

**THE GLEN AT SCRIPPS
RANCH CCRC, LLC**

FINANCIAL STATEMENTS

**THIRTEEN MONTHS ENDED
DECEMBER 31, 2020**

WITH INDEPENDENT AUDITORS' REPORT



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THE GLEN AT SCRIPPS RANCH CCRC, LLC
TABLE OF CONTENTS
DECEMBER 31, 2020

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheet.....	3
Statement of Operations.....	5
Statement of Changes in Members' Equity	6
Statement of Cash Flows	7
Notes to Financial Statements.....	9



INDEPENDENT AUDITORS' REPORT

To the Members of
The Glen at Scripps Ranch CCRC, LLC
San Diego, California

We have audited the accompanying financial statements of The Glen at Scripps Ranch CCRC, LLC (a Delaware limited liability company) (the "Company"), which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in members' equity, and cash flows for the thirteen months ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Glen at Scripps Ranch CCRC, LLC as of December 31, 2020, and the results of its operations and its cash flows for the thirteen months ended December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
April 29, 2021

THE GLEN AT SCRIPPS RANCH CCRC, LLC
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 7,303,298
Accounts receivable	22,163
Inventories	82,870
Prepaid expenses and other current assets	415,127
Temporary loans to Master Trust	75,000

Total Current Assets 7,898,458

Property and Equipment:

Land	17,267,212
Land improvements	28,253,332
Buildings and improvements	154,929,787
Furniture, fixtures, and equipment	29,311,668
Construction in progress	383,326

Total Property and Equipment, at Cost 230,145,325
Less: Accumulated depreciation (7,340,512)

Property and Equipment, at Net Book Value 222,804,813

Other Assets:

Costs of acquiring contracts, net	575,570
Deferred entrance fees receivable	12,489,306

Total Other Assets 13,064,876

Total Assets \$ 243,768,147

The accompanying notes are an integral part of these financial statements.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:	
Accounts payable	\$ 227,133
Accrued expenses	1,751,641
Deposits on future occupancy	150,000
Construction note payable	<u>49,947,777</u>
Total Current Liabilities	52,076,551
Long-Term Liabilities:	
Note payable to Master Trust	167,367,475
Deferred revenue from unamortized deferred entrance fees, net	<u>8,699,833</u>
Total Long-Term Liabilities	<u>176,067,308</u>
Total Liabilities	228,143,859
Members' Equity	<u>15,624,288</u>
Total Liabilities and Members' Equity	<u><u>\$ 243,768,147</u></u>

The accompanying notes are an integral part of these financial statements.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
STATEMENT OF OPERATIONS
THIRTEEN MONTHS ENDED DECEMBER 31, 2020

Revenues:	
Resident services	\$ 14,432,175
Amortization of deferred entrance fees	3,789,473
Deferred entrance fees on terminated contracts	500
Nonresident services	<u>15,694</u>
Total Revenues	<u>18,237,842</u>
Operating Expenses:	
Resident care	648,721
Food and beverage services	3,802,856
Environmental services	1,085,634
Plant facility operating costs	3,297,238
General and administrative expenses	8,873,279
Depreciation and amortization	<u>7,258,588</u>
Total Operating Expenses	<u>24,966,316</u>
Loss from Operations	(6,728,474)
Other Income (Expense):	
Interest expense	(2,543,887)
Other income	<u>3,840</u>
Total Other Income (Expense)	<u>(2,540,047)</u>
Net Loss	<u><u>\$ (9,268,521)</u></u>

The accompanying notes are an integral part of these financial statements.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
THIRTEEN MONTHS ENDED DECEMBER 31, 2020

	<u>Capital</u>	<u>Accumulated Deficit</u>	<u>Total Members' Equity</u>
Balance, November 30, 2019	\$ 62,402,505	\$ (25,052,692)	\$ 37,349,813
Contributions	4,000,000	-	4,000,000
Distributions	(16,457,004)	-	(16,457,004)
Net Loss	<u>-</u>	<u>(9,268,521)</u>	<u>(9,268,521)</u>
Balance, December 31, 2020	<u>\$ 49,945,501</u>	<u>\$ (34,321,213)</u>	<u>\$ 15,624,288</u>

The accompanying notes are an integral part of these financial statements.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
STATEMENT OF CASH FLOWS
THIRTEEN MONTHS ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:	
Cash received from residents	\$ 14,521,518
Interest expense	(2,543,887)
Reimbursements for services to nonresidents	15,694
Cash paid to suppliers and employees	<u>(44,163,981)</u>
Net Cash and Cash Equivalents Used in Operating Activities	(32,170,656)
Cash Flows from Investing Activities:	
Payments made on purchases of property and equipment	<u>(9,177,191)</u>
Net Cash and Cash Equivalents Used in Investing Activities	(9,177,191)
Cash Flows from Financing Activities:	
Proceeds from note payable to Master Trust	141,000,000
Proceeds from construction note payable	53,455,722
Payments on construction note payable	(137,897,209)
Contributions from members	4,000,000
Distributions to members	<u>(16,457,004)</u>
Net Cash and Cash Equivalents Provided by Financing Activities	<u>44,101,509</u>
Net Increase in Cash and Cash Equivalents	2,753,662
Cash and Cash Equivalents, Beginning of Period	<u>4,549,636</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ 7,303,298</u></u>

The accompanying notes are an integral part of these financial statements.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
STATEMENT OF CASH FLOWS (CONTINUED)
THIRTEEN MONTHS ENDED DECEMBER 31, 2020

Reconciliation of Net Loss to Net Cash and Cash Equivalents

Used In Operating Activities:

Net Loss	\$ (9,268,521)
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Noncash Items Included in Net Loss:

Depreciation	7,214,158
Amortization of costs of acquiring contracts	44,430
Amortization of deferred entrance fees	(3,789,473)
Deferred entrance fees on terminated contracts	(500)
Accrued other income	(3,840)

Changes in:

Accounts receivable	(1,157)
Inventories	(64,467)
Prepaid expenses and other current assets	(259,528)
Temporary loans to Master Trust	(60,000)
Costs of acquiring contracts	(109,935)
Deferred entrance fees receivable	500
Accounts payable	(13,509,976)
Retention payable	(13,759,310)
Accrued expenses	1,246,963
Deposits on future occupancy	150,000

Net Cash and Cash Equivalents Used in Operating Activities	\$ (32,170,656)
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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	\$ 12,489,806
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The accompanying notes are an integral part of these financial statements.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

The Glen at Scripps Ranch CCRC, LLC (the “Company”) owns and operates a multiuse continuing care retirement community (“CCRC”) located in San Diego, 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 Limited Liability Company Operating Agreement (the Operating Agreement) of the Company dated December 6, 2016. 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. The capital contributions shall earn a cumulative preferred return of 8%. During the thirteen months ended December 31, 2020, the Company distributed \$16,457,004 of preferred returns to the financing member.

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.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include the operating cash accounts 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 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.

The Company provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. No allowance was necessary at December 31, 2020.

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	10-40 years
Furniture, fixtures, and equipment	5-10 years

Depreciation expense for the thirteen months ended December 31, 2020, totaled \$7,214,158.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

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 thirteen months ended December 31, 2020.

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.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition from Contracts with Customers (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 - 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.

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.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition from Contracts with Customers (Continued)

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 thirteen months ended December 31, 2020, the Company recognized amortization expense of these assets totaling \$44,430.

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 thirteen months ended December 31, 2020, advertising and promotional costs totaled \$1,259,195, and are included in general and administrative expenses in the accompanying statement 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.

Note 2: Revenue from Contracts with Customers

The following table presents the Company's revenue disaggregated by service for the thirteen-month period ended December 31, 2020:

Revenue from Contracts with Customers:	
Entrance fees, amortized and on terminated contracts (over time)	\$ 3,789,973
Monthly resident fees and ancillary charges (over time)	14,432,175
Nonresident services (point in time)	<u>15,694</u>
Total Revenue from Contracts with Customers	<u>\$ 18,237,842</u>

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 2: Revenue from Contracts with Customers (Continued)

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

	December 1, 2019	December 31, 2020
Accounts Receivable	<u>\$ 21,006</u>	<u>\$ 22,163</u>
Costs to Acquire Contracts	<u>\$ 510,065</u>	<u>\$ 575,570</u>
Deferred Entrance Fees Receivable	<u>\$ -</u>	<u>\$ 12,489,306</u>
Deposits on Future Occupancy	<u>\$ -</u>	<u>\$ 150,000</u>
Deferred Revenue from Unamortized Entrance Fees	<u>\$ -</u>	<u>\$ 8,699,833</u>

Note 3: Concentrations, Risks, and Uncertainties

The Company maintains cash balances with one financial institution. At December 31, 2020, 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.

Note 4: Construction Note Payable

On January 12, 2018, the Company entered into a syndicated construction loan agreement that provided for combined borrowings for up to \$230,000,000 to facilitate the construction of improvements on specific land and expenses relating to the property. Interest accrues at the London InterBank Offered Rate daily floating rate plus 3.5% per annum. In accordance with the terms and conditions of the agreement, the Company has elected a first extension of the maturity date to July 12, 2021. The loan is secured by a construction deed of trust, assignment of rents and leases, security agreement, and fixture filing on specific real and personal property. In addition, there was a personal guaranty from the financing member. At December 31, 2020, the outstanding balance due, including unpaid interest, totaled \$49,947,777.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 5: Note Payable to Master Trust and Trust Agreement

The Glen at Scripps Ranch 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, 2020, the balance outstanding on the Master Trust note payable was \$167,367,475.

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 \$360,000,000, 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 of 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 The Glen at Scripps Ranch.

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, 2020; therefore, no principal payment was due.

The Company has provided the Master Trust temporary loans to fund the Master Trust’s ongoing expenses. The Master Trust loan proceeds to the Company are used to pay down the construction note payable (see Note 4) and once the construction note payable is paid off, the Master Trust will be able to refund these temporary loans. At December 31, 2020, the temporary loans to the Master Trust totaled \$75,000.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 December 31, 2020, the anticipated revenues are estimated to exceed the cost of future services and, therefore, no liability was accrued.

Reservations and Designations

At December 31, 2020, the Company maintains cash reserves in the amount of \$4,884,044, 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 sheet.

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 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, 2020, 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 thirteen months ended December 31, 2020, services paid under this agreement totaled \$496,420. The service agreement also provides for additional fees for supplemental services and out-of-pocket expenses, as needed. For the thirteen months ended December 31, 2020, the additional fees paid under this agreement totaled \$545,619. Furthermore, the service agreement also provides for insurance premiums to be paid to a related company. Insurance premiums paid under this agreement for the thirteen months ended December 31, 2020, totaled \$264,292.

During the thirteen months ended December 31, 2020, the Company paid \$35,000 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 statement of operations.

THE GLEN AT SCRIPPS RANCH CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 thirteen months ended December 31, 2020, employer contributions to the Plan totaled \$118,254, which have been included in operating expenses in the accompanying statement of operations.

Note 9: Subsequent Events

Events occurring after December 31, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of April 29, 2021, 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.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

