ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2023

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

CCRC(S):
Vi at La Jolla Village

PROVIDER CONTACT PERSON:
Tara Cope

TELEPHONE NUMBER:	E-MAIL ADDRESS:
312-803-8555	tcope@viliving.com

A complete annual report must consist of 3 copies of all of the following:

- ☑ Annual Report Checklist.
- ☑ Annual Provider Fee in the amount of: $44,793.23
  - ☐ If applicable, late fee in the amount of: $________
- ☑ Certification by the provider's ***Chief Executive Officer*** that:
  - ☑ The reports are correct to the best of his/her knowledge.
  - ☑ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ☑ The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- ☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- ☑ "Continuing Care Retirement Community Disclosure Statement" for ***each*** community.
- ☑ Form 7-1, "Report on CCRC Monthly Service Fees" for ***each*** community.
- ☑ Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- ☑ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	556
[2]	Number at end of fiscal year	547
[3]	Total Lines 1 and 2	1,103 ×.50
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	
[5]	Mean number of continuing care residents Please allow decimal points for Line [5]	551.5

All Residents

[6]	Number at beginning of fiscal year	566
[7]	Number at end of fiscal year	558
[8]	Total Lines 6 and 7	1,124 ×.05
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	
[10]	Mean number of *all* residents	562.0
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	98.13

Please allow decimal points in Line [11]

FORM 1-2: ANNUAL PROVIDER FEE

Line		TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	56,025,173.00
[a]	Depreciation	10,371,801.00
[b]	Debt Service (Interest Only)	6,542.00
[2]	Subtotal (add Line 1a and 1b)	10,378,343.00
[3]	Subtract Line 2 from Line 1 and enter result.	45,646,830.00
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	98.13
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	44,793,234.28
[6]	**Total Amount Due** (multiply Line 5 by .001)	$ 44,793.23

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

COMMUNITY: Vi at La Jolla Village

California Department of Social Services
Application for Certificate of Authority

CERTIFICATION

The undersigned certifies that the Annual Report for the fiscal year ended 12/31/2023 is correct to the best of his knowledge, that each continuing care contract form in use or offered to new residents has been approved by the Department, and the provider is maintaining the required liquid reserve and refund reserve.

Dated: April 10, 2024

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

By: ______________________
Gary Smith, President

CC-La Jolla, Inc., a Delaware corporation

By: ______________________
Gary Smith, President

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 12/27/2023

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

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

PRODUCER
MARSH USA LLC.
540 W. MADISON
CHICAGO, IL 60661

CN102041886-BERMU-GAUP-23-

CONTACT NAME: Marsh | U.S. Operations
PHONE (A/C, No, Ext): 866-966-4664 | FAX (A/C, No): 212-948-0770
E-MAIL ADDRESS: Chicago.CertRequest@marsh.com

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

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

COVERAGES CERTIFICATE NUMBER: CHI-009948246-09 REVISION NUMBER: 1

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY; X CLAIMS-MADE; OCCUR; X Ded: $100,000 per occurrence; GEN'L AGGREGATE LIMIT APPLIES PER: POLICY; PRO-JECT; X LOC; OTHER:			42-PSC-306898-06	12/31/2023	12/31/2024	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 3,000,000
							PRODUCTS - COMP/OP AGG	$ 3,000,000
							POLICY LIMIT	$ 10,000,000
	AUTOMOBILE LIABILITY; ANY AUTO; OWNED AUTOS ONLY; SCHEDULED AUTOS; HIRED AUTOS ONLY; NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident)	$
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
A	X UMBRELLA LIAB; OCCUR; EXCESS LIAB; X CLAIMS-MADE; DED; X RETENTION $ 100,000			42-USC-306899-06	12/31/2023	12/31/2024	EACH OCCURRENCE	$ 5,000,000
							AGGREGATE	$ 5,000,000
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N; ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH); If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					PER STATUTE; OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	PROFESSIONAL LIABILITY; Claims Made			42-PSC-306898-06; Policy Limit: $10,000,000	12/31/2023	12/31/2024	EA CLAIM / AGG (LOC)	1M / 3M
							DEDUCTIBLE	100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Re: Vi at LaJolla Village, Tower 2, 8515 Costa Verde Drive, San Diego, CA 92122

CERTIFICATE HOLDER

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

CANCELLATION

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

AUTHORIZED REPRESENTATIVE

Marsh USA LLC

ACORD

ADDITIONAL REMARKS SCHEDULE

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

ADDITIONAL REMARKS

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

EXCESS PROFESSIONAL LIABILITY
Carrier: National Fire & Marine Insurance Company
Policy No : 42-USC-306899-06
Effective Date: 12/31/2023
Expiration Date: 12/31/2024
Each Claim Limit: $5,000,000
Aggregate Limit: $5,000,000
Retention: $100,000

EXCESS LIABILITY ($10M XS $5M)
Carrier: Berkley Healthcare Medical Professional
Policy No.: SCE280000902
Effective Date: 12/31/2023
Expiration Date: 12/31/2024
Each Claim Limit: $10,000,000
Aggregate Limit: $10,000,000

EXCESS LIABILITY ($9M XS $15M)
Carrier: Allied World Assurance Company, Ltd.
Policy No.: C058848/005
Effective Date: 12/31/2023
Expiration Date: 12/31/2024
Each Occurrence: $9,000,000
Aggregate Limit: $9,000,000

The $9M xs $15M Excess Liability placement was made by Bowring Marsh (Bermuda) Ltd.. Marsh USA Inc. has only acted in the role of a consultant to the client with respect to this placement, which is indicated here for your convenience.

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CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY): 01/08/2024

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

PRODUCER MARSH USA LLC 540 W. Madison Chicago, IL 60661	CONTACT NAME: Marsh | U.S. Operations PHONE (A/C, No, Ext): 866-966-4664 FAX (A/C, No): 212-948-0770 E-MAIL ADDRESS: Chicago.CertRequest@marsh.com PRODUCER CUSTOMER ID:
INSURED CCW La Jolla, L.L.C. 8515 Costa Verde Drive San Diego, CA 92122	

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : See Attached Schedule of Insurers	
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

COVERAGES **CERTIFICATE NUMBER:** CHI-009974769-09 **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Re: Vi at La Jolla Village, 8515 Costa Verde Blvd., San Diego, CA 92122.

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INSR LTR	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
A	X PROPERTY		See Attached	12/31/2023	12/31/2024	X BUILDING	$ SEE BELOW
	CAUSES OF LOSS	DEDUCTIBLES				X PERSONAL PROPERTY	$ SEE BELOW
	BASIC	BUILDING 100,000	Other deductibles may apply as per			X BUSINESS INCOME	$ SEE BELOW
	BROAD	CONTENTS	policy terms and conditions.			X EXTRA EXPENSE	$ SEE BELOW
	X SPECIAL	100,000				X RENTAL VALUE	$ SEE BELOW
	X EARTHQUAKE	See Attached				BLANKET BUILDING	$
	X WIND	See Attached				BLANKET PERS PROP	$
	X FLOOD	See Attached				X BLANKET BLDG & PP	$
						X LOSS LIMIT	$ 400,000,000
							$
	INLAND MARINE		TYPE OF POLICY				$
	CAUSES OF LOSS						$
	NAMED PERILS		POLICY NUMBER				$
							$
	CRIME						$
	TYPE OF POLICY						$
							$
	BOILER & MACHINERY / EQUIPMENT BREAKDOWN						$
							$
							$
							$

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

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

Insured CC- Development Group, Inc.
Policy period 12/31/2023-12/31/2024

Issuing Companies: Quota Share Participation By Layer

All-Risk			
$25,000,000 Excess Deductible	Policy Number	Participation (%)	Participation ($)
Carrier			
Allied World Assurance Company Ltd	P006392/017	8%	$1,875,000
Velocity (Various Carriers)	2017-9000681-07	15%	$3,750,000
Illinois Union Insurance Company	D39075532 003	10%	$2,500,000
Lloyds of London	B0509BOWPF2350731	44%	$10,875,000
Ironshore Specialty Insurance Company	1000383235-05	4%	$1,000,000
Everest Indemnity Insurance Company	RP8P000066-231	10%	$2,500,000

$25,000,000 Excess $25,000,000	Policy Number	Participation (%)	Participation ($)
Carrier			
Lloyds of London	B0509BOWPF2350851	32%	$8,000,000

$30,000,000 Excess $50,000,000	Policy Number	Participation (%)	Participation ($)
Carrier			
Lloyds of London	B0509BOWPF2350852 - ARK / B0509BOWPF2350863 - Inigo	32%	$9,600,000

$80,000,000 Excess Deductible	Policy Number	Participation (%)	Participation ($)
Carrier			
Lexington Insurance Company	0034250013	10%	$8,000,000

$55,000,000 Excess $25,000,000	Policy Number	Participation (%)	Participation ($)
Carrier			
Alcor - Lloyds of London Syndicate 4242	23ALC642250A	4%	$2,200,000
Lloyds of London	B0509BOWPF2350860	4%	$2,200,000
Hamilton Re Ltd.	PX23-4695-01	5%	$2,750,000
Everen Specialty Ltd.	P-102279-1223-00	5%	$2,475,000
StarStone Specialty Insurance Company	83PRX23B8D6	5%	$2,750,000
Ironshore Specialty Insurance Company	1000370405-05	4%	$2,200,000
Endurance Specialty Insurance Limited (Sompo)	BPD 30000382501	3%	$1,375,000
Certain Underwriters at Lloyd's Syndicate 4444 (Canopius)	B73982BAA	10%	$5,500,000
Steadfast Insurance Company	XPP-5679423-00	9%	$4,950,000
Allianz Global Risks US Insurance Company	USP00172423	10%	$5,500,000

$320,000,000 Excess $80,000,000	Policy Number	Participation (%)	Participation ($)
Carrier			
Chubb Bermuda Insurance Ltd - INCLUDES TERRORISM	CCDEVEL002217P02	100%	$320,000,000

Terrorism			
$80,000,000 Excess Deductible	Policy Number	Participation (%)	Participation ($)
Carrier			
Lloyds of London	BOWTN2350855	100%	$80,000,000

Excess Earthquake			
$150,000,000 Excess of $80,000,000	Policy Number	Participation (%)	Participation ($)
Carrier			
Lexington Insurance Company	43404373	13.3%	$20,000,000
CUMIS Specialty Insurance Company, Inc	3717180	6.7%	$10,000,000
General Security Indemnity Company of Arizona	TR000486-16926-23	10%	$15,000,000
Palimar Excess and Surplus Insurance Company	PE704490	15%	$22,500,000
Princeton Excess & Surplus Insurance Company	B2A3IM0003924-00	15%	$22,500,000
QBE Specialty Insurance Company	ESE21578-00	15%	$22,500,000
Steadfast Insurance Company	BIPP9751835	15%	$22,500,000
Transverse Specialty Insurance Company	TSAHDC0001350-01	10%	$15,000,000

Active Assailant	Policy Number	Participation (%)	Participation ($)
Carrier			
Lloyds of London	BOWTN2350858	100%	$1,000,000

Insured CC- Development Group, Inc.
Policy period 12/31/2023-12/31/2024

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

Flood- FEMA 100 Year Flood Zones (Occurrence/ Aggregate)	$50,000,000
Flood- All Other Locations (Occurrence/ Aggregate)	$200,000,000
Earth Movement- Alaska, California, Hawaii, Puerto Rico (Occurrence/ Aggregate)	$80,000,000
Earth Movement- Critical New Madrid & Pacific Northwest Areas (Occurrence/ Aggregate	$50,000,000
Earth Movement- All Other Locations (Occurrence/ Aggregate)	$200,000,000
Named Storm- FL, HI, PR, US VI, and First Tier Areas in other states	$80,000,000
Debris Removal	$25,000,000
Extended Period of Indemnity	365 Days
Extra Expense	$100,000,000

Terrorism-	
Lloyds Standalone Policy	$80,000,000
Chubb BDA via All Risk	$320,000,000
Total TRIA Limits	**$400,000,000**

DIC Coverages- Standalone Policy	
Excess EQ Including Time Element	$150,000,000
Excess EQ - Building Ordinance/ ICC/Demolition Sublimit	$25,000,000

Active Shooter/Active Assailant	
Active Shooter/Active Assailant Sublimit	$1,000,000 Excess Deductible

Special Deductibles

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

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Financial Statements and Supplementary Schedules

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

CC-LA JOLLA, INC. AND SUBSIDIARY

Table of Contents

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

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of CC-La Jolla, Inc. and subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in stockholder's deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

KPMG LLP

Chicago, Illinois
April 24, 2024

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2023 and 2022

Assets		2023	2022
Current assets:			
Cash and cash equivalents	$	10,843,244	6,860,327
Current portion of assets limited as to use		156,736	354,000
Resident accounts receivable		643,448	461,244
Prepaid expenses and other current assets		320,399	2,219,014
Total current assets		11,963,827	9,894,585
Assets limited as to use, net of amounts required for current liabilities		3,825,060	3,661,976
Property and equipment:			
Land		8,288,908	8,288,908
Building and improvements		213,691,461	212,398,259
Furniture, fixtures, and equipment		72,187,416	64,229,132
Construction in progress		8,547,671	5,545,892
		302,715,456	290,462,191
Less accumulated depreciation		198,010,978	188,300,672
Property and equipment, net		104,704,478	102,161,519
Right of use assets		186,768	121,911
Long-term accounts receivable – master trust		4,246,929	6,435,563
Deferred tax asset		12,223,438	12,869,331
Goodwill		4,188,917	4,787,334
Total assets	$	141,339,417	139,932,219
Liabilities and Stockholder's Deficit			
Current liabilities:			
Accounts payable	$	2,093,736	1,273,722
Accrued expenses		2,901,056	2,744,455
Due to affiliates		1,108,675	1,062,410
Current installments of obligations under leases		64,604	49,037
Prepaid resident service revenue		216,009	175,063
Resident deposits		156,736	354,000
Current portion of repayable entrance fees		3,837,344	4,144,663
Total current liabilities		10,378,160	9,803,350
Repayable entrance fees		110,006,424	100,267,191
Deferred revenue from nonrepayable entrance fees		90,814,112	88,138,796
Master trust loan		4,799,207	7,938,057
Obligations under leases		122,164	72,874
Total liabilities		216,120,067	206,220,268
Stockholder's deficit:			
Common stock, no par value, $10 assigned value. Authorized, issued, and outstanding, 100 shares		1,000	1,000
Additional paid-in capital		30,508,159	39,008,159
Accumulated deficit		(105,289,809)	(105,297,208)
Total stockholder's deficit		(74,780,650)	(66,288,049)
Total liabilities and stockholder's deficit	$	141,339,417	139,932,219

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years ended December 31, 2023 and 2022

		2023	2022
Revenue:			
Net resident service revenue	$	44,134,641	41,017,919
Amortization of entrance fees		12,225,248	11,174,240
Investment income		176,487	31,991
Other income		142,088	118,956
Total revenue		56,678,464	52,343,106
Expenses:			
Culinary and dining		8,589,456	7,376,959
Housekeeping and laundry		3,101,553	2,784,941
Resident services		3,987,150	3,604,464
Resident care		8,386,991	8,059,483
Repairs and maintenance		2,929,764	2,562,066
Sales and marketing		2,044,104	1,794,243
Administration		5,423,442	5,396,666
Utilities		3,442,195	2,910,716
Insurance		1,828,278	1,378,075
Total departmental expenses		39,732,933	35,867,613
Management fees		2,662,924	2,464,221
Property taxes		2,301,143	2,520,330
Provision for doubtful accounts		9,023	77,075
Other expense		940,807	769,107
Interest on lease obligations		6,542	4,284
Expenses attributable to coronavirus		—	335,978
Depreciation and amortization		10,371,801	12,447,928
Total expenses		56,025,173	54,486,536
Income (loss) before income taxes		653,291	(2,143,430)
Income tax (expense) benefit		(209,869)	580,531
Net income (loss)	$	443,422	(1,562,899)

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholder's Deficit

Years ended December 31, 2023 and 2022

	Common stock		Additional		Total
	Number	Assigned value	paid-in capital	Accumulated deficit	stockholder's deficit
Balance at December 31, 2021	100	$ 1,000	51,008,538	(103,448,873)	(52,439,335)
Distributions to Parent	—	—	(12,000,379)	—	(12,000,379)
Tax adjustment	—	—	—	(285,436)	(285,436)
Net loss	—	—	—	(1,562,899)	(1,562,899)
Balance at December 31, 2022	100	1,000	39,008,159	(105,297,208)	(66,288,049)
Distributions to Parent	—	—	(8,500,000)	—	(8,500,000)
Tax adjustment	—	—	—	(436,023)	(436,023)
Net income	—	—	—	443,422	443,422
Balance at December 31, 2023	100	$ 1,000	30,508,159	(105,289,809)	(74,780,650)

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Cash received from residents with continuing care contracts	$	39,181,216	35,928,216
Cash received from residents without continuing care contracts		4,885,600	4,918,123
Proceeds from nonrepayable entrance fees		15,291,364	20,470,516
Interest received		164,148	44,330
Interest paid for lease obligations		(6,541)	(4,284)
Cash paid to suppliers and employees		(37,752,245)	(39,291,877)
Cash paid for management fees		(2,662,924)	(2,464,221)
Cash paid for real estate taxes		(2,301,143)	(2,520,330)
Cash received for income taxes		—	379
Net cash provided by operating activities		16,799,475	17,080,852
Cash flows from investing activities:			
Additions to property and equipment		(12,253,265)	(9,128,676)
Net change in resident deposits		(197,264)	(150,545)
Net change in assets limited as to use		2,066,024	(2,066,024)
Net cash used in investing activities		(10,384,505)	(11,345,245)
Cash flows from financing activities:			
Distributions to Parent		(8,500,000)	(12,000,379)
Principal payments on lease obligations		(63,078)	(76,785)
Proceeds from repayable entrance fees		17,566,337	12,487,147
Repayments of repayable entrance fees		(8,465,590)	(8,630,961)
Repayments to master trust loan		(950,217)	(874,183)
Net cash used in financing activities		(412,548)	(9,095,161)
Net change in cash, cash equivalents, and restricted cash		6,002,422	(3,359,554)
Cash, cash equivalents, and restricted cash at beginning of year		8,822,618	12,182,172
Cash, cash equivalents, and restricted cash at end of year	$	14,825,040	8,822,618
Reconciliation of net income (loss) to net cash provided by operating activities:			
Net income (loss)	$	443,422	(1,562,899)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		15,291,364	20,470,516
Depreciation and amortization		10,371,801	12,447,928
Amortization of entrance fees		(12,225,248)	(11,174,240)
Provision for doubtful accounts		9,023	77,075
Net realized and change in unrealized (gains) losses on assets limited as to use		(12,339)	12,339
Utilization of repayable entrance fees in lieu of monthly fees		(59,632)	(55,632)
Tax adjustment		(436,023)	(285,436)
Changes in assets and liabilities:			
Accounts receivable		(191,227)	(233,281)
Prepaid expenses and other current assets		1,898,615	(1,986,879)
Accounts payable		820,014	(321,821)
Accrued expenses		156,601	(167,607)
Due to affiliates		46,265	157,507
Prepaid resident service revenue		40,946	(1,623)
Deferred tax asset		645,893	(295,095)
Net cash provided by operating activities	$	16,799,475	17,080,852
Supplemental information of non-cash activities:			
Lease obligations arising from obtaining ROU assets	$	127,935	—

See accompanying notes to consolidated financial statements.

(1) Purpose and Organization

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

The L.L.C. was formed in 1998 for the purpose of owning, developing, and operating a senior living community containing 397 independent living apartments, 36 assisted living units, 19 memory support units, and a 60-bed healthcare center located in La Jolla, California. The community was acquired under a Joint Plan of Reorganization from La Jolla Village Tower – 500, a Chapter 11 bankrupt partnership.

All intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash, Cash Equivalents, and Restricted Cash

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

		2023	2022
Cash and cash equivalents	$	10,843,244	6,860,327
Assets limited as to use:			
Cash		630,396	822,978
Money markets and certificates of deposit		3,351,400	1,139,313
Total cash, cash equivalents, and restricted cash reported in the statements of cash flows	$	14,825,040	8,822,618

(c) Fair Value Measurements

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

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

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

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
>
> Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> Level 3 inputs are unobservable inputs for the asset or liability.

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

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

(d) Assets Limited as to Use

Assets limited as to use include restricted resident deposits, assets set aside by the Company for capital improvements, assets set aside to satisfy state operating reserve requirements, and assets held for entrance fee repayments. Restricted resident deposits represent good faith deposits. Good faith deposits are received by the Company from prospective residents who are interested in occupying one of the community units. Good faith deposits do not earn interest on behalf of the prospective residents. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, which may be used at the discretion of the Company. Assets limited as to use by state for operations represent funds designated by the Company to satisfy state operating reserve requirements. Assets held for entrance fee repayments represent funds designated to establish certain entrance fee repayment reserves. The amounts held for entrance fee repayments relate to certain residency agreements entered into from June 1, 2012 through December 31, 2016. The total reserve amount of $1,564,907 comprises cash and cash equivalents of $469,472 and real estate of the community of $1,095,435. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets ranging from 4 to 40 years. Construction in progress at December 31, 2023 relates to costs associated with renovations that will be placed in service during 2024. As of December 31, 2023, the Company was committed under the terms of construction contracts to complete the renovations at a remaining aggregate cost of approximately $420,000.

(f) Leases

The Company determines if an arrangement is or contains an embedded lease at contract inception. The Company recognizes a right of use (ROU) asset and a lease liability at the lease commencement date if the lease period exceeds one year.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

ASC 842-20-30-3 provides a practical expedient for nonpublic business entities, which allows a lessee to use a risk-free interest rate for a period comparable to the lease term. The Company has elected to use the risk-free rate, which is the rate of a U.S. Treasury security for a period comparable to the lease term.

The Company has finance leases, primarily for on-site vehicles that expire over the next four years. The Company's leases generally do not include termination options for either party to the lease, restrictive financial or other covenants or residual value guarantees.

ROU assets for leases are periodically assessed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the ROU asset is reduced to zero and the remainder of the adjustment is recorded in profit or loss.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

The Company's leases may include non-lease maintenance services (i.e. equipment maintenance or common area maintenance). For all leases, the Company has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

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(g) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2023 or 2022.

(h) Long-Term Accounts Receivable – Master Trust

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

(i) Goodwill

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

On January 1, 2021, the Company elected to adopt the provisions of ASC Topic 350, *Intangibles – Goodwill and Other*, which permit private companies to amortize goodwill on a straight-line basis, test for impairment upon a triggering event, and have the option to elect to test for impairment at the entity level instead of testing goodwill for impairment annually at the reporting unit level. The Company has elected to amortize goodwill over a ten year period. As of December 31, 2023, the Company has $1,795,251 of accumulated amortization of goodwill, of which $598,417 was recorded within depreciation and amortization in the 2023 consolidated statement of operations.

Goodwill is stated at cost less accumulated impairment losses. For 2023, the Company completed its goodwill impairment test in the month of December. A qualitative impairment analysis was performed in December 2023 to assess whether it is more likely than not that the fair value of the Company's reporting unit is less than its carrying value. The Company assessed relevant events and circumstances including macroeconomic conditions, industry and market considerations, overall financial performance, and entity-specific events. The Company determined that there was no goodwill impairment in 2023 and 2022.

(j) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at both December 31, 2023 and 2022, and accordingly, no future service obligation has been recognized in the accompanying consolidated balance sheets.

(k) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one-time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee and then earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, or 20%, dependent on the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 6). Beginning August 1, 2005, entrance fees were remitted directly to the Company. The Company has recorded the repayable portion of the entrance fees (remitted directly to the Company) separately from the nonrepayable portion within the accompanying consolidated balance sheets. If all contracts terminated on December 31, 2023, the repayable portion of the entrance fees due to all residents approximates $136,560,000, of which $136,008,000 relates to residents who remitted their entrance fees directly to the Company and $552,000 relates to residents who remitted their entrance fees to the Master Trust.

(l) Income Taxes

The Company is included in the consolidated income tax return of its Parent. The Company uses the separate return method of determining its provision for income taxes. The consolidated financial statements reflect the provision for income taxes as if the Company were a separate taxpayer and a stand-alone enterprise. Accordingly, the consolidated financial statements may reflect tax attributes that may not exist in the Parent's consolidated income tax return. A valuation allowance on deferred tax assets is assessed using the sources of future taxable income available only to the Company.

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for tax provisions in accordance with ASC Topic 740, Income Taxes. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The Company has recognized no liabilities as of December 31, 2023 and 2022 related to uncertain tax positions.

(m) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. Topic 842 requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations.

The Company adopted all of Topic 842 effective January 1, 2022 using a modified retrospective transition approach. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption. The Company elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized. The Company did not elect the practical expedient to use hindsight for leases existing at the adoption date.

Adoption of the standard on January 1, 2022 resulted in a $198,696 increase in obligations under leases (of which $76,785 was current) with a corresponding equal increase in ROU assets as of the date of adoption. The adoption had no material effect on the Company's statement of cash flows but did affect its disclosures. See Note 10 for additional lease disclosures.

(n) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, Subsequent Events, the Company evaluated events and transactions after the balance sheet date of December 31, 2023 through April 24, 2024, the date the consolidated financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

(3) Net Resident Service Revenue

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

(a) Daily or Monthly Fee Revenue

Under the Company's residency agreements, which are continuing care contracts, the Company provides senior living services to residents for a stated monthly fee. The Company recognizes revenue for skilled nursing residency, assistance with activities of daily living, memory care services, inpatient therapy, healthcare, and personalized health services in accordance with the provisions of ASC Topic 606, *Revenue from Contracts with Customers.* The Company has determined that the services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time.

(b) Healthcare Services Revenue

The Company receives revenue for services under various third-party payor programs, which include Medicare and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

(c) Disaggregation of Revenue

The Company disaggregates its revenue from contracts with customers by revenue type, as the Company believes it best depicts how the nature, amount, timing and uncertainty of its revenue, and cash flows are affected by economic factors. See details on revenue type below:

		2023	2022
Independent living revenue	$	32,709,360	29,802,328
Care center revenue:			
Revenue under continuing care residency agreements		5,829,800	5,685,242
Revenue from private payors		1,012,075	1,188,939
Revenue under Medicare and third-party arrangements		3,774,648	3,650,345
Other service revenue		808,758	691,065
Net resident service revenue	$	44,134,641	41,017,919
Amortization of entrance fee revenue	$	12,225,248	11,174,240
Other income		142,088	118,956

(d) Contract Balances

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

Resident fee revenue for stand-alone or certain healthcare services is generally billed monthly in arrears. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied. The Company had total deferred revenue (included within prepaid resident service revenue and deferred revenue from nonrepayable entrance fees within the balance sheets) of $91,030,121 and $88,313,859, including $216,009 and $175,063 of resident monthly fees billed and received in advance, as of December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, the Company recognized $11,870,550 of revenue that was included in the deferred revenue balance as of January 1, 2023. The Company applies the practical expedient in ASC Paragraph 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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(4) Concentration of Credit Risk

The Company grants credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2023 and 2022 is as follows:

	2023	2022
Medicare	32 %	39 %
Self-pay and commercial insurance	68	61
	100 %	100 %

(5) Assets Limited as to Use

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

A summary of the composition of the Company's investment portfolio at December 31, 2023 and 2022 is as follows:

		2023	2022
Money markets, certificates of deposit, and cash equivalents	$	3,981,796	1,962,291
Commercial paper		—	244,608
Government agencies		—	1,190,784
Corporate bonds and notes		—	618,293
	$	3,981,796	4,015,976

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

		2023	2022
Current portion of assets limited as to use – resident deposits	$	156,736	354,000
Assets limited as to use – by state for operations	$	3,355,588	3,192,996
Assets limited as to use – by Company for entrance fee repayments		469,472	468,980
Assets limited as to use, net of amounts required for current liabilities	$	3,825,060	3,661,976

(Continued)

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2023. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

		Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$	630,396	630,396	—	—
Money markets and certificates of deposit		3,351,400	3,351,400	—	—
Total	$	3,981,796	3,981,796	—	—

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2022. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

		Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$	822,978	822,978	—	—
Money markets and certificates of deposit		1,139,313	1,139,313	—	—
Commercial paper		244,608	244,608	—	—
Government agencies		1,190,784	—	1,190,784	—
Corporate bonds and notes		618,293	—	618,293	—
Total	$	4,015,976	2,206,899	1,809,077	—

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2023 and 2022 is as follows:

		2023	2022
Interest and dividend income	$	164,148	44,330
Net realized and change in unrealized gains (losses) during the holding period		12,339	(12,339)
	$	176,487	31,991

(6) Master Trust Agreement

Through July 31, 2005, upon entrance into a residency agreement, residents also entered into a Master Trust Agreement with an independent trustee. Upon execution of the agreements, resident deposits were due to the trustee. The trustee entered into a loan agreement with the Company dated June 29, 2000. The terms of the loan agreement allow the Company to borrow up to $100,000,000 on a demand basis

(Continued)

evidenced by a promissory note in the amount of $100,000,000. The loan bears no interest and becomes due and payable on June 29, 2050. The promissory note is secured by a deed of trust covering the real property of the Company.

Once entrance fees were deposited with the trustee of the Master Trust and then loaned to the Company, the funds were used primarily for original acquisition indebtedness, capital acquisitions, operating deficits, and cash distributions to members. Repayments to residents are paid directly out of the trust. In the event the trust has no liquid assets to make repayments, the Company is obligated to fund the trust. As the trust had no liquid assets, the Company funded the trust in order for the trustee to make repayments of $950,217 and $874,183 during the years ended December 31, 2023 and 2022, respectively. The source of the repayments is provided by new resident entrance fee proceeds.

The Master Trust Agreement with each resident is for 100% of the resident's entrance fee. Upon termination of the residency agreement, the repayable portion of the entrance fee, ranging from 0% to 80%, is due to the resident, and the earned portion of nonrepayable entrance fees is due to the Company. The Company is entitled to 2% of the entrance fee per month up to the maximum of 100%, dependent on the contract provisions (note 2(k)).

(7) Transactions with Related Parties

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of La Jolla, whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue, excluding certain items, as defined in the management agreement. The Company incurred management fee expense of $2,662,924 and $2,464,221 for the years ended December 31, 2023 and 2022, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to the third parties on behalf of the Company. Reimbursement to Classic for such advances amounted to $7,879,282 and $6,917,074 for the years ended December 31, 2023 and 2022, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $1,108,675 and $1,062,410 at December 31, 2023 and 2022, respectively, and are reported as due to affiliates in the accompanying consolidated balance sheets.

(8) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2023 and 2022, the Company recorded matching contribution expense of $523,275 and $479,616, respectively. Contributions are funded on a current basis.

(9) Income Taxes

The operating results of the Company are included in the Parent's consolidated federal income tax return. The Company is party to a tax sharing agreement that follows the provisions of ASC Topic 740 and provides that, among other things, the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the consolidated federal income tax return of the Parent. The tax sharing agreement also provides that the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the various combined state income tax returns of the Parent and its subsidiaries. The Company is required to pay the Parent for any tax liability that may arise from its operations, computed on a separate return basis. For the year ended December 31, 2023, the Company sustained losses for federal and state income tax purposes. Accordingly, the current tax benefit attributable to the Company in the Parent Company's income tax returns has been eliminated through an adjustment to shareholder's deficit.

The income tax benefit for the years ended December 31, 2023 and 2022 comprises the following:

		2023	2022
Current:			
U.S. federal	$	(321,191)	(210,263)
State		(114,833)	(75,173)
Total current		(436,024)	(285,436)
Deferred:			
U.S. federal		484,704	(221,450)
State		161,189	(73,645)
Total deferred		645,893	(295,095)
Income tax expense (benefit)	$	209,869	(580,531)

(Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are as follows:

		2023	2022
Deferred tax assets:			
Accrued expenses and other	$	587,290	634,208
Deferred revenue from nonrepayable entrance fees		18,150,745	17,565,815
Total net deferred tax assets		18,738,035	18,200,023
Deferred tax liabilities:			
Depreciation		(5,342,387)	(3,991,025)
Amortization of goodwill		(1,172,210)	(1,339,668)
Total deferred tax liabilities		(6,514,597)	(5,330,693)
Net deferred tax assets	$	12,223,438	12,869,330

As of December 31, 2023 or 2022, no valuation allowance was considered necessary as management believed that it was more likely than not that the results of future operations would generate sufficient taxable income to realize deferred tax assets.

Income tax expense was $209,869 for the year ended December 31, 2023 and income tax benefit was $(580,531) for the year ended December 31, 2022, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% in 2023 and 2022 to pretax income from continuing operations as a result of the following:

		2023	2022
Computed "expected" tax expense (benefit)	$	137,190	(450,120)
Change in income taxes resulting from:			
State and local income taxes, net of federal income tax benefit		70,472	(133,031)
Other, net		2,207	2,620
Income tax expense (benefit)	$	209,869	(580,531)

(10) Leases

The Company currently has four noncancellable finance leases, for on-site vehicles that expires over the next four years. The leases do not contain renewal options. The leases do not include termination options for either party to the leases or restrictive financial or other covenants. Payments due under the lease contracts include only fixed payments. The Company elected to discount its lease liabilities using a risk-free rate.

(Continued)

Amounts are reported in the accompanying consolidated balance sheets as follows:

		2023	2022
Right of use assets – finance leases	$	326,631	198,696
Accumulated amortization		(139,863)	(76,785)
Right of use assets – finance leases, net	$	186,768	121,911
Current portion of finance lease liabilities	$	64,604	49,037
Finance lease liabilities, net of current portion		122,164	72,874
Total finance lease liabilities	$	186,768	121,911

Other information related to leases as of December 31, 2023 and 2022 was as follows:

		2023	2022
Cash paid for amounts included in the measurement of lease liabilities	$	63,078	76,785
Weighted average remaining lease term		3.2 years	2.9 years
Weighted average discount rate		4.63 %	2.50 %

Maturities of lease liabilities as of December 31, 2023 are as follows:

Year ending December 31:		
2024	$	64,604
2025		55,760
2026		44,624
2027		21,780
2028		—
Thereafter		—
Total lease liabilities	$	186,768

(11) Commitments and Contingencies

(a) State Regulatory Requirements

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

(b) Federal Regulatory Compliance

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

(c) COVID-19 Pandemic and Federal Stimulus Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies have been implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home.

The Company incurred incremental direct costs to prepare for and respond to the pandemic recorded in expenses attributable to coronavirus on the consolidated statements of operations. These costs, which totaled 335,978 in 2022, included the acquisition of additional personal protective equipment and medical equipment, enhanced cleaning supplies, employee related costs, and COVID-19 testing of residents and associates where not otherwise covered by government payor or third-party insurance sources.

In March 2020, the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) was signed into law, providing temporary and limited relief to companies during the COVID-19 outbreak. Generally, these distributions from the Provider Relief Fund are not subject to repayment, provided the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for allowable expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met.

The Company received $2,179,258 in general and targeted Provider Relief Fund distributions under the CARES Act in 2021 and 2020 and such amounts were recognized as revenue in prior years. No general or targeted Provider Relief Funds were received in 2023 or 2022. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results, the Company has recognized in previous years the full Provider Relief Fund distributions received as revenues based upon the reporting requirements for Providers as determined by expenses attributable to COVID-19 and lost revenue guidance provided by the Department of Health and Human Services.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-1

Long-Term Debt Incurred in a Prior Fiscal Year

(Including Balloon Debt)

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

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

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

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-2

Long-Term Debt Incurred during Fiscal Year

(Including Balloon Debt)

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

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

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

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-3

Calculation of Long-Term Debt Reserve Amount

Line		Total
1	Total from Form 5-1 bottom of column (e)	$ —
2	Total from Form 5-2 bottom of column (e)	—
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	—
4	Total amount required for long-term debt reserve	$ —

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-4

Calculation of Net Operating Expenses

Line		Amount	Total
1	Total operating expenses from financial statements		$ 56,025,173
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	9,710,306	
	d Amortization	661,495	
	e Revenue received during fiscal year for services to residents who did not have a continuing care contract	4,885,600	
	f Extraordinary expenses approved by the Department	—	
3	Total deductions		15,257,401
4	Net operating expenses		40,767,772
5	Divide Line 4 by 365 and enter the result		111,693
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$ 8,376,975

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

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-5

Annual Reserve Certification

Provider Name: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.
Fiscal Year Ended: December 31, 2023

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2023 and are in compliance with those requirements.

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

		Amount
(1) Debt service reserve amount	$	—
(2) Operating expense reserve amount		8,376,975
(3) Total liquid reserve amount	$	8,376,975

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

	Qualifying asset description			Amount (market value at end of quarter) Debt service reserve		Operating reserve
(4)	Cash and cash equivalents		$	—		10,843,244
(5)	Investment securities			—		3,355,588
(6)	Equity securities			—		—
(7)	Unused available lines of credit			—		—
(8)	Unused available letters of credit			—		—
(9)	Debt service reserve			—		—
(10)	Other (describe qualifying asset)			—		—
	Total amount of qualifying assets listed for liquid reserve	(11)		—	(12)	14,198,832
	Total amount required	(13)		—	(14)	8,376,975
	Surplus (deficiency)	(15)	$	—	(16)	5,821,857

Signature:

Date 04/26/2024

Tom Muszynski

VP, Treasurer

See accompanying independent auditors' report.

KPMG

CCW LA JOLLA, L.L.C.

Financial Statements and Supplementary Schedules

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

CCW LA JOLLA, L.L.C.

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

Independent Auditors' Report

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

Opinion

We have audited the financial statements of CCW La Jolla, L.L.C. (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

KPMG LLP

Chicago, Illinois
April 24, 2024

CCW LA JOLLA, L.L.C.

Balance Sheets

December 31, 2023 and 2022

Assets	**2023**	**2022**
Current assets:		
Cash and cash equivalents	$ 10,843,244	6,860,327
Current portion of assets limited as to use	156,736	354,000
Resident accounts receivable	643,448	461,244
Prepaid expenses and other current assets	320,399	2,219,014
Total current assets	11,963,827	9,894,585
Assets limited as to use, net of amounts required for current liabilities	3,825,060	3,661,976
Property and equipment:		
Land	8,288,908	8,288,908
Building and improvements	213,691,461	212,398,259
Furniture, fixtures, and equipment	72,187,416	64,229,132
Construction in progress	8,547,671	5,545,892
	302,715,456	290,462,191
Less accumulated depreciation	198,010,978	188,300,672
Property and equipment, net	104,704,478	102,161,519
Right of use assets	186,768	121,911
Long-term accounts receivable – master trust	4,246,929	6,435,563
Goodwill	4,188,917	4,787,334
Total assets	$ 129,115,979	127,062,888
Liabilities and Members' Deficit		
Current liabilities:		
Accounts payable	$ 2,093,736	1,273,722
Accrued expenses	2,901,056	2,744,455
Due to affiliates	1,108,675	1,062,409
Current installments of obligations under leases	64,604	49,037
Prepaid resident service revenue	216,009	175,063
Resident deposits	156,736	354,000
Current portion of repayable entrance fees	3,837,344	4,144,663
Total current liabilities	10,378,160	9,803,349
Repayable entrance fees	110,006,424	100,267,191
Deferred revenue from nonrepayable entrance fees	90,814,112	88,138,796
Master trust loan	4,799,207	7,938,057
Obligations under leases	122,164	72,874
Total liabilities	216,120,067	206,220,267
Members' deficit:		
Contributed capital	11,385,198	19,885,198
Accumulated deficit	(98,389,286)	(99,042,577)
Total members' deficit	(87,004,088)	(79,157,379)
Total liabilities and members' deficit	$ 129,115,979	127,062,888

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Operations

Years ended December 31, 2023 and 2022

		2023	2022
Revenue:			
Net resident service revenue	$	44,134,641	41,017,919
Amortization of entrance fees		12,225,248	11,174,240
Investment income		176,487	31,991
Other income		142,088	118,956
Total revenue		56,678,464	52,343,106
Expenses:			
Culinary and dining		8,589,456	7,376,959
Housekeeping and laundry		3,101,553	2,784,941
Resident services		3,987,150	3,604,464
Resident care		8,386,991	8,059,483
Repairs and maintenance		2,929,764	2,562,066
Sales and marketing		2,044,104	1,794,243
Administration		5,423,442	5,396,666
Utilities		3,442,195	2,910,716
Insurance		1,828,278	1,378,075
Total departmental expenses		39,732,933	35,867,613
Management fees		2,662,924	2,464,221
Property taxes		2,301,143	2,520,330
Provision for doubtful accounts		9,023	77,075
Other expense		940,807	769,107
Interest on lease obligations		6,542	4,284
Expenses attributable to coronavirus		—	335,978
Depreciation and amortization		10,371,801	12,447,928
Total expenses		56,025,173	54,486,536
Net income (loss)	$	653,291	(2,143,430)

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Changes in Members' Deficit

Years ended December 31, 2023 and 2022

		Contributed capital	Accumulated deficit	Total members' deficit
Balance at December 31, 2021	$	31,885,198	(96,899,147)	(65,013,949)
Distributions to member		(12,000,000)	—	(12,000,000)
Net loss		—	(2,143,430)	(2,143,430)
Balance at December 31, 2022		19,885,198	(99,042,577)	(79,157,379)
Distributions to member		(8,500,000)	—	(8,500,000)
Net income		—	653,291	653,291
Balance at December 31, 2023	$	11,385,198	(98,389,286)	(87,004,088)

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Cash Flows

Years ended December 31, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Cash received from residents with continuing care contracts	$	39,181,216	35,928,216
Cash received from residents without continuing care contracts		4,885,600	4,918,123
Proceeds from nonrepayable entrance fees		15,291,364	20,470,516
Interest received		164,148	44,330
Interest paid for lease obligations		(6,542)	(4,284)
Cash paid to suppliers and employees		(37,752,244)	(39,291,877)
Cash paid for management fees		(2,662,924)	(2,464,221)
Cash paid for real estate taxes		(2,301,143)	(2,520,330)
Net cash provided by operating activities		16,799,475	17,080,473
Cash flows from investing activities:			
Additions to property and equipment		(12,253,265)	(9,128,676)
Net change in resident deposits		(197,264)	(150,545)
Net change in assets limited as to use		2,066,024	(2,066,024)
Net cash used in investing activities		(10,384,505)	(11,345,245)
Cash flows from financing activities:			
Distributions to member		(8,500,000)	(12,000,000)
Principal payments on lease obligations		(63,078)	(76,785)
Proceeds from repayable entrance fees		17,566,337	12,487,147
Repayments of repayable entrance fees		(8,465,590)	(8,630,961)
Repayments to master trust		(950,217)	(874,183)
Net cash used in financing activities		(412,548)	(9,094,782)
Net change in cash, cash equivalents, and restricted cash		6,002,422	(3,359,554)
Cash, cash equivalents, and restricted cash at beginning of year		8,822,618	12,182,172
Cash, cash equivalents, and restricted cash at end of year	$	14,825,040	8,822,618
Reconciliation of net income (loss) to net cash provided by operating activities:			
Net income (loss)	$	653,291	(2,143,430)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		15,291,364	20,470,516
Depreciation and amortization		10,371,801	12,447,928
Amortization of entrance fees		(12,225,248)	(11,174,240)
Net realized and change in unrealized (gains) losses on assets limited as to use		(12,339)	12,339
Utilization of repayable entrance fees in lieu of monthly fees		(59,632)	(55,632)
Provision for doubtful accounts		9,023	77,075
Changes in assets and liabilities:			
Accounts receivable		(191,227)	(233,281)
Prepaid expenses and other current assets		1,898,615	(1,986,879)
Accounts payable		820,014	(321,821)
Accrued expenses		156,601	(167,607)
Due to affiliates		46,266	157,128
Prepaid resident service revenue		40,946	(1,623)
Net cash provided by operating activities	$	16,799,475	17,080,473
Supplemental information of non-cash activities:			
Lease obligations arising from obtaining ROU assets	$	127,935	—

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Notes to Financial Statements

December 31, 2023 and 2022

(1) Purpose and Organization

CCW La Jolla, L.L.C. (the Company) is a Delaware limited liability company whose sole corporate member is CC-La Jolla, Inc., a Delaware corporation. CC-La Jolla, Inc. is a wholly owned subsidiary of CC-Development Group, Inc. (Parent). The Company was formed in 1998 for the purpose of owning, developing, and operating a senior living community containing 397 independent living apartments, 36 assisted living units, 19 memory support units, and a 60-bed healthcare center located in La Jolla, California. The community was acquired under a Joint Plan of Reorganization from La Jolla Village Tower – 500, a Chapter 11 bankrupt partnership.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash, Cash Equivalents, and Restricted Cash

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

		2023	2022
Cash and cash equivalents	$	10,843,244	6,860,327
Assets limited as to use:			
Cash		630,396	822,978
Money markets and certificates of deposit		3,351,400	1,139,313
Total cash, cash equivalents, and restricted cash reported in the statements of cash flows	$	14,825,040	8,822,618

(c) Fair Value Measurements

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

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

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

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

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

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

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

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

(d) Assets Limited as to Use

Assets limited as to use include restricted resident deposits, assets set aside by the Company for capital improvements, assets set aside to satisfy state operating reserve requirements, and assets held for entrance fee repayments. Restricted resident deposits represent good faith deposits. Good faith deposits are received by the Company from prospective residents who are interested in occupying one of the community units. Good faith deposits do not earn interest on behalf of the prospective residents. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, which may be used at the discretion of the Company. Assets limited as to use by state for operations represent funds designated by the Company to satisfy state operating reserve requirements. Assets held for entrance fee repayments represent funds designated to establish certain entrance fee repayment reserves. The amounts held for entrance fee repayments relate to certain residency agreements entered into from June 1, 2012 through December 31, 2016. The total reserve amount of $1,564,907 is comprised of cash and cash equivalents of $469,472 and real estate of the community of $1,095,435. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets ranging 4 to 40 years. Construction in progress at December 31, 2023 relates to costs associated with renovations that will be placed in service during 2024. As of December 31, 2023, the Company was committed under the terms of construction contracts to complete the renovations at a remaining aggregate cost of approximately $420,000.

(f) Leases

The Company determines if an arrangement is or contains an embedded lease at contract inception. The Company recognizes a right of use (ROU) asset and a lease liability at the lease commencement date if the lease period exceeds one year.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

ASC 842-20-30-3 provides a practical expedient for nonpublic business entities, which allows a lessee to use a risk-free interest rate for a period comparable to the lease term. The Company has elected to use the risk-free rate, which is the rate of a U.S. Treasury security for a period comparable to the lease term.

The Company has finance leases, primarily for on-site vehicles that expire over the next four years. The Company's leases generally do not include termination options for either party to the lease, restrictive financial or other covenants or residual value guarantees.

ROU assets for leases are periodically assessed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the ROU asset is reduced to zero and the remainder of the adjustment is recorded in profit or loss.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

The Company's leases may include non-lease maintenance services (i.e. equipment maintenance or common area maintenance). For all leases, the Company has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

(g) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is

(Continued)

recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value, less estimable costs to sell and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2023 or 2022.

(h) Long-Term Accounts Receivable – Master Trust

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

(i) Goodwill

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

On January 1, 2021, the Company elected to adopt the provisions of ASC Topic 350, *Intangibles – Goodwill and Other*, which permit private companies to amortize goodwill on a straight-line basis, test for impairment upon a triggering event, and have the option to elect to test for impairment at the entity level instead of testing goodwill for impairment annually at the reporting unit level. The Company has elected to amortize goodwill over a ten year period. As of December 31, 2023, the Company has $1,795,251 of accumulated amortization of goodwill, of which $598,417 was recorded within depreciation and amortization in the 2023 statement of operations.

Goodwill is stated at cost less accumulated impairment losses. For 2023, the Company completed its goodwill impairment test in the month of December. A qualitative impairment analysis was performed in December 2023 to assess whether it is more likely than not that the fair value of the Company's reporting unit is less than its carrying value. The Company assessed relevant events and circumstances including macroeconomic conditions, industry and market considerations, overall financial performance, and entity-specific events. The Company determined that there was no goodwill impairment in 2023 and 2022.

(j) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at both December 31, 2023 and 2022, and accordingly, no future service obligation has been recognized in the accompanying balance sheets.

(k) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee and then earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, or 20%, dependent on the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 6). Beginning August 1, 2005, entrance fees were remitted directly to the Company. The Company has recorded the repayable portion of the entrance fees (remitted directly to the Company) separately from the nonrepayable portion within the accompanying balance sheets. If all contracts terminated on December 31, 2023, the repayable portion of the entrance fees due to all residents approximates $136,560,000, of which $136,008,000 relates to residents who remitted their entrance fees directly to the Company and $552,000 relates to residents who remitted their entrance fees to the Master Trust.

(l) Income Taxes

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

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

(m) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC Topic 842)*. Topic 842 requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations.

The Company adopted all of Topic 842 effective January 1, 2022 using a modified retrospective transition approach. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption. The Company elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases, or (3) the accounting for initial direct costs that were previously capitalized. The Company did not elect the practical expedient to use hindsight for leases existing at the adoption date.

Adoption of the standard on January 1, 2022 resulted in a $198,696 increase in obligations under leases (of which $76,785 was current) with a corresponding equal increase in ROU assets as of the date of adoption. The adoption had no material effect on the Company's statement of cash flows but did affect its disclosures. See Note 9 for additional lease disclosures.

(n) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated events and transactions after the balance sheet date of December 31, 2023 through April 24, 2024, the date the financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

(3) Net Resident Service Revenue

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

(a) Daily or Monthly Fee Revenue

Under the Company's residency agreements, which are continuing care contracts, the Company provides senior living services to residents for a stated monthly fee. The Company recognizes revenue for skilled nursing residency, assistance with activities of daily living, memory care services, inpatient therapy, healthcare, and personalized health services in accordance with the provisions of ASC Topic 606, *Revenue from Contracts with Customers*. The Company has determined that the services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

(b) Healthcare Services Revenue

The Company receives revenue for services under various third-party payor programs, which include Medicare and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

(c) Disaggregation of Revenue

The Company disaggregates its revenue from contracts with customers by revenue type, as the Company believes it best depicts how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. See details on revenue type below:

		2023	2022
Independent living revenue	$	32,709,360	29,802,328
Care center revenue:			
Revenue under Continuing Care residency agreements		5,829,800	5,685,242
Revenue from private payors		1,012,075	1,188,939
Revenue under Medicare and third-party arrangements		3,774,648	3,650,345
Other service revenue		808,758	691,065
Net resident service revenue	$	44,134,641	41,017,919
Amortization of entrance fee revenue	$	12,225,248	11,174,240
Other income		142,088	118,956

(d) Contract Balances

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

Resident fee revenue for standalone or certain healthcare services is generally billed monthly in arrears. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied. The Company had total deferred revenue (included within prepaid resident service revenue and deferred revenue from nonrepayable entrance fees within the balance sheets) of $91,030,121 and $88,313,859, including $216,009 and $175,063 of resident monthly fees billed and received in advance, as of December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, the Company recognized $11,870,550 of revenue that was included in the deferred revenue balance as of January 1, 2023. The Company applies the practical expedient in ASC 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

(Continued)

(4) Concentration of Credit Risk

The Company grants credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2023 and 2022 is as follows:

	2023	2022
Medicare	32 %	39 %
Self-pay and commercial insurance	68	61
	100 %	100 %

(5) Assets Limited as to Use

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

A summary of the composition of the Company's investment portfolio at December 31, 2023 and 2022 is as follows:

		2023	2022
Money markets, certificates of deposit, and cash equivalents	$	3,981,796	1,962,291
Commercial paper		—	244,608
Government agencies		—	1,190,784
Corporate bonds and notes		—	618,293
	$	3,981,796	4,015,976

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

		2023	2022
Current portion of assets limited as to use – resident deposits	$	156,736	354,000
Assets limited as to use – by state for operations	$	3,355,588	3,192,996
Assets limited as to use – by Company for entrance fee repayments		469,472	468,980
Assets limited as to use, net of amounts required for current liabilities	$	3,825,060	3,661,976

(Continued)

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2023. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 630,396	630,396	—	—
Money markets and certificates of deposit	3,351,400	3,351,400	—	—
Total	$ 3,981,796	3,981,796	—	—

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2022. None of these assets has any redemption restrictions so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 822,978	822,978	—	—
Money markets and certificates of deposit	1,139,313	1,139,313	—	—
Commercial paper	244,608	244,608	—	—
Government agencies	1,190,784	—	1,190,784	—
Corporate bonds and notes	618,293	—	618,293	—
Total	$ 4,015,976	2,206,899	1,809,077	—

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Interest and dividend income	$ 164,148	44,330
Net realized and change in unrealized gains (losses) during the holding period	12,339	(12,339)
	$ 176,487	31,991

(6) Master Trust Agreement

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

Once entrance fees were deposited with the trustee of the Master Trust and then loaned to the Company, the funds were used primarily for original acquisition indebtedness, capital acquisitions, operating deficits, and cash distributions to members. Repayments to residents are paid directly out of the trust. In the event the trust has no liquid assets to make repayments, the Company is obligated to fund the trust. As the trust had no liquid assets, the Company funded the trust in order for the trustee to make repayments of $950,217 and $874,183 during the years ended December 31, 2023 and 2022, respectively. The source of the repayments is provided by new resident entrance fee proceeds.

The Master Trust Agreement with each resident is for 100% of the resident's entrance fee. Upon termination of the residency agreement, the repayable portion of the entrance fee, ranging from 0% to 80%, is due to the resident, and the earned portion of nonrepayable entrance fees is due to the Company. The Company is entitled to 2% of the entrance fee per month up to the maximum of 100%, dependent on the contract provisions (note 2(k)).

(7) Transactions with Related Parties

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of CC-La Jolla, Inc., whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue excluding certain items, as defined in the management agreement. The Company incurred management fee expense of $2,662,924 and $2,464,221 for the years ended December 31, 2023 and 2022, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to third parties and is reimbursed by the Company. Reimbursement to Classic for such advances amounted to $7,879,282 and $6,917,074 for the years ended December 31, 2023 and 2022, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $1,108,675 and $1,062,409 at December 31, 2023 and 2022, respectively, and are reported as due to affiliates in the accompanying balance sheets.

(8) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2023 and 2022, the Company recorded matching contribution expense of $523,275 and $479,616, respectively. Contributions are funded on a current basis.

(9) Leases

The Company currently has four noncancellable finance leases, for on-site vehicles that expires over the next four years. The leases do not contain renewal options. The leases do not include termination options for either party to the leases or restrictive financial or other covenants. Payments due under the lease contracts include only fixed payments. The Company elected to discount its lease liabilities using a risk-free rate.

Amounts are reported in the accompanying balance sheets as follows:

		2023	2022
Right of use assets – finance leases	$	326,631	198,696
Accumulated amortization		(139,863)	(76,785)
Right of use assets – finance leases, net	$	186,768	121,911
Current portion of finance lease liabilities	$	64,604	49,037
Finance lease liabilities, net of current portion		122,164	72,874
Total finance lease liabilities	$	186,768	121,911

Other information related to leases as of December 31, 2023 and 2022 was as follows:

		2023	2022
Cash paid for amounts included in the measurement of lease liabilities	$	63,078	76,785
Weighted average remaining lease term		3.2 years	2.9 years
Weighted average discount rate		4.63%	2.50%

Maturities of lease liabilities as of December 31, 2023 are as follows:

Year ending December 31		
2024	$	64,604
2025		55,760
2026		44,624
2027		21,780
2028		—
Thereafter		—
Total lease liabilities	$	186,768

(10) Commitments and Contingencies

(a) State Regulatory Requirements

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

(b) Federal Regulatory Compliance

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

(c) COVID-19 Pandemic and Federal Stimulus Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies have been implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home.

The Company incurred incremental direct costs to prepare for and respond to the pandemic recorded in expenses attributable to coronavirus on the statements of operations. These costs, which totaled 335,978 in 2022, included the acquisition of additional personal protective equipment and medical equipment, enhanced cleaning supplies, employee related costs, and COVID-19 testing of residents and associates where not otherwise covered by government payor or third-party insurance sources.

In March 2020, the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) was signed into law, providing temporary and limited relief to companies during the COVID-19 outbreak. Generally, these distributions from the Provider Relief Fund are not subject to repayment, provided the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for allowable expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met.

The Company received $2,179,258 in general and targeted Provider Relief Fund distributions under the CARES Act in 2021 and 2020 and such amounts were recognized as revenue in prior years. No general or targeted Provider Relief Funds were received in 2023 or 2022. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results, the Company has recognized in previous years the full Provider Relief Fund distributions received as revenues based upon the reporting requirements for Providers as determined by expenses attributable to COVID-19 and lost revenue guidance provided by the Department of Health and Human Services.

CCW LA JOLLA, L.L.C.

Form 5-1

Long-Term Debt Incurred in a Prior Fiscal Year

(Including Balloon Debt)

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

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

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

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

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5-2

Long-Term Debt Incurred during Fiscal Year

(Including Balloon Debt)

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

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

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

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

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5-3

Calculation of Long-Term Debt Reserve Amount

Line		**Total**
1	Total from Form 5-1 bottom of column (e)	$ —
2	Total from Form 5-2 bottom of column (e)	—
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	—
4	Total amount required for long-term debt reserve	$ —

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

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5-4

Calculation of Net Operating Expenses

Line		Amounts	Total
1	Total operating expenses from financial statements		$ 56,025,173
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	9,710,306	
	d Amortization	661,495	
	e Revenue received during fiscal year for services to residents who did not have a continuing care contract	4,885,600	
	f Extraordinary expenses approved by the Department	—	
3	Total deductions		15,257,401
4	Net operating expenses		40,767,772
5	Divide line 4 by 365 and enter the result		111,693
6	Multiply line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		$ 8,376,975

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

Community: Vi at La Jolla Village

See accompanying independent auditors' report.

CCW LA JOLLA, L.L.C.

Form 5-5

Annual Reserve Certification

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

Fiscal year ended: December 31, 2023

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2023 and are in compliance with those requirements.

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

			Amount
(1)	Debt service reserve amount	$	—
(2)	Operating expense reserve amount		8,376,975
(3)	Total liquid reserve amount	$	8,376,975

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

	Qualifying asset description			Amount (market value at end of quarter) Debt service reserve		Operating expense reserve
(4)	Cash and cash equivalents		$	—		10,843,244
(5)	Investment securities			—		3,355,588
(6)	Equity securities			—		—
(7)	Unused available lines of credit			—		—
(8)	Unused available letters of credit			—		—
(9)	Debt service reserve			—		—
(10)	Other (describe qualifying asset)			—		—
	Total amount of qualifying assets listed for liquid reserve	(11)		—	(12)	14,198,832
	Total amount required	(13)		—	(14)	8,376,975
	Surplus (deficiency)	(15)	$	—	(16)	5,821,857

Signature:

Date 04/26/2024

Tom Muszynski

VP, Treasurer

See accompanying independent auditors' report.

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

Reserves Classified as Cash and Cash Equivalents on Form 5-5:				
Financial Institution	**Account Type**	**Account Details**	**Amount**	
None	Cash	Petty Cash maintained on site	$ 4,000	
Bank of America, N.A.	Business Checking Account	Petty Cash Checking Account	$ 14,790	
Bank of America, N.A.	Business Checking Account	Operating Account	$ 1,010,098	
Bank of America, N.A.	Business Checking Account	Ownership Account	$ 9,825,210	
Bank of America, N.A.	Business Checking Account	Payroll Account	$ (10,854)	
Total Cash and Cash Equivalents			**$ 10,843,244**	**A**

Reserves Classified as Investment Securities on Form 5-5:				
Financial Institution	**Account Type**	**Account Details**	**Amount**	
UBS	Self Directed Investment Account	Operating Reserve Account	$ 3,355,588	
Total Investment Securities			**$ 3,355,588**	**B**

Reserves Not Considered as Qualifying Assets and Not Listed on Form 5-5:				
Financial Institution	**Account Type**	**Account Details**	**Amount**	
Bank of America, N.A.	Business Checking Account	Ownership Account (resident deposit portion)	$ 156,736	
Bank of America, N.A.	Business Checking Account	Ownership Account (Entrance fee reserve portion)	$ 469,472	
Total Reserves Not Listed on Form 5-5			**$ 626,208**	**C**

Total Cash and Cash Equivalents and Investment Securities	**(A+B+C)**	**$ 14,825,040**

Cash and Assets Limited as to Use in Audited Financial Statements:	
Cash and cash equivalents (page 3) (policy disclosed on page 7)	$ 10,843,244
Current portion of assets limited as to use (page 3) (policy disclosed on page 8)	$ 156,736
Assets limited as to use, net of amounts required for current liabilities (page 3) (policy disclosed on page 8)	$ 3,825,060
Total cash and cash equivalents and assets limited as to use	**$ 14,825,040**

Reconciliation of Details Above to Form 5-5:		
Total Qualifying Assets listed for liquid reserve	**(A+B)**	**$ 14,198,832**
Qualifying Assets - Cash and Cash Equivalents - Operating Expense Reserve		$ 10,843,244
Qualifying Assets - Investment Securities - Operating Expense Reserve		$ 3,355,588
Total Qualifying Assets listed for liquid reserve		**$ 14,198,832**

Per Capita Cost Detail:	
Form 1-2 line 5 - Total Operating Expense for Continuing Care Residents	$ 44,793,234
Form 1-1 line 5 - Mean # of Continuing Care Residents	551.5
Per Capita Costs	**$ 81,221**

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/11/24

FACILITY NAME: Vi at La Jolla Village

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

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

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

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

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	0	ASSISTED LIVING:	36
APARTMENTS – 1 BDRM:	182	SKILLED NURSING:	60
APARTMENTS – 2 BDRM:	220 + 1 3bdrm	SPECIAL CARE:	19
COTTAGES/HOUSES:	0	DESCRIPTION: >	Dementia Care
RLU OCCUPANCY (%) AT YEAR END:	91.9%	>	

* *

TYPE OF OWNERSHIP: ☐ NOT-FOR-PROFIT ☑ FOR- PROFIT ACCREDITED?: ☐ YES ☐ NO BY: ______

FORM OF CONTRACT: *(Check all that apply)* ☑ CONTINUING CARE ☐ LIFE CARE ☑ ENTRANCE FEE ☐ FEE FOR SERVICE ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: *(Check all that apply)* ☐90% ☐75% ☐50% ☐FULLY AMORTIZED ☑OTHER: 0%, or 80%

RANGE OF ENTRANCE FEES: $278,200 - $3,250,400 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Type I: Assisted Living and Skilled Nursing Care

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: None Required OTHER: Application Process

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): > Per 1771.8(s), in lieu of appointing a resident as a voting member of the

> board of directors, members of the bd of directors of provider meet periodically with elected resident reps to ensure that opinions of residents are relayed to the governing body of provider.

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☑	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☐	☐
COFFEE SHOP	☑	☑
CRAFT ROOMS	☑	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☐	☐
SWIMMING POOL-INDOOR	☑	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER Computer Room	☑	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
MEALS (2 /DAY)	☑	☐
SPECIAL DIETS AVAILABLE	☐	☑
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☐	☑
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☑
PERSONAL HOME CARE	☐	☐
TRANSPORTATION-PERSONAL	☑	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER ______	☐	☐

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: CCW La Jolla, LLC & CC-La Jolla, Inc.

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

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
None		

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)
None		

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
None		
No listed facility is life care as defined in California		

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: CCW La Jolla, LLC & CC-La Jolla, Inc.

	2020	2021	2022	2023
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$37,533,662	$38,404,207	$41,168,866	$44,453,216
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$37,291,642	$38,991,808	$41,698,343	$45,646,830
NET INCOME FROM OPERATIONS	$242,020	$(587,601)	$(529,477)	$(1,193,614)
LESS INTEREST EXPENSE	$0	$0	$0	$0
PLUS CONTRIBUTIONS	$0	$0	$0	$0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	$0	$0	$(4,284)	$(6,542)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$242,020	$(587,601)	$(533,761)	$(1,200,156)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$265,206	$21,833,178	$23,452,519	$23,441,895

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2017 CCAC Medians 50th Percentile *(optional)*	2021	2022	2023
DEBT TO ASSET RATIO		0	0	0
OPERATING RATIO		1.02	1.01	1.03
DEBT SERVICE COVERAGE RATIO		0	0	0
DAYS CASH ON HAND RATIO		104.85	87.99	113.52

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2020	%	2021	%	2022	%	2023	%
STUDIO	N/A		N/A		N/A		N/A	
ONE BEDROOM	$4,948	4.50	$5,185	4.00	$5,385	4.00	$6,680	7.75
TWO BEDROOM	$6,790	4.50	$7,125	4.00	$7,442	4.00	$7,553	7.75
COTTAGE/HOUSE	N/A		N/A		N/A		N/A	
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

* *

COMMENTS FROM PROVIDER: > Note: If you sign a continuing care residency contract, your monthly fee for assisted living, memory care, or skilled nursing

> will be based on your monthly fee for your residential living apartment. The dollar amounts shown are the average monthly fees paid by existing residents as of December

> 1st of each year. The % column reflects the percentage increase over the prior year's monthly fee that was applied to the monthly fees of existing residents

PROVIDER NAME: CCW La Jolla, LLC & CC-La Jolla, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

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

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

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

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

4. Check *each* of the appropriate boxes.

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

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

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

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

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

FORM 7-1

REPORT ON CCRC MONTHLY CARE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1.	Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	3,467-10,955	4,122-11,345	$4,277-11,774	$4,247-19,561
2.	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	7.75%	7.75%	7.75%	7.75%

☐ 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: 01/01/2023
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

☑ Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators.

☑ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

Date of Notice: 12/01/2022 **Method of Notice:** Letter

☑ At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 12/01/2022

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

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

- ☑ Emailed the documents to those residents for whom the provider had email addresses on file
- ☑ Placed hard copies in resident cubby
- ☑ Placed hard copies at designated locations
- ☑ Provided hard copies to residents upon request, and/or
- ☐ Other: [please describe] ____________
- ☑ **Date of Notice:** 12/01/2022

☑ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
Date of Notice: 11/16/2022

☑ 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: 11/16/2022 **Location of Posting:** Mail Room Bulletin Board

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

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

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

FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING YEAR - FY 2023

Line	Fiscal Years	2021	2022	2023
1	FY 2021 Operating Expenses (Note 1)	(40,857,952)		
2	FY 2022 Operating Expenses (Note 1)		(42,858,491)	
3	FY 2023 Projected Operating Expenses (Note 1)			(45,519,334)
4	FY 2023 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			41,690,728
5	Projected FY 2023 Net Operating Results without an MCFI (Line 3 plus Line 4)			(3,828,606)
6	Projected FY 2023 MCF Revenue Based on Current and Projected Occupancy and Other with a MCFI of 7.75%			44,598,828
7	Grand Total - Projected FY 2023 Net Operating Activity after 7.75% MCFI (Line 3 plus Line 6)			(920,506)

Monthly Care Fee Increase - 7.75%

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

	2021	2022	2023
Total Expenses	52,205,343	54,486,536	54,987,918
Less - depreciation and amortization	(12,347,216)	(12,447,928)	(10,743,653)
Less - loss on disposal of property and equipment	-	-	-
Less - provision for doubtful accounts (considered a contra revenue for budgeting)	(66,483)	(77,075)	-
Less - expenses specifically excluded from MCFI considerations	(466,621)	(745,856)	(508,884)
Add - funding of capital reserves	1,532,929	1,642,814	1,783,953
Total Operating Expenses above	**40,857,952**	**42,858,491**	**45,519,334**

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

Form 7-1 Explanation for Increase in Monthly Service Fees

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

IL 7.75%

AL 7.75%

SNF 7.75%

Form 7-1 Supplement to Narrative Explanations

		2022 Actual	2023 Budget	Dollar Change	Percent Change
Salaries and Wages		16,980,220	18,316,356	(1,336,136)	-7.9%
Employee Benefits		3,910,573	4,519,419	(608,846)	-15.6%
Food Cost		2,171,480	2,407,346	(235,866)	-10.9%
Resident Care (non-salary)		1,460,483	1,407,725	52,758	3.6%
Maintenance		1,532,769	1,755,742	(222,973)	-14.5%
Other Functional Expenses		3,080,450	3,173,368	(92,918)	-3.0%
Utilities		2,910,111	3,289,480	(379,369)	-13.0%
Sales & Marketing		658,344	721,058	(62,713)	-9.5%
Administration		2,148,621	1,233,551	915,070	42.6%
Insurance		1,378,075	1,713,243	(335,168)	-24.3%
Property Taxes		2,520,330	2,522,165	(1,835)	-0.1%
Management Fees		2,464,221	2,675,930	(211,709)	-8.6%
Total Expenses	A	41,215,677	43,735,383	(2,519,706)	-6.1%
Net Operating Income	B	(145,326)	863,445	1,008,771	
Funding of Capital Replacement Reserve	C	(1,642,814)	(1,783,951)	(141,137)	-8.6%
Total Cash Flow		(1,788,140)	(920,506)	867,634	
Total Expenses	A	41,215,677	43,735,383	(2,519,706)	-6.1%
Funding of Capital Replacement Reserve	C	1,642,814	1,783,951	(141,137)	-8.6%
Total Expenses for Monthly Fee Consideration		**42,858,491**	**45,519,334**	**(2,378,568)**	**-5.5%**

PART 9

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