMER ID: CN102041886
LOC #: Chicago

ADDITIONAL REMARKS SCHEDULE

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

ADDITIONAL REMARKS

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

PROFESSIONAL LIABILITY LIMITS
Each Claim: $1,000,000
Each Location Aggregate: $3,000,000
Deductible: $100,000 Per Claim
Policy Limit: $10,000,000

Excess Professional Liability
Carrier: National Fire & Marine Insurance Company
Policy No.: 42-USC-306899-04
Effective Date: 12/31/21
Expiration Date: 12/31/2022
Each Claim Limit: $5,000,000
Aggregate Limit: $5,000,000
Retention: $100,000

Excess Liability ($10M xs $5M)
Carrier: Admiral Insurance Company
Policy No.: 257AL21A1069AR
Effective Date: 12/31/21
Expiration Date: 12/31/2022
Each Claim Limit: $10,000,000
Aggregate Limit: $10,000,000

Excess Liability ($9M xs $15M)
Carrier: Allied World Assurance Company, Ltd.
Policy No.: C058848/003
Effective Date: 12/31/21
Expiration Date: 12/31/2022
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.

ACORD® EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY): 01/04/2022

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

PRODUCER NAME, CONTACT PERSON AND ADDRESS:
*Marsh USA, Inc.
540 W. Madison
Chicago, IL 60661

CN102041886--PROP1-21-22

PHONE (A/C, No, Ext): 312-627-6000

FAX (A/C, No): 212-948-0770

E-MAIL ADDRESS: Chicago.Certrequest@Marsh.com

CODE:

SUB CODE:

AGENCY CUSTOMER ID #:

COMPANY NAME AND ADDRESS: See Attached Schedule of Insurers

NAIC NO:

IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH

POLICY TYPE:

NAMED INSURED AND ADDRESS:
CCW La Jolla, L.L.C.
8515 Costa Verde Drive
San Diego, CA 92122

LOAN NUMBER:

POLICY NUMBER: SEE ATTACHED

EFFECTIVE DATE: 12/31/2021

EXPIRATION DATE: 12/31/2022

☐ CONTINUED UNTIL TERMINATED IF CHECKED

ADDITIONAL NAMED INSURED(S):

THIS REPLACES PRIOR EVIDENCE DATED:

PROPERTY INFORMATION (ACORD 101 may be attached if more space is required) ☒ BUILDING OR ☒ BUSINESS PERSONAL PROPERTY

LOCATION / DESCRIPTION
Re: Vi at La Jolla Village; 8515 Costa Verde Drive; San Diego, CA 92122

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 EVIDENCE OF PROPERTY INSURANCE 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.

COVERAGE INFORMATION

PERILS INSURED: ☐ BASIC ☐ BROAD ☒ SPECIAL 0

COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: $ 350,000,000 DED: 100,000

	YES	NO	N/A	
☒ BUSINESS INCOME ☒ RENTAL VALUE	X			If YES, LIMIT: 350,000,000 ☐ Actual Loss Sustained; # of months:
BLANKET COVERAGE	X			If YES, indicate value(s) reported on property identified above: $
TERRORISM COVERAGE	X			Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?	X			
IS DOMESTIC TERRORISM EXCLUDED?		X		
LIMITED FUNGUS COVERAGE	X			If YES, LIMIT: 5,000,000 DED:
FUNGUS EXCLUSION (If "YES", specify organization's form used)	X			
REPLACEMENT COST	X			
AGREED VALUE	X			
COINSURANCE		X		If YES, %
EQUIPMENT BREAKDOWN (If Applicable)	X			If YES, LIMIT: 100,000,000 DED:
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	X			If YES, LIMIT: INCLUDED DED:
- Demolition Costs	X			If YES, LIMIT: 100,000,000 DED:
- Incr. Cost of Construction	X			If YES, LIMIT: INCLUDED DED:
EARTH MOVEMENT (If Applicable)	X			If YES, LIMIT: VARIOUS DED: See Attached
FLOOD (If Applicable)	X			If YES, LIMIT: VARIOUS DED: See Attached
WIND / HAIL INCL ☒ YES ☐ NO Subject to Different Provisions:		X		If YES, LIMIT: DED:
NAMED STORM INCL ☒ YES ☐ NO Subject to Different Provisions:	X			If YES, LIMIT: 80,000,000 DED: See Attached
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS	X			

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.

ADDITIONAL INTEREST

CHI-009974841-06

☐ CONTRACT OF SALE ☐ LENDER'S LOSS PAYABLE ☐ LOSS PAYEE
☐ MORTGAGEE

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

LENDER SERVICING AGENT NAME AND ADDRESS:

AUTHORIZED REPRESENTATIVE: Marsh USA Inc.

Insured: CC-Development Group, Inc.

Policy Period: 12/31/21 – 12/31/22

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

ALL-RISK			
$25,000,000 Excess Deductible	Policy Number	Participation (%)	Participation ($)
Allied World Assurance Company Ltd	P006392/015	15.00%	$3,750,000
Velocity - Certain Underwriters at Lloyd's, London	VRN-CN-0000681-05 / VNB-CN-0000681-05	7.20%	$1,800,000
Velocity - Independent Specialty Insurance Company	VUX-CN-0000681-05	6.00%	$1,500,000
Velocity - Interstate Fire & Casualty Company	VRX-CN-0000681-05	1.80%	$450,000
Starr Surplus Lines Insurance Company	SLSTPTY11556921	5.00%	$1,250,000
Illinois Union Insurance Company	D39075532 001	10.00%	$2,500,000
Lloyds of London	B0509BOWPN2151811	35.00%	$8,750,000
Ironshore Specialty Insurance Company	1000370378-03	5.00%	$1,250,000
$80,000,000 Excess Deductible	Policy Number	Participation (%)	Participation ($)
Argo Re Ltd.	P152113	5.00%	$4,000,000
Lexington Insurance Company	034250013	10.00%	$8,000,000
$55,000,000 Excess $25,000,000	Policy Number	Participation (%)	Participation ($)
Alcor - Lloyds of London Syndicate 4242	21ALC510410A	5.00%	$2,750,000
Lloyds of London	B0509BOWPN2151811	9.00%	$4,950,000
SRU - Crum & Forster Specialty Insurance Company	SRS-100853	3.00%	$1,650,000
SRU - Western World Insurance Company	SCC0000891	4.88%	$2,681,250
SRU - Palomar Excess and Surplus Insurance Company	PSC00046-01	4.88%	$2,681,250
SRU - Starstone Specialty Insurance Company	CSRU-300294-01	2.25%	$1,237,500
North American Elite Insurance Company	NAP 0452576 08	16.00%	$8,800,000
Arch Specialty Insurance Company	ESP1010377-00	9.00%	$4,950,000
Hamilton Re Ltd.	PX21-4695-01	9.00%	$4,950,000
Oil Casualty Insurance Company Ltd.	P-102279-1221	4.50%	$2,475,000
Hallmark Specialty Insurance Company	73-PX-000675390-00	5.00%	$2,750,000
Ironshore Specialty Insurance Company	1000370405-03	12.50%	$6,875,000
$270,000,000 Excess $80,000,000	Policy Number	Participation (%)	Participation ($)
Chubb Bermuda Insurance Ltd	CCDEVEL002217P	100.00%	$270,000,000
TERRORISM			
$80,000,000 Excess Deductible	Policy Number	Participation (%)	Participation ($)
Lloyds of London	BOWTN2150800	100.00%	$80,000,000

Insured: CC-Development Group, Inc.

Policy Period: 12/31/21 – 12/31/22

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

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

Special Deductibles

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

KPMG

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Financial Statements and Supplementary Schedules

December 31, 2021 and 2020

(With Independent Auditors’ Report Thereon)

CC-LA JOLLA, INC. AND SUBSIDIARY

Table of Contents

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

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of CC-La Jolla, Inc. and subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in stockholder's deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

KPMG LLP

Chicago, Illinois
April 28, 2022

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2021 and 2020

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	8,033,582	3,777,627
Current portion of assets limited as to use		504,545	477,328
Resident accounts receivable		305,038	251,297
Prepaids and other		232,135	209,232
Total current assets		9,075,300	4,715,484
Assets limited as to use, net of amounts required for current liabilities		3,644,045	3,682,620
Property and equipment:			
Land		8,288,908	8,288,908
Building and improvements		210,455,458	209,535,172
Furniture, fixtures, and equipment		59,078,864	54,840,629
Construction in progress		3,510,284	2,015,067
		281,333,514	274,679,776
Less accumulated depreciation		176,527,945	164,779,147
Property and equipment, net		104,805,569	109,900,629
Long-term accounts receivable – master trust		9,322,519	10,472,027
Deferred tax asset		12,574,236	12,774,452
Goodwill		5,385,751	5,984,168
Total assets	$	144,807,420	147,529,380
Liabilities and Stockholder's Deficit			
Current liabilities:			
Accounts payable	$	1,595,543	1,129,381
Accrued expenses		2,912,062	3,517,833
Due to affiliates		904,903	916,048
Prepaid resident service revenue		176,686	230,697
Resident deposits		504,545	477,328
Current portion of repayable entrance fees		5,386,323	4,179,235
Total current liabilities		11,480,062	10,450,522
Repayable entrance fees		93,011,499	87,724,980
Deferred revenue from nonrepayable entrance fees		81,269,621	76,437,773
Master trust loan		11,485,573	12,938,827
Due to affiliate		—	994,303
Total liabilities		197,246,755	188,546,405
Stockholder's deficit:			
Common stock, no par value, $10 assigned value. Authorized, issued, and outstanding, 100 shares		1,000	1,000
Additional paid-in capital		51,008,538	60,014,235
Accumulated deficit		(103,448,873)	(101,032,260)
Total stockholder's deficit		(52,439,335)	(41,017,025)
Total liabilities and stockholder's deficit	$	144,807,420	147,529,380

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years ended December 31, 2021 and 2020

		2021	2020
Revenue:			
Net resident service revenue	$	38,337,321	37,438,142
Amortization of entrance fees		10,759,733	10,224,701
Investment income		753	38,178
Other income		66,133	57,342
Provider relief fund grant revenue		824,627	1,354,631
Total revenue		49,988,567	49,112,994
Expenses:			
Culinary and dining		6,645,199	6,506,017
Housekeeping and laundry		2,545,038	2,430,521
Resident services		3,241,074	3,030,906
Resident care		7,516,183	6,565,948
Repairs and maintenance		2,530,310	2,441,443
Sales and marketing		1,773,046	1,501,533
Administration		4,691,762	4,556,278
Utilities		2,672,223	2,502,692
Insurance		1,803,355	2,081,697
Total departmental expenses		33,418,190	31,617,035
Management fees		2,300,702	2,244,600
Property taxes		2,633,097	2,764,218
Provision for doubtful accounts		66,483	193,829
Other expense		573,337	471,960
Expenses attributable to coronavirus		866,318	1,822,571
Depreciation and amortization		12,347,216	12,278,551
Total expenses		52,205,343	51,392,764
Loss before income taxes		(2,216,776)	(2,279,770)
Income tax benefit		575,337	635,938
Net loss	$	(1,641,439)	(1,643,832)

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholder's Deficit

Years ended December 31, 2021 and 2020

	Common stock		Additional		Total
	Number	Assigned value	paid-in capital	Accumulated deficit	stockholder's deficit
Balance at December 31, 2019	100	$ 1,000	62,314,235	(99,388,428)	(37,073,193)
Distributions to Parent	—	—	(2,300,000)	—	(2,300,000)
Net loss	—	—	—	(1,643,832)	(1,643,832)
Balance at December 31, 2020	100	1,000	60,014,235	(101,032,260)	(41,017,025)
Distributions to Parent	—	—	(9,005,697)	—	(9,005,697)
Tax adjustment	—	—	—	(775,174)	(775,174)
Net loss	—	—	—	(1,641,439)	(1,641,439)
Balance at December 31, 2021	100	$ 1,000	51,008,538	(103,448,873)	(52,439,335)

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Cash received from residents with continuing care contracts	$	34,026,745	33,622,075
Cash received from residents without continuing care contracts		4,150,737	3,916,007
Cash received from provider relief fund grant		824,627	1,354,631
Proceeds from nonrepayable entrance fees		17,765,860	6,725,584
Interest received		4,358	42,367
Cash paid to suppliers and employees		(35,831,123)	(32,218,755)
Cash paid for management fees		(2,300,702)	(2,244,600)
Cash paid for real estate taxes		(2,633,097)	(2,764,218)
Cash paid for income taxes		(194,303)	—
Net cash provided by operating activities		15,813,102	8,433,091
Cash flows from investing activities:			
Additions to property and equipment		(6,653,739)	(4,146,105)
Net change in resident deposits		27,217	(101,534)
Net change in assets limited as to use		500,695	2,248,711
Net cash used in investing activities		(6,125,827)	(1,998,928)
Cash flows from financing activities:			
Distributions to Parent		(9,005,697)	(2,300,000)
Proceeds from repayable entrance fees		15,194,104	3,632,038
Repayments of repayable entrance fees		(10,809,008)	(10,005,593)
Repayments to master trust loan		(317,777)	(86,823)
Net cash used in financing activities		(4,938,378)	(8,760,378)
Net change in cash, cash equivalents, and restricted cash		4,748,897	(2,326,215)
Cash, cash equivalents, and restricted cash at beginning of year		7,433,275	9,759,490
Cash, cash equivalents, and restricted cash at end of year	$	12,182,172	7,433,275
Reconciliation of net loss to net cash provided by operating activities:			
Net loss	$	(1,641,439)	(1,643,832)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		17,765,860	6,725,584
Depreciation and amortization		12,347,216	12,278,551
Amortization of entrance fees		(10,759,733)	(10,224,701)
Provision for doubtful accounts		66,483	193,829
Net realized and change in unrealized losses on assets limited as to use		3,605	4,189
Utilization of repayable entrance fees in lieu of monthly fees		(51,737)	—
Tax adjustment		(775,174)	—
Changes in assets and liabilities:			
Accounts receivable		(120,224)	53,587
Prepaids and other		(22,903)	(1,470)
Accounts payable		466,162	(401,392)
Accrued expenses		(605,771)	1,356,901
Due to affiliates		(1,005,448)	933,076
Prepaid resident service revenue		(54,011)	(10,989)
Deferred tax asset		200,216	(830,242)
Net cash provided by operating activities	$	15,813,102	8,433,091

See accompanying notes to consolidated financial statements.

(1) Purpose and Organization

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

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

All intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash, Cash Equivalents, and Restricted Cash

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

		2021	2020
Cash and cash equivalents	$	8,033,582	3,777,627
Assets limited as to use:			
Cash		981,765	993,878
Money markets and certificates of deposit		3,166,825	2,661,770
Total cash, cash equivalents, and restricted cash reported in the statements of cash flows	$	12,182,172	7,433,275

(c) Fair Value Measurements

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

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

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 set aside by the Company for capital improvements, assets set aside to satisfy state operating reserve requirements, and assets held for entrance fee repayments. Restricted resident deposits represent good faith deposits. Good faith deposits are received by the Company from prospective residents who are interested in occupying one of the community units. Good faith deposits do not earn interest on behalf of the prospective residents. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, which may be used at the discretion of the Company. Assets limited as to use by state for operations represent funds designated by the Company to satisfy state operating reserve requirements. Assets held for entrance fee repayments represent funds designated to establish certain entrance fee repayment reserves. The amounts held for entrance fee repayments relate to certain residency agreements entered into from June 1, 2012 through December 31, 2016. The total reserve amount of $1,590,733 comprises cash and cash equivalents of $477,220 and real estate of the community of $1,113,513. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets ranging from 4 to 40 years. Construction in progress at December 31, 2021 relates to costs associated with renovations that will be placed in service during 2022. As of December 31, 2021, the Company was committed under the terms of construction contracts to complete the renovations at a remaining aggregate cost of approximately $777,000.

(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 the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2021 or 2020.

(g) Long-Term Accounts Receivable – Master Trust

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

(h) Goodwill

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

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

Goodwill is stated at cost less accumulated impairment losses. For 2020, the Company completed its goodwill impairment test in the month of December. A qualitative impairment analysis was performed in December 2020 to assess whether it is more likely than not that the fair value of the Company's reporting unit is less than its carrying value. The Company assessed relevant events and circumstances including macroeconomic conditions, industry and market considerations, overall financial performance, and entity-specific events. The Company determined that there was no goodwill impairment in 2021 and 2020.

(i) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at both December 31, 2021 and 2020, and accordingly, no future service obligation has been recognized in the accompanying consolidated balance sheets.

(j) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one-time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee and then earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, 20%, or 18%, dependent on the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 5). Beginning August 1, 2005, entrance fees were remitted directly to the Company. The Company has recorded the repayable portion of the entrance fees (remitted directly to the Company) separately from the nonrepayable portion within the accompanying consolidated balance sheets. If all contracts terminated on December 31, 2021, the repayable portion of the entrance fees due to all residents approximates $115,934,000, of which $113,771,000 relates to residents who remitted their entrance fees directly to the Company and $2,163,000 relates to residents who remitted their entrance fees to the Master Trust.

(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, 2021 and 2020 related to uncertain tax positions.

(l) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. Topic 842 requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations. The Company adopted Topic 842 effective January 1, 2022 and estimates a ROU asset increase by approximately $190,000 to $200,000 and a corresponding leasing obligation of the same amount as part of the adoption.

(m) 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, 2021 through April 28, 2022, the date the consolidated financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

(3) Net Resident Service Revenue

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

(a) Daily or Monthly Fee Revenue

Under the Company's residency agreements, which are continuing care contracts, the Company provides senior living services to residents for a stated monthly fee. The Company recognizes revenue for skilled nursing residency, assistance with activities of daily living, memory care services, inpatient therapy, healthcare, and personalized health services in accordance with the provisions of Topic 606. 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:

		2021	2020
Independent living revenue	$	28,488,667	28,756,284
Care center revenue:			
Revenue under continuing care residency agreements		5,151,608	4,275,762
Revenue from private payors		1,181,758	1,272,011
Revenue under Medicare and third-party arrangements		2,937,716	2,619,900
Other service revenue		577,572	514,185
Net resident service revenue	$	38,337,321	37,438,142
Amortization of entrance fee revenue	$	10,759,733	10,224,701
Other income		66,133	57,342
Provider relief fund grant revenue (note 10)		824,627	1,354,631

(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 $81,446,307 and $76,668,470, including $176,686 and $230,697 of resident monthly fees billed and received in advance, as of December 31, 2021 and 2020, respectively. For the year ended December 31, 2021, the Company recognized $10,305,008 of revenue that was included in the deferred revenue balance as of January 1, 2021. The Company applies the practical expedient in ASC Paragraph 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

(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, 2021 and 2020 is as follows:

	2021	2020
Medicare	53 %	36 %
Self-pay and commercial insurance	47	64
	100 %	100 %

(5) Assets Limited as to Use

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, 2021 and 2020 is as follows:

	2021	2020
Money markets, certificates of deposit, and cash	$ 4,148,590	3,655,648
Corporate bonds and notes	—	504,300
	$ 4,148,590	4,159,948

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

	2021	2020
Current portion of assets limited as to use – resident deposits	$ 504,545	477,328
Assets limited as to use – by state for operations	$ 3,166,825	3,166,073
Assets limited as to use – by Company for entrance fee repayments	477,220	516,547
Assets limited as to use, net of amounts required for current liabilities	$ 3,644,045	3,682,620

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

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

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, 2020. 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	$	993,878	993,878	—	—
Money markets		2,661,770	2,661,770	—	—
Corporate bonds and notes		504,300	—	504,300	—
Total	$	4,159,948	3,655,648	504,300	—

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2021 and 2020 is as follows:

		2021	2020
Interest and dividend income	$	4,358	42,367
Net realized and change in unrealized gains and losses during the holding period		(3,605)	(4,189)
	$	753	38,178

(6) Master Trust Agreement

Through July 31, 2005, upon entrance into a residency agreement, residents also entered into a Master Trust Agreement with an independent trustee. Upon execution of the agreements, resident deposits were due to the trustee. The trustee entered into a loan agreement with the Company dated June 29, 2000. The terms of the loan agreement allow the Company to borrow up to $100,000,000 on a demand basis evidenced by a promissory note in the amount of $100,000,000. The loan bears no interest and becomes due and payable on June 29, 2050. The promissory note is secured by a deed of trust covering the real property of the Company.

Once entrance fees were deposited with the trustee of the Master Trust and then loaned to the Company, the funds were used primarily for original acquisition indebtedness, capital acquisitions, operating deficits, and cash distributions to members. Repayments to residents are paid directly out of the trust. In the event the trust has no liquid assets to make repayments, the Company is obligated to fund the trust. As the trust had no liquid assets, the Company funded the trust in order for the trustee to make repayments of $317,777 and $86,823 during the years ended December 31, 2021 and 2020, respectively. The source of the repayments is provided by new resident entrance fee proceeds.

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

(7) Transactions with Related Parties

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of La Jolla, whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue, excluding certain items, as defined in the management agreement. The Company incurred management fee expense of $2,300,702 and $2,244,600 for the years ended December 31, 2021 and 2020, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to the third parties on behalf of the Company. Reimbursement to Classic for such advances amounted to $7,376,232 and $6,316,165 for the years ended December 31, 2021 and 2020, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $904,903 and $916,048 at December 31, 2021 and 2020, respectively, and are reported as due to affiliates in the accompanying consolidated balance sheets.

(8) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2021 and 2020, the Company recorded matching contribution expense of $423,343 and $378,106, 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 that follows the provisions of ASC Topic 740 and provides that, among other things, the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the consolidated federal income tax return of the Parent. The tax sharing agreement also provides that the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the various combined state income tax returns of the Parent and its subsidiaries. The Company is required to pay the Parent for any tax liability that may arise from its operations, computed on a separate return basis. For the year ended December 31, 2021, the Company sustained losses for federal and state income tax purposes. Accordingly, the current tax benefit attributable to the Company in the Parent Company's income tax returns has been eliminated through an adjustment to shareholder's deficit.

The income tax benefit for the years ended December 31, 2021 and 2020 comprises the following:

		2021	2020
Current:			
U.S. federal	$	(571,283)	132,923
State		(204,270)	61,381
Total current		(775,553)	194,304
Deferred:			
U.S. federal		150,250	(623,046)
State		49,966	(207,196)
Total deferred		200,216	(830,242)
Income tax benefit	$	(575,337)	(635,938)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020 are as follows:

		2021	2020
Deferred tax assets:			
Accrued expenses and other	$	561,480	858,740
Deferred revenue from nonrepayable entrance fees		16,947,045	16,666,119
Total net deferred tax assets		17,508,525	17,524,859
Deferred tax liabilities:			
Depreciation		(3,427,162)	(3,075,821)
Amortization of goodwill		(1,507,127)	(1,674,586)
Total deferred tax liabilities		(4,934,289)	(4,750,407)
Net deferred tax assets	$	12,574,236	12,774,452

As of December 31, 2021 or 2020, no valuation allowance was considered necessary as management believed that it was more likely than not that the results of future operations would generate sufficient taxable income to realize deferred tax assets.

Income tax benefit was $(575,337) and $(635,938) for the years ended December 31, 2021 and 2020, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% in 2021 and 2020 to pretax income from continuing operations as a result of the following:

		2021	2020
Computed “expected” tax benefit	$	(465,523)	(478,752)
Change in income taxes resulting from:			
State and local income taxes, net of federal income tax benefit		(111,408)	(158,705)
Other, net		1,594	1,519
Income tax benefit	$	(575,337)	(635,938)

(10) Commitments and Contingencies

(a) State Regulatory Requirements

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

(b) Federal Regulatory Compliance

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

(c) COVID-19 Pandemic and Federal Stimulus Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies have been implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home. During 2020, the Company began restricting visitors and has had to continually monitor local health authority requirements and assess health trends in considering easing and re-implementing these restrictions.

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

In March 2020, the Coronavirus Aid, Relief and Economic Securities Act (the CARES Act) was signed into law, providing temporary and limited relief to companies during the COVID-19 outbreak. During 2021 and 2020, the Company received $824,627 and $1,354,631, respectively, in general and targeted Provider Relief Fund distributions, as provided for under the CARES Act. Generally, these distributions from the Provider Relief Fund are not subject to repayment, provided the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for allowable expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results through December 31, 2021 and 2020, the Company recognized the full distributions.

The Company will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on its revenues and expenses. If the Company is unable to attest to or comply with current or future terms and conditions, the ability to retain some or all of the distributions received may be impacted.

The CARES Act also provides for a deferral of payments of the employer portion of social security payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half until December 2022. The Company has deferred payroll taxes of $334,123 at December 31, 2021 and $667,703 at December 31, 2020 and recorded the deferral as a component of accrued expenses in the accompanying consolidated balance sheets.

The Department of Health and Human Services provided and continues to clarify a Post-Payment Notice of Reporting Requirements for providers that received funding under the CARES Act. The notices provide guidance on expenses attributable to COVID-19 and “lost revenue.” The Company followed this guidance in determining the $866,318 and $1,822,571 of expenses attributable to coronavirus recorded in the accompanying 2021 and 2020 consolidated statements of operations, respectively.

(d) Class Action Complaint

On May 17, 2019, a Plaintiff filed a putative wage and hour class action complaint in the Superior Court of the State of California for the County of San Diego against Classic. The Plaintiff asserted that they fairly and adequately represented a putative class comprised all nonexempt Classic employees who have been or were then currently employed by Classic in the State of California since November 1, 2015. The Plaintiff’s claims alleged wage and hour violations under the California Labor Code and Industrial Welfare Commission Wage Order as well as allegedly engaging in unlawful and unfair business practices. Classic denies the allegations and maintains that all employees have been accurately paid for time worked; however, in an effort to mitigate potential costs and disruption associated with litigation, Classic negotiated a settlement with the class. On March 17, 2021, the Superior Court of the State of California granted a motion for conditional certification and preliminary approval of a class action settlement between Classic (on behalf of the Company and one of its affiliates) and the Settlement Class, as defined in the agreement. Included in general and administrative expense in the accompanying 2020 consolidated statement of operations is $500,000 related to the disposition of funds pursuant to the terms of the settlement. This amount was included in accrued expenses in the accompanying 2020 consolidated balance sheet and was paid during 2021.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-1

Long-Term Debt Incurred in a Prior Fiscal Year

(Including Balloon Debt)

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

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

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

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors’ report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-2

Long-Term Debt Incurred during Fiscal Year

(Including Balloon Debt)

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

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

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

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors’ report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-3

Calculation of Long-Term Debt Reserve Amount

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)		—
4	Total amount required for long-term debt reserve	$	—

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-4

Calculation of Net Operating Expenses

Line		Amount	Total
1	Total operating expenses from financial statements		$ 52,205,343
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	11,748,799	
	d Amortization	598,417	
	e Revenue received during fiscal year for services to residents who did not have a continuing care contract	4,150,737	
	f Extraordinary expenses approved by the Department	866,318	
3	Total deductions		17,364,271
4	Net operating expenses		34,841,072
5	Divide Line 4 by 365 and enter the result		95,455
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$ 7,159,125

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-5

Annual Reserve Certification

Provider Name: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.
Fiscal Year Ended: December 31, 2021

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2021 and are in compliance with those requirements.

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

			Amount
(1)	Debt service reserve amount	$	—
(2)	Operating expense reserve amount		7,159,125
(3)	Total liquid reserve amount	$	7,159,125

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

	Qualifying asset description		Amount (market value at end of quarter) Debt service reserve		Operating reserve
(4)	Cash and cash equivalents	$	—		8,033,582
(5)	Investment securities		—		3,166,825
(6)	Equity securities		—		—
(7)	Unused available lines of credit		—		—
(8)	Unused available letters of credit		—		—
(9)	Debt service reserve		—		—
(10)	Other (describe qualifying asset)		—		—
	Total amount of qualifying assets listed for liquid reserve	(11)	—	(12)	11,200,407
	Total amount required	(13)	—	(14)	7,159,125
	Surplus (deficiency)	(15) $	—	(16)	4,041,282

Signature:

Date 4/28/22

(Authorized representative)

(Title) CFO

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Financial Statements and Supplementary Schedules

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

CCW LA JOLLA, L.L.C.

Table of Contents

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

Independent Auditors' Report

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

Opinion

We have audited the financial statements of CCW La Jolla, L.L.C. (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, 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.

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 28, 2022

CCW LA JOLLA, L.L.C.

Balance Sheets

December 31, 2021 and 2020

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	8,033,582	3,777,627
Current portion of assets limited as to use		504,545	477,328
Resident accounts receivable		305,038	251,297
Prepaids and other		232,135	209,232
Total current assets		9,075,300	4,715,484
Assets limited as to use, net of amounts required for current liabilities		3,644,045	3,682,620
Property and equipment:			
Land		8,288,908	8,288,908
Building and improvements		210,455,458	209,535,172
Furniture, fixtures, and equipment		59,078,864	54,840,629
Construction in progress		3,510,284	2,015,067
		281,333,514	274,679,776
Less accumulated depreciation		176,527,945	164,779,147
Property and equipment, net		104,805,569	109,900,629
Long-term accounts receivable – master trust		9,322,519	10,472,027
Goodwill		5,385,751	5,984,168
Total assets	$	132,233,184	134,754,928
Liabilities and Members' Deficit			
Current liabilities:			
Accounts payable	$	1,595,543	1,129,381
Accrued expenses		2,912,062	3,517,832
Due to affiliates		905,281	916,048
Prepaid resident service revenue		176,686	230,697
Resident deposits		504,545	477,328
Current portion of repayable entrance fees		5,386,323	4,179,235
Total current liabilities		11,480,440	10,450,521
Repayable entrance fees		93,011,499	87,724,980
Deferred revenue from nonrepayable entrance fees		81,269,621	76,437,773
Master trust loan		11,485,573	12,938,827
Due to affiliate		—	800,000
Total liabilities		197,247,133	188,352,101
Members' deficit:			
Contributed capital		31,885,198	41,085,198
Accumulated deficit		(96,899,147)	(94,682,371)
Total members' deficit		(65,013,949)	(53,597,173)
Total liabilities and members' deficit	$	132,233,184	134,754,928

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Operations

Years ended December 31, 2021 and 2020

	2021	2020
Revenue:		
Net resident service revenue	$ 38,337,321	37,438,142
Amortization of entrance fees	10,759,733	10,224,701
Investment income	753	38,178
Other income	66,133	57,342
Provider relief fund grant revenue	824,627	1,354,631
Total revenue	49,988,567	49,112,994
Expenses:		
Culinary and dining	6,645,199	6,506,017
Housekeeping and laundry	2,545,038	2,430,521
Resident services	3,241,074	3,030,906
Resident care	7,516,183	6,565,948
Repairs and maintenance	2,530,310	2,441,443
Sales and marketing	1,773,046	1,501,533
Administration	4,691,762	4,556,278
Utilities	2,672,223	2,502,692
Insurance	1,803,355	2,081,697
Total departmental expenses	33,418,190	31,617,035
Management fees	2,300,702	2,244,600
Property taxes	2,633,097	2,764,218
Provision for doubtful accounts	66,483	193,829
Other expense	573,337	471,960
Expenses attributable to coronavirus	866,318	1,822,571
Depreciation and amortization	12,347,216	12,278,551
Total expenses	52,205,343	51,392,764
Net loss	$ (2,216,776)	(2,279,770)

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Changes in Members' Deficit

Years ended December 31, 2021 and 2020

		Contributed capital	Accumulated deficit	Total members' deficit
Balance at December 31, 2019	$	43,385,198	(92,402,601)	(49,017,403)
Distributions to member		(2,300,000)	—	(2,300,000)
Net loss		—	(2,279,770)	(2,279,770)
Balance at December 31, 2020		41,085,198	(94,682,371)	(53,597,173)
Distributions to member		(9,200,000)	—	(9,200,000)
Net loss		—	(2,216,776)	(2,216,776)
Balance at December 31, 2021	$	31,885,198	(96,899,147)	(65,013,949)

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from residents with continuing care contracts	$ 34,026,745	33,622,075
Cash received from residents without continuing care contracts	4,150,737	3,916,007
Cash received from provider relief fund grant	824,627	1,354,631
Proceeds from nonrepayable entrance fees	17,765,860	6,725,584
Interest received	4,358	42,367
Cash paid to suppliers and employees	(35,831,123)	(32,218,755)
Cash paid for management fees	(2,300,702)	(2,244,600)
Cash paid for real estate taxes	(2,633,097)	(2,764,218)
Net cash provided by operating activities	16,007,405	8,433,091
Cash flows from investing activities:		
Additions to property and equipment	(6,653,739)	(4,146,105)
Net change in resident deposits	27,217	(101,534)
Net change in assets limited as to use	500,695	2,248,711
Net cash used in investing activities	(6,125,827)	(1,998,928)
Cash flows from financing activities:		
Distributions to member	(9,200,000)	(2,300,000)
Proceeds from repayable entrance fees	15,194,104	3,632,038
Repayments of repayable entrance fees	(10,809,008)	(10,005,593)
Repayments to master trust	(317,777)	(86,823)
Net cash used in financing activities	(5,132,681)	(8,760,378)
Net change in cash, cash equivalents, and restricted cash	4,748,897	(2,326,215)
Cash, cash equivalents, and restricted cash at beginning of year	7,433,275	9,759,490
Cash, cash equivalents, and restricted cash at end of year	$ 12,182,172	7,433,275
Reconciliation of net income to net cash provided by operating activities:		
Net loss	$ (2,216,776)	(2,279,770)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Proceeds from nonrepayable entrance fees	17,765,860	6,725,584
Depreciation and amortization	12,347,216	12,278,551
Amortization of entrance fees	(10,759,733)	(10,224,701)
Net realized and change in unrealized losses on assets limited as to use	3,605	4,189
Utilization of repayable entrance fees in lieu of monthly fees	(51,737)	—
Provision for doubtful accounts	66,483	193,829
Changes in assets and liabilities:		
Accounts receivable	(120,224)	53,587
Prepaids and other	(22,903)	(1,470)
Accounts payable	466,162	(401,392)
Accrued expenses	(605,770)	1,356,900
Due to affiliates	(810,767)	738,773
Prepaid resident service revenue	(54,011)	(10,989)
Net cash provided by operating activities	$ 16,007,405	8,433,091

See accompanying notes to financial statements.

(1) Purpose and Organization

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

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash, Cash Equivalents, and Restricted Cash

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

		2021	2020
Cash and cash equivalents	$	8,033,582	3,777,627
Assets limited as to use:			
Cash		981,765	993,878
Money markets and certificates of deposit		3,166,825	2,661,770
Total cash, cash equivalents, and restricted cash reported in the statements of cash flows	$	12,182,172	7,433,275

(c) Fair Value Measurements

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

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

(Continued)

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

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

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

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

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

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

(d) Assets Limited as to Use

Assets limited as to use include restricted resident deposits, assets set aside by the Company for capital improvements, assets set aside to satisfy state operating reserve requirements, and assets held for entrance fee repayments. Restricted resident deposits represent good faith deposits. Good faith deposits are received by the Company from prospective residents who are interested in occupying one of the community units. Good faith deposits do not earn interest on behalf of the prospective residents. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, which may be used at the discretion of the Company. Assets limited as to use by state for operations represent funds designated by the Company to satisfy state operating reserve requirements. Assets held for entrance fee repayments represent funds designated to establish certain entrance fee repayment reserves. The amounts held for entrance fee repayments relate to certain residency agreements entered into from June 1, 2012 through December 31, 2016. The total reserve amount of $1,590,733 is comprised of cash and cash equivalents of $477,220 and real estate of the community of $1,113,513. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets ranging from 4 to 40 years. Construction in progress at December 31, 2021 relates to costs associated with renovations that will be placed in service during 2022. As of December 31, 2021, the Company was committed under the terms of construction contracts to complete the renovations at a remaining aggregate cost of approximately $777,000.

(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 the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value, less estimable costs to sell and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2021 or 2020.

(g) Long-Term Accounts Receivable – Master Trust

Long-term accounts receivable represent the earned portion of nonrepayable entrance fees due from residents pursuant to the Master Trust Agreement (note 5). Upon termination of resident contracts, such amounts are offset against amounts due under the Master Trust Agreement.

(h) Goodwill

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

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

Goodwill is stated at cost less accumulated impairment losses. For 2020, the Company completed its goodwill impairment test in the month of December. A qualitative impairment analysis was performed in December 2020 to assess whether it is more likely than not that the fair value of the Company's reporting unit is less than its carrying value. The Company assessed relevant events and circumstances including macroeconomic conditions, industry and market considerations, overall financial performance, and entity-specific events. The Company determined that there was no goodwill impairment in 2021 and 2020.

(i) 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

(Continued)

use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at both December 31, 2021 and 2020, and accordingly, no future service obligation has been recognized in the accompanying balance sheets.

(j) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee and then earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, 20%, or 18%, dependent on the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 5). Beginning August 1, 2005, entrance fees were remitted directly to the Company. The Company has recorded the repayable portion of the entrance fees (remitted directly to the Company) separately from the nonrepayable portion within the accompanying balance sheets. If all contracts terminated on December 31, 2021, the repayable portion of the entrance fees due to all residents approximates $115,934,000, of which $113,771,000 relates to residents who remitted their entrance fees directly to the Company and $2,163,000 relates to residents who remitted their entrance fees to the Master Trust.

(k) Income Taxes

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

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

(l) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. Topic 842 requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations. The Company adopted Topic 842 effective January 1, 2022 and estimates a ROU asset increase by approximately $190,000 to $200,000 and a corresponding leasing obligation of the same amount as part of the adoption.

(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 after the balance sheet date of December 31, 2021 through April 28, 2022, the date the financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

(3) Net Resident Service Revenue

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

(a) Daily or Monthly Fee Revenue

Under the Company's residency agreements, which are continuing care contracts, the Company provides senior living services to residents for a stated monthly fee. The Company recognizes revenue for skilled nursing residency, assistance with activities of daily living, memory care services, inpatient therapy, healthcare, and personalized health services in accordance with the provisions of ASC Topic 606. 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:

		2021	2020
Independent living revenue	$	28,488,667	28,756,284
Care center revenue:			
Revenue under Continuing Care residency agreements		5,151,608	4,275,762
Revenue from private payors		1,181,758	1,272,011
Revenue under Medicare and third-party arrangements		2,937,716	2,619,900
Other service revenue		577,572	514,185
Net resident service revenue	$	38,337,321	37,438,142
Amortization of entrance fee revenue	$	10,759,733	10,224,701
Other income		66,133	57,342
Provider relief fund grant revenue (note 9)		824,627	1,354,631

(d) Contract Balances

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

Resident fee revenue for standalone or certain healthcare services is generally billed monthly in arrears. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied. The Company had total deferred revenue (included within prepaid resident service revenue and deferred revenue from nonrepayable entrance fees within the balance sheets) of $81,446,307 and $76,668,470, including $176,686 and $230,697 of resident monthly fees billed and received in advance, as of December 31, 2021 and 2020, respectively. For the year ended December 31, 2021, the Company recognized $10,305,008 of revenue that was included in the deferred revenue balance as of January 1, 2021. The Company applies the practical expedient in ASC 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

(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, 2021 and 2020 is as follows:

	2021	2020
Medicare	53 %	36 %
Self-pay and commercial insurance	47	64
	100 %	100 %

(5) Assets Limited as to Use

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

A summary of the composition of the Company’s investment portfolio at December 31, 2021 and 2020 is as follows:

		2021	2020
Money markets, certificates of deposit, and cash	$	4,148,590	3,655,648
Corporate bonds and notes		—	504,300
	$	4,148,590	4,159,948

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

		2021	2020
Current portion of assets limited as to use – resident deposits	$	504,545	477,328
Assets limited as to use – by state for operations		3,166,825	3,166,073
Assets limited as to use – by Company for entrance fee repayments		477,220	516,547
Assets limited as to use, net of amounts required for current liabilities	$	3,644,045	3,682,620

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

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

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, 2020. 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	$ 993,878	993,878	—	—
Money markets	2,661,770	2,661,770	—	—
Corporate bonds and notes	504,300	—	504,300	—
Total	$ 4,159,948	3,655,648	504,300	—

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Interest and dividend income	$ 4,358	42,367
Net realized and change in unrealized gains and losses during the holding period	(3,605)	(4,189)
	$ 753	38,178

(6) Master Trust Agreement

Through July 31, 2005, upon entrance into a residency agreement, residents also entered into a Master Trust Agreement with an independent trustee. Upon execution of the agreements, resident deposits were due to the trustee. The trustee entered into a loan agreement with the Company dated June 29, 2000. The terms of the loan agreement allow the Company to borrow up to $100,000,000 on a demand basis evidenced by a promissory note in the amount of $100,000,000. The loan bears no interest and becomes due and payable on June 29, 2050. The promissory note is secured by a deed of trust covering the real property of the Company.

Once entrance fees were deposited with the trustee of the Master Trust and then loaned to the Company, the funds were used primarily for original acquisition indebtedness, capital acquisitions, operating deficits, and cash distributions to members. Repayments to residents are paid directly out of the trust. In the event the trust has no liquid assets to make repayments, the Company is obligated to fund the trust. As the trust had no liquid assets, the Company funded the trust in order for the trustee to make repayments of $317,777 and $86,823 during the years ended December 31, 2021 and 2020, respectively. The source of the repayments is provided by new resident entrance fee proceeds.

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

(7) Transactions with Related Parties

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of CC-La Jolla, Inc., whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue excluding certain items, as defined in the management agreement. The Company incurred management fee expense of $2,300,702 and $2,244,600 for the years ended December 31, 2021 and 2020, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to third parties and is reimbursed by the Company. Reimbursement to Classic for such advances amounted to $7,376,232 and $6,316,165 for the years ended December 31, 2021 and 2020, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $905,281 and $916,048 at December 31, 2021 and 2020, respectively, and are reported as due to affiliates in the accompanying balance sheets.

(8) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2021 and 2020, the Company recorded matching contribution expense of $423,343 and $378,106, respectively. Contributions are funded on a current basis.

(9) 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.

(c) COVID-19 Pandemic and Federal Stimulus Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies have been implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home. During 2020, the Company began restricting visitors and has had to continually monitor local health authority requirements and assess health trends in considering easing and reimplementing these restrictions.

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

In March 2020, the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) was signed into law, providing temporary and limited relief to companies during the COVID-19 outbreak. During 2021 and 2020, the Company received $824,627 and $1,354,631, respectively, in general and targeted Provider Relief Fund distributions, as provided for under the CARES Act. Generally, these distributions from the Provider Relief Fund are not subject to repayment, provided the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for allowable expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results through December 31, 2021 and 2020, the Company recognized the full distributions.

The Company will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on its revenues and expenses. If the Company is unable to attest to or comply with current or future terms and conditions, the ability to retain some or all of the distributions received may be impacted.

The CARES Act also provides for a deferral of payments of the employer portion of social security payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half until December 2022. The Company has deferred payroll taxes of $334,123 at December 31, 2021 and $667,703 at December 31, 2020 and recorded the deferral as a component of accrued expenses in the accompanying balance sheets, respectively.

The Department of Health and Human Services provided and continues to clarify a Post-Payment Notice of Reporting Requirements for providers that received funding under the CARES Act. The notices provide guidance on expenses attributable to COVID-19 and “lost revenue.” The Company followed this guidance in determining the $866,318 and $1,822,571 of expenses attributable to coronavirus recorded in the accompanying 2021 and 2020 statements of operations, respectively.

(d) Class Action Complaint

On May 17, 2019, a Plaintiff filed a putative wage and hour class action complaint in the Superior Court of the State of California for the County of San Diego against Classic. The Plaintiff asserted that she fairly and adequately represented a putative class composed of all non-exempt Classic employees who have been or were then currently employed by Classic in the State of California since November 1, 2015. The Plaintiff’s claims alleged wage and hour violations under the California Labor Code and Industrial Welfare Commission Wage Order as well as allegedly engaging in unlawful and unfair business practices. Classic denies the allegations and maintains that all employees have been accurately paid for time worked; however, in an effort to mitigate potential costs and disruption associated with litigation, Classic negotiated a settlement with the class. On March 17, 2021, the Superior Court of the State of California granted a motion for conditional certification and preliminary approval of a class action settlement between Classic (on behalf of the Company and one of its affiliates) and the Settlement Class, as defined in the agreement. Included in general and administrative expense in the accompanying 2020 statement of operations is $500,000 related to the disposition of funds pursuant to the terms of the settlement. This amount was included in accrued expenses in the accompanying 2020 balance sheet and was paid during 2021.

CCW LA JOLLA, L.L.C.

Form 5–1

Long-Term Debt Incurred in a Prior Fiscal Year

(Including Balloon Debt)

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

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

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

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5–2

Long-Term Debt Incurred during Fiscal Year

(Including Balloon Debt)

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

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

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

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors’ report.

CCW LA JOLLA, L.L.C.

Form 5–3

Calculation of Long-Term Debt Reserve Amount

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)		—
4	Total amount required for long-term debt reserve	$	—

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

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5–4

Calculation of Net Operating Expenses

Line		Amounts	Total
1	Total operating expenses from financial statements		$ 52,205,343
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	11,748,799	
	d Amortization	598,417	
	e Revenue received during fiscal year for services to residents who did not have a continuing care contract	4,150,737	
	f Extraordinary expenses approved by the Department	866,318	
3	Total deductions		17,364,271
4	Net operating expenses		34,841,072
5	Divide line 4 by 365 and enter the result		95,455
6	**Multiply line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$ 7,159,125

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

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5–5

Annual Reserve Certification

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

Fiscal Year Ended: December 31, 2021

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2021 and are in compliance with those requirements.

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

		Amount
(1) Debt service reserve amount	$	—
(2) Operating expense reserve amount		7,159,125
(3) Total liquid reserve amount	$	7,159,125

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 expense reserve
(4) Cash and cash equivalents		$	—		8,033,582
(5) Investment securities			—		3,166,825
(6) Equity securities			—		—
(7) Unused available lines of credit			—		—
(8) Unused available letters of credit			—		—
(9) Debt service reserve			—		—
(10) Other (describe qualifying asset)			—		—
Total amount of qualifying assets listed for liquid reserve	(11)		—	(12)	11,200,407
Total amount required	(13)		—	(14)	7,159,125
Surplus (deficiency)	(15)	$	—	(16)	4,041,282

Signature:

Date 4/28/22

(Authorized representative)

CFO

(Title)

See accompanying independent auditors' report.

CCW La Jolla, L.L.C.
Form 5-5 Supplemental Details on All Reserves

Reserves Classified as Cash and Cash Equivalents on Form 5-5:					
Financial Institution	**Account Type**	**Account Details**		**Amount**	
None	Cash	Petty Cash maintained on site	$	4,000	
Bank of America, N.A.	Business Checking Account	Petty Cash Checking Account	$	15,000	
Bank of America, N.A.	Business Checking Account	Operating Account	$	1,074,249	
Bank of America, N.A.	Business Checking Account	Ownership Account	$	6,949,422	
Bank of America, N.A.	Business Checking Account	Payroll Account	$	(9,089)	
Total Cash and Cash Equivalents			**$**	**8,033,582**	A

Reserves Classified as Investment Securities on Form 5-5:					
Financial Institution	**Account Type**	**Account Details**		**Amount**	
UBS	Self Directed Investment Account	Operating Reserve Account	$	3,166,825	
Total Investment Securities			**$**	**3,166,825**	B

Reserves Not Considered as Qualifying Assets and Not Listed on Form 5-5:					
Financial Institution	**Account Type**	**Account Details**		**Amount**	
Bank of America, N.A.	Business Checking Account	Ownership Account (resident deposit portion)	$	505,545	
Bank of America, N.A.	Business Checking Account	Ownership Account (Entrance fee reserve portion)	$	477,220	
Total Reserves Not Listed on Form 5-5			**$**	**982,765**	C
Total Cash and Cash Equivalents and Investment Securities		**(A+B+C)**	**$**	**12,183,172**	

Cash and Assets Limited as to Use in Audited Financial Statements:		
Cash and cash equivalents (page 3) (policy disclosed on page 7)	$	8,033,582
Current portion of assets limited as to use (page 3) (policy disclosed on page 8)	$	504,545
Assets limited as to use, net of amounts required for current liabilities (page 3) (policy disclosed on page 8)	$	3,644,045
Total cash and cash equivalents and assets limited as to use	**$**	**12,182,172**

Reconciliation of Details Above to Form 5-5:			
Total Qualifying Assets listed for liquid reserve	**(A+B)**	**$**	**11,200,407**
Qualifying Assets - Cash and Cash Equivalents - Operating Expense Reserve		$	8,033,582
Qualifying Assets - Investment Securities - Operating Expense Reserve		$	3,166,825
Total Qualifying Assets listed for liquid reserve		**$**	**11,200,407**

Per Capita Cost Detail:		
Form 1-2 line 5 - Total Operating Expense for Continuing Care Residents	$	39,252,283
Form 1-1 line 5 - Mean # of Continuing Care Residents		550.0
Per Capita Costs	**$**	**71,368**

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/21/22

FACILITY NAME: Vi at La Jolla Village

ADDRESS: 8515 Costa Verde Blvd., San Diego, CA ZIP CODE: 92122 PHONE: (858) 646-7712

PROVIDER NAME: CCW La Jolla, LLC & CC-La Jolla, Inc. FACILITY OPERATOR: Classic Residence Management Limited Partnership

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

YEAR OPENED: 1996 # OF ACRES: 4.2 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 0.5 MILES TO HOSPITAL: 3

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS – STUDIO: 0
APARTMENTS – 1 BDRM: 182
APARTMENTS – 2 BDRM: 200 + 1 3bdrm
COTTAGES/HOUSES: 0
RLU OCCUPANCY (%) AT YEAR END: 89.6%

HEALTH CARE

ASSISTED LIVING: 36
SKILLED NURSING: 60
SPECIAL CARE: 19
DESCRIPTION: > Dementia Care
>

* *

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%, or 80%

RANGE OF ENTRANCE FEES: $252,400 - $2,952,600 **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 (2 /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: CCW La Jolla, LLC & CC-La Jolla, Inc.

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

MULTI-LEVEL RETIREMENT COMMUNITIES	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: CCW La Jolla, LLC & CC-La Jolla, Inc.

	2018	2019	2020	2021
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$36,218,892	$38,395,897	$37,533,662	$38,404,207
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$36,035,438	$37,377,480	$37,291,642	$38,991,808
NET INCOME FROM OPERATIONS	$183,454	$1,018,417	$242,020	$(587,601)
LESS INTEREST EXPENSE	$0	$0	$0	$0
PLUS CONTRIBUTIONS	$0	$0	$0	$0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	$0	$0	$0	$0
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$183,454	$1,018,417	$242,020	$(587,601)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$14,656,234	$11,372,444	$265,206	$21,833,178

* *

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)*	2019	2020	2021
DEBT TO ASSET RATIO		0	0	0
OPERATING RATIO		.97	.99	1.02
DEBT SERVICE COVERAGE RATIO		0	0	0
DAYS CASH ON HAND RATIO		111.27	67.96	104.85

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2018	%	2019	%	2020	%	2021	%
STUDIO	N/A		N/A		N/A		N/A	
ONE BEDROOM	$4,478	3.85	$4,473	3.50	$4,948	4.50	$5,185	4.00
TWO BEDROOM	$6,160	3.85	$6,463	3.50	$6,790	4.50	$7,125	4.00
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: CCW La Jolla, LLC & CC-La Jolla, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

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

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

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

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

4. Check *each* of the appropriate boxes.

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

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

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

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

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

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1.	Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	$3,094-9,776	$3,679-8,529	$3,745-7,689	4,256-16,771
2.	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0%	4.0%	4.0%	4.0%

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

3. Indicate the date the fee increase was implemented: 01/01/2021
(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: 11/30/2020 **Method of Notice:** Letter

☑ At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 11/30/2020

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

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

- ☑ Emailed the documents to those residents for whom the provider had email addresses on file
- ☑ Placed hard copies in resident cubby
- ☑ Placed hard copies at designated locations
- ☑ Provided hard copies to residents upon request, and/or
- ☐ Other: [please describe] ________________________
- ☑ **Date of Notice:** 11/30/2020

☑ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
Date of Notice: 11/13/2020

☑ 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: 11/13/2020 **Location of Posting:** Mail Room Bulletin Board

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

Date of Posting:________________ **Location of Posting:** ________________________________

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

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

FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING YEAR - FY 2021

Line	Fiscal Years	2019	2020	2021
1	FY 2019 Operating Expenses (Note 1)	(38,008,014)		
2	FY 2020 Operating Expenses (Note 1)		(39,223,207)	
3	FY 2021 Projected Operating Expenses (Note 1)			(40,505,554)
4	FY 2021 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			37,289,697
5	Projected FY 2021 Net Operating Results without an MCFI (Line 3 plus Line 4)			(3,215,857)
6	Projected FY 2021 MCF Revenue Based on Current and Projected Occupancy and Other with a MCFI of 4.00%			38,642,707
7	Grand Total - Projected FY 2021 Net Operating Activity after 4.00% MCFI (Line 3 plus Line 6)			(1,862,847)

Monthly Care Fee Increase - 4.00%

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

	2019	2020	2021
Total Expenses	49,937,323	51,392,764	52,154,474
Less - depreciation and amortization	(12,559,843)	(12,278,551)	(12,591,558)
Less - loss on disposal of property and equipment	(47,392)	-	-
Less - provision for doubtful accounts (considered a contra revenue for budgeting)	(256,443)	(193,829)	-
Less - expenses specifically excluded from MCFI considerations	(586,130)	(1,192,132)	(603,070)
Add - funding of capital reserves	1,520,499	1,494,955	1,545,708
Total Operating Expenses above	**38,008,014**	**39,223,207**	**40,505,554**

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

Form 7-1 Explanation for Increase in Monthly Service Fees

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

IL 4.0%

AL 4.0%

SNF 4.0%

Form 7-1 Supplemental Information on Budget Evaluation Process

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

Form 7-1 Supplement to Narrative Explanations

		2020 Actual	2021 Budget	Dollar Change	Percent Change
Salaries and Wages		15,131,819	15,060,894	70,925	0.5%
Employee Benefits		3,479,993	3,782,482	(302,489)	-8.7%
Food Cost		1,812,786	2,144,288	(331,501)	-18.3%
Resident Care (non-salary)		1,093,443	1,413,846	(320,403)	-29.3%
Maintenance		1,487,177	1,740,341	(253,164)	-17.0%
Other Functional Expenses		2,188,418	2,603,631	(415,213)	-19.0%
Utilities		2,502,362	2,767,542	(265,179)	-10.6%
Sales & Marketing		521,567	599,422	(77,855)	-14.9%
Administration		2,770,413	1,855,393	915,020	33.0%
Insurance		1,731,416	1,858,174	(126,759)	-7.3%
Property Taxes		2,764,218	2,815,272	(51,053)	-1.8%
Management Fees		2,244,600	2,318,562	(73,962)	-3.3%
Total Expenses	A	37,728,212	38,959,846	(1,231,634)	-3.3%
Net Operating Income	B	(417,489)	(317,140)	100,349	
Funding of Capital Replacement Reserve	C	(1,494,995)	(1,545,708)	(50,713)	-3.4%
Total Cash Flow		(1,912,484)	(1,862,848)	49,636	
Total Expenses	A	37,728,212	38,959,846	(1,231,634)	-3.3%
Funding of Capital Replacement Reserve	C	1,494,995	1,545,708	(50,713)	-3.4%
Total Expenses for Monthly Fee Consideration		**39,223,207**	**40,505,554**	**(1,180,921)**	**-3.0%**

PART 9

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