

REATA GLEN ORANGE COUNTY CCRC, LLC
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**REATA GLEN ORANGE COUNTY CCRC, LLC
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INDEPENDENT AUDITORS' REPORT

Members

Reata Glen Orange County CCRC, LLC
Rancho Mission Viejo, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Reata Glen Orange County CCRC, LLC (a Delaware limited liability company) (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
April 19, 2023

REATA GLEN ORANGE COUNTY CCRC, LLC
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,571,908	\$ 5,301,192
Accounts Receivable	69,008	53,942
Deferred Entrance Fees Receivable on Terminated Contracts	142,770	460,693
Inventories	271,030	155,886
Prepaid Expenses and Other Current Assets	685,861	826,411
Total Current Assets	<u>5,740,577</u>	<u>6,798,124</u>
PROPERTY AND EQUIPMENT		
Land	45,552,126	45,552,126
Land Improvements	29,949,632	29,949,632
Buildings and Improvements	166,897,126	166,787,935
Furniture, Fixtures, and Equipment	38,190,937	38,190,938
Construction in Progress	470,278	428,418
Total Property and Equipment, at Cost	<u>281,060,099</u>	<u>280,909,049</u>
Less: Accumulated Depreciation	<u>(33,479,373)</u>	<u>(23,896,025)</u>
Property and Equipment, at Net Book Value	247,580,726	257,013,024
OTHER ASSETS		
Accounts Receivable, Long Term	35,541	31,257
Costs of Acquiring Contracts, Net	1,108,366	862,142
Deferred Entrance Fees Receivable	61,248,889	40,743,439
Other Assets	556,551	629,191
Total Other Assets	<u>62,949,347</u>	<u>42,266,029</u>
 Total Assets	 <u><u>\$ 316,270,650</u></u>	 <u><u>\$ 306,077,177</u></u>

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES		
Accounts Payable	\$ 824,288	\$ 1,113,452
Accrued Expenses	276,555	306,305
Deposits on Future Occupancy	<u>2,520,000</u>	<u>1,980,000</u>
Total Current Liabilities	3,620,843	3,399,757
LONG-TERM LIABILITIES		
Note Payable to Master Trust	333,045,017	278,183,017
Deferred Revenue from Unamortized Deferred Entrance Fees, Net	39,243,043	26,642,254
Deposits from Residents	471,471	342,179
Retention Payable	343,068	343,068
Other Liabilities	<u>133,880</u>	<u>126,319</u>
Total Long-Term Liabilities	<u>373,236,479</u>	<u>305,636,837</u>
Total Liabilities	376,857,322	309,036,594
MEMBERS' DEFICIT	<u>(60,586,672)</u>	<u>(2,959,417)</u>
Total Liabilities and Members' Deficit	<u><u>\$ 316,270,650</u></u>	<u><u>\$ 306,077,177</u></u>

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Resident Services	\$ 30,708,353	\$ 23,620,200
Amortization of Deferred Entrance Fees	8,594,599	6,835,391
Deferred Entrance Fees on Terminated Contracts	1,012,471	620,632
Nonresident Services	137,059	59,501
Total Revenues	<u>40,452,482</u>	<u>31,135,724</u>
OPERATING EXPENSES		
Resident Care	1,974,257	1,424,577
Food and Beverage Services	4,784,706	4,057,451
Environmental Services	2,063,388	1,586,898
Plant Facility Operating Costs	4,814,260	4,014,629
General and Administrative Expenses	7,897,501	7,302,651
Depreciation and Amortization	9,730,799	9,664,752
Total Operating Expenses	<u>31,264,911</u>	<u>28,050,958</u>
INCOME FROM OPERATIONS	9,187,571	3,084,766
OTHER INCOME (EXPENSE)		
Interest Expense	-	(1,126,889)
Interest Income	5,005	594
Other Income (Expense)	<u>(63,308)</u>	<u>98,977</u>
Total Other Expense	<u>(58,303)</u>	<u>(1,027,318)</u>
NET INCOME	<u><u>\$ 9,129,268</u></u>	<u><u>\$ 2,057,448</u></u>

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Capital</u>	<u>Accumulated Deficit</u>	<u>Total Members' Equity (Deficit)</u>
BALANCE - DECEMBER 31, 2020	\$ 36,318,041	\$ (30,930,081)	\$ 5,387,960
Contributions	15,000	-	15,000
Distributions	(10,419,825)	-	(10,419,825)
Net Income	<u>-</u>	<u>2,057,448</u>	<u>2,057,448</u>
BALANCE - DECEMBER 31, 2021	25,913,216	(28,872,633)	(2,959,417)
Distributions	(66,756,523)	-	(66,756,523)
Net Income	<u>-</u>	<u>9,129,268</u>	<u>9,129,268</u>
BALANCE - DECEMBER 31, 2022	<u><u>\$ (40,843,307)</u></u>	<u><u>\$ (19,743,365)</u></u>	<u><u>\$ (60,586,672)</u></u>

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents	\$ 33,378,627	\$ 24,615,332
Interest Income	5,005	594
Interest Expense	-	(1,126,889)
Reimbursements for Services to Nonresidents	137,059	59,501
Other Income	56,892	-
Cash Paid to Suppliers and Employees	<u>(22,261,294)</u>	<u>(18,844,693)</u>
Net Cash and Cash Equivalents Provided by Operating Activities	11,316,289	4,703,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments Made on Purchases of Property and Equipment	<u>(151,050)</u>	<u>(73,929)</u>
Net Cash and Cash Equivalents Used by Investing Activities	(151,050)	(73,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable to Master Trust	54,862,000	62,333,017
Proceeds from Construction Note Payable	-	336,418
Payments on Construction Note Payable	-	(58,880,838)
Contributions from Members	-	15,000
Distributions to Members	<u>(66,756,523)</u>	<u>(10,419,825)</u>
Net Cash and Cash Equivalents Used by Financing Activities	<u>(11,894,523)</u>	<u>(6,616,228)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(729,284)	(1,986,312)
Cash and Cash Equivalents - Beginning of Year	<u>5,301,192</u>	<u>7,287,504</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,571,908</u></u>	<u><u>\$ 5,301,192</u></u>

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF NET INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Net Income	\$ 9,129,268	\$ 2,057,448
Noncash Items Included in Net Income:		
Depreciation	9,583,348	9,559,135
Amortization of Costs of Acquiring Contracts	147,451	105,617
Amortization of Deferred Entrance Fees	(8,594,599)	(6,835,391)
Deferred Entrance Fees on Terminated Contracts	(1,012,471)	(620,632)
Accrued Other Income	120,200	(98,977)
Changes in:		
Accounts Receivable	(19,350)	(137,977)
Deferred Entrance Fees Receivable on Terminated Contracts	317,923	(364,851)
Inventories	(115,144)	(86,441)
Prepaid Expenses and Other Current Assets	140,550	(70,576)
Temporary Loans to Master Trust	-	95,000
Costs of Acquiring Contracts	(393,675)	(361,875)
Deferred Entrance Fees Receivable	1,702,409	1,001,781
Other Assets	(47,560)	(329,650)
Accounts Payable	(289,164)	262,164
Accrued Expenses	(29,750)	85,565
Deposits on Future Occupancy	540,000	330,000
Deposits from Residents	129,292	71,179
Other Liabilities	7,561	42,326
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 11,316,289</u>	<u>\$ 4,703,845</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Deferred Entrance Fees Receivable and Deferred Revenue from Unamortized Deferred Entrance Fees Recorded to Reflect Additional Amounts Due from Resident Contributions	<u>\$ 22,207,859</u>	<u>\$ 17,801,255</u>

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Reata Glen Orange County CCRC, LLC (the Company) owns and operates a multiuse continuing care retirement community (CCRC) located in Rancho Mission Viejo, California. The Company operates under the continuing care concept whereby residents enter into agreements that require payment of a one time entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life.

Limited Liability Company Operating Agreement

The rights and obligations of the members of the Company are governed by the Limited Liability Company Operating Agreement (the Operating Agreement) of the Company dated November 14, 2013. The following represents a summary of significant financial terms of the Operating Agreement.

The Company has four members and one appointed manager who is responsible for the management of the day-to-day business and affairs of the Company. Certain matters that require unanimous or majority approval are specified in the Operating Agreement.

One of the members is designated as the financing member. No member other than the financing member is required to contribute capital to the Company at any time. These required capital contributions earned a cumulative preferred return rate of 8% until April 1, 2022, after which date the rate was reduced to 4%. Together, the required capital contributions and the related accumulated return, using the appropriate rate of return, net of prior accumulated distributions, represent the preferred returns payable to the financing member. During the year ended December 31, 2022, the Company distributed \$55,500,000 of preferred returns to the financing member. During the year ended December 31, 2021, there were no distributions of preferred returns to the financing member. At December 31, 2022 and 2021, cumulative preferred returns subordinated to first priority deed of trust held by the residents totaled \$70,974,987 and \$123,164,886, respectively.

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

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

Basis of Presentation

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

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include the operating cash accounts and money market account of the Company.

Accounts Receivable

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

The Company provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. No allowance was necessary at December 31, 2022 and 2021.

Inventories

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

Property and Equipment

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

Land Improvements	20 Years
Buildings and Improvements	10 to 40 Years
Furniture, Fixtures, and Equipment	5 to 10 Years

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$9,583,348 and \$9,559,135, respectively.

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, Property, Plant, and Equipment. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of value of such assets for the years ended December 31, 2022 and 2021.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Revenue Recognition from Contracts with Customers

The Company recognizes revenue for residency in accordance with the provisions of FASB ASC 606, *Revenue from Contracts with Customers (Topic 606)*. The Company enters into continuing care residency contracts with its customers. The form of the agreement is in conformity with the statutes of the State of California Department of Social Services Continuing Care Contracts Branch. Prior to actual occupancy by the resident, a contribution is required to be deposited with the Master Trust (as defined in Note 6) pursuant to a Residence and Care Agreement (the Residence Agreement). The provisions of the Residence Agreement include, but are not limited to, such items as the unit to be occupied, initial monthly fee, amount of contribution to the Master Trust, and methods of cancellation and refunds or contingent repayments subject to resale of the units. Generally, the Company is deemed to have Type A life care contracts that are all-inclusive continuing care contracts that include residential facilities, other amenities, and access to health-care services, primarily assisted living and nursing care. Type A contracts are deemed to have one performance obligation – to provide each resident the ability to live in the CCRC and access the appropriate level of care based on his or her needs. A Type A contract also allows a resident the ability to cancel the Residence Agreement at any time, and thus, because of this provision, the resident agreement for a Type A life care CCRC resident is generally deemed to be a monthly contract with the option to renew.

Contract Revenues

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

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

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

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Revenue Recognition from Contracts with Customers (Continued)

Contract Revenues (Continued)

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

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

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

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

Contract Assets and Contract Liabilities

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

Deferred Entrance Fees Receivable on Terminated Contracts – Deferred entrance fees receivable on terminated contracts represent the portion of the entrance fees that are payable to the Company following the current year terminations of Residence Agreements, based on the specific terms of each resident contract, which are currently due from the Master Trust (see Note 5).

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

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

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Revenue Recognition from Contracts with Customers (Continued)

Contract Assets and Contract Liabilities (Continued)

Deposits from Residents – Deposits from residents represent deposits to cover potential refurbishment costs from residents who enter under 0% repayable contracts.

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

Costs of Acquiring Contracts

Costs of Acquiring Contracts – Costs of acquiring contracts are the unamortized incremental costs of acquiring contracts, which primarily consist of commissions paid to salespeople. These assets are amortized on a straight-line basis over the duration of the contract. During the years ended December 31, 2022 and 2021, the Company recognized amortization expense of these assets totaling \$147,451 and \$105,617, respectively.

Income Taxes

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

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the years ended December 31, 2022 and 2021, advertising and promotional costs totaled \$1,215,570 and \$985,311, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the current year presentation.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	<u>2022</u>	<u>2021</u>
Revenue from Contracts with Customers:		
Entrance Fees, Amortized and on Terminated Contracts (Over Time)	\$ 9,607,070	\$ 7,456,023
Monthly Resident Fees and Ancillary Charges (Over Time)	30,708,353	23,620,200
Nonresident Services (Point in Time)	137,059	59,501
Total Revenue from Contracts with Customers	<u>\$ 40,452,482</u>	<u>\$ 31,135,724</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Accounts Receivable	<u>\$ 52,453</u>	<u>\$ 53,942</u>	<u>\$ 69,008</u>
Deferred Entrance Fees Receivable on Terminated Contracts	<u>\$ 95,842</u>	<u>\$ 460,693</u>	<u>\$ 142,770</u>
Costs of Acquiring Contracts	<u>\$ 605,884</u>	<u>\$ 862,142</u>	<u>\$ 1,108,366</u>
Deferred Entrance Fees Receivable	<u>\$ 23,943,965</u>	<u>\$ 40,743,439</u>	<u>\$ 61,248,889</u>
Deposits on Future Occupancy	<u>\$ 1,650,000</u>	<u>\$ 1,980,000</u>	<u>\$ 2,520,000</u>
Deferred Revenue from Unamortized Entrance Fees	<u>\$ 16,297,022</u>	<u>\$ 26,642,254</u>	<u>\$ 39,243,043</u>
Deposits from Residents	<u>\$ 271,000</u>	<u>\$ 342,179</u>	<u>\$ 471,471</u>

NOTE 3 CONCENTRATIONS, RISKS, AND UNCERTAINTIES

The Company maintains cash balances with one financial institution. At December 31, 2022 and 2021, accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. The Company's deposits in these financial institutions at times exceeded the amount insured by the FDIC. The risk is managed by maintaining deposits in high-quality financial institutions.

During 2020, the World Health Organization declared the spread of coronavirus (COVID-19) a worldwide pandemic. The COVID 19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes that the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated, as these events continue to have impacts on the global economy.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 CONSTRUCTION NOTE PAYABLE

During the year ended December 31, 2021, the Company paid in full the balance of the construction note payable.

NOTE 5 NOTE PAYABLE TO MASTER TRUST AND TRUST AGREEMENT

The Reata Glen Master Trust (the Master Trust) was established to provide protection to the residents of the community by providing them with a vehicle through which they obtain a secured interest in the real property of the Company. New residents join in and become grantors under the trust agreement. At December 31, 2022 and 2021, the balance outstanding on the Master Trust note payable was \$333,045,017 and \$278,183,017, respectively.

A contribution amount, as specified in the Residence Agreement, is made to the Master Trust by the grantor (see Note 1). The trustee of the Master Trust is directed to invest virtually all the funds in the form of an interest-free loan to the Company. The loan, which currently may not exceed \$380,000,000, is secured by the following:

- (1) A first priority deed of trust on the Company's real property and improvements thereon.
- (2) Security agreement creating a first security interest in the Company's current and hereafter acquired equity in all the improvements, fixtures, personal property, and intangible property associated and used in connection with the real property described in the deed of trust.
- (3) First priority assignment of contracts including, but not limited to, any residence and care agreement and any management agreement entered into in conjunction with the operation of Reata Glen.

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

Repayments of principal will be made in annual amounts for a period of 40 years with a final payment commencing on the earlier of January 1, 2025, or the January 1 next following the Company's maintaining (i) a minimum of 95% occupancy for 6 consecutive months for all planned units or (ii) an average of 95% occupancy for 12 consecutive months for all planned units, with final payment due December 31, 2061. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by 40 years. The Company had not yet met the minimum occupancy requirement as of December 31, 2022; therefore, no principal payment was due.

The Company has previously provided the Master Trust temporary loans to fund the Master Trust's ongoing expenses. Temporary loans to the Master Trust are refunded to the Company when the Master Trust has excess liquidity. There were no temporary loans outstanding at either December 31, 2022 and 2021.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 COMMITMENTS AND CONTINGENCIES

Obligation to Provide Future Services

The Company annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the present value of monthly service fees and the unamortized deferred revenue from deferred entrance fees. If the present value of the net cost of future services and use of facilities exceeds the monthly service fees and deferred revenue from deferred entrance fees, a liability is recorded. Using a discount rate of 5.50% at both December 31, 2022 and 2021, the anticipated revenues are estimated to exceed the cost of future services for both years and therefore, no liability was accrued.

Reservations and Designations

At December 31, 2022 and 2021, the Company maintains cash reserves in the amount of \$4,396,655 and \$3,765,761, respectively, for operating expense and debt service contingencies in accordance with the requirements of the California Health and Safety Code under the State of California Department of Social Services. These reserves are included in cash and cash equivalents in the accompanying balance sheets.

Litigation

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

NOTE 7 RELATED-PARTY TRANSACTIONS

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

At December 31, 2022 and 2021, the Company has a formal service agreement with a related company concerning the provision of administrative and operational oversight services, including use of brand, transaction processing, and benefit and insurance administration, among others. The service agreement calls for annual service fees payable in equal monthly installments, and the agreement renews annually unless canceled. For the years ended December 31, 2022 and 2021, service fees paid under this agreement totaled \$687,233 and \$667,860, respectively. The service agreement also provides for additional fees for supplemental services and out-of-pocket expenses, as needed. For the years ended December 31, 2022 and 2021, the additional fees paid under this agreement totaled \$510,294 and \$662,067, respectively. Furthermore, the service agreement also provides for insurance premiums to be paid to a related company. Insurance premiums paid under this agreement for the years ended December 31, 2022 and 2021, totaled \$296,731 and \$368,240, respectively.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 RELATED-PARTY TRANSACTIONS (CONTINUED)

During the years ended December 31, 2022 and 2021, the Company paid \$42,000 each year for consulting services provided by an affiliated entity owned by a member. These expenses are included in general and administrative expenses in the accompanying statements of operations.

The Company has an agreement for purchased health-care costs with The Orchards HC, LLC, an affiliated entity. The health-care costs paid to this entity during the years ended December 31, 2022 and 2021, were \$1,182,240 and \$741,260, respectively, and are included in resident care expenses in the accompanying statements of operations. In addition, the Company has payables for accrued health-care costs totaling \$99,253 and \$85,228 at December 31, 2022 and 2021, respectively, which are included in accounts payable in the accompanying balance sheets.

NOTE 8 EMPLOYEE BENEFIT PLAN

The Company sponsors a qualified 401(k) plan (the Plan) for all eligible employees. Employees may contribute up to 80% of their yearly compensation for up to the maximum amount prescribed by law. The Company makes a safe harbor matching contribution equal to 100% of the first 3% of the participant's compensation and 50% of the next 2% of the participant's compensation, which is deferred as an elective deferral. For the years ended December 31, 2022 and 2021, employer contributions to the Plan totaled \$145,718 and \$185,449, respectively, which have been included in operating expenses in the accompanying statements of operations.

NOTE 9 EMPLOYEE RETENTION CREDITS

The Employee Retention Credit (ERC) is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. On December 27, 2020, the Consolidated Appropriations Act (CAA) was signed into law. Among other provisions, the CAA expanded the eligibility for ERC to include more entities as well as extending ERC into calendar year 2021 including the first, second and third calendar quarters. Furthermore, the refundable tax credit for the calendar year 2021 was expanded to 70% of the qualified wages. CAA provided these entities the ability to retroactively recover payroll taxes from earlier in 2020 during which they were previously ineligible. This is done by retroactively applying for the credit.

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and 2021 and experience either the full or partial suspension of the operation of their trade or business during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which eligibility requirements were met.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 EMPLOYEE RETENTION CREDITS (CONTINUED)

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended December 31, 2022, the Company determined it met the compliance requirements and conditions of the ERC program. The Company recognized combined ERC credits of \$66,932 for the quarters ended March 31, 2020, June 30, 2020, September 30, 2020, and December 31, 2020. The revenue related to these credits, net of professional fees, are included in other income on the accompanying statements of operations.

There is a possibility that upon subsequent review the Internal Revenue Service (IRS) could reach a different conclusion regarding the Company's eligibility to retain the ERC credits received, which could result in repayment of the credits, interest and potential penalties. The amount of liability, if any, from potential ineligibility cannot be determined with certainty.

NOTE 10 SUBSEQUENT EVENTS

Events occurring after December 31, 2022 have been evaluated for possible adjustment to the financial statements or disclosure as of April 19, 2023, which is the date the financial statements were available to be issued. There were no adjustments to the financial statements or additional disclosures as a result of this evaluation.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Members

Reata Glen Orange County CCRC, LLC
Rancho Mission Viejo, California

We have audited the financial statements of Reata Glen Orange County CCRC, LLC (the Company) as of and for the year ended December 31, 2022, and our report thereon dated April 19, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2022 schedules of Form 5-1 through Form 5-5 and Form 7-1 are prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

This report is intended solely for the information and use of the members and management of the Company and for filing with the State of California Department of Social Services and is not intended to be, and should not be, used by another other than those specified parties. However, this report is a matter of public record, and its distribution is not limited.

CliftonLarsonAllen LLP

Irvine, California
April 19, 2023

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	03/29/2017	\$0	\$0	\$0	\$0
2					
3					
4					
5					
6					
7					
8					
TOTAL:			\$0	\$0	\$0

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

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

PROVIDER: Reata Glen Orange County CCRC, LLC

FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
Supporting Calculation for Line 1(b)

Line 1(b) Debt Service Reserve is waived per the attached letter.

PROVIDER:	<u>Reata Glen Orange County CCRC, LLC</u>
COMMUNITY:	<u>Reata Glen Orange County CCRC, LLC</u>



KIM JOHNSON
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



GAVIN NEWSOM
GOVERNOR

January 6, 2022

Suzanne Nazarty
Executive Director
Reata Glen Orange County CCRC LLC
2 Las Estrellas Loop
Rancho Mission Viejo, California 92694

SUBJECT: DEBT SERVICE WAIVER

Dear Suzanne:

This is in response to your November 6, 2009, request for approval to waive the long-term debt reserve requirement as it applies to the debt held by the Reata Glen Orange County CCRC LLC (Reata Glen) Master Trust. Pursuant to the December 16, 2021, letter from Bank of America, Reata Glen's loan has been paid in full; therefore, as provided for in Health and Safety Code (H&SC) section 1792.3(c), the Department has agreed to waive the debt service reserve for Reata Glen.

Please note that Reata Glen is required to notify the Department and obtain its approval prior to closing any transaction that results in an encumbrance or lien on the Reata Glen property. At which time, Reata Glen will be required to comply with the debt service reserve requirement for the new debt.

If you have any questions, you may contact our office at (916) 654-0591.

Sincerely,

Katie Anderson

KATIE ANDERSON, Assistant Branch Chief
Adult and Senior Care Program
Continuing Care Contracts Bureau

c: Ryan Currie
Warren Spieker
Troy Bourne

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 Part 5) (columns (c) x (d))
1		\$0	\$0	\$0	\$0
2					
3					
4					
5					
6					
7					
8					
TOTAL:		\$0	\$0	\$0	\$0

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

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

PROVIDER: Reata Glen Orange County CCRC, LLC

FORM 5-3: CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$0
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$0
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$0

PROVIDER: Reata Glen Orange County CCRC, LLC

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Description	Amounts	TOTAL
1	Total operating expenses from financial statements		\$31,264,911
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	\$0	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
c.	Depreciation	\$9,583,348	
d.	Amortization	\$147,451	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$137,059	
f.	Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$9,867,858
4	Net Operating Expenses		\$21,397,053
5	Divide Line 4 by 365 and enter the result		\$58,622
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		\$4,396,655

PROVIDER: Reata Glen Orange County CCRC, LLC

COMMUNITY: Reata Glen Orange County CCRC, LLC

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
Supporting Explanation for Line 2e

Line 2e is made up of the following line from the audited statement of cash flows:

Reimbursements for services to non-residents	<u>\$ 137,059</u>
--	-------------------

Categories included in the above revenues:

\$	14,116	Guest Meals
	14,197	Employee Meals
	11,591	Catering
	97,155	Guest Room
	<u>137,059</u>	
\$	<u>137,059</u>	

PROVIDER:	<u>Reata Glen Orange County CCRC, LLC</u>
COMMUNITY:	<u>Reata Glen Orange County CCRC, LLC</u>

FORM 5-5: ANNUAL RESERVE CERTIFICATIONProvider Name: Reata Glen Orange County CCRC, LLCFiscal Year Ended: 12/31/2022

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended.

12/31/2022

and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$0</u>
[2] Operating Expense Reserve Amount	<u>\$4,396,655</u>
[3] Total Liquid Reserve Amount:	<u>\$4,396,655</u>

Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year were applicable, are held as follows:

Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4] Cash and Cash Equivalents		<u>\$4,571,908</u>
[5] Investment Securities		
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		

Qualifying assets used in these reserves are described as follow:

Total Amount of Qualifying Assests

Listed for Reserve Obligation: [11] _____ [12] \$4,571,908Reserve Obligation Amount: [13] _____ [14] \$4,396,655Surplus/(Deficiency): [15] _____ [16] \$175,253

Signature:



(Authorized Representative)

Date: 4/18/2023

Managing Partner

(Title)

FORM 5-5
Description of Reserves Under SB 1212

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	\$	4,571,908
Investment Securities	\$	-
Total Qualifying Assets as Filed	\$	4,571,908

Reservations and Designations:

Reserved for Debt Service	\$	-
Reserved for Operating Expenses	\$	4,396,655
Total Reservations and Designations	\$	4,396,655
Remaining Liquid Reserves	\$	175,253

Per Capita Cost of Operations

		12 Months Ending 12/31/22
		<hr/>
Operating Expenses (Form 5-4 line #1)	\$	31,264,911
Mean # of CCRC Residents (Form 1-1 line 10)		557
Per Capita Cost of Operations	\$	56,131

**NOTE: Operating expenses shown above are for the period of January 1, 2022
to December 31, 2022**

PROVIDER: Reata Glen Orange County CCRC, LLC

COMMUNITY: Reata Glen Orange County CCRC, LLC

FORM 7-1**REPORT ON CCRC MONTHLY CARE FEES**

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	\$3,939-\$7173			
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	6.0%			
<input type="checkbox"/> Check here if monthly care fees at this community were <u>not</u> 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: <u>01/01/2022</u> (If more than one (1) increase was implemented, indicate the dates for each increase.)				
4. Check each of the appropriate boxes: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators. <input checked="" type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. Date of Notice: <u>11/5/2021</u> Method of Notice: <u>Internal Mail</u> <input checked="" type="checkbox"/> 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: <u>11/19/21</u> <input checked="" type="checkbox"/> 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. <input checked="" type="checkbox"/> The Provider distributed the documents to all residents by [Optional - check all that apply]: <ul style="list-style-type: none"> <input type="checkbox"/> Emailed the documents to those residents for whom the provider had email addresses on file <input checked="" type="checkbox"/> Placed hard copies in resident cubby <input checked="" type="checkbox"/> Placed hard copies at designated locations <input checked="" type="checkbox"/> Provided hard copies to residents upon request, and/or <input checked="" type="checkbox"/> Other: [please describe] <u>Library/Resident Portal</u> <input checked="" type="checkbox"/> Date of Notice: <u>11/5/21</u> 				

- ☒ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

Date of Notice: 11/5/21

- ☒ 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: 11/5/21 **Location of Posting:** Library/Resident Portal (TouchTown)

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

Date of Posting: 11/16/22 **Location of Posting:** Reata Glen Library

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

PROVIDER: Reata Glen Orange County CCRC LLC **COMMUNITY:** Reata Glen Orange County CCRC LLC

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES
Supporting Explanation for Line 5

The monthly fee increase was 6.0% for the first and second persons in fiscal year 2022. The following costs are the most significant items that impacted the increase:

Staff Wages: Combined labor costs (wages, taxes, benefits) continue to be our largest expense area. We will continue to see these costs increase due to State and locally mandated minimum wage increases. The minimum wage increase will affect those that are already at or just above minimum wage and need to be adjusted to ensure we retain and continue to attract qualified staff.

Uncontrollable Increases: We continue to see increases in insurance (General/Professional Liability, Workers' Comp, and property) across the board. Insurance carriers are exiting the senior living market and those that are staying have raised prices with higher deductibles caused by uncertainty around COVID-19 and the impact of California wildfires. In addition, raw food costs, including meat, produce and dairy, continue to increase.

Additional Services: To keep our community safe and continue to provide great services, we have acquired additional programs and systems such as: Eموcha Health App, which helps monitor employee symptoms and provides timely notification; Open Table, a table reservation app used in the dining room; Book When, an activity and amenity reservation platform; and SalesMail, a Marketing video email platform that helps us to virtually engage with our prospects.

FORM 7-1 ATTACHMENT
MONTHLY CARE FEE INCREASE
Annual Reporting Fiscal Year 2022

Line	Fiscal Years	2020	2021	2022
1	F/Y 2020 Operating Expenses (less depreciation and amortization)	\$ (16,563,681)		
2	F/Y 2021 Operating Expenses (less depreciation and amortization)		\$ (18,386,206)	
3	F/Y 2022 Operating Expenses (less depreciation and amortization)			\$ (21,534,112)
4	F/Y 2022 MCF Revenue Based on Current and Projected Occupancy and Other WITHOUT MCFI			\$ 28,970,144
5	F/Y 2022 (Net) Operating Results without MCFI (Line 3 plus Line 4)			\$ 7,436,032
6	F/Y 2022 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI			\$ 30,708,353
7	Grand Total - FY 2022 Net Operating Activity After 6.0% MCFI (Line 3 plus Line 6)			\$ 9,174,241
Monthly Care Fee Increase				6.00%

Adjustment Explained:

Non-cash expenses of depreciation and amortization have been removed for all fiscal years presented.

F/Y 2022

Wage adjustments, raw food cost and ancillary expenses increased by 3%

Employee health insurance increased by 8%

General liability & property insurance increased by 10%

All other insurance lines increased by approximately 6%

Purchased health care increased by 6.2%

