FISCAL YEAR ENDED:
12 / 31 / 20

ANNUAL REPORT CHECKLIST

PROVIDER(S): CC_La Jolla, Inc. and CCW La Jolla, LLC

CCRC(S): Vi at La Jolla Village

CONTACT PERSON: Tara Cope

TELEPHONE NO.: (312) 803-8555 **EMAIL:** 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: $ 38,632.38

- ☐ 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.

☑ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.

☑ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	582
[2]	Number at end of fiscal year	550
[3]	Total Lines 1 and 2	1,132
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	566
	All Residents	
[6]	Number at beginning of fiscal year	604
[7]	Number at end of fiscal year	556
[8]	Total Lines 6 and 7	1,160
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	580
[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).	97.59

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service – interest only)		51,392,764
[a]	Depreciation	11,806,347	
[b]	Debt Service (Interest Only)		
[2]	Subtotal (add Line 1a and 1b)		11,806,347
[3]	Subtract Line 2 from Line 1 and enter result.		39,586,417
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		97.59
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		38,632,384
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		38,632.38

PROVIDER: CC – La Jolla, Inc. and CCW La Jolla, LLC
COMMUNITY: Vi at La Jolla Village (previously Classic Residence by Hyatt 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 12/31/2020 is correct to the best of his knowledge, that each continuing care contract form in use or offered to new residents has been approved by the Department, and the provider is maintaining the required liquid reserve and refund reserve.

Dated: April 05, 2021

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

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 01/05/2021

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
Willis Towers Watson Midwest, Inc.
c/o 26 Century Blvd
P.O. Box 305191
Nashville, TN 372305191 USA

CONTACT NAME: Willis Towers Watson Certificate Center
PHONE (A/C, No, Ext): 1-877-945-7378
FAX (A/C, No): 1-888-467-2378
E-MAIL ADDRESS: certificates@willis.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : National Fire & Marine Insurance Company	20079
INSURER B : Allied World Assurance Company Ltd	C0892
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

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

COVERAGES **CERTIFICATE NUMBER:** W19760645 **REVISION NUMBER:**

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY			42-PSC-306898-03	12/31/2020	12/31/2021	EACH OCCURRENCE	$ 1,000,000
	X CLAIMS-MADE ☐ OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
	X $100,000 Deductible per occ						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)	$
								$
B	☐ UMBRELLA LIAB ☐ OCCUR			C058848/002	12/31/2020	12/31/2021	EACH OCCURRENCE	$ 9,000,000
	X EXCESS LIAB X CLAIMS-MADE						AGGREGATE	$ 9,000,000
	DED RETENTION $							$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N						PER STATUTE / OTH-ER	
	ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) ☐	N / A					E.L. EACH ACCIDENT	$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	Professional Liability			42-PSC-306898-03	12/31/2020	12/31/2021	Each Claim	$1,000,000
	Claims Made						Each Loc. Aggregate	$3,000,000
	$100,000 Deductible per claim						Policy Limit	$10,000,000

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

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

CANCELLATION

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

AUTHORIZED REPRESENTATIVE

Andrea Paris

SR ID: 20558873 BATCH: 1935166

CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY): 01/05/2021

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

PRODUCER	
Willis Towers Watson Midwest, Inc. c/o 26 Century Blvd P.O. Box 305191 Nashville, TN 372305191 USA	CONTACT NAME: Willis Towers Watson Certificate Center PHONE (A/C, No, Ext): 1-877-945-7378 FAX (A/C, No): 1-888-467-2378 E-MAIL ADDRESS: certificates@willis.com PRODUCER CUSTOMER ID:

INSURED	INSURER(S) AFFORDING COVERAGE	NAIC #
CCW La Jolla, L.L.C. 8515 Costa Verde Drive San Diego, CA 92122 USA	INSURER A : Lexington Insurance Company	19437
	INSURER B :	
	INSURER C :	
	INSURER D :	
	INSURER E :	
	INSURER F :	

COVERAGES **CERTIFICATE NUMBER:** W19760647 **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Vi at La Jolla Village, 8515 Costa Verde Blvd., San Diego, CA 92122

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

INSR LTR	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	X PROPERTY					X BUILDING	$ See Below
	CAUSES OF LOSS	DEDUCTIBLES				X PERSONAL PROPERTY	$ See Below
	BASIC	BUILDING 50,000				X BUSINESS INCOME	$ See Below
	BROAD					X EXTRA EXPENSE	$ See Below
	X SPECIAL	CONTENTS 50,000				X RENTAL VALUE	$ See Below
A	X EARTHQUAKE	See Attached	034250013	12/31/2020	12/31/2021	BLANKET BUILDING	$
	X WIND	See Attached				BLANKET PERS PROP	$
	X FLOOD	See Attached				BLANKET BLDG & PP	$
						X Loss Limit (Bla	$ 350,000,000
							$
	INLAND MARINE		TYPE OF POLICY				$
	CAUSES OF LOSS						$
	NAMED PERILS		POLICY NUMBER				$
							$
	CRIME						$
	TYPE OF POLICY						$
							$
	BOILER & MACHINERY / EQUIPMENT BREAKDOWN						$
							$
							$
							$

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

Replacement Cost Valuation; Agreed Amount; No Coinsurance

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 Andrea Paris

SR ID: 20558873 BATCH: 1935166

Supplement to Acord 24 – Certificate of Property Insurance
Supplement to Acord 28 – Evidence of Commercial Property Insurance

Insured: CC-Development Group, Inc.

Policy Period: 12/31/20 – 12/31/21

Issuing Companies *(Quota Share Participation by Layer)*

Layer	Insurer	Policy Number	Limit
Primary Layer ($25,000,000)	Allied World Assurance Company, Ltd.	P006392-014	$3,750,000
	Argo Re Ltd.	P145758	$1,250,000
	Columbia Casualty Company	6073385560	$1,250,000
	Lloyd's Syndicates 1458, 4444, 1856; General Security Indemnity Company of Arizona; HDI Global Specialty SE; Western World Insurance Company; Evanston Insurance Company; Navigators Specialty Insurance Company; United Specialty Insurance Company	JEM-20-CI-1008	$750,000
	Ironshore Specialty Insurance Company	1000370378-02	$1,250,000
	Landmark American Insurance Company	LHD916098	$1,250,000
	Lexington Insurance Company	034250013	$2,500,000
	Lloyd's Syndicate 2001	B080120001U20	$420,000
	Lloyd's Syndicates 0033, 0318, 2003, 2987, 2988; Convex Insurance UK Limited; Palomar Excess and Surplus Insurance Company	B080112090U20	$6,530,000
	Fidelis Underwriting Limited	B080121168U20	$1,050,000
	Starr Surplus Lines Insurance Company	SLSTPTY11395720	$1,250,000
	Lloyd's Consortium 9226; Independent Specialty Insurance Company; Interstate Fire & Casualty Company	2017-9000681-04	$3,750,000
1st Excess Layer (55M xs 25M)	Argo Re Ltd.	P145758	$2,750,000
	Evanston Insurance Company	MKLV3XPR000042	$5,000,000
	Everest Indemnity Insurance Company	CA3X001538-201	$5,500,000
	Crum & Forster Specialty Insurance Company; Palomar Excess and Surplus Insurance Company; Starstone Specialty Insurance Company; Western World Insurance Company	S-2010-614113-01	$8,250,000
	Ironshore Specialty Insurance Company	1000370405-02	$6,875,000
	Lexington Insurance Company	034250013	$5,500,000
	Lloyd's Syndicates 2015; Houston Casualty Company (UK Branch)	B080115732U20	$4,400,000
	Oil Casualty Insurance, Ltd.	P-102279-1220	$4,125,000
	Hamilton Re, Ltd.	PX20-4695-01	$4,125,000
	Westport Insurance Corporation	NAP-0452576-07	$8,475,000
2nd Excess Layer (170M xs 80M)	Axis Surplus Insurance Company	ECF771021-20	$25,000,000
	Evanston Insurance Company	MKLV3XPR000042	$15,000,000
	Homeland Insurance Company of New York	795014181	$31,304,545
	Landmark American Insurance Company	LHD916099	$38,500,000
	Lloyd's Syndicate 4020; Fidelis Underwriting Limited	B080121168U20	$34,000,000
	Westport Insurance Corporation	NAP-0452576-07	$26,195,455
3rd Excess Layer (100M xs 250M)	Mitsui Sumitomo Insurance Company of America	EXP7000111	$100,000,000

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 .... $100,000,000; except Lloyd's AXA XL & Amlin $80M

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, 2020 and 2019

(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.:

We have audited the accompanying consolidated financial statements of CC-La Jolla, Inc. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CC-La Jolla, Inc. and subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
April 29, 2021

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2020 and 2019

Assets		**2020**	**2019**
Current assets:			
Cash and cash equivalents	$	3,777,627	8,264,519
Current portion of assets limited as to use		477,328	578,862
Resident accounts receivable		251,297	498,713
Prepaids and other		209,232	207,762
Total current assets		4,715,484	9,549,856
Assets limited as to use, net of amounts required for current liabilities		3,682,620	3,673,309
Property and equipment:			
Land		8,288,908	8,288,908
Building and improvements		209,535,172	208,820,064
Furniture, fixtures, and equipment		54,840,629	52,543,871
Construction in progress		2,015,067	880,828
		274,679,776	270,533,671
Less accumulated depreciation		164,779,147	152,972,800
Property and equipment, net		109,900,629	117,560,871
Long-term accounts receivable – master trust		10,472,027	11,630,278
Cost to acquire initial continuing care contracts, net		—	472,204
Deferred tax asset		12,774,452	11,944,210
Goodwill		5,984,168	5,984,168
Total assets	$	147,529,380	160,814,896
Liabilities and Stockholder’s Deficit			
Current liabilities:			
Accounts payable	$	1,129,381	1,530,773
Accrued expenses		3,517,833	2,160,932
Due to affiliates		916,048	977,275
Prepaid resident service revenue		230,697	241,686
Resident deposits		477,328	578,862
Current portion of repayable entrance fees		4,179,235	5,065,466
Total current liabilities		10,450,522	10,554,994
Repayable entrance fees		87,724,980	90,244,174
Deferred revenue from nonrepayable entrance fees		76,437,773	82,677,366
Master trust loan		12,938,827	14,411,555
Due to affiliate		994,303	—
Total liabilities		188,546,405	197,888,089
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		60,014,235	62,314,235
Accumulated deficit		(101,032,260)	(99,388,428)
Total stockholder’s deficit		(41,017,025)	(37,073,193)
Total liabilities and stockholder’s deficit	$	147,529,380	160,814,896

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Net resident service revenue	$ 37,438,142	38,193,652
Amortization of entrance fees	10,224,701	10,504,764
Investment income	38,178	87,791
Other income	57,342	114,454
Provider relief fund grant revenue	1,354,631	—
Total revenue	49,112,994	48,900,661
Expenses:		
Culinary and dining	6,506,017	7,297,736
Housekeeping and laundry	2,430,521	2,497,866
Resident services	3,030,906	3,113,540
Resident care	6,565,948	6,909,078
Repairs and maintenance	2,441,443	2,366,398
Sales and marketing	1,501,533	1,481,091
Administration	4,556,278	4,325,264
Utilities	2,502,692	2,488,124
Insurance	2,081,697	1,267,629
Total departmental expenses	31,617,035	31,746,726
Management fees	2,244,600	2,283,100
Property taxes	2,764,218	2,669,864
Provision for doubtful accounts	193,829	256,443
Loss on disposal of property and equipment	—	47,392
Other expense	471,960	374,540
Expenses attributable to coronavirus	1,822,571	—
Depreciation and amortization	12,278,551	12,559,843
Total expenses	51,392,764	49,937,908
Loss before income taxes	(2,279,770)	(1,037,247)
Income tax benefit	635,938	294,088
Net loss	$ (1,643,832)	(743,159)

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, 2020 and 2019

	Common stock		Additional paid-in capital	Accumulated deficit	Total stockholder's deficit
	Number	Assigned value			
Balance at December 31, 2018	100	$ 1,000	66,537,534	(98,645,269)	(32,106,735)
Distributions to Parent	—	—	(4,223,299)	—	(4,223,299)
Net loss	—	—	—	(743,159)	(743,159)
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)

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Cash received from residents with continuing care contracts	$	33,622,075	32,553,352
Cash received from residents without continuing care contracts		3,916,007	5,551,030
Cash received from provider relief fund grant		1,354,631	—
Proceeds from nonrepayable entrance fees		6,725,584	18,112,011
Interest received		42,367	73,641
Cash paid to suppliers and employees		(32,218,755)	(31,735,981)
Cash paid for management fees		(2,244,600)	(2,283,100)
Cash paid for real estate taxes		(2,764,218)	(2,669,864)
Cash paid for income taxes		—	(376,114)
Net cash provided by operating activities		8,433,091	19,224,975
Cash flows from investing activities:			
Additions to property and equipment		(4,146,105)	(7,347,959)
Net change in resident deposits		(101,534)	509,532
Net change in assets limited as to use		2,248,711	(1,251,500)
Net cash used in investing activities		(1,998,928)	(8,089,927)
Cash flows from financing activities:			
Distributions to Parent		(2,300,000)	(4,223,299)
Proceeds from repayable entrance fees		3,632,038	7,044,395
Repayments of repayable entrance fees		(10,005,593)	(12,589,707)
Repayments to master trust loan		(86,823)	(1,194,255)
Net cash used in financing activities		(8,760,378)	(10,962,866)
Net change in cash, cash equivalents, and restricted cash		(2,326,215)	172,182
Cash, cash equivalents, and restricted cash at beginning of year		9,759,490	9,587,308
Cash, cash equivalents, and restricted cash at end of year	$	7,433,275	9,759,490
Reconciliation of net loss to net cash provided by operating activities:			
Net loss	$	(1,643,832)	(743,159)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		6,725,584	18,112,011
Depreciation and amortization		12,278,551	12,559,843
Amortization of entrance fees		(10,224,701)	(10,504,764)
Provision for doubtful accounts		193,829	256,443
Net realized and change in unrealized losses on assets limited as to use		4,189	(14,150)
Loss on disposal of property and equipment		—	47,392
Changes in assets and liabilities:			
Accounts receivable		53,587	(245,619)
Prepaids and other		(1,470)	(63,653)
Accounts payable		(401,392)	379,615
Accrued expenses		1,356,901	(50,728)
Due to affiliates		933,076	120,051
Prepaid resident service revenue		(10,989)	41,895
Deferred tax asset		(830,242)	(670,202)
Net cash provided by operating activities	$	8,433,091	19,224,975

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. (Company), a wholly owned subsidiary of CC-Development Group, Inc. (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:

		2020	2019
Cash and cash equivalents	$	3,777,627	8,264,519
Assets limited as to use:			
Cash		993,878	1,141,620
Money markets and certificates of deposit		2,661,770	353,351
Total cash, cash equivalents, and restricted cash reported in the statements of cash flows	$	7,433,275	9,759,490

(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.

(Continued)

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) Investments

Short-term investments include investments in highly liquid instruments with original maturities greater than 3 months and less than 12 months, excluding assets limited as to use. Long-term investments include corporate bonds and notes with original maturities greater than 12 months.

(e) 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 $1,721,822 is comprised of cash and cash equivalents of $516,547 and real estate of the community of $1,205,275. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

(f) 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, 2020 relates to costs associated with renovations that will be placed in service during 2021. No significant contractual commitments exist related to these renovations as of December 31, 2020.

(g) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2020 or 2019.

(h) Long-Term Accounts Receivable – Master Trust

Long-term accounts receivable represent the earned portion of nonrepayable entrance fees due from a 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.

(i) Costs of Acquiring Initial Continuing Care Contracts

Costs of acquiring initial continuing care contracts (the Costs) consist principally of marketing and advertising costs incurred directly in relation to the initial acquisition of continuing care contracts. In accordance with ASC Subtopic 720-35, *Other Expenses – Advertising Costs*, the Company capitalizes costs incurred in connection with direct response advertising whose primary purpose is to secure deposits from residents who are shown to have responded specifically to the advertising. Such advertising costs include newspaper, magazine, television, radio, brochures, and other costs. The Costs are being amortized using the straight-line method over the expected stay at the community of the first resident group, beginning in the first period in which revenue associated with the Costs are earned. Upon occupancy of the first resident group, additional costs are expensed as incurred. The Costs are shown net of accumulated amortization of $10,527,514 and $10,055,310 as of December 31, 2020 and 2019, respectively.

(j) 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*.

The Company tests goodwill for impairment annually, or more frequently whenever events or circumstances indicate impairment may exist. Goodwill is stated at cost less accumulated impairment losses. The Company completes its goodwill impairment test annually 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 2020 or 2019.

(k) 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, 2020 and 2019, and accordingly, no future service obligation has been recognized in the accompanying consolidated balance sheets.

(l) 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, 2020, the repayable portion of the entrance fees due to all residents approximates $107,088,000, of which $104,621,000 relates to residents who remitted their entrance fees directly to the Company and $2,467,000 relates to residents who remitted their entrance fees to the Master Trust.

(m) 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.

(Continued)

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, 2020 and 2019 related to uncertain tax positions.

(n) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. 2016-02 requires entities to recognize all leased assets as assets on the balance sheet with a corresponding liability, resulting in a gross up of the balance sheet. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842),* which deferred the effective date of the adoption of ASU No. 2016-02 to the year ending December 31, 2021. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which permitted the Company to defer the effective date of ASU No. 2016-02 for the year ending December 31, 2022. The Company is evaluating the impact of this standard on the accompanying consolidated balance sheets and statements of operations.

(o) 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, 2020 through April 29, 2021, the date the consolidated financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

(3) Net Resident Service Revenue

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

(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:

	2020	2019
Independent living revenue	$ 28,756,284	28,080,630
Care center revenue:		
Revenue under continuing care residency agreements	4,275,762	4,017,794
Revenue from private payors	1,272,011	1,659,415
Revenue under Medicare and third-party arrangements	2,619,900	3,816,779
Other service revenue	514,185	619,034
Net resident service revenue	$ 37,438,142	38,193,652
Amortization of entrance fee revenue	$ 10,224,701	10,504,764
Other income	57,342	114,454
Provider relief fund grant revenue (note 10)	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 $76,668,470 and $82,919,052, including $230,697 and $241,686 of resident monthly fees billed and received in advance, as of December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, the Company recognized $10,120,099 of revenue that was included in the deferred revenue balance as of January 1, 2020. 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, 2020 and 2019 is as follows:

	2020	2019
Medicare	36 %	58 %
Self-pay and commercial insurance	64	42
	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, 2020 and 2019 is as follows:

		2020	2019
Money markets, certificates of deposit, and cash	$	3,655,648	1,494,971
Corporate bonds and notes		504,300	2,757,200
	$	4,159,948	4,252,171

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

		2020	2019
Current portion of assets limited as to use – resident deposits	$	477,328	578,862
Assets limited as to use – by state for operations	$	3,166,073	3,129,646
Assets limited as to use – by Company for entrance fee repayments		516,547	543,663
Assets limited as to use, net of amounts required for current liabilities	$	3,682,620	3,673,309

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 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, 2019. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

		Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$	1,141,620	1,141,620	—	—
Money markets		353,351	353,351	—	—
Corporate bonds and notes		2,757,200	—	2,757,200	—
Total	$	4,252,171	1,494,971	2,757,200	—

(Continued)

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2020 and 2019 is as follows:

		2020	2019
Interest and dividend income	$	42,367	73,641
Net realized and change in unrealized gains and losses during the holding period		(4,189)	14,150
	$	38,178	87,791

(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 $86,823 and $1,194,255 during the years ended December 31, 2020 and 2019, 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 $2,244,600 and $2,283,100 for the years ended December 31, 2020 and 2019, respectively.

(Continued)

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to the third parties on behalf of the Company. Reimbursement to Classic for such advances amounted to $6,316,165 and $5,582,268 for the years ended December 31, 2020 and 2019, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $916,048 and $977,275 at December 31, 2020 and 2019, 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, 2020 and 2019, the Company recorded matching contribution expense of $378,106 and $365,525, respectively. Contributions are funded on a current basis.

(9) Income Taxes

The operating results of the Company are included in the Parent's consolidated federal income tax return. The Company is party to a tax sharing agreement which follows the provisions of ASC Topic 740 and provides that, among other things, the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the consolidated federal income tax return of the Parent. The tax sharing agreement also provides that the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the various combined state income tax returns of the Parent and its subsidiaries. The Company is required to pay the Parent for any tax liability that may arise from its operations, computed on a separate return basis.

The income tax benefit for the years ended December 31, 2020 and 2019 comprises the following:

	2020	2019
Current:		
U.S. federal	$ 132,923	257,300
State	61,381	118,814
Total current	194,304	376,114
Deferred:		
U.S. federal	(623,046)	(502,946)
State	(207,196)	(167,256)
Total deferred	(830,242)	(670,202)
Income tax benefit	$ (635,938)	(294,088)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019 are as follows:

		2020	2019
Deferred tax assets:			
Accrued expenses and other	$	858,740	639,711
Deferred revenue from nonrepayable entrance fees		16,666,119	16,354,919
Total net deferred tax assets		17,524,859	16,994,630
Deferred tax liabilities:			
Depreciation		(3,075,821)	(3,243,694)
Amortization of goodwill		(1,674,586)	(1,674,586)
Costs to acquire initial continuing care contracts		—	(132,140)
Total deferred tax liabilities		(4,750,407)	(5,050,420)
Net deferred tax assets	$	12,774,452	11,944,210

		2020	2019
Deferred tax assets:			
Accrued expenses and other	$	858,740	639,711
Deferred revenue from nonrepayable entrance fees		16,666,119	16,354,919
Total net deferred tax assets		17,524,859	16,994,630
Deferred tax liabilities:			
Depreciation		(3,075,821)	(3,243,694)
Amortization of goodwill		(1,674,586)	(1,674,586)
Costs to acquire initial continuing care contracts		—	(132,140)
Total deferred tax liabilities		(4,750,407)	(5,050,420)
Net deferred tax assets	$	12,774,452	11,944,210

As of December 31, 2020 and 2019, 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 $(635,938) and $(294,088) for the years ended December 31, 2020 and 2019, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% in 2020 and 2019 to pretax income from continuing operations as a result of the following:

		2020	2019
Computed “expected” tax benefit	$	(478,752)	(217,822)
Change in income taxes resulting from:			
State and local income taxes, net of federal income tax expense (benefit)		(158,705)	(73,393)
Other, net		1,519	(2,873)
Income tax benefit	$	(635,938)	(294,088)

(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 were implemented by federal, state, and local governments in response to the COVID-19 pandemic that have caused many people to remain at home and have imposed limitations on certain services. In response to these policies and seeking to prevent the introduction of COVID-19 into the community, the Company began limiting services and restricting visitors, but has begun to ease those restrictions. Certain restrictions may continue, and the Company may revert to more restrictive measures if the pandemic worsens, as necessary to comply with regulatory requirements, or at the direction of local health authorities.

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

(Continued)

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 2020, the Company received $1,354,631 in general and targeted Provider Relief Fund distributions, as provided for under the CARES Act. Of this amount, $1,031,462 was received from the $50 billion general distribution fund and $323,169 was received from the targeted distributions from the CARES Act Provider Relief Fund. 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, 2020, the Company recognized the full distribution. 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 $667,703 and recorded the deferral as a component of accrued expenses in the accompanying balance sheet at December 31, 2020.

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 $1,822,571 of expenses attributable to coronavirus recorded in the accompanying 2020 consolidated statement of operations.

(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 comprised 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 accrued expenses in the accompanying 2020 consolidated balance sheet is $500,000 related to the expected disposition of funds pursuant to the terms of the settlement.

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		$ 51,392,764
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	11,806,347	
	d Amortization	472,204	
	e Revenue received during fiscal year for services to residents who did not have a continuing care contract	3,916,007	
	f Extraordinary expenses approved by the Department	1,822,571	
3	Total deductions		18,017,129
4	Net operating expenses		33,375,635
5	Divide Line 4 by 365 and enter the result		91,440
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$ 6,858,000

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, 2020

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2020 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		6,858,000
(3) Total liquid reserve amount	$	6,858,000

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		$	—		3,777,627
(5) Investment securities			—		3,166,073
(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)	6,943,700
Total amount required	(13)		—	(14)	6,858,000
Surplus (deficiency)	(15)	$	—	(16)	85,700

Signature:

Date ______04/29/2021________

(Authorized representative) Gary Smith

(Title) CFO of Classic Residence Management Limited Partnership

See accompanying independent auditors' report.

KPMG

CCW LA JOLLA, L.L.C.

Financial Statements and Supplementary Schedules

December 31, 2020 and 2019

(With Independent Auditors’ Report Thereon)

CCW LA JOLLA, L.L.C.

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of CCW La Jolla, L.L.C., which comprise the balance sheets as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCW La Jolla, L.L.C. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matter

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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Chicago, Illinois
April 29, 2021

CCW LA JOLLA, L.L.C.

Balance Sheets

December 31, 2020 and 2019

Assets	**2020**	**2019**
Current assets:		
Cash and cash equivalents	$ 3,777,627	8,264,519
Current portion of assets limited as to use	477,328	578,862
Resident accounts receivable	251,297	498,713
Prepaids and other	209,232	207,762
Total current assets	4,715,484	9,549,856
Assets limited as to use, net of amounts required for current liabilities	3,682,620	3,673,309
Property and equipment:		
Land	8,288,908	8,288,908
Building and improvements	209,535,172	208,820,064
Furniture, fixtures, and equipment	54,840,629	52,543,871
Construction in progress	2,015,067	880,828
	274,679,776	270,533,671
Less accumulated depreciation	164,779,147	152,972,800
Property and equipment, net	109,900,629	117,560,871
Long-term accounts receivable – master trust	10,472,027	11,630,278
Cost to acquire initial continuing care contracts, net	—	472,204
Goodwill	5,984,168	5,984,168
Total assets	$ 134,754,928	148,870,686
Liabilities and Members' Deficit		
Current liabilities:		
Accounts payable	$ 1,129,381	1,530,773
Accrued expenses	3,517,832	2,160,932
Due to affiliates	916,048	977,275
Prepaid resident service revenue	230,697	241,686
Resident deposits	477,328	578,862
Current portion of repayable entrance fees	4,179,235	5,065,466
Total current liabilities	10,450,521	10,554,994
Repayable entrance fees	87,724,980	90,244,174
Deferred revenue from nonrepayable entrance fees	76,437,773	82,677,366
Master trust loan	12,938,827	14,411,555
Due to affiliate	800,000	—
Total liabilities	188,352,101	197,888,089
Members' deficit:		
Contributed capital	41,085,198	43,385,198
Accumulated deficit	(94,682,371)	(92,402,601)
Total members' deficit	(53,597,173)	(49,017,403)
Total liabilities and members' deficit	$ 134,754,928	148,870,686

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Operations

Years ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Net resident service revenue	$ 37,438,142	38,193,652
Amortization of entrance fees	10,224,701	10,504,764
Investment income	38,178	87,791
Other income	57,342	114,454
Provider relief fund grant revenue	1,354,631	—
Total revenue	49,112,994	48,900,661
Expenses:		
Culinary and dining	6,506,017	7,297,736
Housekeeping and laundry	2,430,521	2,497,866
Resident services	3,030,906	3,113,540
Resident care	6,565,948	6,909,078
Repairs and maintenance	2,441,443	2,366,398
Sales and marketing	1,501,533	1,481,091
Administration	4,556,278	4,324,679
Utilities	2,502,692	2,488,124
Insurance	2,081,697	1,267,629
Total departmental expenses	31,617,035	31,746,141
Management fees	2,244,600	2,283,100
Property taxes	2,764,218	2,669,864
Provision for doubtful accounts	193,829	256,443
Loss on disposal of property and equipment	—	47,392
Other expense	471,960	374,540
Expenses attributable to coronavirus	1,822,571	—
Depreciation and amortization	12,278,551	12,559,843
Total expenses	51,392,764	49,937,323
Net loss	$ (2,279,770)	(1,036,662)

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Changes in Members' Deficit

Years ended December 31, 2020 and 2019

		Contributed capital	Accumulated deficit	Total members' deficit
Balance at December 31, 2018	$	47,985,196	(91,365,939)	(43,380,743)
Distributions to member		(4,599,998)	—	(4,599,998)
Net loss		—	(1,036,662)	(1,036,662)
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)

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Cash Flows

Years ended December 31, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Cash received from residents with continuing care contracts	$	33,622,075	32,553,352
Cash received from residents without continuing care contracts		3,916,007	5,551,030
Cash received from provider relief fund grant		1,354,631	—
Proceeds from nonrepayable entrance fees		6,725,584	18,112,011
Interest received		42,367	73,641
Cash paid to suppliers and employees		(32,218,755)	(31,735,396)
Cash paid for management fees		(2,244,600)	(2,283,100)
Cash paid for real estate taxes		(2,764,218)	(2,669,864)
Net cash provided by operating activities		8,433,091	19,601,674
Cash flows from investing activities:			
Additions to property and equipment		(4,146,105)	(7,347,959)
Net change in resident deposits		(101,534)	509,532
Net change in assets limited as to use		2,248,711	(1,251,500)
Net cash used in investing activities		(1,998,928)	(8,089,927)
Cash flows from financing activities:			
Distributions to member		(2,300,000)	(4,599,998)
Proceeds from repayable entrance fees		3,632,038	7,044,395
Repayments of repayable entrance fees		(10,005,593)	(12,589,707)
Repayments to master trust		(86,823)	(1,194,255)
Net cash used in financing activities		(8,760,378)	(11,339,565)
Net change in cash, cash equivalents, and restricted cash		(2,326,215)	172,182
Cash, cash equivalents, and restricted cash at beginning of year		9,759,490	9,587,308
Cash, cash equivalents, and restricted cash at end of year	$	7,433,275	9,759,490
Reconciliation of net income to net cash provided by operating activities:			
Net loss	$	(2,279,770)	(1,036,662)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		6,725,584	18,112,011
Depreciation and amortization		12,278,551	12,559,843
Amortization of entrance fees		(10,224,701)	(10,504,764)
Net realized and change in unrealized (gains) losses on assets limited as to use		4,189	(14,150)
Provision for doubtful accounts		193,829	256,443
Loss on disposal of property and equipment		—	47,392
Changes in assets and liabilities:			
Accounts receivable		53,587	(245,619)
Prepaids and other		(1,470)	(63,653)
Accounts payable		(401,392)	379,615
Accrued expenses		1,356,900	(50,728)
Due to affiliates		738,773	120,051
Prepaid resident service revenue		(10,989)	41,895
Net cash provided by operating activities	$	8,433,091	19,601,674

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:

		2020	2019
Cash and cash equivalents	$	3,777,627	8,264,519
Assets limited as to use:			
Cash		993,878	1,141,620
Money markets and certificates of deposit		2,661,770	353,351
Total cash, cash equivalents, and restricted cash reported in the statements of cash flows	$	7,433,275	9,759,490

(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 $1,721,822 is comprised of cash and cash equivalents of $516,547 and real estate of the community of $1,205,275. 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, 2020 relates to costs associated with renovations that will be placed in service during 2021. No significant contractual commitments exist related to these renovations as of December 31, 2020.

(Continued)

(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, 2020 or 2019.

(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) Costs of Acquiring Initial Continuing Care Contracts

Costs of acquiring initial continuing care contracts (the Costs) consist principally of marketing and advertising costs incurred directly in relation to the initial acquisition of continuing care contracts. In accordance with ASC Subtopic 720-35, *Other Expenses Advertising Costs*, the Company capitalizes costs incurred in connection with direct response advertising whose primary purpose is to secure deposits from residents who are shown to have responded specifically to the advertising. Such advertising costs include newspaper, magazine, television, radio, brochures, and other costs. The Costs are being amortized using the straight-line method over the expected stay at the community of the first resident group, beginning in the first period in which revenue associated with the Costs are earned. Upon occupancy of the first resident group, additional costs are expensed as incurred. The Costs are shown net of accumulated amortization of $10,527,514 and $10,055,310 as of December 31, 2020 and 2019, respectively.

(i) Goodwill

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

The Company tests goodwill for impairment annually, or more frequently whenever events or circumstances indicate impairment may exist. Goodwill is stated at cost less accumulated impairment losses. The Company completes its goodwill impairment test annually 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 2020 and 2019.

(j) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at both December 31, 2020 and 2019, and accordingly, no future service obligation has been recognized in the accompanying balance sheets.

(k) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee and then earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, 20%, or 18%, dependent on the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 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, 2020, the repayable portion of the entrance fees due to all residents approximates $107,088,000, of which $104,621,000 relates to residents who remitted their entrance fees directly to the Company and $2,467,000 relates to residents who remitted their entrance fees to the Master Trust.

(l) Income Taxes

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

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

(m) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. 2016-02 requires entities to recognize all leased assets as assets on the balance sheet with a corresponding liability, resulting in a gross up of the balance sheet. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842),* which deferred the effective date of the adoption of ASU No. 2016-02 to the year ending December 31, 2021. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which permitted the Company to defer the effective date of ASU No. 2016-02 for the year ending December 31, 2022. The Company is evaluating the impact of this standard on the accompanying balance sheets and statements of operations.

(n) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated events and transactions after the balance sheet date of December 31, 2020 through April 29, 2021, 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 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:

		2020	2019
Independent living revenue	$	28,756,284	28,080,630
Care center revenue:			
Revenue under Continuing Care residency agreements		4,275,762	4,017,794
Revenue from private payors		1,272,011	1,659,415
Revenue under Medicare and third-party arrangements		2,619,900	3,816,779
Other service revenue		514,185	619,034
Net resident service revenue	$	37,438,142	38,193,652
Amortization of entrance fee revenue	$	10,224,701	10,504,764
Other income		57,342	114,454
Provider relief fund grant revenue (note 9)		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 $76,668,470 and $82,919,052, including $230,697 and $241,686 of resident monthly fees billed and received in advance, as of December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, the Company recognized $10,120,099 of revenue that was included in the deferred revenue balance as of January 1, 2020. 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, 2020 and 2019 is as follows:

	2020	2019
Medicare	36 %	58 %
Self-pay and commercial insurance	64	42
	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, 2020 and 2019 is as follows:

	2020	2019
Money markets, certificates of deposit, and cash	$ 3,655,648	1,494,971
Corporate bonds and notes	504,300	2,757,200
	$ 4,159,948	4,252,171

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

	2020	2019
Current portion of assets limited as to use – resident deposits	$ 477,328	578,862
Assets limited as to use – by state for operations	3,166,073	3,129,646
Assets limited as to use – by Company for entrance fee repayments	516,547	543,663
Assets limited as to use, net of amounts required for current liabilities	$ 3,682,620	3,673,309

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 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, 2019. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

		Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$	1,141,620	1,141,620	—	—
Money markets		353,351	353,351	—	—
Corporate bonds and notes		2,757,200	—	2,757,200	—
Total	$	4,252,171	1,494,971	2,757,200	—

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2020 and 2019 is as follows:

		2020	2019
Interest and dividend income	$	42,367	73,641
Net realized and change in unrealized gains and losses during the holding period		(4,189)	14,150
	$	38,178	87,791

(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 $86,823 and $1,194,255 during the years ended December 31, 2020 and 2019, respectively. The source of the repayments is provided by new resident entrance fee proceeds.

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

(7) Transactions with Related Parties

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of CC-La Jolla, Inc., whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue excluding certain items, as defined in the management agreement. The Company incurred management fee expense of $2,244,600 and $2,283,100 for the years ended December 31, 2020 and 2019, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to third parties and is reimbursed by the Company. Reimbursement to Classic for such advances amounted to $6,316,165 and $5,582,268 for the years ended December 31, 2020 and 2019, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $916,048 and $977,275 at December 31, 2020 and 2019, 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, 2020 and 2019, the Company recorded matching contribution expense of $378,106 and $365,525, 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 were implemented by federal, state, and local governments in response to the COVID-19 pandemic that have caused many people to remain at home and have imposed limitations on certain services. In response to these policies and seeking to prevent the introduction of COVID-19 into the community, the Company began limiting services and restricting visitors, but has begun to ease those restrictions. Certain restrictions may continue, and the Company may revert to more restrictive measures if the pandemic worsens, as necessary to comply with regulatory requirements, or at the direction of local health authorities.

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

(Continued)

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 2020, the Company received $1,354,631 in general and targeted Provider Relief Fund distributions, as provided for under the CARES Act. Of this amount, $1,031,462 was received from the $50 billion general distribution fund and $323,169 was received from the targeted distributions from the CARES Act Provider Relief Fund. 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, 2020, the Company recognized the full distribution. 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 $667,703 and recorded the deferral as a component of accrued expenses in the accompanying balance sheet at December 31, 2020.

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 $1,822,571 of expenses attributable to coronavirus recorded in the accompanying 2020 statement of operations.

(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 comprised 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 accrued expenses in the accompanying 2020 balance sheet is $500,000 related to the expected disposition of funds pursuant to the terms of the settlement.

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		$ 51,392,764
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	11,806,347	
	d Amortization	472,204	
	e Revenue received during fiscal year for services to residents who did not have a continuing care contract	3,916,007	
	f Extraordinary expenses approved by the Department	1,822,571	
3	Total deductions		18,017,129
4	Net operating expenses		33,375,635
5	Divide line 4 by 365 and enter the result		91,440
6	**Multiply line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$ 6,858,000

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, 2020

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2020 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		6,858,000
(3) Total liquid reserve amount	$	6,858,000

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 expense reserve
(4) Cash and cash equivalents		$	—		3,777,627
(5) Investment securities			—		3,166,073
(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)	6,943,700
Total amount required	(13)		—	(14)	6,858,000
Surplus (deficiency)	(15)	$	—	(16)	85,700

Signature:

Date _____04/29/2021_________

(Authorized representative) Gary Smith

(Title) CFO of Classic Residence Management Limited Partnership

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	$	25,250	
Bank of America, N.A.	Business Checking Account	Operating Account	$	1,622,153	
Bank of America, N.A.	Business Checking Account	Ownership Account	$	2,115,792	
Bank of America, N.A.	Business Checking Account	Payroll Account	$	10,432	
Total Cash and Cash Equivalents			**$**	**3,777,627**	**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	$	3,166,073	
Total Investment Securities			**$**	**3,166,073**	**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)	$	477,328	
Bank of America, N.A.	Business Checking Account	Ownership Account (Entrance fee reserve portion)	$	516,547	
Total Reserves Not Listed on Form 5-5			**$**	**993,875**	**C**
Total Cash and Cash Equivalents and Investment Securities		**(A+B+C)**	**$**	**7,937,575**	

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

Cash and cash equivalents (page 3) (policy disclosed on page 7)		$	3,777,627
Current portion of assets limited as to use (page 3) (policy disclosed on page 8)		$	477,328
Assets limited as to use, net of amounts required for current liabilities (page 3) (policy disclosed on page 8)		$	3,682,620
Total cash and cash equivalents and assets limited as to use		**$**	**7,937,575**

Reconciliation of Details Above to Form 5-5:

Total Qualifying Assets listed for liquid reserve	**(A+B)**	**$**	**6,943,700**
Qualifying Assets - Cash and Cash Equivalents - Operating Expense Reserve		$	3,777,627
Qualifying Assets - Investment Securities - Operating Expense Reserve		$	3,166,073
Total Qualifying Assets listed for liquid reserve		**$**	**6,943,700**

Per Capita Cost Detail:

Form 1-2 line 5 - Total Operating Expense for Continuing Care Residents	$	38,632,384
Form 1-1 line 5 - Mean # of Continuing Care Residents		566.0
Per Capita Costs	**$**	**68,255**

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 3/18/21

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 Limi

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

* *

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%, 40%, or 80%

RANGE OF ENTRANCE FEES: $ 252,400 - $ 2,886,200 **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	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☑	☑	HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
BILLIARD ROOM	☑	☐	MEALS (2 /DAY)	☑	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☐	☑
CARD ROOMS	☑	☐			
CHAPEL	☐	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☑	☑	ACTIVITIES PROGRAM	☑	☐
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☑	☐
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☐
LIBRARY	☑	☐	LINENS FURNISHED	☐	☑
PUTTING GREEN	☐	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☐	☑
SPA	☐	☐	NURSING/WELLNESS CLINIC	☑	☑
SWIMMING POOL-INDOOR	☑	☐	PERSONAL HOME CARE	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐	TRANSPORTATION-PERSONAL	☑	☑
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☑
WORKSHOP	☐	☐	OTHER ______	☐	☐
OTHER Computer Room	☑	☐			

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 (	Hilton Head Island, S	(843) 341-7200
Vi at Grayhawk, a Vi and Pla:	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, C	(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.

	2017	2018	2019	2020
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$34,901,256	$36,218,892	$38,395,897	$37,533,662
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$33,754,104	$36,035,438	$37,377,480	$37,291,642
NET INCOME FROM OPERATIONS	$1,147,152	$183,454	$1,018,417	$242,020
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	$1,147,152	$183,454	$1,018,417	$242,020
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$14,729,460	$14,656,234	$11,372,444	$265,206

* *

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)

	2018 CCAC Median 50th Percentile *(optional)*	2018	2019	2020
DEBT TO ASSET RATIO		0	0	0
OPERATING RATIO		.99	.97	.99
DEBT SERVICE COVERAGE RATIO		0	0	0
DAYS CASH ON HAND RATIO		105.41	111.27	67.96

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2017	%	2018	%	2019	%	2020	%
STUDIO	N/A		N/A		N/A		N/A	
ONE BEDROOM	$4,286	3.85	$4,478	3.50	$4,673	3.85	$4,948	4.50
TWO BEDROOM	$5,904	3.85	$6,160	3.50	$6,463	3.85	$6,790	4.50
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

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	$2,847 - $9,119	$3,497 - $9,622	$3,499 - $16,740
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.50%	4.50%	4.50%

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

[3] Indicate the date the fee increase was implemented: 1/1/2020
(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: 11/27/19** **Method of Notice: Letter from Executive Director to current residents and to responsible billing parties**

☐ 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: 11/20/19**

☐ 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 provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice: 11/6/19**

☐ 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: 11/6/19** **Location of Posting: Mailroom Bulletin Board and distribution to resident units**

[5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See **PART 7 REPORT ON CCRC MONTHLY CARE FEE** in the **Annual Report Instruction** booklet for further instructions.

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 2020

Line	Fiscal Years	2018	2019	2020
1	FY 2018 Operating Expenses (Note 1)	(36,387,669)		
2	FY 2019 Operating Expenses (Note 1)		(38,008,014)	
3	FY 2020 Projected Operating Expenses (Note 1)			(39,720,574)
4	FY 2020 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			38,158,309
5	Projected FY 2020 Net Operating Results without an MCFI (Line 3 plus Line 4)			(1,562,265)
6	Projected FY 2020 MCF Revenue Based on Current and Projected Occupancy and Other with a MCFI of 4.50%			39,567,664
7	Grand Total - Projected FY 2020 Net Operating Activity after 4.50% MCFI (Line 3 plus Line 6)			(152,910)

Monthly Care Fee Increase - 4.50%

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:

	2018	2019	2020
Total Expenses	48,348,866	49,937,323	51,616,172
Less - depreciation and amortization	(12,065,138)	(12,559,843)	(12,828,876)
Less - loss on disposal of property and equipment	(25,000)	(47,392)	-
Less - provision for doubtful accounts (considered a contra revenue for budgeting)	(248,290)	(256,443)	-
Less - expenses specifically excluded from MCFI considerations	(1,067,172)	(586,130)	(649,429)
Add - funding of capital reserves	1,444,403	1,520,499	1,582,707
Total Operating Expenses above	**36,387,669**	**38,008,014**	**39,720,574**

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 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 4.5%

AL 4.5%

SNF 4.5%

Form 7-1 Supplement to Narrative Explanations

		2019 Actual	2020 Budget	Dollar Change	Percent Change
Salaries and Wages		14,948,742	15,396,280	(447,538)	-3.0%
Employee Benefits		3,213,337	3,650,573	(437,236)	-13.6%
Food Cost		2,225,523	2,240,640	(15,118)	-0.7%
Resident Care (non-salary)		1,525,697	1,511,079	14,618	1.0%
Maintenance		1,503,234	1,678,491	(175,257)	-11.7%
Other Functional Expenses		2,588,837	2,707,236	(118,399)	-4.6%
Utilities		2,487,519	2,721,831	(234,311)	-9.4%
Sales & Marketing		512,207	597,764	(85,557)	-16.7%
Administration		1,261,828	1,062,092	199,736	15.8%
Insurance		1,267,629	1,381,643	(114,014)	-9.0%
Property Taxes		2,669,864	2,816,179	(146,315)	-5.5%
Management Fees		2,283,100	2,374,060	(90,960)	-4.0%
Total Expenses	A	36,487,516	38,137,867	(1,650,351)	-4.5%
Net Operating Income	B	1,564,146	1,429,796	(134,350)	
Funding of Capital Replacement Reserve	C	(1,520,498)	(1,582,707)	(62,209)	-4.1%
Total Cash Flow		43,649	(152,910)	(196,559)	
Total Expenses	A	36,487,516	38,137,867	(1,650,351)	-4.5%
Funding of Capital Replacement Reserve	C	1,520,498	1,582,707	(62,209)	-4.1%
Total Expenses for Monthly Fee Consideration		**38,008,014**	**39,720,573**	**(1,588,141)**	**-4.2%**

PART 9

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