

STONERIDGE CREEK PLEASANTON CCRC, LLC

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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STONERIDGE CREEK PLEASANTON CCRC, LLC
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INDEPENDENT AUDITORS' REPORT

Members
Stoneridge Creek Pleasanton CCRC, LLC
Pleasanton, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Stoneridge Creek Pleasanton 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' 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

Irvine, California
April 20, 2023

STONERIDGE CREEK PLEASANTON CCRC, LLC
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,108,984	\$ 15,378,327
Marketable Securities	5,467,755	5,890,115
Accounts Receivable	466,282	319,139
Deferred Entrance Fees Receivable on Terminated Contracts	554,714	-
Inventories	62,267	65,646
Prepaid Expenses and Other Current Assets	880,465	651,902
Total Current Assets	<u>20,540,467</u>	<u>22,305,129</u>
PROPERTY AND EQUIPMENT		
Land	41,781,748	41,781,748
Land Improvements	37,434,493	37,434,493
Buildings and Improvements	191,705,347	191,559,664
Furniture, Fixtures, and Equipment	25,760,354	23,179,787
Construction in Process	740,105	708,039
Total Property and Equipment, at Cost	<u>297,422,047</u>	<u>294,663,731</u>
Less: Accumulated Depreciation	<u>(84,418,188)</u>	<u>(73,102,527)</u>
Property and Equipment, at Net Book Value	213,003,859	221,561,204
OTHER ASSETS		
Restricted Cash	327,723	479,115
Restricted Marketable Securities	1,669,858	1,916,648
Accounts Receivable, Long Term	25,000	25,000
Costs of Acquiring Contracts, Net	2,198,781	2,294,653
Deferred Entrance Fees Receivable	73,543,975	73,380,828
Total Other Assets	<u>77,765,337</u>	<u>78,096,244</u>
 Total Assets	 <u><u>\$ 311,309,663</u></u>	 <u><u>\$ 321,962,577</u></u>

See accompanying Notes to Financial Statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,326,235	\$ 1,205,553
Accrued Expenses	1,206,867	993,096
Deposits on Future Occupancy	6,971,516	7,421,729
Current Portion of Note Payable to Master Trust	<u>10,726,438</u>	<u>10,450,193</u>
Total Current Liabilities	20,231,056	20,070,571
LONG-TERM LIABILITIES		
Note Payable to Master Trust, Net of Current Portion	418,331,074	407,557,511
Deferred Revenue from Unamortized Deferred Entrance Fees, Net	65,007,310	62,660,338
Deposits from Residents	<u>378,125</u>	<u>347,000</u>
Total Long-Term Liabilities	<u>483,716,509</u>	<u>470,564,849</u>
Total Liabilities	503,947,565	490,635,420
MEMBERS' DEFICIT	<u>(192,637,902)</u>	<u>(168,672,843)</u>
Total Liabilities and Members' Deficit	<u><u>\$ 311,309,663</u></u>	<u><u>\$ 321,962,577</u></u>

See accompanying Notes to Financial Statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Resident Services	\$ 46,193,001	\$ 42,619,222
Amortization of Deferred Entrance Fees	8,552,682	8,551,338
Deferred Entrance Fees on Terminated Contracts	2,467,630	3,067,666
Nonresident Services	196,342	115,960
Total Revenues	<u>57,409,655</u>	<u>54,354,186</u>
OPERATING EXPENSES		
Resident Care	7,406,292	5,961,455
Food and Beverage Services	7,956,663	6,823,242
Environmental Services	2,995,725	2,516,159
Plant Facility Operating Costs	6,806,850	6,501,811
General and Administrative Expenses	9,678,662	9,053,180
Depreciation and Amortization	11,666,133	11,174,951
Total Operating Expenses	<u>46,510,325</u>	<u>42,030,798</u>
INCOME FROM OPERATIONS	10,899,330	12,323,388
OTHER INCOME (EXPENSE)		
Net Realized Gain on Sale of Marketable Securities	3,876	-
Net Unrealized Gain (Loss) on Marketable Securities	(1,192,245)	1,522,158
Interest and Dividend Income	208,880	177,245
Other Income	115,100	-
Total Other Income (Expense)	<u>(864,389)</u>	<u>1,699,403</u>
NET INCOME	<u><u>\$ 10,034,941</u></u>	<u><u>\$ 14,022,791</u></u>

See accompanying Notes to Financial Statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
STATEMENTS OF CHANGES IN MEMBERS' DEFICIT
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital		Accumulated	Total
	Class A	Class B	Equity	Members'
				Deficit
BALANCE - DECEMBER 31, 2020	\$ (153,659,356)	\$ (31,355,413)	\$ 34,819,135	\$ (150,195,634)
Distributions	(26,000,000)	(6,500,000)	-	(32,500,000)
Net Income	-	-	14,022,791	14,022,791
BALANCE - DECEMBER 31, 2021	(179,659,356)	(37,855,413)	48,841,926	(168,672,843)
Distributions	(27,200,000)	(6,800,000)	-	(34,000,000)
Net Income	-	-	10,034,941	10,034,941
BALANCE - DECEMBER 31, 2022	<u>\$ (206,859,356)</u>	<u>\$ (44,655,413)</u>	<u>\$ 58,876,867</u>	<u>\$ (192,637,902)</u>

See accompanying Notes to Financial Statements.

STONERIDGE CREEK PLEASANTON 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	\$ 58,276,193	\$ 56,801,126
Interest and Dividend Income	208,880	177,245
Reimbursements for Services to Nonresidents	196,342	115,960
Other Income	115,100	-
Cash Paid to Suppliers and Employees	<u>(35,003,081)</u>	<u>(31,148,078)</u>
Net Cash and Cash Equivalents and Restricted Cash Provided by Operating Activities	23,793,434	25,946,253
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments Made on Purchases of Property and Equipment	(2,758,316)	(2,806,475)
Purchases of Marketable Securities	(704,466)	(57,930)
Proceeds from Redemption of Marketable Securities	<u>198,805</u>	<u>32</u>
Net Cash and Cash Equivalents and Restricted Cash Used by Investing Activities	(3,263,977)	(2,864,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable to Master Trust	21,500,001	28,700,000
Payments on Notes Payable to Master Trust	(10,450,193)	(9,982,249)
Distributions to Members	<u>(34,000,000)</u>	<u>(32,500,000)</u>
Net Cash and Cash Equivalents and Restricted Cash Used by Financing Activities	<u>(22,950,192)</u>	<u>(13,782,249)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(2,420,735)	9,299,631
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>15,857,442</u>	<u>6,557,811</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 13,436,707</u></u>	<u><u>\$ 15,857,442</u></u>

See accompanying Notes to Financial Statements.

STONERIDGE CREEK PLEASANTON 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 AND RESTRICTED CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income	\$ 10,034,941	\$ 14,022,791
Noncash Items Included in Net Income:		
Depreciation	11,315,661	10,779,164
Amortization of Costs of Acquiring Contracts	350,472	395,787
Amortization of Deferred Entrance Fees	(8,552,682)	(8,551,338)
Deferred Entrance Fees on Terminated Contracts	(2,467,630)	(3,067,666)
Net Realized Gain on Sale of Marketable Securities	(3,876)	-
Net Unrealized (Gain) Loss on Marketable Securities	1,192,245	(1,522,158)
Changes in:		
Accounts Receivable	(147,143)	(104,704)
Deferred Entrance Fees Receivable on Terminated Contracts	(554,714)	908,827
Inventories	3,379	5,707
Prepaid Expenses and Other Current Assets	(242,121)	(37,702)
Costs of Acquiring Contracts	(254,600)	(349,925)
Deferred Entrance Fees Receivable	13,204,137	13,515,533
Accounts Payable	120,682	124,407
Accrued Expenses	213,771	(34,719)
Deposits on Future Occupancy	(450,213)	(177,751)
Deposits from Residents	31,125	40,000
Net Cash and Cash Equivalents and Restricted Cash Provided by Operating Activities	<u>\$ 23,793,434</u>	<u>\$ 25,946,253</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>\$ 13,367,284</u>	<u>\$ 15,755,157</u>

See accompanying Notes to Financial Statements.

STONERIDGE CREEK PLEASANTON 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

Stoneridge Creek Pleasanton CCRC, LLC (the Company) owns and operates a multiuse continuing care retirement community (CCRC) located in Pleasanton, California. The Company operates under the continuing care concept whereby residents enter into agreements that require payment of a onetime 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 First Amended and Restated Limited Liability Company Operating Agreement (the Operating Agreement) of the Company dated July 14, 2015. The following represents a summary of significant financial terms of the Operating Agreement.

The Company has two types of members – Class A and Class B – and one appointed manager, who is responsible for the management of the day-to-day business and affairs of the Company. The manager is granted the authority to act on behalf of the Company, except for those actions requiring a Class A majority in interest vote or the unanimous approval of the Class A members, as designated in the Company's Operating Agreement. Class A members also have the authority to remove or replace the manager.

One of the Class A 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. As of December 31, 2022 and 2021, 80% of the Company is owned by Class A members and 20% of the Company is owned by Class B members.

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.

STONERIDGE CREEK PLEASANTON 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 and Restricted Cash

For purposes of the statements of cash flows, cash and cash equivalents include the operating cash account of the Company, money market accounts, time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, as well as restricted cash (see Note 4).

The following table provides a reconciliation of cash, restricted cash, and cash equivalents reported within the balance sheets that sum to the total of the same such amounts as shown in the statements of cash flows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 13,108,984	\$ 15,378,327
Restricted Cash (Note 4)	<u>327,723</u>	<u>479,115</u>
Total Cash and Cash Equivalents and Restricted Cash as Shown on the Statements of Cash Flows	<u>\$ 13,436,707</u>	<u>\$ 15,857,442</u>

Marketable Securities and Restricted Marketable Securities

The Company accounts for its investments in equity securities in accordance with FASB ASC 321-10, *Investments – Equity Securities*. Marketable securities held by the Company have readily determinable fair values and are reported at fair value, with realized and unrealized gains and losses included in earnings. Any dividends received are recorded in interest income.

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 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.

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

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

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$11,315,661 and \$10,799,164, 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.

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 5) 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 healthcare 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.

STONERIDGE CREEK PLEASANTON 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

The following are descriptions 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.
- (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.

STONERIDGE CREEK PLEASANTON 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

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.

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 \$350,472 and \$395,787, 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.

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

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 \$623,585 and \$604,382, 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.

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)	\$ 11,020,312	\$ 11,619,004
Monthly Resident Fees and Ancillary Charges (Over Time)	46,193,001	42,619,222
Nonresident Services (Point in Time)	196,342	115,960
Total Revenue from Contracts with Customers	<u>\$ 57,409,655</u>	<u>\$ 54,354,186</u>

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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

	December 31, 2020	December 31, 2021	December 31, 2022
Accounts Receivable	<u>\$ 214,435</u>	<u>\$ 319,139</u>	<u>\$ 466,282</u>
Deferred Entrance Fees Receivable on Terminated Contracts	<u>\$ 908,827</u>	<u>\$ -</u>	<u>\$ 554,714</u>
Costs of Acquiring Contracts	<u>\$ 2,340,515</u>	<u>\$ 2,294,653</u>	<u>\$ 2,198,781</u>
Deferred Entrance Fees Receivable	<u>\$ 71,141,204</u>	<u>\$ 73,380,828</u>	<u>\$ 73,543,975</u>
Deposits on Future Occupancy	<u>\$ 7,599,480</u>	<u>\$ 7,421,729</u>	<u>\$ 6,971,516</u>
Deferred Revenue from Unamortized Entrance Fees	<u>\$ 58,524,186</u>	<u>\$ 62,660,338</u>	<u>\$ 65,007,310</u>
Deposits from Residents	<u>\$ 307,000</u>	<u>\$ 347,000</u>	<u>\$ 378,125</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.

At December 31, 2022 and 2021, the Company also maintains its money market funds and investments in equity securities at brokerage firms that are not FDIC insured. The firms are insured by the Securities Investor Protection Corporation for up to \$500,000.

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.

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 RESTRICTED CASH AND RESTRICTED MARKETABLE SECURITIES

As a condition of development, the Company entered into an agreement with the City of Pleasanton, California, whereby the Company will provide a certain number of independent living units that will be affordable to households of lower incomes as specified in the agreement. The agreement also calls for the Company to establish an annuity for the purpose of providing ongoing subsidies to specific households for future periods. At December 31, 2022 and 2021, amounts of restricted cash and restricted marketable securities established totaled \$1,997,581 and \$2,395,763, respectively. The Company was in compliance with all terms of the agreement.

NOTE 5 NOTES PAYABLE TO MASTER TRUST AND TRUST AGREEMENTS

The Stoneridge Creek Pleasanton 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 \$429,057,512 and \$418,007,704, 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 \$518,000,000, 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 Stoneridge Creek Pleasanton.

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 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 next scheduled principal payment of \$10,726,438 was paid in January 2023.

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 NOTES PAYABLE TO MASTER TRUST AND TRUST AGREEMENTS (CONTINUED)

Principal payments of the current outstanding Master Trust loan are estimated to mature as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 10,726,438
2024	10,458,277
2025	10,196,820
2026	9,941,899
2027	9,693,352
Thereafter	378,040,726
Total	<u>\$ 429,057,512</u>

In addition to the annual principal payment, the Company provides the Master Trust temporary loans to fund grantor distributions when necessary. These temporary loans are refunded to the Company upon subsequent sale of a unit or when the Master Trust has excess liquidity.

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 5.5% 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 \$7,119,450 and \$6,316,415, respectively, for operating expense 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 and marketable securities 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.

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 \$842,827 and \$792,192, 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 \$806,721 and \$387,624, 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 \$446,161 and \$473,310, respectively.

During both years ended December 31, 2022 and 2021, the Company paid \$50,000 for management services provided by an affiliated entity owned by the financing 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 Creekview HC, LLC, an affiliated entity. The healthcare costs paid to this entity during the years ended December 31, 2022 and 2021 were \$6,270,200 and \$4,860,020, respectively, and are included in resident care expenses in the accompanying statements of operations. In addition, the Company had payables for accrued healthcare costs totaling \$191,250 and \$109,634 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 \$232,485 and \$188,196, respectively, which have been included in operating expenses in the accompanying statements of operations.

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 FAIR VALUE MEASUREMENTS

FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date.

The three levels are defined as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table provides fair value measurement for financial assets measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3
Equities:			
Large Value	\$ 2,290,522	\$ -	\$ -
Large Growth	1,281,095	-	-
Large Core	3,275,545	-	-
Mid Value	201,708	-	-
Mid Core	88,743	-	-
Small Value	-	-	-
Total Assets at Fair Value	<u>\$ 7,137,613</u>	<u>\$ -</u>	<u>\$ -</u>

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides fair value measurement for financial assets measured at fair value on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3
Equities:			
Large Value	\$ 2,401,431	\$ -	\$ -
Large Growth	1,171,403	-	-
Large Core	3,759,158	-	-
Mid Value	302,229	-	-
Mid Core	167,438	-	-
Small Value	5,104	-	-
Total Assets at Fair Value	<u>\$ 7,806,763</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 10 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.

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 \$134,126 for the quarters ended 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.

STONERIDGE CREEK PLEASANTON CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 EMPLOYEE RETENTION CREDITS (CONTINUED)

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 11 SUBSEQUENT EVENTS

Events occurring after December 31, 2022 have been evaluated for possible adjustment to the financial statements or disclosure as of April 20, 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

Stoneridge Creek Pleasanton CCRC, LLC
Pleasanton, California

We have audited the financial statements of Stoneridge Creek Pleasanton CCRC, LLC (the Company) as of and for the year ended December 31, 2022, and our report thereon dated April 20, 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 anyone other than those specified parties. However, this report is a matter of public record, and its distribution is not limited.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
April 20, 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	11/28/2011	0	0	0	0
2	12/21/2015	0	0	0	0
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: Stoneridge Creek Pleasanton CCRC, LLC



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



EDMUND G. BROWN JR.
GOVERNOR

August 18, 2015

Mr. Warren Spieker, Vice President
Continuing Life Communities, LLC
1940 Levante Street
Carlsbad, California 92009

SUBJECT: STONERIDGE CREEK PLEASANTON CCRC, LLC

Dear Mr. Spieker:

This is in response to your May 8, 2015, letter request approval to waive the long-term debt reserve requirement as it applies to the debt held by the Stoneridge Creek Pleasanton Master Trust. Pursuant to the December 11, 2014, email from Bank of America Merrill Lynch, the construction loan to Stoneridge Creek Pleasanton CCRC, LLC (SRC) 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 SRC.

Please note that SRC is required to notify the Department and obtain its approval prior to closing any transaction that results in an encumbrance or lien on the SRC property or its revenues, pursuant to H&SC section 1789.2. At which time, SRC will be required to comply with the debt service reserve requirement for the new debt.

If you have any questions, you may contact this office at (916) 657-2592.

Sincerely,

EVON LENERD, Chief
Continuing Care Branch

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					
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: Stoneridge Creek Pleasanton 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: Stoneridge Creek Pleasanton CCRC, LLC

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Description	Amounts	TOTAL
1	Total operating expenses from financial statements		\$46,510,325
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	\$11,315,661	
d.	Amortization	\$350,472	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$196,342	
f.	Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$11,862,475
4	Net Operating Expenses		\$34,647,850
5	Divide Line 4 by 365 and enter the result		\$94,926
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		\$7,119,450

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC**COMMUNITY:** Stoneridge Creek Pleasanton

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

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

Reimbursements for services to non-residents	<u>\$ 196,342</u>
--	-------------------

Categories included in the above revenues:

\$	9,402	Guest Meals
	5,371	Employee Meals
	357	Catering
	145,731	Guest Room
	35,595	Space Rental
	(114)	Convenience Store
	<u>196,342</u>	
\$	<u>196,342</u>	

PROVIDER:	<u>Stoneridge Creek Pleasanton CCRC, LLC</u>
COMMUNITY:	<u>Stoneridge Creek Pleasanton</u>

FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: Stoneridge Creek Pleasanton CCRC, LLC

Fiscal 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	\$0
[2] Operating Expense Reserve Amount	\$7,119,450
[3] Total Liquid Reserve Amount:	<u>\$7,119,450</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:

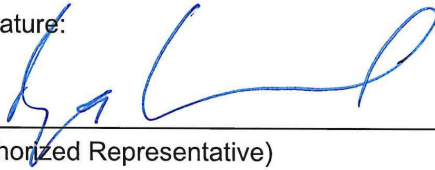
Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4] Cash and Cash Equivalents		\$13,108,984
[5] Investment Securities		\$5,467,755
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		

Qualifying assets used in these reserves are described as follow:

Total Amount of Qualifying Assests

Listed for Reserve Obligation: [11] _____ [12] \$18,576,739Reserve Obligation Amount: [13] _____ [14] \$7,119,450Surplus/(Deficiency): [15] _____ [16] \$11,457,289

Signature:

Date: 04/10/2023

(Authorized Representative)

Chief Executive Officer

(Title)

FORM 5-5
Description of Reserves Under SB 1212

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	\$	13,108,984
Investment Securities	\$	5,467,755
Total Qualifying Assets as Filed:	\$	18,576,739

Reservations and Designations:

Reserved for Debt Service	\$	-
Reserved for Operating Expenses	\$	7,119,450
Total Reservations and Designations:	\$	7,119,450
Remaining Liquid Reserves	\$	11,457,289

Per Capita Cost of Operations

	12 Months Ending 12/31/22
Operating Expenses (Form 5-4 line # 1)	\$46,510,325
Mean # of CCRC Residents (Form 1-1 line 10)	780
Per Capita Cost of Operations	\$59,629

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

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC

COMMUNITY: Stoneridge Creek Pleasanton

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)	\$3,709 - 7,038			
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	5.7%			
<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>January 1, 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>November 1, 2021</u> Method of Notice: <u>Internal Mail, USPS, email</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>November 18, 2021</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 type="checkbox"/> Other: [please describe] _____ <input checked="" type="checkbox"/> Date of Notice: <u>November 18, 2021</u> 				

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

Date of Notice: October 22, 2021

- ☒ 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: October 22, 2021 **Location of Posting:** Community Clubhouse & weekly newsletter

- ☒ 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: November 18, 2021 **Location of Posting:** Clubhouse 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: Stoneridge Creek Pleasanton CCRC, LLC **COMMUNITY:** Stoneridge Creek Pleasanton

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

The monthly fee increase for 2022 is reflected at 5.7% and the second person fee increase is reflected at 5.7% in fiscal year 2022. The cost drivers for this increase are: market wage adjustments, raw food cost, employee health insurance increase, general insurance increase for GL/PL, property, auto, cyber, crime; purchased health care increases, IT activity increases, utilities and all other ancillary expenses. These amounts were arrived at by using economic indicators and estimating future cost increases, which information was derived from suppliers, government mandate, and industry periodicals. The budgeted NOI, does not include capital expenditures. Economic indicators driving these capital projects include the updating of residences that turnover in order to keep current with market expectations. Other capital projects include HVAC upgrades, IT infrastructure upgrades, painting, and carpet replacement. These projects and future projects that economic indicators may require, will be paid from future cash flow. NOI surplus will also be used as a return to owners for the risk of operating the community.

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC
COMMUNITY: Stoneridge Creek Pleasanton

FORM 7-1
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)	\$ (29,549,826)		
2	F/Y 2021 Operating Expenses (less depreciation and amortization)		\$ (30,855,847)	
3	Projected F/Y 2022 Results of Operations (budgeted expenses)			\$ (34,844,192)
4	F/Y 2022 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other WITHOUT MCFI			\$ 43,101,458
5	Projected F/Y 2022 (Net) Operating Results without MCFI (Line 3 plus Line 4)			\$ 8,257,266
6	Projected F/Y 2022 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI			\$ 45,558,241
7	Grand Total - Projected FY 2022 Net Operating Activity After 5.7% MCFI (Line 3 plus Line 6)			\$ 10,714,049

Monthly Care Fee Increase (MCFI)

5.70%

Adjustment Explained:

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

F/Y 2020 to F/Y 2021

The average resident census decreased by 0.4%

Average wage increased by 2%

Employee health insurance increased by 8%

General liability insurance increased by 28%

Purchased health care increased by 8% due to the increase in rates and increase in residents utilizing the Health Center

F/Y 2021 to F/Y 2022

The average resident census increased by 0.7%

Average wage increased by 3%

Employee health insurance increased by 7%

General liability insurance increased by 15%

Purchased health care increased by 29% due to the increase in rates and increase in residents utilizing the Health Center

