ADVISORY LOAN INSURANCE COMMITTEE

September 12, 2024

Cal-Mortgage Loan Insurance Program
Department of Health Care Access and Information

2020 West El Camino Avenue, Suite 1231
Sacramento, California, 95833
916–319-8800

HCAI Department of Health Care Access and Information
2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
hcai.ca.gov

Cal-Mortgage Loan Insurance Program
Advisory Loan Insurance Committee (ALIC)

AGENDA
Thursday, September 12, 2024
10:30 a.m.

The ALIC may not discuss or act on any matter raised during the public comment section that is not included on this agenda, except to place the matter on a future meeting agenda. (Government Code §§ 11125, 11125.7, subd. (a).)

Location:
2020 West El Camino Avenue, Conference Room 1237, Sacramento, CA 95833

Microsoft Teams Link: Click here to join the meeting
Call-in audio only: (916) 535-0978, Conference ID: 154 161 555#

Item No. 1 Call to Order and Welcome
Jay Harris, Committee Chair (or designee)
- Roll call of ALIC members

Item No. 2 Public Comment Regarding Action Items on Today's Agenda
Jay Harris, Committee Chair (or designee)

Item No. 3 ALIC Chair and HCAI Executive Staff Remarks
- Jay Harris, Chair, ALIC Committee
- Elizabeth Landsberg, HCAI Director
- Scott Christman, HCAI Chief Deputy Director
- J.P. Marion, Cal-Mortgage Deputy Director

Item No. 4 Approval of the Minutes of the July 11, 2024, Meeting – Action Item
Jay Harris, Committee Chair (or designee)

Item No. 5 Loan Insurance Application Review, 899 Charleston dba Moldaw Residences (Applicant) – Action Item
Dennis Lo, Account Manager

The Applicant is a California nonprofit public benefit corporation, which owns and operates a Continuing Care Retirement Community in Palo Alto, California.

The proposed insured loan of $60,945,000 (2024 Bonds) will be used to i) refinance the existing tax-exempt bond series 2014A that were used to refund the construction financing for the facility and pay down certain debt obligations of the Applicant; and ii) pay costs of issuance and establish a debt service reserve fund for the 2024 Bonds.

Item No. 6 Cal-Mortgage Reports – Informational Item

A. Project Monitoring
Dean O'Brien, Cal-Mortgage Supervisor

Mr. O'Brien will report on statistics about the existing portfolio of Cal-Mortgage Borrowers.

B. Pending Projects
Consuelo Hernandez, Cal-Mortgage Supervisor

Ms. Hernandez will report on current or prospective borrower applications.

C. Problem Project Report
J.P. Marion, Cal-Mortgage Deputy Director

Mr. Marion will report on projects appearing on the Cal-Mortgage Problem Report.

Item No. 7 Future Agenda Items/Announcements from Committee Members
Jay Harris, Committee Chair (or designee)

Item No. 8 General Public Comment
Jay Harris, Committee Chair (or designee)

Item No. 9 Adjournment
Jay Harris, Committee Chair (or designee)

Board Members: Jay Harris, Chair* — *Attending Virtually
Derik Ghookasian, Vice Chair*
Soyla Reyna-Griffin*
Jonathon Andrus*
John Woodward*
Richard Tannahill*
Scott Coffin*
Mary Connick*

HCAI Staff: Elizabeth Landsberg, Director
Scott Christman, Chief Deputy Director
J.P. Marion, Deputy Director
Consuelo Hernandez, Supervisor
Dean O'Brien, Supervisor

The Advisory Loan Insurance Committee agenda and other notices about meetings are posted online and can be found by searching for the Advisory Loan Insurance Committee and meeting month at https://hcai.ca.gov/public-meetings.

For further information about this meeting, please contact Joanna Luce at (916) 319-8828, Joanna.Luce@hcai.ca.gov, or send a letter to The Department of Health Care Access and Information, 2020 West El Camino Avenue, Sacramento, CA 95833. Attn: Joanna Luce

The Advisory Loan Insurance Committee may take action under any agenda item.

Every effort will be made to address each agenda item as listed. However, the agenda order is tentative and subject to change without prior notice. Items not listed on the agenda will not be considered. The Advisory Loan Insurance Committee may take a brief break during the meeting. Members of the public are NOT required to identify themselves or provide other information to attend or participate in this meeting. If Microsoft Teams (or other platform) requires a name, you may enter "Anonymous". You may also input fictitious information for other requested information if required to attend the meeting (e.g., anonymous@anonymous.com).

This meeting is accessible to persons with a disability. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov, or sending a written request to that person at 2020 West El Camino Avenue, Sacramento, CA 95833. Providing your request at least seven (7) business days before the meeting will help ensure availability of the requested accommodation.

If you need help understanding or translating into another language, or if you need sign language services, please contact Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. Let us know at least seven days before the meeting so we can set up the services you need.

Spanish/ Español

Si necesita ayuda para comprender o traducir a otro idioma, o si necesita servicios de lenguaje de señas, póngase en contacto con Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. Avísenos al menos siete días antes de la reunión a fin de que podamos programar los servicios que necesita.

Korean/韓國人

내용을 다른 언어로 이해 또는 번역하는 데 도움이 필요하거나 수화 서비스가 필요한 경우 다음 연락처로 문의하시기 바랍니다: Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. 필요한 서비스를 제공할 수 있도록 회의 개최 7일 전까지 알려주십시오.

Chinese Simplified/簡體中文

如果您需要帮助理解或其他语言的翻译服务，或需要手语服务，请联系 Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov.请至少在会议前七天通知我们，以便我们安排您所需的服务。

Tagalog/Tagalog

Kung kailangan mo ng tulong sa pag-unawa o pagsasalin sa ibang wika, o kung kailangan mo ng mga serbisyo ng sign language, mangyaring makipag-ugnayan sa Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. Ipaalam sa amin nang hindi bababa sa pitong araw bago ang pagpupulong upang mai-set up namin ang kailangan mong mga serbisyo.

Vietnamese/Tiếng Việt

Nếu quý vị cần trợ giúp để hiểu hoặc để dịch sang ngôn ngữ khác hoặc nếu quý vị cần dịch vụ ngôn ngữ ký hiệu, vui lòng liên hệ Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. Vui lòng cho chúng tôi biết ít nhất bảy ngày trước cuộc họp để chúng tôi có thể bố trí các dịch vụ mà quý vị cần

Chinese Cantonese(Traditional)/中文 粵語

如果您需要幫助理解或其他語言的翻譯服務，或需要手語服務，請聯絡 Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. 至少在會議前七天通知我們，以便我們安排您所需的服務。

Agenda Item 4 – Draft Minutes of the July 11, 2024 ALIC Meeting

HCAI Department of Health Care Access and Information
2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
hcai.ca.gov

ADVISORY LOAN INSURANCE COMMITTEE MINUTES

July 11, 2024

1. CALL TO ORDER

Mr. Jay Harris, ALIC Chair, called to order the meeting of the Advisory Loan Insurance Committee (Committee) of the Cal-Mortgage Loan Insurance Program (Cal-Mortgage) of the Department of Health Care Access and information (HCAI) at 10:31 a.m.

COMMITTEE MEMBERS PRESENT
Jay Harris, Chair, via teleconference
Jonathon Andrus, Member, via teleconference
John Woodward, Member, via teleconference
Richard Tannahill, Member, via teleconference
Mary Connick, Member, via teleconference

COMMITTEE MEMBERS ABSENT
Derik Ghookasian, Vice Chair
Soyla Reyna-Griffin, Member
Scott Coffin, Member

ADDITIONAL ATTENDEES
Scott Christman, HCAI, Chief Deputy Director
Jeremy (J.P.) Marion, HCAI, Cal-Mortgage, Deputy Director
Consuelo Hernandez, HCAI, Cal-Mortgage, Supervisor
Dean O'Brien, HCAI, Cal-Mortgage, Supervisor
Andia Farzaneh, HCAI, Staff Attorney
Dennis Lo, HCAI, Cal-Mortgage Account Manager
Lauren Hadley, HCAI, Cal-Mortgage, Account Manager
Arne Bracchi, HCAI, Cal-Mortgage, Account Manager
Tom Wenas, HCAI, Cal-Mortgage, Account Manager
Frank Perry, HCAI, Cal-Mortgage, Health Program Specialist II
Joanna Luce, HCAI, Cal-Mortgage, Executive Secretary
Michael Scannell, HCAI, Cal-Mortgage, Office Technician
Zara Marselian, PhD, FACHE, La Maestra Community Health Centers (La Maestra), President and Chief Executive Officer
Jeffrey Neumann, La Maestra, Chief Financial Officer
Elena Akins, La Maestra, Director of Financial Management
Roy Nelson, Wulff, Hansen & Co; Underwriter and Municipal Advisor
Robert Pankratz, Wulff, Hansen & Co; Senior Analyst and Director of Operations

Bill Hendrickson, Hendrickson Consulting, Principal

2. PUBLIC COMMENT REGARDING ACTION ITEMS ON TODAY'S AGENDA

Before Mr. Harris performed a voice roll call of Committee members, Mr. J.P. Marion, HCAI, Cal-Mortgage Deputy Director asked that for purposes of documenting the minutes for this teleconference meeting, that any participants when speaking on the call, to first state their name, noting members of the public are exempt from this request. Mr. Marion also asked that for today's action items, the voting be done through a roll-call vote. With that announcement, Mr. Marion turned the meeting over to Mr. Harris to preside over the meeting agenda. Mr. Harris then proceeded to perform a voice roll call of the Committee members present at today's meeting.

3. ALIC CHAIR AND HCAI EXECUTIVE STAFF REMARKS

- **ALIC Chair**
  Mr. Harris did not make any opening remarks.

- **HCAI Director**
  Ms. Elizabeth Landsberg, HCAI Director did not attend today's meeting.

- **HCAI Chief Deputy Director**
  Mr. Scott Christman, HCAI Chief Deputy Director greeted the Committee and said that he was happy to represent Director Elizabeth Landsberg at today's meeting and share updates from the Director's Office.

  Mr. Christman first shared highlights from the recently passed 2024-2025 state Budget. Stating that it has been a difficult Budget cycle. The 2024 Budget Act looks to address the $46.8 billion deficit over two fiscal years, 2024-2025 and 2025-2026. Citing his updates to the Committee in the past about substantial investments being made in health workforce development at HCAI, stating in this Budget there will be a $746.1 million reduction in funds that will impact almost all of HCAI's health workforce development programs. Although the Legislature reinstated approximately $109 million in what were proposed cuts for the current year funding that had already been obligated in various grant awards. Restitution of these funds allowed HCAI to make good on the commitments that had been put into place through awards.

  Other Budget highlights include calls for an overall reduction in state operations by 7.95% and applies to nearly all state agencies. Mr. Christman outlined possible actions that state agencies could take to address cost reductions in their operations. This Budget also includes an agreement that authorizes a delay of the new healthcare worker minimum wage implemented under SB 525. Also funding for the Behavioral Health Services Act under SB 326 and passed by voters under Proposition 1. This funding will allow HCAI to be able to substantially support and invest in behavioral health workforce initiatives starting next year.

Mr. Christman highlighted two Budget Change Proposals that were enacted last year, SB 779 Primary Care Clinic Data Modernization Act, substantially expands the clinic data collection that HCAI collects and manages by adding types of data and types of clinics reporting data; and AB 1392 applies changes and expansion to HCAI's work of the Hospital Supplier Diversity Commission and the Hospital Supplier Diversity Program.

Mr. Christman then updated the Committee on two HCAI program highlights. In April, the Office of Healthcare Affordability proposed, and the State Healthcare Affordability Board adopted, a 3 percent statewide health care spending target. The target will be phased in over five years. The goal of the program is to slow the growth rate in health care spending.

Lastly Mr. Christman said as part of the CalRx Naloxone Initiative in June, the Governor announced a new CalRx program partner agreement with Amneal Pharmaceuticals (Amneal). Amneal recently secured Federal Drug Administration approval for its Naloxone product and HCAI's partnership with Amneal allows the state to buy this drug and distribute the drug through the Naloxone Distribution Project, which is run by the Department of Health Care Services. Amneal's price for Naloxone is nearly half the current market price of the drug currently being paid by the Naloxone Distribution Project.

At the conclusion of Mr. Christman's opening remarks he thanked the Committee for their time and service on the Committee.

- **Cal-Mortgage Deputy Director**
  Mr. Marion began his remarks offering highlights of the Distressed Hospital Loan Program. Mr. Marion said since his report at the last Committee meeting, Madera Community Hospital, closed since January 2023, has received their initial loan distribution and is working towards reopening in October 2024. San Benito Healthcare District which goes by Hazel Hawkins received their first funding distribution, and that he will go into more specifics when the Problem Project Report is reviewed later in the meeting. Lastly, Sonoma Valley Healthcare District finally submitted all of their executed paperwork and will likely receive their loan distribution next week. By next week all of the program's $300 million funding will finally be distributed. Mr. Marion said we are now just receiving the borrowers' first full quarter worth of financial statements and updates to their turnaround initiatives. So far results are mixed in terms of some hospitals are doing well on their initiatives and improving while others have continued to struggle. Mr. Marion said quarterly financial updates are a part of the hospitals' routine compliance obligations and that all of the hospitals' performances will be tracked and he will report more on the trends that develop at future meetings.

Mr. Marion then gave an update on the Small and Rural Hospital Relief Program. Three grant awards have been made to hospitals for seismic evaluation projects and a smaller construction project. There are ten different grant applications currently in the works. More hospitals have begun applications. Although a lot of applications are dropped when they learn their application must be accompanied by a substantially complete seismic project and package submitted to Office of S Hospital Planning and Development (OSHPD) to be considered for an award. However, OSHPD's team has been very good about providing a review of a hospital's seismic planning and advising where there may be opportunities for the hospital to save money, which eventually leads to progress. Mr. Marion said that we are continuing to follow up with the applicants that show a willingness to participate in the program.

Lastly Mr. Marion told the Committee that SB 525, the healthcare worker minimum wage bill, has a component that involves Cal-Mortgage. The law allows for clinics specifically to seek a waiver from the minimum wage requirement for 12 months based on financial distress. Cal-mortgage will provide the Department of Industrial Relations (DIR) technical financial analysis assistance to assess clinic applications for specific financial need of a waiver and make a recommendation to DIR about whether or not to grant a waiver when the program kicks off shortly. More information will be made publicly available on the program in the next couple of weeks and clinics will be able to start applying for those waivers.

At the conclusion of Mr. Marion's remarks Mr. Marion said that he will get into more of Cal-Mortgage portfolio specifics and projects later in the agenda. There were no additional questions from the Committee for Mr. Marion at this time.

4. APPROVAL OF THE MINUTES OF THE MARCH 14, 2024 MEETING

A motion to approve the minutes as written was made by Mr. Jonathon Andrus. Mr. John Woodward seconded the motion. The motion passed, 4-0. Ms. Mary Connick abstained on the vote to approve the minutes.

5. SWEAR-IN OF NEW COMMITTEE MEMBER

Immediately after Mr. Harris called the meeting to order, Mr. Harris asked Mr. Marion to introduce Ms. Mary Connick to the Committee. Before Mr. Marion began his introduction, Mr. Marion noted the vacancy on the Committee left by Mr. Dave Kears. Mr. Marion said when looking for a candidate to fill Mr. Kear's vacancy he looked for an individual with a solid financial background and with direct experience working within health facilities. Mr. Marion then gave the Committee a detailed biographical background of Ms. Connick's background in health care. At the conclusion of Mr. Marion's introduction of Ms. Connick, Mr. Marion asked Mr. Christman to formally swear-in Ms. Connick onto the Committee.

Mr. Christman spoke on behalf of Elizabeth Landsberg, HCAI Director who was not at today's meeting, and himself expressed gratitude for Ms. Connick's willingness to become a member and serve on the Committee. Mr. Christman then swore Ms. Connick on to the Committee with the Oath of Office. After being sworn on to the Committee, Ms. Connick made brief remarks to the Committee.

6. LOAN INSURANCE APPLICATION REVIEW: LA MAESTRA COMMUNITY HEALTH CENTERS (APPLICANT)
Consuelo Hernandez, Cal-Mortgage Supervisor

The Applicant is a California nonprofit public benefit corporation and a Section 330 Federally Qualified Health Center operating several primary care clinics throughout San Diego County. The purpose of the insured loan of $14.3 million is to reimburse the Corporation for the acquisition and renovation of three buildings at 1242, 1246, and 1248 East Main Street in El Cajon.

Mr. Harris turned the meeting to Consuelo Hernandez, Cal-Mortgage Supervisor to introduce this Applicant and project to the Committee. Ms. Hernandez provided the Committee with a summary background of the Applicant and the project with her recommendation to approve the request for loan insurance. Ms. Hernandez then introduced the following representatives present on behalf of the Applicant:

Zara Marselian, PhD, FACHE, La Maestra Community Health Centers (La Maestra), President and Chief Executive Officer
Jeffrey Neumann, La Maestra, Chief Financial Officer
Elena Akins, La Maestra, Director of Financial Management
Roy Nelson, Wulff, Hansen & Co; Underwriter and Municipal Advisor
Robert Pankratz, Wulff, Hansen & Co; Senior Analyst and Director of Operations
Bill Hendrickson, Hendrickson Consulting, Principal

Dr. Marselian made brief opening remarks beginning with her personal background, relationship to the Applicant, and the history of the Applicant. Following Dr. Marselian's opening remarks, a discussion of this loan application with the Committee and Applicant occurred. The following subjects related to the Applicant's project were discussed: Applicant's history with Cal-Mortgage; timing of the Applicant's project start with application for loan insurance; COVID-19; Medicare and Medi-Cal reimbursements; Days Cash On Hand; grants; liquidity; inflation; La Maestra Foundation (Foundation); the Foundation's purpose, community served, programs, finances, and Applicant's support of the Foundation; the Foundation as a co-borrower on this loan; reimbursement resolution for project; and immigration and its effects on the Applicant.

At the conclusion of this discussion, all questions were answered to the Committee's satisfaction Mr. Harris opened the discussion to the public for comment. No public comments were offered on the Applicant's loan application. Mr. Harris then called for a motion to vote on the loan application project. Mr. Jonathon Andrus made the motion to approve the application for loan insurance. Mr. Richard Tannahill seconded the motion. The Committee voted to approve the application. The motion passed, 5-0.

7. DEPUTY DIRECTOR'S REPORTS

- **Project Monitoring – Dean O'Brien**
  Mr. Harris asked Mr. Marion to direct the Deputy Director's Reports. Mr. Marion then asked Mr. Dean O'Brien, HCAI Cal-Mortgage Supervisor to present the Project Monitoring report. Mr. Marion shared a copy of the Deputy Director's Reports for the individuals attending today's meeting via video teleconference. Mr. O'Brien informed the Committee that he did not have a lot of updates since the last meeting, and noted the financial statements coming in now are the March 31st reports. At this time Mr. O'Brien said he did not have any specific comments on the financial reporting.

  Mr. O'Brien reported encouragement of the staff getting out and visiting their projects and gave kudos to staff members that have been really diligent about getting out into the field to visit their projects. We are working on continuing that trend going forward.

  At the conclusion of Mr. O'Brien's report, the Committee did not have any questions for this report. Mr. O'Brien then asked Ms. Consuelo Hernandez, HCAI, Cal-Mortgage Supervisor to present the Pending Projects Report.

- **Pending Projects – Consuelo Hernandez**
  Ms. Hernandez informed the Committee that the next projects that will be coming before the Committee is Alexander Valley and Moldaw Residences. They are aiming for the September ALIC meeting. Ms. Hernandez then provided the Committee with a brief background and the scope of the project for Alexander Valley and Moldaw Residences that will be presented to the Committee. The August ALIC meeting will be canceled.

  At the conclusion of Ms. Hernandez's report Mr. Harris asked Ms. Hernandez and Ms. Connick a question regarding Moldaw Residences' relationship to Jewish Home of San Francisco.

- **Problem Project Report – J.P. Marion**
  Mr. Marion discussed the borrowers that are experiencing financial difficulties and the action plan devised to address each borrower as well as additional borrowers that we are tracking on our Watch List, and potentially may be added to a future Problem Project Report. Mr. Marion then provided the Committee with additional updates on the following borrowers:

San Benito Health Care District (San Benito): Mr. Marion gave the Committee a brief update about this borrower's financial situation and status of their bankruptcy case. Noting the unions' filed a lawsuit in December 2023 stating San Benito did not meet the criteria to file for bankruptcy and San Benito had to defend itself in a trial. On March 21, 2024, the bankruptcy judge dismissed San Benito's bankruptcy case. San Benito has appealed, but it could take 9-12 months for the appeal process. Mr. Marion then provided updates on the proposals for acquiring San Benito after the bankruptcy judge's decision.

Hill Country Community Clinic (Hill Country): Mr. Marion detailed Hill Country's financial challenges; bringing in a turnaround expert in the new Chief Financial Officer (CFO) Phillip Nowak; and hiring a new Chief Restructuring Officer to assist with the clinic that was built in Redding; the problems associated with this clinic location; and the selling of the clinic to Shasta Community Health Centers. The sale of the clinic allowed Hill Country to recapitalize with some working capital. Hill Country had been missing payments on their loan and beginning with this month, July, they are resuming payments and working on the catchup payments as well that they missed on their loan. Mr. Marion said that Hill Country will move into a smaller location in Redding that will allow them to continue to care for their Redding clientele.

St. Rose Hospital (St. Rose): Mr. Marion began his report of St. Rose with noting that the Committee Chair, Mr. Harris also serves on the board for St. Rose. So, Mr. Harris has been recusing himself from the discussions with the Cal-Mortgage program and St. Rose regarding St. Rose's current financial discussions to sell St. Rose. Mr. Marion stated that St. Rose completed a Request for Offer and is now currently in a due diligence period with Alameda Health System. Mr. Marion gave the Committee a detailed description of each item in the transaction that is needed to complete the transaction. Mr. Marion also said that St. Rose has a loan with the Distressed Hospital Loan Program.

At the conclusion of Mr. Marion's report on St. Rose Mr. Marion answered questions from the Committee concerning St. Rose.

California-Nevada Methodist Homes: This borrower is a resolved default and Cal-Mortgage is collecting payments; and noted we are receiving regular payments as expected in their settlement agreement.

Verdugo Mental Health: This borrower is a resolved default and Cal-Mortgage is collecting payments; and noted we are receiving regular payments as outlined in their settlement agreement.

Asian Community Health Care Centers: Mr. Marion said this borrower is not on our Problem Project Report but is on our internal Watch List. They recently hired a new CEO after the sudden departure of their CEO at the end of last year.

Mr. Marion said that during the COVID-19 pandemic the loan Cal-Mortgage helped finance was used to construct a new memory care and an assisted living facility that opened up at the beginning of the pandemic. They had challenges filling up the new facility, but things have turned around with their census and their assisted living and memory care are getting substantially filled up. As a result of this hopefully this will translate into better financial performance and will not elevate this project to the Problem Project Report.

8. FUTURE AGENDA ITEMS/ANNOUNCEMENTS FROM COMMITTEE MEMBERS

There was no discussion made under this agenda item.

9. GENERAL PUBLIC COMMENT

No public comments were made.

10. ADJOURN

Mr. Harris made a motion to adjourn the meeting and the meeting was adjourned at 12:20 p.m.

The Minutes of the above meeting were approved during the meeting of the Committee held on Date of Meeting.

Jay Harris, Chair	Joanna Luce, Executive Secretary

Agenda Item 5 – Project Information for:
899 Charleston dba Moldaw Residences

Cal-Mortgage Application

September 12, 2024 ALIC Meeting

MOLDAW

INSPIRED LIVING FOR GENERATIONS

Taube Koret Campus for Jewish Life

899 E Charleston Road, Palo Alto, CA 94303

Contents

PROJECT SUMMARY & FEASIBILITY ANALYSIS

For the September 12, 2024 Meeting of the Advisory Loan Insurance Committee

Project Summary

Applicant: 899 Charleston dba Moldaw Residences (Corporation)
899 E. Charleston Road, Palo Alto, CA 94303

Project No.: 1095

Account Manager: Dennis Lo

Executive Summary:
The Corporation is a California nonprofit public benefit corporation exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code, and exempt from California State income taxes under provisions of the California Revenue and Taxation Code.

The Corporation owns and operates an entry fee Continuing Care Retirement Community (CCRC), known as Moldaw Residences (Facility). The Facility was opened in October 2009 and includes 170 Independent Living (IL) apartments, 12 Assisted Living (AL) apartments, and 11 Memory Support (MC) units. As of June 2024, the Facility was approximately 88 percent occupied.

The proposed insured loan of $60,945,000 (the 2024 Bonds) will be used to (1) refinance the tax-exempt, fixed rate revenue term bonds (899 Charleston Project), Series 2014A (2014 Bonds), and (2) pay issuance cost and set aside required reserve funds for the 2024 Bonds. The 2014 Bonds were issued on November 20, 2014, by the California Statewide Communities Development Authority in the amount of $71,345,000. The proceeds from the 2014 Bonds were used to (i) refund the financing in 2007 for construction of the Facility, (ii) to repay and prepay certain debt obligations, particularly a portion of the outstanding loan payable to Jewish Home Senior Living Foundation (the Foundation), and (iii) pay issuance cost and set aside required reserve funds for the 2014 Bonds. The original construction financing in 2007 had a principal amount of $165,805,000. Over the past 17 years, the Corporation paid down approximately $100 million, which is equivalent to 60 percent thereof.

The Facility:
The Facility is located at the northwest corner of San Antonio Road and East Charleston Road in southeastern Palo Alto, an approximately 3.67-acre site and is part of a larger 8.75-acre parcel that also contains the Taube Koret Campus for Jewish Life (Campus). The Campus also includes the Oshman Family Jewish Community Center (OFJCC), which provides amenities such as the Goldman fitness center, indoor and outdoor pools, a preschool youth center, and the Schultz Cultural Arts Hall. The OFJCC is a key strategic partner of the Facility as they share some buildings and all residents of the Facility have access to all amenities on the Campus. The OFJCC is a separate nonprofit entity and will not be a party to the proposed 2024 Bonds.

The Campus includes 12 major connected buildings, generally with the OFJCC components located on the lower floors and the Facility on upper floors in the buildings, which have three/four stories of each building. All buildings lie above a subterranean parking garage, with podium cover. The 12 major buildings and their purposes are summarized in the Campus Map on page 1 of Exhibit I.

The Facility provides 193 residential units. (170 IL units, 12 AL units, and 11 MC units). Skilled nursing is provided through arrangements with local skilled nursing facilities on a priority-access basis. In addition to the 193 total units, the Facility also includes the following amenities: dining options in a variety of settings such as fine dining room, casual cafe, or private dining room, fireside lounge and bar, spa salon with hair care, manicure and pedicure, massage therapy, and skin care, club rooms, art and music studio, library and business center, and storage. Residents at the Facility are also provided with OFJCC membership to access the facilities and participate events at the Schultz Cultural Arts Hall.

Corporation Background:

The Corporation was incorporated on March 30, 2006, with the following specific and primary purposes: (1) to provide residential facilities that are specifically designed to meet a combination of the physical, emotional, recreational, social and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well-being of the residents of its facilities; and (3) to adopt policies and procedures designed to address the need of its residents for protection against the financial risks associated with the later years of life.

In 2000, the Albert L. Schulz Jewish Community Center was facing the loss of its 20-year leased site in Palo Alto, California and began searching for a replacement location. Moreover, the Jewish Community Federation of San Francisco, Peninsula, Marin and Sonoma Counties (the Federation) believed that a multi-purpose campus could provide an ideal solution to the space needs of the Schulz Jewish Community Center and other local organizations. In addition to providing a centralized location, a multi-purpose campus would present intergenerational opportunities to promote greater connections between children and older adults, as well as among teens, parents, young adults, families and singles. The Federation formed a new California nonprofit corporation in 2001 for the purpose of purchasing the 8.75-arce site to develop the Campus.

In 2007, 899 Charleston, LLC was formed in order to facilitate the bond financing transaction for the 899 Charleston project, which became the Facility. The Facility was assigned to the Corporation after it was recognized by the Internal Revenue Service as a tax exempt organization. The Facility opened its doors to residents in October 2009.

Executive Management:

Executive Director (ED): Mark Baddas joined the Corporation in November 2023. He has been working in healthcare sector in capacity of ED since 2016. Before joining the Corporation, Mr. Baddas was an ED of Westmont Living of Milpitas and Del Monte Assisted Living and Memory Care. He was also an ED and Nursing Home Administrator for several post-acute care facilities between 2016 and 2022. Mr. Baddas graduated from University of California, San Diego with an B.S. Biochemistry and Cell Biology and an B.S. Economics and Finance. He also holds a Master of Business Administration at University of California, Los Angeles.

Chief Financial Officer (CFO): Benjamin Chaika joined the Corporation in February 2022. He has been working in finance industry since 2013. Before joining the Corporation, Mr Chaika was a Finance Consultant of Jewish Senior Living Group, which he has worked with since 2017 as a manager, and subsequently as a Director, of Financial Planning and Analysis Department. Mr. Chaika graduated from University of California, Berkeley with a Bachelor of Arts.

Board of Directors:
According to the Corporation's bylaws, the Board of Directors (Board) consists of at least 9 but no more than 21 members. Each Director shall be elected for a term of three years that begins on July 1st in the calendar year of his/her election and concludes on June 30th in the third year thereafter. Unless exceptionally approved by the Board, no Director shall serve more than two (2) consecutive terms.

The Board currently has 17 members as shown below, including a Resident Director that lives within the Facility.

Name	Background	Term
Gina Rosenfield *Chair*	Interior Designer	2023-2025
Marlene Levenson *Vice Chair*	Retired Social Worker with a Specialty in Geriatrics	2024-2026
Craig Seidel *Secretary*	Entertainment Technology Executive	2024-2026
Efrat Kasznik *Treasurer*	Valuation Expert	2024-2026
Alex Rozenfeld	Real Estate Investment Management	2025-2027
Carol Kushnir	Retired Business Owner	2025-2027
Carol Roberts	Retired, Fundraising and Development	2023-2025
David Steirman	Investment Manager	2024-2026
Jeff Sosnick	Retired President of a Distribution Company	2023-2025
Larry Marks	Commercial Mortgage Broker	2023-2025
Norm Berkman	Certified Public Accountant	2025-2027
Ric Rudman	Retired Executive	2023-2025
Rita Ghatak	Psychologist and Elder Care Specialist	2024-2026
Steve Monosson	Retired Investment Manager	2025-2027
Terrence Scott	Retired Accountant	2024-2026
Tony Klein	Attorney	2024-2026
Nancy Rossen *Resident Director*	Retired Business Owner	2025-2027

Management Agreement:
The Corporation entered into a Management Services Agreement (MSA) and an Executive Director and Personnel Services Agreement (PSA) with Life Care Services, LLC dba Life Care Services (LCS) for management of the Facility effective October 2021. LCS was found in 1971. It is currently the third-largest operator of senior living communities, managing 140 senior living communities around the country[i]. Under the terms of the MSA, LCS supervises the operations, provides and supports marketing efforts, hires and assists the ED to manage the Facility. Under the PSA, LCS's affiliate company, LCS Community Employment LLC will manage the human resources of the Facility, including recruiting, hiring, training, promoting, assigning, supervising, and discharging the Facility employees. They are also responsible for the formulation, implementation, modification and administration of wage scales, rates of compensation, employee insurance, employee taxes, in-service training, attendance at seminars or conferences, staffing schedules, job descriptions, and personnel policies with respect to Facility employees.

[i] Source: LCS's website

During the fiscal year ended June 30, 2023, the Corporation paid $588,731 to LCS for the above management and marketing services. Before LCS, the Corporation had management service agreement with Jewish Senior Living Group (JSLG), whereby JSLG provided support services related to finance and accounting, information technology, marketing, and human resources. The management agreement with JSLG was terminated effective October 2021.

There are senior living projects in Cal-Mortgage portfolio that have hired LCS to manage their operations such as Aldersly, Inc. in San Rafael and Casa de las Campanas in San Diego. Both projects performed well and met financial covenants.

Succession Plan:
The Corporation is managed by LCS, which has a network of Interim Executive Directors and finance professionals. If the Corporation's ED or CFO were unable to continue serving, LCS would work to identify interim coverage to support the Corporation while it recruits for the position. LCS would present candidates to the Board for choosing a new ED or CFO. There are no anticipated changes in the senior management team.

The Foundation:
The Foundation was established on March 18, 2004, as a nonprofit public benefit corporation in California. The Foundation used to manage the endowment fund for the Corporation. Since February 2024, the Corporation has decided to move in a new direction and transferred all assets in the endowment fund back to its own investment account for management, and the Foundation has no longer managed the endowment fund for the Corporation.

The Foundation lent in total of $7 million to the Corporation in 2010 and 2011 to fund the Corporation's operational needs. With issuance of the 2014 Bonds, $1 million of these loans were repaid to the Foundation. The remaining $6 million outstanding principal amount of the non-interest-bearing loan originally due as of June 30, 2016, were split into 20 semi-annual installments. The Corporation needs to fulfill the debt service responsibility if its year-end financials meet certain requirements such as over 365 DCOH, cash to long-term debt bigger than 35 percent, and above 1.25x DSCR of 2014 Bonds. As of June 2024, the loan had a balance of $4.8 million. Since the Foundation loan does not bear any interests and its principal payments are only subject to the Corporation's financial condition, the proposed 2024 Bonds will not be used to repay the Foundation loan.

Credit Rating and Premium:
The Corporation targets to obtain private credit assessment of BB+ for the proposed 2024 Bonds. Based on a rating assumption of BB+, the premium for insuring the 2024 Bonds is 2.6 percent. The Certification and Inspection Fee is 0.4 percent. The total premium and fee are approximately $3 million.

Eligibility and Licensing:
The Corporation is a California nonprofit, public benefit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code.

The Corporation is licensed with the California Department of Social Services (CDSS) as a RCFE – Continuing Care Retirement Community at a capacity of 270. According to the CDSS website, there was one citation in 2023. According to the Corporation, the Type A citation is a self-reported incident regarding improper manner of a staff when providing care to two residents. The Corporation agreed to develop a plan to conduct in-service training for all direct care staff on proper protocols for providing care. There were no citations against the Corporation in 2024 so far.

The Corporation does not have Skilled Nursing Facility (SNF) on site, but it has long-standing relationships with several SNFs. In addition, the Corporation has entered a patient transfer agreement with San Francisco Campus for Jewish Living since December 2009. As needed, the Corporation deploys a Wellness Navigator to explore SNF options with the resident and their family, and discuss issues such as proximity to the Facility, transportation for spouse, and feedback from other residents about their experiences at these SNFs. The Corporation's staff checks on the resident during their stay at the SNF twice per week and the Corporation's Director of Health Services will visit the resident prior to discharge to make sure a safe discharge. Based on the SNF recommendations and the Corporation's nurse assessment, the Wellness Navigator will begin preparing for any services that may be needed such as continuing physical therapy, occupational therapy, care givers, nurses, meal delivery, med management, etc.

In view of the above, the Corporation is eligible for insurance as a multi-level health facility and nursing home as defined in Section 129010(g) of the Health and Safety Code, similar to a few other facilities insured by the Cal-Mortgage Program.

<u>Services and Fee Structure:</u>

Fee Structure

The Corporation offers Type B contact, also known as modified contract, to residents. A Type B contract involves entrance fees and monthly fees with a guarantee of access to higher levels of care usually at a reduced rate or for a set period of time before market rate fees come into play. The modified contract is usually less costly than the Life Care Contract, which offers a standard monthly fee rate for all levels of care with only annual monthly rate increases allowed and guarantees care for life, but the resident shares the risk of future care costs with the provider.

Currently, there are two Residence and Care Agreements (Residence Agreements) offered to new residents: one for market rate residents, and the other for the Below Market Rate Housing Purchase Program (BMR Program, detailed in the Community Benefits Section) residents. Residents are required to pay an entrance fee and monthly fees in exchange for services and the right to occupy and use the Facility. Entrance fees are one-time payments made by residents at the effective date of the Residence Agreements. While there were various refundable options of entrance fee in the past, the Corporation currently only offers 85 percent refundable option for new market rate residents, and 50 percent refundable option for BMR Program residents. According to the appraisal report prepared by Senior Living Valuation Services, Inc. dated August 12, 2024, for the 2024 Bonds, the entrance fees and IL monthly fees of the Facility are listed in the table of the following page.

The BMR entrance fees and monthly fees are approximately 50 to 60 percent of the respective market rates.

Monthly charges for AL/MC units start at $8,600 and are based on services to be provided in an assessment performed upon resident's admission. There are re-assessments performed at least quarterly or upon any change of resident's condition.

Unit Type/Designation	No. of Units	Sq. Ft.	Avg. Entry Fee	Avg. EF/SF	Monthly Fee	MF/SF
Market Rate Apartment						
1BR Arbus	2	700	903,950	1,291	5,630	8.04
1BR Bernstein	18	780	1,007,300	1,291	5,630	7.22
1BR Mahler	3	760	981,450	1,291	5,630	7.41
1BR Newman	2	875	1,130,000	1,291	6,580	7.52
1BR Chagall	27	900	1,162,250	1,291	6,700	7.44
1BR Totals/Averages	52	842	1,087,008	1,291	6,222	7.39
2BR Douglas	49	1,090	1,407,650	1,291	7,790	7.15
2BR Einstein	22	1,150	1,485,100	1,291	8,290	7.21
2BR Hellman	11	1,150	1,485,100	1,291	8,290	7.21
3BR Friedan	12	1,600	2,003,900	1,252	11,550	7.22
2/3BR Totals/Averages	94	1,176	1,510,957	1,285	8,446	7.18
Total MR Units	**146**	**1,057**	**1,359,961**	**1,287**	**7,654**	**7.24**
BMR Apartments						
1BR Arbus	4	700	493,621	705	3,483	4.98
1BR Bernstein	5	780	597,353	766	3,483	4.47
1BR Gershwin	4	600	392,154	654	3,607	6.01
1BR Mahler	3	760	519,256	683	3,483	4.58
1BR Newman	1	875	573,505	655	4,071	4.65
1BR Chagall	5	900	661,619	735	4,150	4.61
1BR Totals/Averages	22	762	544,056	714	3,684	4.83
2BR Douglas	2	1,090	786,813	722	4,829	4.43
Total BMR Units	**24**	**789**	**564,286**	**716**	**3,779**	**4.79**
Total All Units/Averages	**170**	**1,019**	**1,247,631**	**1,224**	**7,107**	**6.97**

IL Services
In addition to an IL residence, IL residents are entitled to the following services and amenities: OFJCC Membership, which grants access to aquatics, fitness, educational and cultural programs, in addition to periodic observation of health status, emergency call system, prepaid skilled nursing care days (10 per calendar year), three meals and snacks each day, scheduled social and recreational activities, scheduled transportation to shopping and medical appointments, housekeeping every other week, and general maintenance.

AL/MC Services
If a resident is confirmed by their personal physician that assisted living care or memory care is required, the Corporation will offer to transfer the resident to admit the Assisted Living Center at the Facility. The Corporation and the resident will sign a separate Assisted Living Residency Agreement and the resident will pay AL monthly fee. Upon a permanent transfer, residents may apply refundable entrance fee (net of any incurred expenses) to AL monthly fees.

Assisted Living and Memory Care residents receive assistance with the activities of daily living in addition to the IL services described above, including assistance with bathing, dressing, ambulation, toileting, and eating (sometimes referred to as activities of daily living or "ADLs"). In addition to ADLs, assisted living may include assistance with the instrumental activities of daily living or "IADLs," which are adaptive and home management tasks that require a higher level of physical and cognitive ability than ADLs. IADLs include meal preparation (three meals daily), housekeeping (weekly with spot cleaning and bed making daily), laundry, shopping, self-medication, telephone assistance, financial management and transportation.

Nursing Care

The Corporation maintains transfer arrangement with one or more SNFs. Upon assessment from physician, resident will be entitled to priority admission to the nursing facility with which the Corporation maintains a transfer arrangement. Resident will be required to sign the Skilled Nursing Facility Admission Agreement to obtain routine levels of supportive and restorative nursing care at the chosen SNF. For a temporary stay in a SNF, resident will continue to pay the monthly fee to the Corporation in addition to all fees charged by the SNF. Upon a permanent transfer to a SNF, resident may apply refundable entrance fee (net of any incurred expenses) to SNF fees.

For the last 12 months ending April 2024, there were nine residents were temporarily transferred to the following SNFs. No residents were transferred permanently.

1. Vi at Palo Alto (Palo Alto)
2. The Terraces of Los Altos (Los Altos)
3. Cedar Crest (Sunnyvale)
4. The Forum at Rancho San Antonio (Cupertino)
5. The Sequoias – Portola Valley (Portola Valley)
6. Los Altos Sub-acute and Rehabilitation Center (Los Altos)

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Sources and Uses of Funds:
The sources and uses of funds of the 2024 Bonds are summarized as follows:

Sources:	Amount
Par Amount	60,945,000.00
Premium	2,795,538.15
	63,740,538.15
Other Sources of Funds:	
2014 Bonds Debt Service Reserve Fund	4,449,831.26
Total Sources of Fund	68,190,369.41
Uses:	
Refunding Escrow Deposits: Cash Deposit	62,175,000.00
Other Fund Deposits:	
Debt Service Reserve Fund	2,069,900.00
Delivery Date Expenses:	
Cost of Issuance	500,000.00
Underwriter's Discount	457,087.50
Cal-Mortgage Insurance Premium (2.65%)	2,741,200.41
Cal-Mortgage Certification & Inspection Fee	243,780.00
	3,942,067.91
Other Uses of Funds: Additional Proceeds	3,401.50
Total Uses of Fund	68,190,369.41

Net Present Value (NPV) Savings:
The NPV Savings from refinancing the 2014 Bonds is estimated at 6.43 percent or $4 million.

Financing:
The 2024 Bonds are projected to have total proceeds of $63,740,538.15, from a par amount of $60,945,000 and premium of $2,795,538.15. They will be financed through tax-exempt refunding bonds issued by the California Statewide Communities Development Authority and insured by HCAI with the following terms:

1. The bond series will have a 25-year term and mature in 2049.
2. All bonds are to be issued at fixed rates. Average coupon rate is 4.55 percent with a true interest cost of 4.67 percent.
3. Average annual debt service is $4,137,661 and the Maximum Annual Debt Service (MADS) is $4,139,800.
4. The Debt Service Reserve Fund is $2,069,900, which is 50 percent of the MADS.

Financing Team:

Role	Entity
Auditor	Moss Adams, LLP
Bond Counsel	Orrick, Herrington & Sutcliffe, LLP
Underwriter	Cain Brothers, a division of KeyBanc Capital Markets
Borrower Counsel	Hanson Bridgett LLP
Issuer	California Statewide Communities Development Authority
Trustee and Escrow Agent	U.S. Bank
Feasibility Consultant	Hendrickson Consulting

Security:
There are five parcel numbers within the Campus that are owned by the Facility and the OFJCC. The Facility owns three of them (APN 127-69-001, 127-69-003, 127-69-005). HCAI shall receive a security interest on the above parcel number(s). Such security shall be secured through first deeds of trust, fixture filings, UCC-1s, and a gross revenue pledge perfected by a Deposit Account Control Agreement and a Securities Account Control Agreement, covering the property of the Corporation.

While both the Corporation and the OFJCC have facilities in certain buildings spread out over the campus, their ownerships to each building are clearly stated in the Santa Clara County record and shown on the parcel maps on page two to five of Exhibit I. According to the Appraisal Report, the Facility has total gross building area of approximately 349,171 sq. ft., including 51,133 sq. ft. of underground parking garage.

As previously discussed, the OFJCC provides various amenities to residents of the Facility while the Corporation provides membership for its residents. Both the Facility and the OFJCC are benefited from this co-op business model. Nonetheless, in the event HCAI needs to foreclose the Facility, the marketability of the Facility might depend on cooperation with the OFJCC. HCAI would need to work with the OFCJJ in case of the catastrophic scenario.

Appraisals and Loan-to-Value Ratio:
Michael G. Boehm, MAI, CRE, of Senior Living Valuation Services, Inc. prepared the appraisal report dated August 12, 2024 (Appraisal Report) for the Facility. Based on the income approach using a discount rate of 10.5 percent for the present values of aggregate projected cash flow in the next 10 years and a capitalization rate of 9 percent for the present value of cash flow at the end of 11th year (stabilized cash flow), the "Fee Simple Total Going Concern Market Value" of the Facility as of August 6, 2024, is $75,675,000. The average remaining economic life is 45 years. The calculation details are shown on page 7 and 8 of Exhibit VII Appraisal Summary.

Based on the approval loan amount of $64 million, the loan-to-value ratio of the 2024 Bonds is 84.6 percent.

Market Analysis:
Novak Consulting prepared a Market Research Report (Market Report) in July 2024. According to the Market Report, the Facility is located in a deep market that has moderate potential growth within the coming years and supports the Facility to maintain at high levels of occupancy across all levels of care. The Market Report also suggested that the Corporation's entrance and monthly fees are priced just above the middle of the competitor average and its refundable

contract offers a potential greater value than most, indicating a strong market position and one that should be affordable to a wide range of households within its Primary Market Area (PMA).

Primary Market Area

The Market Report defined the PMA as an area that splits across San Mateo and Santa Clara Counties and includes 11 zip codes across five cities/census-designated places (i.e., Palo Alto, Los Altos, Menlo Park, Mountain View, and Standford).

The Market Report estimated that older households (age 65+) will continue to grow through 2029 in the PMA and 45 percent of the age group 75+ population have annual income above $100K. Moreover, 71 percent of age 75+ households are homeowners, and approximately two-thirds of these are estimated to own their home without debts. In addition, the percentage of homes valued at $2,000,000 (median home value in the PMA) or greater is expected to increase from 74 percent (2024) to 78 percent by 2029. The Corporation's pricing levels would be affordable to many of them.

Competitors

There are eight communities in the PMA identified as competitors of the Facility. Most of the competitors report occupancies between 85 percent and 95 percent. The table on the next page shows the competitors' capacity and pricing levels.

The average entrance fee and monthly fee at the Corporation are priced approximately 4 percent and 6 percent higher than the competitors' average, respectively. The 85 percent entrance fee refundable option offered by the Corporation's is greater than that offered by the competitors, except for The Forum at Rancho San Antonio which offers a for-purchase Model. The Market Report suggested that the Corporation's pricing levels are competitive among the above competitors.

Community	IL Residences	Entrance Fee*		Monthly Fee	
		Low	High	Low	High
Channing House	200	$450,450	$2,392,830	$4,923	$14,540
Saratoga Retirement Community	143	$625,915	$1,490,085	$4,502	$9,949
The Avant	44	none	none	$8,800	$14,500
The Forum at Rancho San Antonio	342	$800,000	$2,300,000	$4,268	$6,479
The Sequoias Portola Valley	207	$246,300	$1,454,744	$4,962	$8,125
The Terraces of Los Altos	105	$627,948	$2,240,227	$6,373	$8,702
Vi at Palo Alto	388	$1,400,100	$9,261,300	$6,090	$13,800
Webster House	39	$800,675	$1,641,500	$7,350	$8,783
Average	*184*	*$707,341*	*$2,968,669*	*$5,909*	*$10,610*
The Corporation	*170*	*$860,900*	*$2,099,300*	*$5,630*	*$11,550*
*Most comparable contract at each competitor to that offered by the Corporation (85% refundable)					

Gross Market Penetration Rate (GMPR)

The GMPR is defined as the percentage of age- and income-qualified households within the PMA that the total market would need to capture in order to achieve stabilized occupancy (95%). The lower the GMPR, the lower the market saturation. Based on the number of existing residences available and demographic data in the PMA, the GMPR in the PMA in 2024 is 20.3 percent, which is at 34th percentile of national benchmarks. The GMPR will drop to 18.6 percent and 29th percentile in 2029. The GMPR lies anywhere between 17.4 percent to

30.9 percent is considered ideal. While the projection in 2029 (18.6%), which is based on an assumption of 15 new IL units to be available in the next five years, may be an underestimation, the current GMPR, the Corporation's pricing levels, and the continuous growth of senior population in the PMA indicate a positive outlook of the Facility.

Environmental:
AEI Consultant performed a Phase I Environmental Site Assessment at the Facility and prepared a report (Phase 1 Report) on September 29, 2014. The Phase I Report was submitted to the Department of Toxic Substances Control for review.

Outstanding Litigation:
The Corporation is not currently involved in any litigation.

Financial Performance Analysis:
The following table summarizes the Corporation's financial performance and the Facility's census from the fiscal year ended June 30, 2019, to June 30, 2024:

Dollars in Thousands (except the ratios)	Audited, Fiscal Year Ended June 30,					Internal
	2019	2020	2021	2022	2023	6.2024
Cash & Cash Equivalents	24,090	26,210	24,863	21,773	23,869	27,704
Current Assets	25,367	27,183	25,906	22,339	25,135	30,223
Total Assets	145,777	145,194	143,488	136,463	136,006	140,343
Current Liabilities	6,235	6,675	8,730	7,498	8,093	6,101
Total Liabilities	188,846	189,620	189,407	187,824	194,689	203,100
Net Worth	(43,069)	(44,426)	(45,919)	(51,361)	(58,683)	($62,757)
EBITDA	6,039	6,100	5,783	1,348	1,175	3,634
Net Income	(1,882)	(1,357)	(1,494)	(5,442)	(7,322)	(4,275)
Entrance Fee Received	14,243	11,203	7,772	14,652	20,221	20,998
Entrance Fee Refunded	8,715	7,242	5,487	10,857	12,333	14,704
Net Entrance Fee	5,528	3,961	2,284	3,796	7,888	6,293
Amortized Non-refundable Entrance Fee	2,248	2,791	2,608	2,089	436	1,265
Debt Service Coverage Ratio	1.99	1.56	1.09	0.68	1.88	1.98
Days Cash on Hand	612	651	597	494	502	554
Current Ratio	4.07	4.07	2.97	2.98	3.11	4.95
Average Occupancy						
IL (170 Units)	98.1%	95.8%	88.1%	78.1%	79.6%	84.0%
AL (12 Units)	98.3%	94.2%	98.3%	75.0%	97.0%	93.9%
MC (11 Units)	94.8%	95.1%	98.4%	84.8%	86.3%	82.4%
Move In	12	12	9	17	22	23
Move Out	14	16	30	25	11	23

The Corporation has maintained over $20 million cash and above 500 Days Cash on Hand (DCOH) in the past six years. Net entrance fee received, which dropped during the COVID-19 pandemic, bounced back to pre-pandemic level in 2023 and 2024, while annual residents move in improved from 9 in 2021 to 17 in 2022, 22 in 2023, and 23 in 2024.

The Corporation has recorded negative net income over the past six years. Net losses have deepened since 2022. While the resident's intake has been improving since 2023, the IL occupancy in 2024 was still 10+ percent below the pre-pandemic level. In addition, during a data migration exercise in 2023, the Corporation found out that they had over-amortized the entrance fee of several residents. A correction was put in place in 2023 and led to an unusually low entrance fee amortization income in that year. In addition, the Corporation revised the entrance fee amortization mechanism which extends the amortization period and as a result, the relevant annual income in 2024 (and potentially afterwards) is lower. On the expense side, the staffing cost increased by 29 percent in 2022 due to a tight labor market. The overall staffing cost increased approximately 4.8 percent per year since 2019, and going forward is expected to be more in line with historical levels.

Despite the negative net income, the Corporation has recorded positive EBITDA (Earnings Before Interest Tax Depreciation and Amortization). Given the importance of maintenance work and capital improvement to the Facility, the Corporation does not expect to reduce non-cash expenses in the near future. Instead, the Corporation targets to improve revenue by increasing the ancillary/additional fee services while keep working on improving the census.

A detailed financial spreadsheet can be found in Exhibit II. The ratios may differ slightly from the following Feasibility Analysis section due to assumptions and formulations of the ratios.

<u>Portfolio Comparison</u>:
The following table compares the financial covenant ratios of the Corporation with the other entrance fee basis CCRCs in the Cal-Mortgage portfolio having operating revenues between $15 million and $26 million for the fiscal year 2023. The financial statistics used are from the most recently completed audits for each corporation.

Entrance Fee Basis CCRC Comparisons in Cal-Mortgage Portfolio				
Project	**Area**	**DSCR**	**DCOH**	**CR**
The Corporation	*Palo Alto*	*1.90*	*502*	*3.11*
Channing House	Palo Alto	1.29	398	4.32
Aldersly, Inc.	San Rafael	2.69	514	2.70
Atherton Baptist Home	Alhambra	2.80	325	4.69
Pilgrim Place in Claremont	Claremont	2.03	192	4.37
Solvang Lutheran Home, Inc.	Solvang	5.16	308	9.34
	Average	2.65	373	4.76
	Median	2.36	362	4.35

When comparing the Corporation's performance to the overall average in its peer group, its liquidity ratios rank above the median and average, while its debt service coverage ranks below most of its peer group but still above the minimum requirement of 1.25x.

Community Needs/Benefit:
The Corporation considers the unique needs and identities of their residents, regardless of their cultures, languages, values, family histories, abilities or disabilities, or other factors. The Corporation offers intergenerational programs to residents and selected on-campus programs for members of the community such as inviting middle-school aged youth to visit the Facility and residents twice a month, arranging various events for preschoolers and residents. The Corporation also runs a program with Stanford Health Care twice per week that are open to the public.

The Corporation creates a diverse and inclusive work environment in the Facility. Staff are hired from diverse backgrounds and trained in culturally competent care.

The Corporation also meets the alternative eligibility criteria under Section 129085 as it provides 24 units at entrance fee and monthly fee levels that comply with the income and affordability standards prescribed by the BMR Program for 89 years. According to the City of Palo Alto's website, when development of three or more residential units is built in the City, the developer is required to contribute at least 15 percent of those units at below market rates (projects of seven or more units must provide one or more BMR units within the development). The purpose of BMR Program is to create and retain a stock of affordable housing in Palo Alto for people of low and moderate income. The Corporation also established an endowment fund for financial need with the stipulation that the income be restricted for the support of residents who cannot afford a portion of either the entrance fee or the monthly fee.

Feasibility Analysis

Feasibility Study Summary:
A Financial Feasibility Report dated August 16, 2024 (Feasibility Study), was prepared by Bill Hendrickson from Hendrickson Consulting for the proposed 2024 Bonds. The Feasibility Study assumed:

1. A $63.7 million bond issuance will be used to refinance the 2014 Bonds, resulting in an approximate $360K reduction to annual debt payments.
2. The forecasts are based on the historical financial information, pricing levels, and occupancy data.
3. The forecasts are based on a maximum coupon rate of 5.0 percent and a 25-year term. Semi-annual interest payments and principal payments to bondholders will begin on May 1, 2025, and November 1, 2025, respectively.

The Feasibility Study forecasts financial statements for the period of June 30, 2025, to June 30, 2029, and concludes that:

1. The DSCR is expected to exceed 2.4x MADS.
2. Cash to long-term debt ratio is expected to be at 42.9 percent or above.
3. The DCOH is expected to be at 529 or above.

Revenue Assumptions:

Occupancy

The Corporation's IL occupancy averaged above 97.0 percent between 2014 and 2020, then dropped below 80 percent in 2022 and 2023 due to the impact of COVID-19 pandemic combined with the departure of many of initial move-in residents during 2009 and 2013, a common pattern for CCRCs. As of end-June 2024, IL average occupancy was at 84 percent. The Feasibility Study assumed IL occupancy will reach 90 percent from 2026 and after for the projection, with approximately 40 percent of the new IL entrants and 25 percent of the existing IL entrants are couples, who pay a second person monthly fee.

The Corporation's AL/MC occupancy averaged above 97.0 percent between 2014 and 2021, then dropped below 80 percent in 2022 due to the impact of COVID-19 pandemic and bounced back to above 90 percent in 2023. As of end-June 2024, AL/MC average occupancy was at 88.4 percent. Among the current AL/MC residents, an approximate of 70 percent were transferred from the Facility's IL, all but one are market rate residents. The Feasibility Study assumed AL/MC occupancy will reach at 91.3 percent in 2026 and maintain at that level afterwards for the projection.

Both occupancy assumptions for IL and AL/MC units are in line with the Corporation's historical records.

Monthly Fees

The Corporation's IL monthly fees can be divided into three general categories: 1) the market rates for new residents, 2) the market rates for existing residents, which are generally 5 to 10 percent lower than the listed market rate, and 3) the rates for BMR Program residents.

The Feasibility Study assumes a four (4) percent annual increase for both categories (1) and (2) IL monthly fee and AL/MC monthly fee as well. As to the BMR Program resident (24 IL units), the monthly fees are subject to approval from the City of Palo Alto and based on a combination of market and affordability factors. In 2025, these monthly fees are approximately 37 percent below the market rate for new residents (i.e. Category 1). The Feasibility Study assumes an annual increase of three (3) percent for the IL rates of BMR Program.

Based on the Corporation's financial statements and reported occupancies between 2019 and 2024, the average resident fee per IL, AL, and MC units increased annually by 6.1 percent, 4.5 percent, and 5.7 percent, respectively. The above monthly fee assumptions adopted in the Feasibility Study are considered reasonable.

Entrance Fees

As previously mentioned, the Corporation currently only offers 85 percent refundable option for market rate resident and 50 percent refundable option for the BMR Program resident. The Corporation has existing residents on earlier contracts, which vary from those that are non-refundable after 60 months to those with 90 percent refundable option, with an average of approximately 60 percent. The Feasibility Study adopted this refundable percentage (60%) for the projection and assumed that the entrance fees increase by 4.0 percent per year for market rate residents and 3.0 percent per year for the BMR Program resident. The BMR entrance fees currently average 55 percent to 60 percent of market rates but will decline to approximately 50 percent to 55 percent of market rates in the projection.

The Feasibility Study also assumed that there are 16 resident move ins and 16 resident move outs every year after 2025 while the projected entrance fees refunded are 60 percent of the projected entrance fees received.

Based on the entrance fees received and entrance fees refunded figures in the Corporation's financial statements between 2016 and 2024, and the residents move in/move out data of the same period, the average entrance fees refunded was 61.4 percent of entrance fees received. The difference between move in/move out before the COVID-19 pandemic between 2016 and 2019 averaged at +0.5 (i.e., move ins were slightly more than move outs). The above entrance fees assumptions in Feasibility Study are considered reasonable.

Other Incomes
Other operating revenues consist of extra meal income from residents, guests, and employees, and other miscellaneous charges, ancillary care giving services for IL residents, and average about 1.5 percent of monthly fee revenue. The Feasibility Study assumed ancillary care revenues at $720,000 in 2026 and then increased by 4 percent per year thereafter.

The Feasibility Study assumed that the Corporation received $500K released from its $8.5+ million donor-restricted endowment fund in 2025 due to satisfaction of donors' purposes/requirements (Net Assets Released from Restriction) and projected the same fund release with increases 4 percent annually from 2026. According to the Corporation's financial statements between 2016 and 2024, the net assets released from restriction income averaged at approximately only $178K per year. However, the Corporation is now managing its own endowment and did receive $541K and $477K relevant income in 2023 and 2024, respectively. The actual income from this category depends on the terms/purposes of the relevant donations. The Corporation's relevant budget for 2025, which is presumably based on the endowment fund outstanding terms, is $573K.

The Feasibility Study assumed an interest and investment return of approximately 2.8 to 3 percent of the total cash available for investment. The Corporation's Finance Committee has been evaluating changes to the investment policies and targeted to move towards to a more return-wise diversified portfolio while keeping certain portion of cash in a high liquidity money market. In fact, the investment return of 2023 and 2024 averaged at approximately 3 percent per year. Given that risk-free, intermediate-term maturity fixed income securities (e.g., 5-to-7-year treasury bonds) are currently offering approximately 3.8 percent return yield, the feasibility assumption is reasonable.

<u>Expense Assumptions:</u>
The Feasibility Study assumed all expenses are increased by 4.0 percent per year after 2025, except for ancillary care expenses which are increased overall to $720,000 in 2026 and then inflated by 4.0 percent per year. The management agreement with LCS extends until August 2026 and the payments are set at 4.5 percent of monthly fee and related revenue, with additional expenses for accounting and information technology support, as well as reimbursement for expenses.

Without including depreciation expenses, the operating expenses increased at an average of 5.2 percent per year based on the Corporation's financial statements between 2016 and 2024. In addition, the tight labor market and material inflation in the past few years caused 11 percent and 7 percent increases of operating expenses in 2022 and 2023, respectively, before it fell back to 4.3 percent in 2024. The US Consumer Price Index, an indicator of inflation rate, rose

2.9 percent over the last 12 months in July 2024. The assumption of 4 percent more aligns to the prevailing economic conditions.

Financial Projections:

	Actual		Projection				
Fiscal Year End June 30,	2023	2024	2025	2026	2027	2028	2029
DSCR	1.84	2.70	2.62	2.44	2.53	2.63	2.74
DCOH	502	554	529	539	559	582	607
Cash to LT Debt (%)	38.5	45.5	42.9	46.5	51.0	56.1	62.1

The above financial projections were extracted from the Feasibility Study which may not match those shown in Exhibit II due to methodology of calculation.

Sensitivity Analysis:
There are three sensitivity scenarios covered in the Feasibility Study. The resulting financial covenants projection at fiscal years end 2025 to 2029 for the base case and each of the sensitivity scenario are summarized as follows:

Financial Ratios Projection					
Fiscal Year End	**2025**	**2026**	**2027**	**2028**	**2029**
Base Case					
DSCR	2.62	2.44	2.53	2.63	2.74
DCOH	529	539	559	582	607
S1 – Lower Occupancy					
DSCR	2.62	1.47	1.40	1.35	1.30
DCOH	529	462	400	334	265
S2 – Higher Expenses					
DSCR	2.62	2.37	2.38	2.30	2.31
DCOH	529	525	526	524	518
S3 – Higher Interest Rate					
DSCR	2.52	2.28	2.29	2.30	2.31
DCOH	525	518	516	511	503

Sensitivity 1: IL occupancy declines by three units per year from FY 2025 base case levels 137 units (80 percent occupancy) by FY 2029. Move-ins also decline by three units per year (13 versus base case 16), while conservatively refunds remain at 16 per year. No offsetting reduction in expenses are assumed.

Sensitivity 2: Salaries, benefits, and other operating expenses increase by 6.0 percent per year through the forecast period.

Sensitivity 3: Interest rates increased by 0.30 percent over the base case rates. If rates increased by more than this, the refinance falls below the Cal Mortgage net present value savings minimum of 4.0 percent.

Staff Comment:
Scenario 1 – The Facility's IL occupancy dropped to 78 percent in 2022 during the COVID-19 pandemic. Unfavorable but less impactful factors are possible to emerge in the next few years and cause a dip to the occupancy.

Scenario 2 – To compare with significant events happening, a higher-than-expected inflation rate will be more likely to happen. Additional two percentage points for expense cost shows the Corporation's liquidity to meet both DSCR and DCOH covenants for the 2024 Bonds, without immediately adjusting the monthly fee and hindering its occupancy growth.

Scenario 3 – The Corporation will still be able to meet the financial covenants of 2024 Bonds in case of 0.3 percent increase of interest rate.

The above three sensitivity scenarios are considered reasonable and demonstrate the Corporation's financial strength to weather unfavorable business environment.

Strengths:
1. **Liquidity:** The Corporation has maintained above $20 million cash and cash equivalents and liquidity ratio (DCOH) of over 500 days since 2016. The Corporation is one of the strongest organizations in terms of liquidity among the projects in Cal-Mortgage portfolio having similar level of revenue.

2. **Occupancy:** The Facility had maintained over 95 percent occupancy at all levels of care before the COVID-19 pandemic, which seriously impacted the senior living communities across the country. The Market Report also suggested a deepen market that the Facility located. A positive market demand will provide a stable new resident source and entrance fee received to support both liquidity and profitability of the Corporation. In addition, the Appraisal Report also concluded that the Facility has fully integrated with OJFCC in the Campus that no other comparable CCRCs nearby can match this competitive advantage.

3. **Location:** The Facility is located at Palo Alto of Santa Clara County, California. According to the primary market real estate data in the Corporation's annual report of 2023, the median prices of single-family houses, townhouses, and condos as of Q3 of 2023 was $1.8 million, $1.2 million, and $800K, respectively. The high real estate prices in the area are supportive to entrance fee CCRCs like the Corporation as new residents will be able to liquidate their fixed assets to pay down entrance fees.

Weaknesses:
1. Since opening its door in 2009, the Corporation has recorded negative net income for most of time, even when the Facility's occupancies were at over 95 percent. As a result, the net worth has also turned to negative and got deepen over the years.
   Mitigation: The Corporation targets to improve revenue by increasing the ancillary/additional fee services while keep working on improving the census. In addition, the 2024 bonds will lower interest expenses by $360K a year.

2. Unlike its major competitors, the Corporation does not have any SNF beds at the Facility. Lacking on-site nursing care facility may be deemed less appealing to prospects who are concerned about nursing care.
   Mitigation: The Corporation maintains transfer arrangement with multiple SNFs. In addition, the Corporation has set up procedures to closely monitor the residents who are transferred to SNFs and make sure a smooth transition. In fact, the SNF is not at huge demand as there

were only nine residents temporarily transferred in the past 12 months according to the Corporation's information.

Recommendation:
I recommend that HCAI issue a commitment for six months to insure a loan to the Corporation, not to exceed $64 million, for the previously described financing with the following conditions:

A. HCAI shall receive a security interest on the Corporation's property at 899 E Charleston Road, Palo Alto, CA 94303 (APN 127-69-001, 127-69-003, 127-69-005). Such security shall be secured through first deeds of trust, fixture filings, UCC-1s, and a gross revenue pledge perfected by a Deposit Account Control Agreement and a Securities Account Control Agreement, covering the property of the Corporation.

B. HCAI shall reserve the right to receive a security interest evidenced by deeds of trust on all real property acquired by the Corporation after the close of the loan insured by HCAI.

C. The proposed services to be provided as a part of this Project and the transaction structure shall not differ from those set forth in the Financial Feasibility Report, dated August 16, 2024, the Application for Loan Insurance, the Project Description and Scope as agreed to by HCAI.

D. The bonds shall have a term not to exceed the lesser of 30 years from the date of the loan or 75 percent of the estimate economic useful life of the Corporation's real property. Principal shall be amortized beginning on or before November 1, 2025. The no-call period, if any, shall not extend beyond the first eight years of the loan, thereafter the redemption price for the following two years shall not exceed 102 percent for the first year and 101 percent for the second year, after which there shall be no prepayment penalty, unless otherwise agreed to by HCAI.

E. Within 90 days from the date of HCAI's commitment letter, the Corporation shall obtain approval from a lender or issuer.

F. The Regulatory Agreement, Contract of Insurance, and Deed of Trust used for this transaction shall be HCAI's latest form of each with such changes as may be required by HCAI.

G. The Regulatory Agreement shall contain provisions that the Corporation shall maintain the following:
   - A current ratio of at least 1.50 to 1, beginning Fiscal Year End (FYE) 2025 and thereafter, as determined by the annual audited financial statements.
   - A debt service coverage ratio of at least 1.25 to 1, beginning FYE 2025 and thereafter, as determined by the annual audited financial statements.
   - A non-restricted cash balance of at least 180 days, beginning FYE 2025 and thereafter, as determined by the annual audited financial statements.

H. The Debt Service Reserve Fund shall be established at loan closing in the amount equal to the lesser of (i) 50 percent of the maximum annual debt service of the bonds, (ii) 125 percent of the average annual debt service of the bonds, or (iii) 10 percent of the outstanding principal amount of the bonds, or other amount to be determined by HCAI.

I. Prior to the sale or pricing of the insured loan transaction, HCAI shall receive the following:

1. Confirmation that there has been no adverse material change in the financial condition of the Corporation or in any other market condition including, but not limited to, potential revenue sources and levels, expenses of operation, staffing levels, or any other condition or occurrence adversely affecting the Corporation's ability to pay debt service or comply with any of the terms and conditions of the Regulatory Agreement.

2. Copies of the preliminary: (a) Sources and Uses of Funds, including documentary evidence verifying owner's equity, and (b) Debt Service Schedule, with all updates of both, each of which must be acceptable to HCAI.

3. Proforma title report for issuance of ALTA Lender's title policy (6-17-06), or other form acceptable to HCAI, with exceptions to title acceptable to HCAI and with HCAI designated as a beneficiary and in an amount equal to the bond par amount, with the following endorsements:
   a. CLTA 100.2-06, or ALTA 9-06 (Restrictions, Encroachments, Minerals)
   b. CLTA 103.1-06/103.2-06/103.3-06/103.4-06, or ALTA 28-06 (Easement)
   c. CLTA 103.11-06/103.12-06, or ALTA 17-06/17.1-06 (Access and Entry)
   d. CLTA 116.02-06, or ALTA 22.1-06 (Location and Map)
   e. CLTA 116.4.1-06, or ALTA 19-06 (Contiguity – Multiple Parcels)
   f. CLTA 123.1-06/123.2-06, or ALTA 3-06/3.1-06 (Zoning)

   HCAI may require additional endorsements and forms.

4. Evidence that the following insurance coverage is in effect for:
   a. Statutory worker's compensation and employer's liability.
   b. Bodily injury and property damage liability.
   c. Such other insurance as required in the Regulatory Agreement, unless otherwise waived by HCAI.

5. Updates, if any, to the Financial Feasibility Report, which must be acceptable to HCAI.

6. A satisfactory Phase I assessment and Environmental Review Report completed by California Department of Toxic Substance Control for the Property.

7. A satisfactory copy of a Deposit Account Control Agreement ready for signatures.

8. A satisfactory copy of a Securities Account Control Agreement ready for signatures.

9. HCAI shall receive a corporate resolution authorizing the transaction and the execution of the Regulatory Agreement, Contract of Insurance, and Deed of Trust.

10. Documents indicating that any other conditions required by the Advisory Loan Insurance Committee and the Director of HCAI have been satisfied.

J. Prior to closing of the loan insured transaction, HCAI shall receive final copies of: (a) Sources and Uses of Funds and (b) Debt Service Schedule after the bonds have been priced.

K. At the loan closing, HCAI shall receive an ALTA loan title policy (6-17-06), or other form acceptable to HCAI, with exceptions to title acceptable to HCAI, and with HCAI designated as a beneficiary in an amount equal to the bond par amount with the endorsements previously described.

In the event that additional facts, or changes in the law, or changes in the structure of the transaction come to the attention of HCAI, then HCAI may require additional conditions.

Date: 8/30/2024

Dennis Lo, Account Manager

I approve the above recommendation.

Date: 8/30/2024

Dean O'Brien, Supervisor

I approve the above recommendation.

Date: 8/30/2024

Jeremy P. Marion, Deputy Director

* *

Copy of the foregoing approved Project Summary & Feasibility Analysis (PS&FA) mailed/emailed on August 28, 2024, to the Applicant, and a copy delivered to the Supervisor, the Deputy Director, and HCAI's Attorney.

Dennis Lo

Account Manager

* *

On August 29, 2024, the Account Manager contacted Mr. Mark Baddas, the Executive Director of the Corporation, who stated to the Account Manager that the Corporation (1) excepting minor corrections, acknowledged all of the facts as presented in this PS&FA; (2) agreed to all of the representations in this PS&FA; and (3) agreed to all of the conditions contained in this PS&FA.

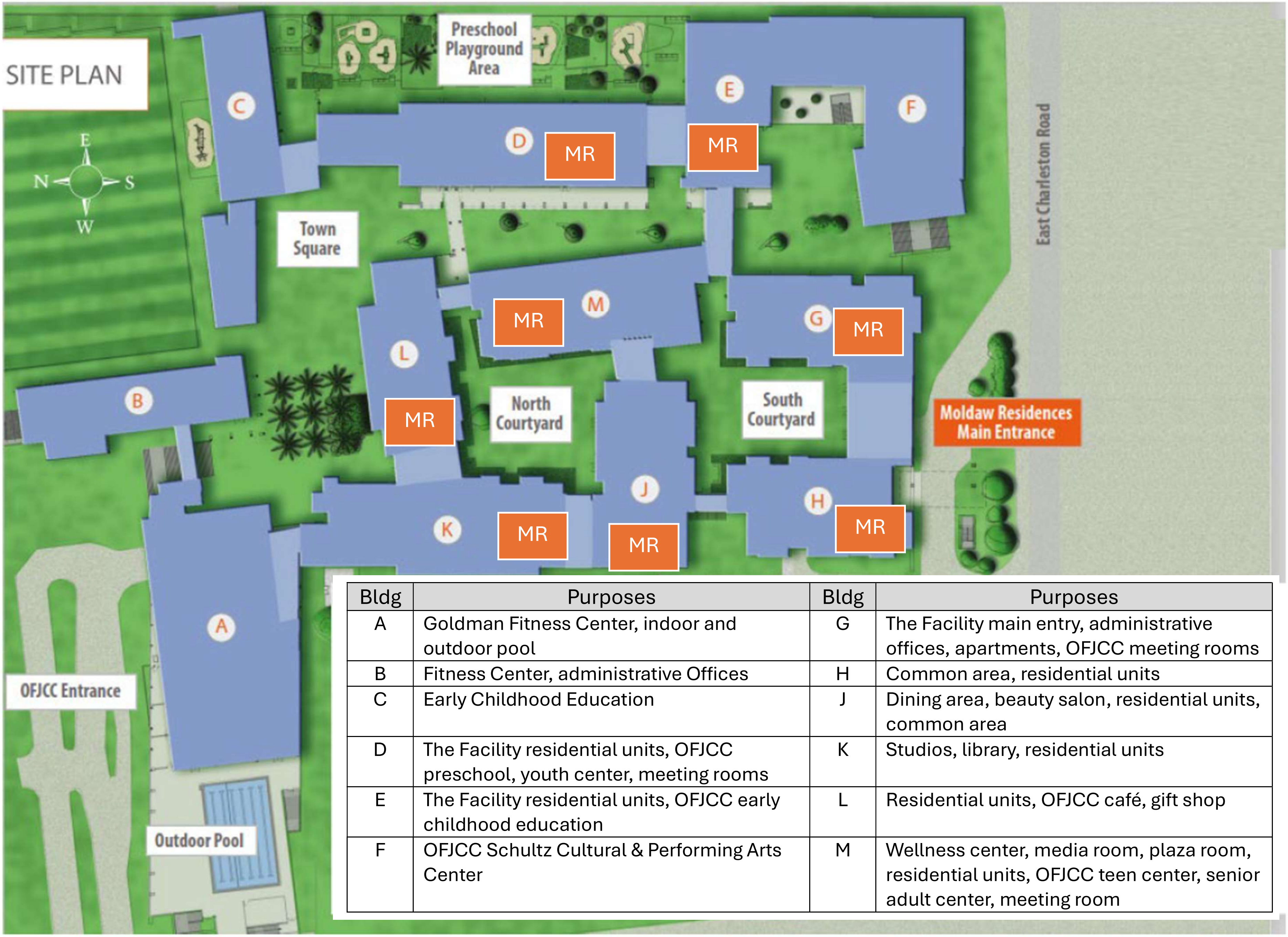
Dennis Lo

Account Manager

Exhibit I

Campus Map and Parcel Maps

The Campus Map



Bldg	Purposes	Bldg	Purposes
A	Goldman Fitness Center, indoor and outdoor pool	G	The Facility main entry, administrative offices, apartments, OFJCC meeting rooms
B	Fitness Center, administrative Offices	H	Common area, residential units
C	Early Childhood Education	J	Dining area, beauty salon, residential units, common area
D	The Facility residential units, OFJCC preschool, youth center, meeting rooms	K	Studios, library, residential units
E	The Facility residential units, OFJCC early childhood education	L	Residential units, OFJCC café, gift shop
F	OFJCC Schultz Cultural & Performing Arts Center	M	Wellness center, media room, plaza room, residential units, OFJCC teen center, senior adult center, meeting room

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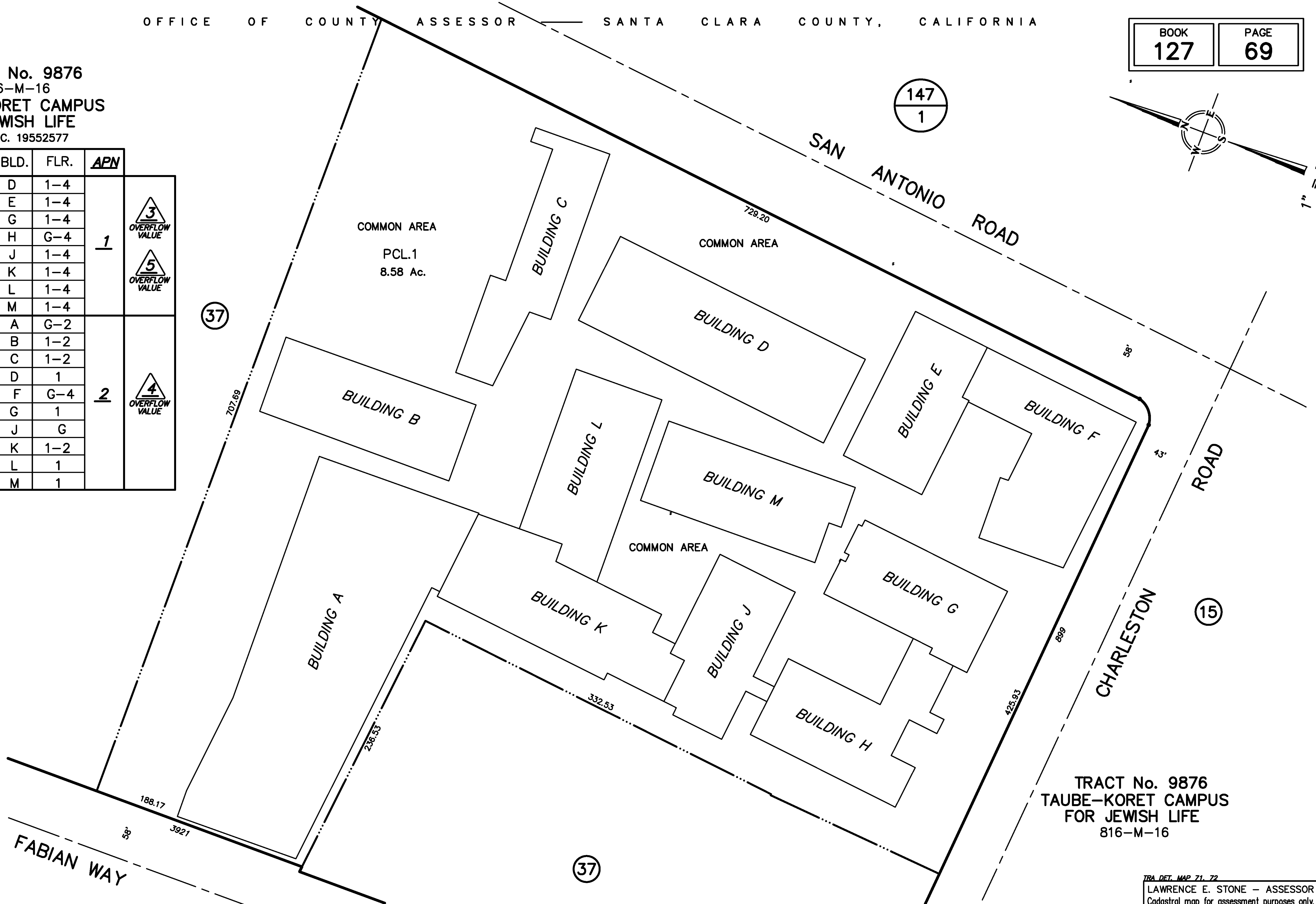
TRACT No. 9876
816–M–16
TAUBE–KORET CAMPUS
FOR JEWISH LIFE
DOC. 19552577

UNIT	BLD.	FLR.	APN	
U–899	D	1–4	1	3 OVERFLOW VALUE; 5 OVERFLOW VALUE
	E	1–4		
	G	1–4		
	H	G–4		
	J	1–4		
	K	1–4		
	L	1–4		
	M	1–4		
U–ALSJCC	A	G–2	2	4 OVERFLOW VALUE
	B	1–2		
	C	1–2		
	D	1		
	F	G–4		
	G	1		
	J	G		
	K	1–2		
	L	1		
	M	1		

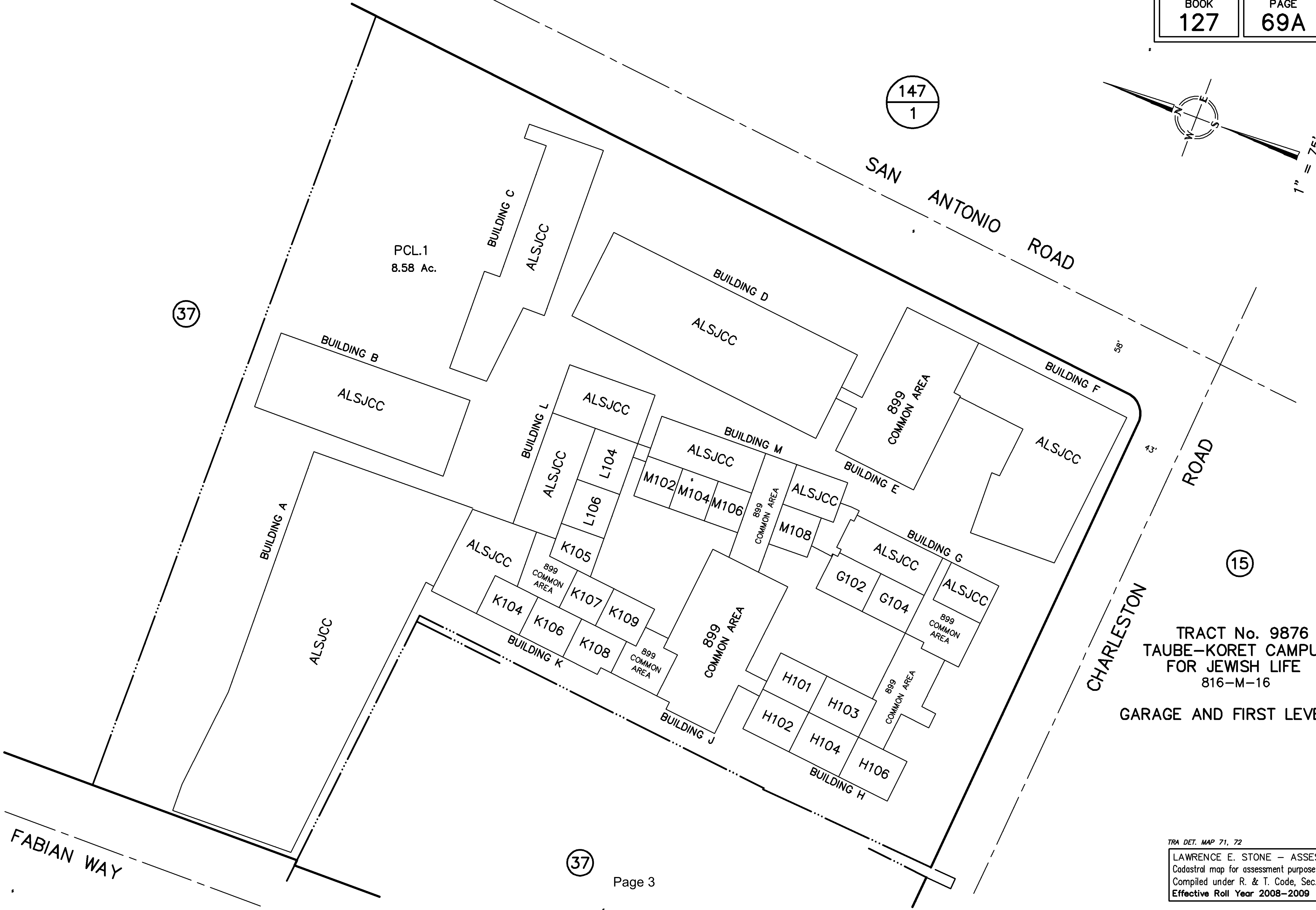


TRA DET. MAP 71, 72

LAWRENCE E. STONE – ASSESSOR
Cadastral map for assessment purposes only.
Compiled under R. & T. Code, Sec. 327.
Effective Roll Year 2018–2019

OFFICE OF COUNTY ASSESSOR — SANTA CLARA COUNTY, CALIFORNIA

BOOK	PAGE
127	69A



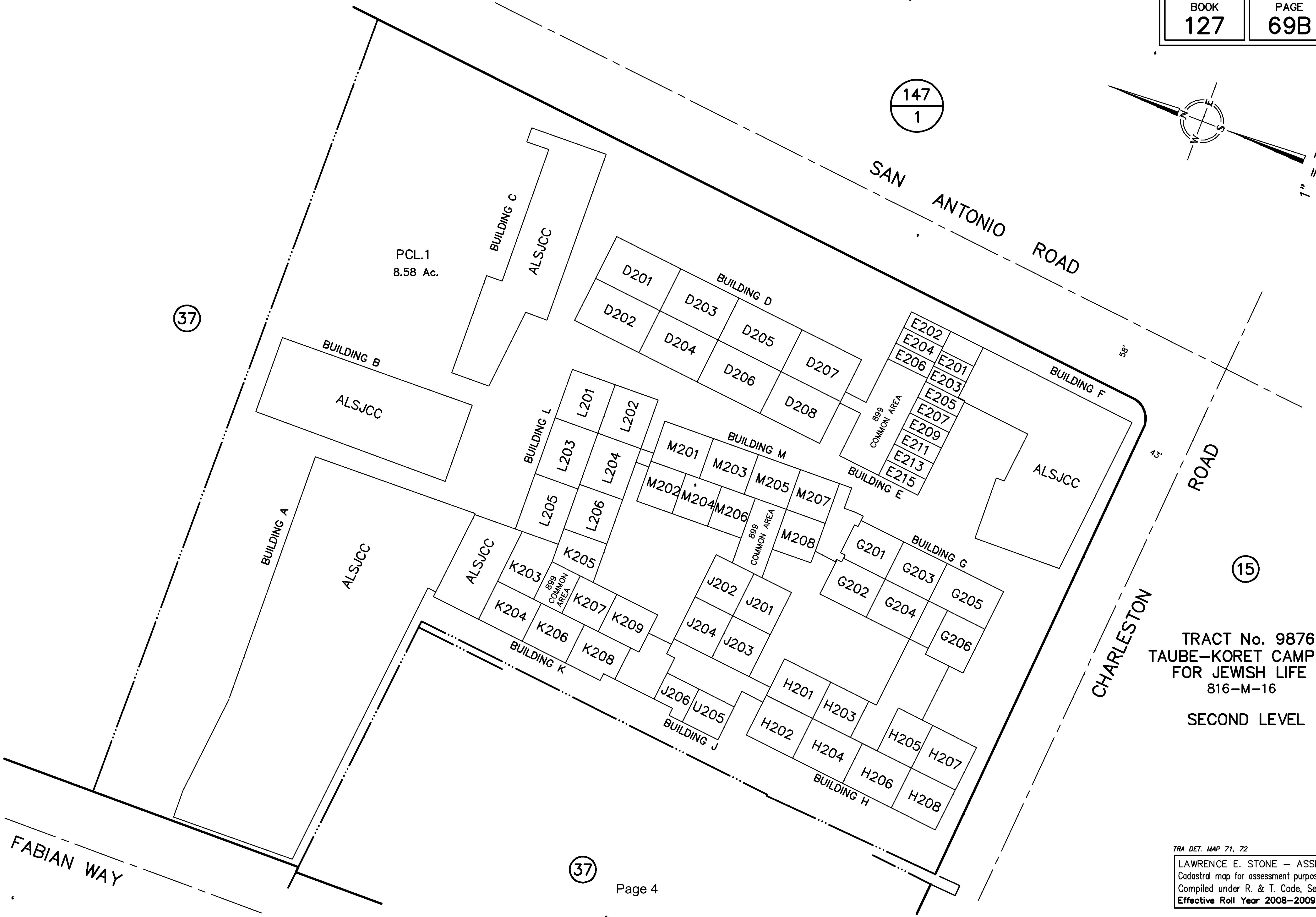
TRACT No. 9876
TAUBE–KORET CAMPUS
FOR JEWISH LIFE
816–M–16

GARAGE AND FIRST LEVELS

TRA DET. MAP 71, 72

LAWRENCE E. STONE – ASSESSOR
Cadastral map for assessment purposes only.
Compiled under R. & T. Code, Sec. 327.
Effective Roll Year 2008–2009

BOOK	PAGE
127	69B



TRACT No. 9876
TAUBE–KORET CAMPUS
FOR JEWISH LIFE
816–M–16

SECOND LEVEL

TRA DET. MAP 71, 72

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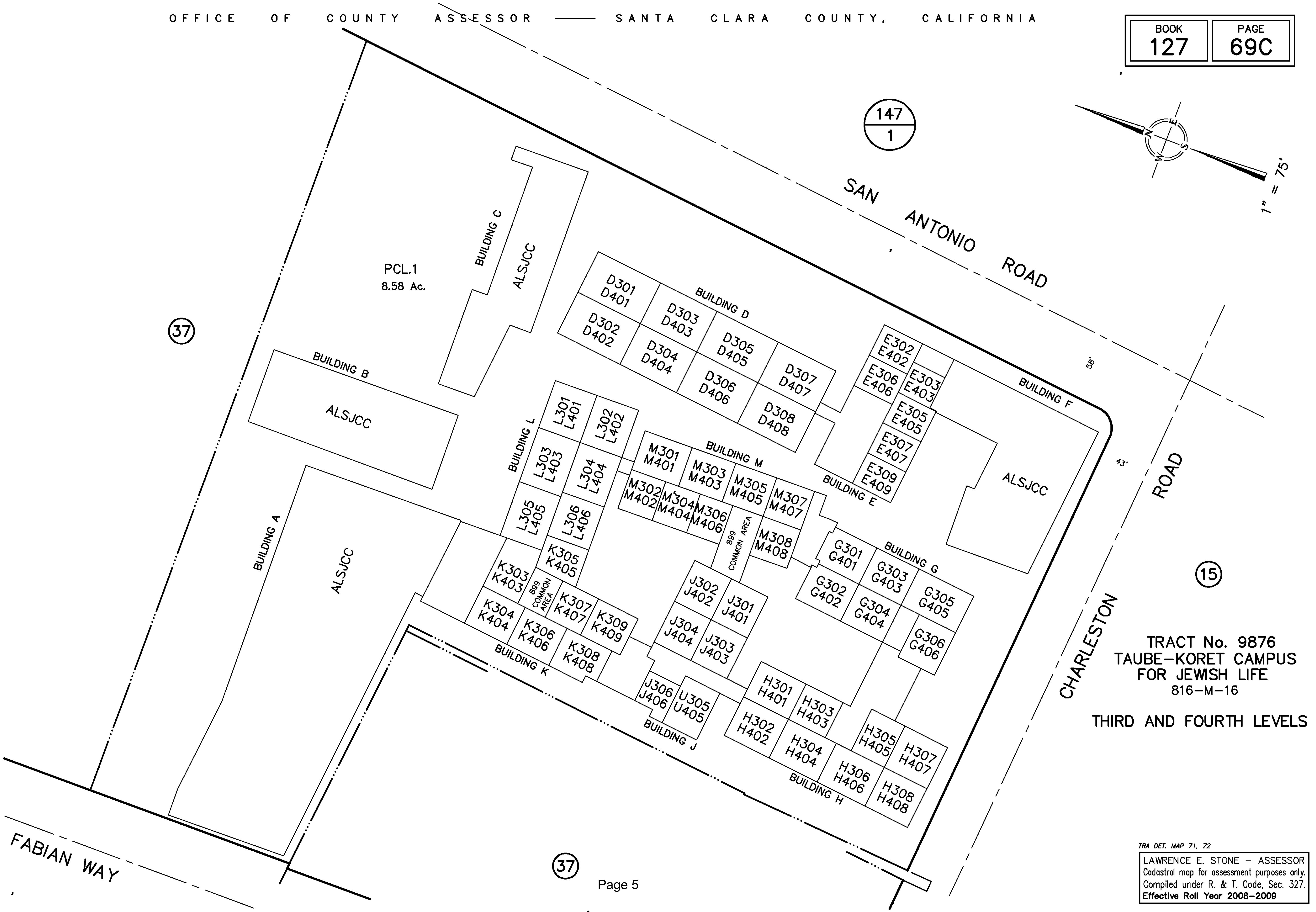
Effective Roll Year 2008–2009

BOOK 127 PAGE 69C



TRACT No. 9876
TAUBE-KORET CAMPUS
FOR JEWISH LIFE
816-M-16

THIRD AND FOURTH LEVELS

TRA DET. MAP 71, 72

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Effective Roll Year 2008-2009

Exhibit II

Detailed Financial Spread

899 Charleston dba Moldaw Residences CCRC Template (GEN) Statement in Actual (U.S. Dollar) August 15, 2024 2:13 PM	6/30/2019 Historical 12M Unqualified	6/30/2020 Historical 12M Unqualified	6/30/2021 Historical 12M Unqualified	6/30/2022 Historical 12M Unqualified	6/30/2023 Historical 12M Unqualified	6/30/2024 Historical 12M Company Prepared
Assets Common Size	USD	USD	USD	USD	USD	USD
Cash	11,434,083	11,208,053	11,034,065	8,017,129	11,657,880	7,985,044
Marketable Securities	12,655,444	15,001,720	13,828,646	13,755,879	12,210,664	19,719,371
Cash and Cash Equivalents	24,089,527	26,209,773	24,862,711	21,773,008	23,868,544	27,704,415
Accounts Receivable	65,943	107,440	49,452	41,054	49,538	229,744
Accts. Rec. from Related Co.	116,089	140,150	158,917	35,316	0	0
Net Accounts Receivable	182,032	247,590	208,369	76,370	49,538	229,744
Trade Notes Receivable	335,000	523,800	4,545	5,244	839,564	1,095,017
Interest Receivable	53,300	33,181	10,546	15,000	0	0
Other Receivables	40,731	47,190	329,243	286,504	64,753	0
Assets Held in Remainer Trust CP	540,681	0	0	0	0	976,841
Prepaid Expenses and Deferreds	125,330	121,224	490,503	183,278	312,832	217,398
Total Current Assets	**25,366,601**	**27,182,758**	**25,905,917**	**22,339,404**	**25,135,231**	**30,223,415**
Trustee Held	4,441,890	4,428,069	4,428,299	4,421,822	4,422,036	12,984,013
Beneficial Interest in JHSLF	7,746,850	8,089,314	9,502,395	8,221,046	8,330,396	0
Deposits Held (CCRC)	0	709,134	489,021	639,929	808,385	1,049,622
Asset Limited to Use	12,188,740	13,226,517	14,419,715	13,282,797	13,560,817	14,033,635
Land and Improvements	13,885,813	13,885,813	13,900,255	13,900,255	13,950,494	13,118,538
Buildings and Improvements	127,718,909	127,718,909	127,863,305	128,134,304	130,814,785	81,489,367
Transportation Equipment	283,935	323,660	323,660	323,660	323,660	0
Furniture & Fixtures	7,625,525	7,899,782	8,093,626	9,133,871	9,417,570	0
Construction in Progress	7,556	59,849	1,749,651	1,679,556	0	133,413
Gross Fixed Assets	149,521,738	149,888,013	151,930,497	153,171,646	154,506,509	94,741,318
Accumulated Depreciation (-)	(41,299,842)	(45,103,009)	(48,768,265)	(52,331,082)	(57,196,338)	0
Net Fixed Assets	108,221,896	104,785,004	103,162,232	100,840,564	97,310,171	94,741,318
Deferred Charges	0	0	0	0	0	0
Bond Issuance Costs Net of Amortization	0	0	0	0	0	1,344,763
TOTAL ASSETS	**145,777,237**	**145,194,279**	**143,487,864**	**136,462,765**	**136,006,219**	**140,343,131**

899 Charleston dba Moldaw Residences CCRC Template (GEN) Statement in Actual (U.S. Dollar) August 15, 2024 2:13 PM	6/30/2019 Historical 12M Unqualified	6/30/2020 Historical 12M Unqualified	6/30/2021 Historical 12M Unqualified	6/30/2022 Historical 12M Unqualified	6/30/2023 Historical 12M Unqualified	6/30/2024 Historical 12M Company Prepared
Liabilities Common Size	USD	USD	USD	USD	USD	USD
Current Portion Long Term Debt Bank/Bonds	890,000	935,000	980,000	1,030,000	1,080,000	0
CPLTD Unsecured - Other	0	600,000	300,000	300,000	600,000	0
Total Short Term Debt	890,000	1,535,000	1,280,000	1,330,000	1,680,000	0
Trade Accounts Payable	467,285	555,547	1,647,072	587,124	658,133	370,096
Accts. Pay. to Affiliates	5,356	19,000	7,557	5,302	0	0
EF Refund Payable	3,024,252	2,749,652	4,089,752	4,256,000	4,157,000	4,957,394
Total Accounts Payable	3,496,893	3,324,199	5,744,381	4,848,426	4,815,133	5,327,490
Other Accruals	769,729	844,470	898,159	534,146	850,429	343,708
Refundable Deposit	1,078,000	971,600	807,770	734,752	740,765	422,074
Deferred Monthly Fees	35	0	0	50,435	7,131	7,507
Total Current Liabilities	**6,234,657**	**6,675,269**	**8,730,310**	**7,497,759**	**8,093,458**	**6,100,779**
Long Term Debt Bank/Bond	66,120,416	65,169,751	64,186,344	63,156,285	62,076,227	63,503,915
LTD Secured - Other	4,891,582	4,119,476	4,247,371	4,375,265	4,203,160	4,800,000
Deferred Revenue from Entrance Fees	9,368,449	8,714,102	7,199,324	7,301,493	10,578,429	179,497
Future Service Benefit Obligation	0	0	1,115,724	0	0	0
Other Liabilities	0	0	0	0	0	2
Refundable Deposits/Entrance Fees(CCRC)	102,231,067	104,941,186	103,928,154	105,492,841	109,737,461	128,516,028
Total Liabilities	**188,846,171**	**189,619,784**	**189,407,227**	**187,823,643**	**194,688,735**	**203,100,221**
Net Worth Common Size	USD	USD	USD	USD	USD	USD
Unrestricted	(50,880,680)	(52,531,903)	(55,579,098)	(59,841,564)	(67,355,012)	(71,503,318)
Temporarily Restricted	0	0	0	0	0	0
Permanently Restricted	7,811,746	8,106,398	9,659,735	8,480,686	8,672,496	8,746,228
Net Assets	**(43,068,934)**	**(44,425,505)**	**(45,919,363)**	**(51,360,878)**	**(58,682,516)**	**(62,757,090)**
TOTAL LIABILITIES & NET WORTH	**145,777,237**	**145,194,279**	**143,487,864**	**136,462,765**	**136,006,219**	**140,343,131**

899 Charleston dba Moldaw Residences CCRC Template (GEN) Statement in Actual (U.S. Dollar) August 15, 2024 2:13 PM	6/30/2019 Historical 12M Unqualified	6/30/2020 Historical 12M Unqualified	6/30/2021 Historical 12M Unqualified	6/30/2022 Historical 12M Unqualified	6/30/2023 Historical 12M Unqualified	6/30/2024 Historical 12M Company Prepared
Revenue Common Size	USD	USD	USD	USD	USD	USD
IL Resident Fees	10,043,265	10,266,506	9,700,433	9,249,172	10,003,724	11,569,296
AL Resident Fees	1,315,081	1,248,550	1,417,933	1,310,653	1,491,967	1,566,435
MC Resident Fees	1,393,651	1,380,568	1,446,066	1,387,825	1,537,553	1,596,284
Other	878,807	660,582	591,034	128,025	262,645	141,717
Amortization of Entrance Fees Earned	2,248,385	2,790,861	2,608,330	2,088,845	436,223	1,264,882
Grants Unrestricted	0	0	1,022,015	0	0	0
Government Revenues	0	0	1,022,015	0	0	0
Unrestricted Donations/Contributions	141,020	71,430	13,159	25,226	0	1,372
Assets Released from Restrictions	10,413	86,704	130,141	136,612	541,369	476,710
Future Service Benefit Obligation	0	0	(1,115,724)	1,115,724	0	0
Other Revenue	10,413	86,704	(985,583)	1,252,336	541,369	0
Total Operating Revenue	16,030,622	16,505,201	15,813,387	15,442,082	14,273,481	16,616,696
Operating Expenses Common Size	USD	USD	USD	USD	USD	USD
Salaries	3,843,895	4,346,612	4,401,679	5,608,717	5,967,977	8,493,122
Benefits	1,073,824	1,148,131	1,225,146	1,408,127	1,337,460	0
Purchased Services	3,128,865	2,775,037	2,834,405	3,906,207	3,961,271	225,521
Officers' Salaries and Compensation	0	0	0	0	0	1,429,759
Fundraising	0	0	0	0	0	0
Supplies	1,890,144	1,962,518	1,938,488	1,442,424	2,006,984	2,071,644
Dining Expense	0	0	0	0	0	0
Marketing Expenses	0	0	0	0	0	382,233
Operating Expenses	752,400	804,150	1,190,507	497,683	492,814	1,751,966
Other Operating Expenses	0	0	0	0	0	0
Depreciation	4,237,545	3,803,172	3,665,256	3,562,817	4,905,810	4,024,158
Bad Debt Expense	0	0	0	0	0	0
Operating Expenses	14,926,673	14,839,620	15,255,481	16,425,975	18,672,316	18,378,403
Other R. & E. (Net Income) Common Size	USD	USD	USD	USD	USD	USD
Interest Income	295,956	336,210	6,168	0	0	1,305,111
Investment Income	0	0	0	(51,822)	476,282	0
Restricted Contributions	69,326	38,892	159,698	102,300	82,460	0
Beneficial Interest in JHSLF	342,435	342,464	1,523,780	(1,144,737)	650,719	0
Net Assets Released from Restrictions	(10,413)	(86,704)	(130,141)	(136,612)	(541,369)	0
Total Other Income	697,304	630,862	1,559,505	(1,230,871)	668,092	1,305,111
Interest Expense	3,683,752	3,653,014	3,611,269	3,226,751	3,590,895	3,884,792
Other Expense	0	0	0	0	0	(487)
Total Other Expenses	3,683,752	3,653,014	3,611,269	3,226,751	3,590,895	3,884,305
Profit Before Tax	(1,882,499)	(1,356,571)	(1,493,858)	(5,441,515)	(7,321,638)	(4,340,901)
Unrealized Gain/(Loss) (included in NIADS)	0	0	0	0	0	66,343
NET INCOME	**(1,882,499)**	**(1,356,571)**	**(1,493,858)**	**(5,441,515)**	**(7,321,638)**	**(4,274,558)**

899 Charleston dba Moldaw Residences CCRC Template (GEN) Statement in Actual (U.S. Dollar) August 15, 2024 2:13 PM	6/30/2019 Historical 12M Unqualified	6/30/2020 Historical 12M Unqualified	6/30/2021 Historical 12M Unqualified	6/30/2022 Historical 12M Unqualified	6/30/2023 Historical 12M Unqualified	6/30/2024 Historical 12M Company Prepared
Changes in Retained Earnings Common Size	USD	USD	USD	USD	USD	USD
Beginning Net Worth	(41,186,435)	(43,068,934)	(44,425,505)	(45,919,363)	(51,360,878)	(58,682,516)
Net Income (Loss)	(1,882,499)	(1,356,571)	(1,493,858)	(5,441,515)	(7,321,638)	(4,274,558)
Prior Period Adjustment	0	0	0	0	0	199,984
Total Change in RE	**(1,882,499)**	**(1,356,571)**	**(1,493,858)**	**(5,441,515)**	**(7,321,638)**	**(4,074,574)**
Changes in Net Worth Common Size	USD	USD	USD	USD	USD	USD
Change in Net Worth	**(1,882,499)**	**(1,356,571)**	**(1,493,858)**	**(5,441,515)**	**(7,321,638)**	**(4,074,574)**
Ending Total Net Worth	**(43,068,934)**	**(44,425,505)**	**(45,919,363)**	**(51,360,878)**	**(58,682,516)**	**(62,757,090)**
Other Lines Common Size	USD	USD	USD	USD	USD	USD
Principal Payments on ST and LTD	890,000	995,000	1,280,000	1,330,000	1,680,000	1,680,000
Number of Months	12	12	12	12	12	12
Cash Flows from Entrance Fees	14,243,273	11,203,337	7,771,900	14,652,499	20,221,028	20,997,676
Cash Refund of Entrance Fees	8,715,400	7,242,056	5,487,435	10,856,880	12,332,654	14,704,340
Net Entrance Fees	5,527,873	3,961,281	2,284,465	3,795,619	7,888,374	6,293,336

899 Charleston dba Moldaw Residences CCRC Template (GEN) Statement in Actual (U.S. Dollar) August 15, 2024 2:13 PM	6/30/2019 Historical 12M Unqualified	6/30/2020 Historical 12M Unqualified	6/30/2021 Historical 12M Unqualified	6/30/2022 Historical 12M Unqualified	6/30/2023 Historical 12M Unqualified	6/30/2024 Historical 12M Company Prepared
CalMortgage CCRC (GEN)						
Debt Service Coverage	1.99	1.56	1.09	0.68	1.88	1.98
Days Cash on Hand	611.75	651.25	596.97	493.92	501.92	554.44
Current Ratio	4.07	4.07	2.97	2.98	3.11	4.95
Quick Ratio	3.98	4.07	2.97	2.98	3.11	4.79
Working Capital	19,131,944.00	20,507,489.00	17,175,607.00	14,841,645.00	17,041,773.00	24,122,636.00
Actual Payables in Days	119.41	109.94	180.90	137.58	127.67	135.47
Actual Receivables in Days	13.91	18.84	12.76	9.06	24.39	29.10
Pre-Tax (Operating) Profit Margin	(11.74)	(8.22)	(9.45)	(35.24)	(51.30)	(26.12)
Net Profit Margin	(11.74)	(8.22)	(9.45)	(35.24)	(51.30)	(25.72)
EBITDA	6,038,798.00	6,099,615.00	5,782,667.00	1,348,053.00	1,175,067.00	3,634,392.00
Debt/Tangible Net Worth	(4.38)	(4.27)	(4.12)	(3.66)	(3.32)	(3.17)

Exhibit III

Proposed Bond Model

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Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

SOURCES AND USES OF FUNDS

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Sources:	
Bond Proceeds:	
Par Amount	60,945,000.00
Premium	2,795,538.15
	63,740,538.15
Other Sources of Funds:	
Series 2014A Debt Service Reserve Fund	4,449,831.26
	68,190,369.41

Uses:	
Refunding Escrow Deposits:	
Cash Deposit	62,175,000.00
Other Fund Deposits:	
Debt Service Reserve Fund	2,069,900.00
Delivery Date Expenses:	
Cost of Issuance	500,000.00
Underwriter's Discount	457,087.50
Cal-Mortgage Insurance Premium	2,741,200.41
Cal-Mortgage Inspection Fee	243,780.00
	3,942,067.91
Other Uses of Funds:	
Additional Proceeds	3,401.50
	68,190,369.41

BOND SUMMARY STATISTICS

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Dated Date	11/01/2024
Delivery Date	11/01/2024
Last Maturity	11/01/2049
Arbitrage Yield	4.598546%
True Interest Cost (TIC)	4.668604%
Net Interest Cost (NIC)	4.355235%
All-In TIC	4.749784%
Average Coupon	4.552167%
Average Life (years)	15.318
Weighted Average Maturity (years)	15.173
Duration of Issue (years)	10.518
Par Amount	60,945,000.00
Bond Proceeds	63,740,538.15
Total Interest	42,496,525.00
Net Interest	40,158,074.35
Total Debt Service	103,441,525.00
Maximum Annual Debt Service	4,139,800.00
Average Annual Debt Service	4,137,661.00
Underwriter's Fees (per $1000)	
Average Takedown	
Other Fee	7.500000
Total Underwriter's Discount	7.500000
Bid Price	103.836985

Bond Component	*Par Value*	*Price*	*Average Coupon*	*Average Life*	*PV of 1 bp change*
Serial Bonds due 2034	16,505,000.00	108.115	5.000%	5.901	8,571.00
Term Bond due 2039	11,700,000.00	106.120	4.500%	13.088	9,945.00
Term Bond due 2044	14,575,000.00	103.171	4.500%	18.087	12,097.25
Term Bond due 2049	18,165,000.00	101.530	4.500%	23.088	14,713.65
	60,945,000.00			15.318	45,326.90

	TIC	All-In TIC	Arbitrage Yield
Par Value	60,945,000.00	60,945,000.00	60,945,000.00
+ Accrued Interest			
+ Premium (Discount)	2,795,538.15	2,795,538.15	2,795,538.15
- Underwriter's Discount	-457,087.50	-457,087.50	
- Cost of Issuance Expense		-500,000.00	
- Other Amounts	-2,984,980.41	-2,984,980.41	-2,984,980.41
Target Value	60,298,470.24	59,798,470.24	60,755,557.74
Target Date	11/01/2024	11/01/2024	11/01/2024
Yield	4.668604%	4.749784%	4.598546%

BOND DEBT SERVICE

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Period Ending	*Principal*	*Interest*	*Debt Service*
11/01/2025	1,310,000	2,825,050	4,135,050
11/01/2026	1,380,000	2,759,550	4,139,550
11/01/2027	1,445,000	2,690,550	4,135,550
11/01/2028	1,520,000	2,618,300	4,138,300
11/01/2029	1,595,000	2,542,300	4,137,300
11/01/2030	1,675,000	2,462,550	4,137,550
11/01/2031	1,760,000	2,378,800	4,138,800
11/01/2032	1,845,000	2,290,800	4,135,800
11/01/2033	1,940,000	2,198,550	4,138,550
11/01/2034	2,035,000	2,101,550	4,136,550
11/01/2035	2,140,000	1,999,800	4,139,800
11/01/2036	2,235,000	1,903,500	4,138,500
11/01/2037	2,335,000	1,802,925	4,137,925
11/01/2038	2,440,000	1,697,850	4,137,850
11/01/2039	2,550,000	1,588,050	4,138,050
11/01/2040	2,665,000	1,473,300	4,138,300
11/01/2041	2,785,000	1,353,375	4,138,375
11/01/2042	2,910,000	1,228,050	4,138,050
11/01/2043	3,040,000	1,097,100	4,137,100
11/01/2044	3,175,000	960,300	4,135,300
11/01/2045	3,320,000	817,425	4,137,425
11/01/2046	3,470,000	668,025	4,138,025
11/01/2047	3,625,000	511,875	4,136,875
11/01/2048	3,790,000	348,750	4,138,750
11/01/2049	3,960,000	178,200	4,138,200
	60,945,000	42,496,525	103,441,525

BOND DEBT SERVICE

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Period Ending	*Principal*	*Interest*	*Debt Service*
05/01/2025		1,412,525.00	1,412,525.00
11/01/2025	1,310,000	1,412,525.00	2,722,525.00
05/01/2026		1,379,775.00	1,379,775.00
11/01/2026	1,380,000	1,379,775.00	2,759,775.00
05/01/2027		1,345,275.00	1,345,275.00
11/01/2027	1,445,000	1,345,275.00	2,790,275.00
05/01/2028		1,309,150.00	1,309,150.00
11/01/2028	1,520,000	1,309,150.00	2,829,150.00
05/01/2029		1,271,150.00	1,271,150.00
11/01/2029	1,595,000	1,271,150.00	2,866,150.00
05/01/2030		1,231,275.00	1,231,275.00
11/01/2030	1,675,000	1,231,275.00	2,906,275.00
05/01/2031		1,189,400.00	1,189,400.00
11/01/2031	1,760,000	1,189,400.00	2,949,400.00
05/01/2032		1,145,400.00	1,145,400.00
11/01/2032	1,845,000	1,145,400.00	2,990,400.00
05/01/2033		1,099,275.00	1,099,275.00
11/01/2033	1,940,000	1,099,275.00	3,039,275.00
05/01/2034		1,050,775.00	1,050,775.00
11/01/2034	2,035,000	1,050,775.00	3,085,775.00
05/01/2035		999,900.00	999,900.00
11/01/2035	2,140,000	999,900.00	3,139,900.00
05/01/2036		951,750.00	951,750.00
11/01/2036	2,235,000	951,750.00	3,186,750.00
05/01/2037		901,462.50	901,462.50
11/01/2037	2,335,000	901,462.50	3,236,462.50
05/01/2038		848,925.00	848,925.00
11/01/2038	2,440,000	848,925.00	3,288,925.00
05/01/2039		794,025.00	794,025.00
11/01/2039	2,550,000	794,025.00	3,344,025.00
05/01/2040		736,650.00	736,650.00
11/01/2040	2,665,000	736,650.00	3,401,650.00
05/01/2041		676,687.50	676,687.50
11/01/2041	2,785,000	676,687.50	3,461,687.50
05/01/2042		614,025.00	614,025.00
11/01/2042	2,910,000	614,025.00	3,524,025.00
05/01/2043		548,550.00	548,550.00
11/01/2043	3,040,000	548,550.00	3,588,550.00
05/01/2044		480,150.00	480,150.00
11/01/2044	3,175,000	480,150.00	3,655,150.00
05/01/2045		408,712.50	408,712.50
11/01/2045	3,320,000	408,712.50	3,728,712.50
05/01/2046		334,012.50	334,012.50
11/01/2046	3,470,000	334,012.50	3,804,012.50
05/01/2047		255,937.50	255,937.50
11/01/2047	3,625,000	255,937.50	3,880,937.50
05/01/2048		174,375.00	174,375.00
11/01/2048	3,790,000	174,375.00	3,964,375.00
05/01/2049		89,100.00	89,100.00
11/01/2049	3,960,000	89,100.00	4,049,100.00
	60,945,000	42,496,525.00	103,441,525.00

NET DEBT SERVICE

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Period Ending	*Total Debt Service*	*Debt Service Reserve Fund*	*Net Debt Service*
11/01/2025	4,135,050	62,097	4,072,953
11/01/2026	4,139,550	62,097	4,077,453
11/01/2027	4,135,550	62,097	4,073,453
11/01/2028	4,138,300	62,097	4,076,203
11/01/2029	4,137,300	62,097	4,075,203
11/01/2030	4,137,550	62,097	4,075,453
11/01/2031	4,138,800	62,097	4,076,703
11/01/2032	4,135,800	62,097	4,073,703
11/01/2033	4,138,550	62,097	4,076,453
11/01/2034	4,136,550	62,097	4,074,453
11/01/2035	4,139,800	62,097	4,077,703
11/01/2036	4,138,500	62,097	4,076,403
11/01/2037	4,137,925	62,097	4,075,828
11/01/2038	4,137,850	62,097	4,075,753
11/01/2039	4,138,050	62,097	4,075,953
11/01/2040	4,138,300	62,097	4,076,203
11/01/2041	4,138,375	62,097	4,076,278
11/01/2042	4,138,050	62,097	4,075,953
11/01/2043	4,137,100	62,097	4,075,003
11/01/2044	4,135,300	62,097	4,073,203
11/01/2045	4,137,425	62,097	4,075,328
11/01/2046	4,138,025	62,097	4,075,928
11/01/2047	4,136,875	62,097	4,074,778
11/01/2048	4,138,750	62,097	4,076,653
11/01/2049	4,138,200	2,131,997	2,006,203
	103,441,525	3,622,325	99,819,200

NET DEBT SERVICE

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Period Ending	*Total Debt Service*	*Debt Service Reserve Fund*	*Net Debt Service*
05/01/2025	1,412,525.00	31,048.50	1,381,476.50
11/01/2025	2,722,525.00	31,048.50	2,691,476.50
05/01/2026	1,379,775.00	31,048.50	1,348,726.50
11/01/2026	2,759,775.00	31,048.50	2,728,726.50
05/01/2027	1,345,275.00	31,048.50	1,314,226.50
11/01/2027	2,790,275.00	31,048.50	2,759,226.50
05/01/2028	1,309,150.00	31,048.50	1,278,101.50
11/01/2028	2,829,150.00	31,048.50	2,798,101.50
05/01/2029	1,271,150.00	31,048.50	1,240,101.50
11/01/2029	2,866,150.00	31,048.50	2,835,101.50
05/01/2030	1,231,275.00	31,048.50	1,200,226.50
11/01/2030	2,906,275.00	31,048.50	2,875,226.50
05/01/2031	1,189,400.00	31,048.50	1,158,351.50
11/01/2031	2,949,400.00	31,048.50	2,918,351.50
05/01/2032	1,145,400.00	31,048.50	1,114,351.50
11/01/2032	2,990,400.00	31,048.50	2,959,351.50
05/01/2033	1,099,275.00	31,048.50	1,068,226.50
11/01/2033	3,039,275.00	31,048.50	3,008,226.50
05/01/2034	1,050,775.00	31,048.50	1,019,726.50
11/01/2034	3,085,775.00	31,048.50	3,054,726.50
05/01/2035	999,900.00	31,048.50	968,851.50
11/01/2035	3,139,900.00	31,048.50	3,108,851.50
05/01/2036	951,750.00	31,048.50	920,701.50
11/01/2036	3,186,750.00	31,048.50	3,155,701.50
05/01/2037	901,462.50	31,048.50	870,414.00
11/01/2037	3,236,462.50	31,048.50	3,205,414.00
05/01/2038	848,925.00	31,048.50	817,876.50
11/01/2038	3,288,925.00	31,048.50	3,257,876.50
05/01/2039	794,025.00	31,048.50	762,976.50
11/01/2039	3,344,025.00	31,048.50	3,312,976.50
05/01/2040	736,650.00	31,048.50	705,601.50
11/01/2040	3,401,650.00	31,048.50	3,370,601.50
05/01/2041	676,687.50	31,048.50	645,639.00
11/01/2041	3,461,687.50	31,048.50	3,430,639.00
05/01/2042	614,025.00	31,048.50	582,976.50
11/01/2042	3,524,025.00	31,048.50	3,492,976.50
05/01/2043	548,550.00	31,048.50	517,501.50
11/01/2043	3,588,550.00	31,048.50	3,557,501.50
05/01/2044	480,150.00	31,048.50	449,101.50
11/01/2044	3,655,150.00	31,048.50	3,624,101.50
05/01/2045	408,712.50	31,048.50	377,664.00
11/01/2045	3,728,712.50	31,048.50	3,697,664.00
05/01/2046	334,012.50	31,048.50	302,964.00
11/01/2046	3,804,012.50	31,048.50	3,772,964.00
05/01/2047	255,937.50	31,048.50	224,889.00
11/01/2047	3,880,937.50	31,048.50	3,849,889.00
05/01/2048	174,375.00	31,048.50	143,326.50
11/01/2048	3,964,375.00	31,048.50	3,933,326.50
05/01/2049	89,100.00	31,048.50	58,051.50
11/01/2049	4,049,100.00	2,100,948.50	1,948,151.50
	103,441,525.00	3,622,325.00	99,819,200.00

PRIOR BOND DEBT SERVICE

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Period Ending	*Principal*	*Interest*	*Debt Service*
11/01/2025	1,190,000	3,254,831.26	4,444,831.26
11/01/2026	1,250,000	3,195,331.26	4,445,331.26
11/01/2027	1,315,000	3,132,831.26	4,447,831.26
11/01/2028	1,380,000	3,067,081.26	4,447,081.26
11/01/2029	1,450,000	2,998,081.26	4,448,081.26
11/01/2030	1,520,000	2,925,581.26	4,445,581.26
11/01/2031	1,595,000	2,849,581.26	4,444,581.26
11/01/2032	1,675,000	2,769,831.26	4,444,831.26
11/01/2033	1,760,000	2,686,081.26	4,446,081.26
11/01/2034	1,850,000	2,598,081.26	4,448,081.26
11/01/2035	1,940,000	2,505,581.26	4,445,581.26
11/01/2036	2,045,000	2,403,731.26	4,448,731.26
11/01/2037	2,150,000	2,296,368.76	4,446,368.76
11/01/2038	2,265,000	2,183,493.76	4,448,493.76
11/01/2039	2,380,000	2,064,581.26	4,444,581.26
11/01/2040	2,505,000	1,939,631.26	4,444,631.26
11/01/2041	2,640,000	1,808,118.76	4,448,118.76
11/01/2042	2,780,000	1,669,518.76	4,449,518.76
11/01/2043	2,925,000	1,523,568.76	4,448,568.76
11/01/2044	3,075,000	1,370,006.26	4,445,006.26
11/01/2045	3,240,000	1,208,568.76	4,448,568.76
11/01/2046	3,415,000	1,034,418.76	4,449,418.76
11/01/2047	3,595,000	850,862.50	4,445,862.50
11/01/2048	3,790,000	657,631.26	4,447,631.26
11/01/2049	8,445,000	453,918.76	8,898,918.76
	62,175,000	53,447,312.74	115,622,312.74

SUMMARY OF REFUNDING RESULTS

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Dated Date	11/01/2024
Delivery Date	11/01/2024
Arbitrage yield	4.598546%
Escrow yield	0.000000%
Value of Negative Arbitrage	
Bond Par Amount	60,945,000.00
True Interest Cost	4.668604%
Net Interest Cost	4.355235%
Average Coupon	4.552167%
Average Life	15.318
Par amount of refunded bonds	62,175,000.00
Average coupon of refunded bonds	5.293464%
Average life of refunded bonds	16.239
PV of prior debt to 11/01/2024 @ 5.000000%	63,997,938.99
Net PV Savings	4,000,593.68
Percentage savings of refunded bonds	6.434409%
Percentage savings of refunding bonds	6.564269%

SAVINGS

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Date	*Prior Debt Service*	*Prior Receipts*	*Prior Net Cash Flow*	*Refunding Debt Service*	*Refunding Receipts*	*Refunding Net Cash Flow*	*Savings*	*Present Value to 11/01/2024 @ 5.0000000%*
11/01/2025	4,444,831.26	133,494.94	4,311,336.32	4,135,050.00	65,498.50	4,069,551.50	241,784.82	234,562.11
11/01/2026	4,445,331.26	133,494.94	4,311,836.32	4,139,550.00	62,097.00	4,077,453.00	234,383.32	216,466.14
11/01/2027	4,447,831.26	133,494.94	4,314,336.32	4,135,550.00	62,097.00	4,073,453.00	240,883.32	211,710.58
11/01/2028	4,447,081.26	133,494.94	4,313,586.32	4,138,300.00	62,097.00	4,076,203.00	237,383.32	198,703.25
11/01/2029	4,448,081.26	133,494.94	4,314,586.32	4,137,300.00	62,097.00	4,075,203.00	239,383.32	190,759.36
11/01/2030	4,445,581.26	133,494.94	4,312,086.32	4,137,550.00	62,097.00	4,075,453.00	236,633.32	179,590.11
11/01/2031	4,444,581.26	133,494.94	4,311,086.32	4,138,800.00	62,097.00	4,076,703.00	234,383.32	169,412.63
11/01/2032	4,444,831.26	133,494.94	4,311,336.32	4,135,800.00	62,097.00	4,073,703.00	237,633.32	163,508.13
11/01/2033	4,446,081.26	133,494.94	4,312,586.32	4,138,550.00	62,097.00	4,076,453.00	236,133.32	154,735.77
11/01/2034	4,448,081.26	133,494.94	4,314,586.32	4,136,550.00	62,097.00	4,074,453.00	240,133.32	149,789.47
11/01/2035	4,445,581.26	133,494.94	4,312,086.32	4,139,800.00	62,097.00	4,077,703.00	234,383.32	139,298.96
11/01/2036	4,448,731.26	133,494.94	4,315,236.32	4,138,500.00	62,097.00	4,076,403.00	238,833.32	135,008.70
11/01/2037	4,446,368.76	133,494.94	4,312,873.82	4,137,925.00	62,097.00	4,075,828.00	237,045.82	127,517.93
11/01/2038	4,448,493.76	133,494.94	4,314,998.82	4,137,850.00	62,097.00	4,075,753.00	239,245.82	122,426.50
11/01/2039	4,444,581.26	133,494.94	4,311,086.32	4,138,050.00	62,097.00	4,075,953.00	235,133.32	114,512.39
11/01/2040	4,444,631.26	133,494.94	4,311,136.32	4,138,300.00	62,097.00	4,076,203.00	234,933.32	108,845.94
11/01/2041	4,448,118.76	133,494.94	4,314,623.82	4,138,375.00	62,097.00	4,076,278.00	238,345.82	105,012.45
11/01/2042	4,449,518.76	133,494.94	4,316,023.82	4,138,050.00	62,097.00	4,075,953.00	240,070.82	100,593.28
11/01/2043	4,448,568.76	133,494.94	4,315,073.82	4,137,100.00	62,097.00	4,075,003.00	240,070.82	95,672.77
11/01/2044	4,445,006.26	133,494.94	4,311,511.32	4,135,300.00	62,097.00	4,073,203.00	238,308.32	90,328.27
11/01/2045	4,448,568.76	133,494.94	4,315,073.82	4,137,425.00	62,097.00	4,075,328.00	239,745.82	86,403.07
11/01/2046	4,449,418.76	133,494.94	4,315,923.82	4,138,025.00	62,097.00	4,075,928.00	239,995.82	82,219.65
11/01/2047	4,445,862.50	133,494.94	4,312,367.56	4,136,875.00	62,097.00	4,074,778.00	237,589.56	77,375.07
11/01/2048	4,447,631.26	133,494.94	4,314,136.32	4,138,750.00	62,097.00	4,076,653.00	237,483.32	73,499.20
11/01/2049	8,898,918.76	4,583,326.20	4,315,592.56	4,138,200.00	2,131,997.00	2,006,203.00	2,309,389.56	672,641.97
	115,622,312.74	7,787,204.76	107,835,107.98	103,441,525.00	3,625,726.50	99,815,798.50	8,019,309.48	4,000,593.68

Savings Summary

PV of savings from cash flow	4,000,593.68
Net PV Savings	4,000,593.68

COST OF ISSUANCE

Moldaw Series 2014A Defeasance
Cal-Mortgage Scenario
MMD as of 6/7/2024
Assumes DSRF Equal to 50% of MADS
7-Year Call @ 103%, declining 1% annually

Cost of Issuance	*$/1000*	*Amount*
Other Cost of Issuance	8.20412	500,000.00
	8.20412	500,000.00

Exhibit IV

Audited Financial Statements

FYE 2021 – 2023

Report of Independent Auditors and Financial Statements

899 Charleston dba Moldaw Residences

June 30, 2021 and 2020

MOSSADAMS

Table of Contents

Report of Independent Auditors

To the Board of Trustees
899 Charleston dba Moldaw Residences

Report on the Financial Statements

We have audited the accompanying financial statements of 899 Charleston dba Moldaw Residences (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of revenues and expenses, changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 899 Charleston dba Moldaw Residences as of June 30, 2021 and 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
October 27, 2021

Financial Statements

899 Charleston dba Moldaw Residences
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,034,065	$ 11,208,053
Investments	13,828,646	15,001,720
Accounts receivable	49,452	107,440
Notes receivable	4,545	523,800
Interest receivable	10,546	33,181
Related party receivables	158,917	140,150
Prepaid expenses and other current assets	490,503	121,224
Other receivables	329,243	47,190
Total current assets	25,905,917	27,182,758
DEBT SERVICE FUND	4,428,299	4,428,069
DEPOSITS HELD BY HOME OWNERS ASSOCIATION	489,021	709,134
PROPERTY AND EQUIPMENT, NET	103,162,232	104,785,004
BENEFICIAL INTEREST IN JEWISH HOME & SENIOR LIVING FOUNDATION	9,502,395	8,089,314
Total assets	$ 143,487,864	$ 145,194,279

See accompanying notes.

	2021	2020
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 1,647,072	$ 555,547
Entrance fee refund payable	4,089,752	2,749,652
Accrued liabilities	898,159	844,470
Refundable deposits	807,770	971,600
Intercompany payable	7,557	19,000
Loans payable, current portion	300,000	600,000
Bonds payable, current portion	980,000	935,000
Total current liabilities	8,730,310	6,675,269
LOANS PAYABLE, NET	4,247,371	4,119,476
BONDS PAYABLE, NET	64,186,344	65,169,751
REFUNDABLE ENTRANCE FEES	103,928,154	104,941,186
DEFERRED REVENUE FROM ENTRANCE FEES	7,199,324	8,714,102
FUTURE SERVICE BENEFIT OBLIGATION	1,115,724	-
Total liabilities	189,407,227	189,619,784
NET DEFICIT		
Without donor restrictions	(55,579,098)	(52,531,903)
With donor restrictions	9,659,735	8,106,398
Total net deficit	(45,919,363)	(44,425,505)
Total liabilities and net deficit	$ 143,487,864	$ 145,194,279

899 Charleston dba Moldaw Residences
Statements of Revenues and Expenses
Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Resident fees	$ 12,564,432	$ 12,895,624
Amortization of entrance fees	2,608,330	2,790,861
Fees for services and other income	591,034	660,582
Interest income	6,168	336,210
Government grant revenue	1,022,015	-
Contributions without donor restrictions	13,159	71,430
Net assets released from restrictions - satisfaction of purpose	130,141	86,704
Change in future service benefit obligation	(1,115,724)	-
Total operating revenues	15,819,555	16,841,411
EXPENSES		
Salaries and wages	4,401,679	4,346,612
Employee benefits and payroll taxes	1,225,146	1,148,131
Contract services and professional fees	2,834,405	2,775,037
Supplies, utilities, and maintenance	1,938,488	1,962,518
Interest	3,611,269	3,653,014
Depreciation	3,665,256	3,803,172
Other	1,190,507	804,150
Total expenses	18,866,750	18,492,634
DEFICIT OF REVENUES OVER EXPENSES	$ (3,047,195)	$ (1,651,223)

See accompanying notes.

	2021	2020
NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Deficit of revenues over expenses	$ (3,047,195)	$ (1,651,223)
Change in net deficit without donor restrictions	(3,047,195)	(1,651,223)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	159,698	38,892
Net assets released from restrictions - satisfaction of purpose	(130,141)	(86,704)
Change in beneficial interest in Jewish Home & Senior Living Foundation	1,523,780	342,464
Change in net assets with donor restrictions	1,553,337	294,652
CHANGE IN NET DEFICIT	(1,493,858)	(1,356,571)
NET DEFICIT, beginning of year	(44,425,505)	(43,068,934)
NET DEFICIT, end of year	$ (45,919,363)	$ (44,425,505)

899 Charleston dba Moldaw Residences
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from resident fees	$ 12,733,119	$ 12,854,092
Cash received from services and other income	566,891	514,513
Interest income received	28,803	261,837
Cash received from contributions and grants	1,035,174	71,430
Cash paid for interest on long-term debt	(3,494,574)	(3,548,201)
Cash paid to suppliers, employees and others	(11,413,868)	(10,365,966)
Net cash used in operating activities	(544,455)	(212,295)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,821,346)	(366,280)
Purchase of investments	(5,280,739)	(14,060,544)
Proceeds from sale of investments	6,453,813	11,714,268
Change in refundable deposits	(163,830)	(106,400)
Decrease in interest receivable	22,635	20,119
Investments earnings transfer from Jewish Home & Senior Living Foundation	110,699	-
Net cash used in investing activities	(678,768)	(2,798,837)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bond principal	(935,000)	(890,000)
Payments of loan principal	(300,000)	(300,000)
Entrance fees received	7,771,900	11,203,337
Entrance fees refunded	(5,487,435)	(7,242,056)
Net cash provided by financing activities	1,049,465	2,771,281
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(173,758)	(239,851)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	15,636,122	15,875,973
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 15,462,364	$ 15,636,122

See accompanying notes.

	2021	2020
RECONCILIATION OF CHANGE IN NET DEFICIT TO NET CASH USED IN OPERATING ACTIVITIES		
Change in net deficit	$ (1,493,858)	$ (1,356,571)
Adjustments to reconcile change in net deficit to net cash used in operating activities		
Amortization of entrance fees	(2,608,330)	(2,790,861)
Amortization of bond issuance costs	53,096	53,096
Amortization of bond premium	(56,503)	(68,761)
Amortization of loan discount	127,895	127,894
Depreciation	3,665,256	3,803,172
Change in beneficial interest in Jewish Home & Senior Living Foundation	(1,523,780)	(342,464)
Change in future service benefit obligation	1,115,724	-
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	57,988	(41,497)
(Increase) decrease in prepaid expenses and other current assets	(369,279)	4,106
Increase in deposits held by home owners association	(1,025)	(168,453)
Increase in related party and other receivables	(300,820)	(30,520)
Increase in accounts payable and intercompany payable	1,080,082	101,906
Increase in deferred entrance fee refund payable	1,340,100	-
Increase (decrease) in accrued liabilities and deferred monthly fees	(1,631,001)	496,658
Net cash used in operating activities	$ (544,455)	$ (212,295)

NOTE 1 – NATURE OF ACTIVITIES

899 Charleston dba Moldaw Residences (the “Organization”) was established on March 30, 2006, as a nonprofit public benefit corporation in the State of California. The specific and primary purposes of the Organization are: (1) to provide residential facilities that are specifically designated to meet a combination of physical, emotional, recreation, social, and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well-being of the residents; and (3) to adopt policies and procedures designed to address the need of the residents for protection against financial risks associated with the later years of life.

In 2007, 899 Charleston, LLC (the “LLC”), was formed in order to facilitate the bond financing transaction for the 899 Charleston project (the “Project”). The Project included the construction of 193 continuing care retirement community units in Palo Alto, California, which became part of the network of living options, services, and care associated with the Hebrew Home for Aged Disabled (the “Campus”) dba the San Francisco Campus for Jewish Living. The LLC’s rights and obligations under the bond and the Project were assigned to the Organization after it was recognized by the Internal Revenue Service as a tax-exempt organization. In an agreement with the City of Palo Alto, the Project provides a Below-Market Rate (“BMR”) Program that includes, among other services, providing 24 housing units: 12 assisted living units, and 12 independent living units at entry fee levels that comply with the income and affordability standards prescribed by the BMR Program for 89 years. The Project also established a $5 million endowment for financial need with the stipulation that the income be restricted exclusively for the support of Jewish residents of 899 Charleston or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs.

In October 2009, the construction of the facility was completed, and the Organization commenced operations. As of June 30, 2021, 140 out of 170 available independent living units are occupied. Additionally, as of June 30, 2021, 12 of the 12 assisted living units are occupied and 11 of the 11 memory support units are occupied.

In March 2020, the World Health Organization declared the COVID-19 virus spread a pandemic and public health emergency. Since the onset of the pandemic, the Organization has experienced difficulty in filling resident units that become vacant and has incurred additional costs in connection with personal protective equipment and other measures undertaken to prevent infection. The duration and intensity of the disruption from the pandemic is uncertain, and therefore the long-term impact, if any, cannot be predicted.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis of presentation – The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent unrestricted resources available to support the Organization’s operations. This includes resources that were originally restricted by the donor that became available for use by the Organization, in accordance with the intentions of donors.

Net assets with donor restrictions represent contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Organization according to the terms of the contribution. A portion of these contributions is classified as endowments and income from these contributions is primarily available to support the activities of the Organization as directed by the donors (see Note 10). Donor-imposed restrictions are released when a restriction expires; that is, when the stated time has elapsed, when the stated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Significant estimates include deferred revenue from entrance fees, future service benefit obligation and recoverability of long-lived assets. Actual results could differ from those estimates.

Cash, cash equivalents, and restricted cash – Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows as of June 30:

	2021	2020
Cash and cash equivalents	$ 11,034,065	$ 11,208,053
Restricted cash included in debt service fund	4,428,299	4,428,069
Total cash, cash equivalents, and restricted cash	$ 15,462,364	$ 15,636,122

Amounts included in restricted cash represent those contractually required to be set aside for future debt service payments.

Notes receivable – The Organization enters into continuing care contracts with individuals, of which a portion of the entrance fees are received upon signing of the contracts and notes receivable are issued for the remaining balances due. The notes are noninterest bearing, are due at various dates within a six-month period from the date of issuance and are carried at the unpaid principal balances. Prior to accepting deposits from prospective residents, the Organization does an extensive credit check and verifies the applicant’s assets. Based on past collection experiences, the Organization estimated that all the outstanding balances are collectible as of June 30, 2021 and 2020, and no provision of allowance for losses is deemed necessary.

Investments – Investments in debt securities are stated at fair value. Fair value is determined based on quoted market prices. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the statements of revenues and expenses in the period such fluctuations occur. Realized gains or losses on sales of investments are calculated on the average cost basis. Investment sales and purchases are recorded on a trade-date basis and dividends and interest income are recorded when earned on an accrual basis. Investments include money market funds.

Fair value of financial instruments – Management has elected to value financial instruments at fair value on an instrument by instrument basis. See Note 9 for fair value hierarchy.

Contributions and promises to give – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Promises to give are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year.

Conditional promises to give are recognized when the conditions on which they depend have been substantially met and the promises become unconditional. There were no conditional promises to give as of June 30, 2021.

The Organization uses the allowance method to determine uncollectible pledge receivables. The allowance is based on management's analysis of specific promises made.

Property and equipment – Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and building equipment	10 to 40 years
Land improvements	5 years
Personal property	3 to 10 years

Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Accounting for impairment of long-lived assets – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management determined that no impairment occurred to the long-lived assets as of June 30, 2021 and 2020.

Revenue recognition – Resident fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for the services provided. In accordance with resident agreements, the Organization provides senior living services to residents for a stated monthly fee. The Organization recognizes revenue for senior living services under the resident agreements for independent living in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 842, *Leases*, for the year ended June 30, 2021 and Topic 840, *Leases*, for the year ended June 30, 2020. The noncancelable term of these resident agreements is less than 12 months; as such, these are accounted for as short-term lease agreements. The Organization recognizes revenue for senior living services under the resident agreements for assisted living and memory support in accordance with the provisions of FASB ASC Topic 606, *Revenue from Contracts with Customers*, which is recognized as the services are performed. Resident fee revenue disaggregated by service line for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020
Independent living	$ 9,700,433	$ 10,266,506
Assisted living	1,417,933	1,248,550
Memory support	1,446,066	1,380,568
Total resident fees	$ 12,564,432	$ 12,895,624

Fees for services and other income is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing the related services. Revenue is recognized as the services are performed and includes monthly service fees for independent living, assisted living and memory care as well as clinic revenue and other miscellaneous income.

Beneficial interest in Jewish Home & Senior Living Foundation – The Organization follows the FASB ASC Topic 958, *Not-for-Profit Entities,* in recording transactions in which a donor makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization, i.e., the Jewish Home & Senior Living Foundation (the "Foundation")). The Foundation accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity (the beneficiary, i.e., the Organization) that is specified by the donor. The recipient organization (the Foundation) recognizes the fair value of those assets as a liability to the specified beneficiary (the Organization) concurrent with recognition of the assets received from the donor. The Organization recognizes an asset, beneficial interest in Jewish Home & Senior Living Foundation, with a corresponding change in beneficial interest in the net assets of the Foundation.

The beneficial interest in the Foundation is placed in certain investments that are exposed to various risks, such as changes in interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is possible that the value of the Foundation's investments and net asset balance could fluctuate by a material amount.

Continuing care contracts – The Organization has entered into continuing care contracts with the residents of its continuing care facilities. Under the provisions of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) in exchange for services and the right to occupy and use the facilities. Entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly fees, provide for living accommodations. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. The continuing care contracts create a performance obligation to provide residency care and services, which will be satisfied over the resident's remaining stay at the Organization. The nonrefundable portion of the fees is recorded as deferred revenue from entrance fees and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, in accordance with FASB ASC Topic 606. The period of amortization is adjusted annually using the life expectancy table published in the California Continuing Care Contract Statutes. The change in deferred revenue from entrance fees during the years ended June 30, 2021 and 2020, consists of the following activity:

	2021	2020
Balance, beginning of year	$ 8,714,102	$ 9,368,449
New entrance fees received	1,389,435	2,225,137
Amortization of entrance fees	(2,608,330)	(2,790,861)
Other	(295,883)	(88,623)
Balance, end of year	$ 7,199,324	$ 8,714,102

Refundable entrance fees are primarily noninterest bearing and, depending on the type of contract, can range from 0% to 90% of the total entrance fees. Refundable entrance fees are returned to the resident or the resident's estate depending on the form of the agreement either upon re-occupancy or termination of the care agreement. As of June 30, 2021 and 2020, the Organization is obligated to refund $108,017,906 and $107,690,838 in entrance fees, respectively.

Future service benefit obligation – The Organization annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (future service benefit obligation) with the corresponding charge to expense. The obligation is discounted at 5.5% for both 2021 and 2020, based on the expected long-term rate of return on government obligations. As of June 30, 2021 and 2020, the Organization's future service benefit obligation was $1,115,724 and $0, respectively.

Fair value – FASB ASC Topic 820 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 Organization has the ability to access at the measurement date.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

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

The fair values of the financial instruments as of June 30, 2021 and 2020, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

Marketing and advertising expenses – The Organization expenses all marketing and advertising expenses as they are incurred, in accordance with FASB ASC Topic 606. Marketing and advertising expense for the years ended June 30, 2021 and 2020, amounted to $448,302 and $447,648, respectively.

Income taxes – The Organization is exempt from federal and California state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

U.S. GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable tax authority. The Organization has reviewed its tax positions for all open tax years and believes that it has appropriate support for the tax positions taken. Therefore, no liability has been recorded.

Functional allocation of expenses – The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the schedule of functional expenses. Expenses for salaries and wages, employee benefits and payroll taxes (except for worker's compensation), contract services and professional fees, supplies, utilities, and maintenance, and other are charged directly to departments within each functional area. Additionally, certain indirect costs have been allocated among the programs and supporting services benefited. Worker's compensation insurance expense is allocated based on salaries and wages for each functional area. Interest related to the bonds used to fund construction of the facility and interest expense on the vehicles used to transport residents are designated as program expense. All other interest expense is designated as management and general expense. Depreciation expense is allocated based on the number of personnel in each function.

Performance indicator – The performance indicator reported in the statements of revenues and expenses is captioned as "deficit of revenues over expenses". Changes in net deficit without donor restrictions that are excluded from the performance indicator include funds released from restriction to purchase capital assets.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are issued.

The Organization has evaluated subsequent events through October 27, 2021, which is the date the financial statements are issued.

Recent accounting pronouncements – In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. The Organization adopted ASU 2016-02 for the fiscal year ended June 30, 2021. The adoption had no material impact on the financial statements.

In June 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13") eliminates, adds and modifies certain disclosure requirements for fair value measurements. The Organization adopted ASU 2018-13 for the fiscal year ended June 30, 2021. The adoption had no impact on the financial statements.

NOTE 3 – GOVERNMENT GRANT REVENUE

The Organization applied for a grant under the U.S. Small Business Administration Paycheck Protection Program ("PPP") Loan Program. The loan was granted and funded in the amount of $1,022,015 in April 2021. The Organization subsequently applied for forgiveness and was granted forgiveness in July 2021. The $1,022,015 of funds received have been accounted for as a government grant. Since the criteria for qualifying forgiveness were met as of June 30, 2021, the entire amount has been recognized as revenue in the year ended June 30, 2021.

NOTE 4– CONCENTRATION OF CREDIT RISK

The Organization has defined its financial instruments that are subject to credit risk as cash and cash equivalents. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 5 – INVESTMENTS

Investments, carried at fair value, are summarized as follows as of June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market funds and short-term investments	$ 12,222,491	$ 12,222,491	$ 8,063,229	$ 8,063,229
U.S. treasury securities	1,500,759	1,505,925	1,505,233	1,538,440
Debt securities - non-U.S. government	99,914	100,230	5,360,153	5,400,051
	$ 13,823,164	$ 13,828,646	$ 14,928,615	$ 15,001,720

Investments in securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Organization's investments and net asset balance could fluctuate materially.

Net unrealized (losses) and gains on investments for the years ended June 30, 2021 and 2020, included in interest income in the statements of revenues and expenses, were $(53,060) and $61,435, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of June 30:

	2021	2020
Buildings and building equipment	$ 127,863,305	$ 127,718,909
Land improvements	781,717	767,275
Furniture and equipment	8,055,067	7,861,223
Automobiles	323,660	323,660
Artwork	38,559	38,559
Total assets subject to depreciation	137,062,308	136,709,626
Less accumulated depreciation	(48,768,265)	(45,103,009)
Depreciable assets	88,294,043	91,606,617
Land	13,118,538	13,118,538
Construction in progress	1,749,651	59,849
	$ 103,162,232	$ 104,785,004

NOTE 7 – BONDS PAYABLE

Outstanding bonds payable as of June 30, 2021 and 2020, represents tax-exempt, fixed rate revenue term bonds (899 Charleston Project), Series 2014A (“2014 Bonds”) issued on November 20, 2014, by the California Statewide Communities Development Authority (the “Authority”) in the amount of $71,345,000, which will mature on November 1, 2049. The 2014 Bonds are a limited obligation of the California Statewide Communities Development Authority, which were issued pursuant to an Indenture of Trust between the Authority and the Bond Trustee. The proceeds from the 2014 Bonds were loaned to the Organization under a loan agreement between the Authority and the Organization. The Organization used the proceeds from the 2014 Bonds to (1) refund the then existing bonds payable (the 2007 Bonds, described below), (2) to repay all of the term loans outstanding under the Letter of Credit, to repay a portion of the outstanding loan payable to the Foundation, and all of the loan payable to the Campus (see Note 8 for further description of all term loans), and (3) pay the bond issuance cost and set aside required reserve funds. The 2014 Bonds are secured by funds held by the Bond Trustee and a Deed of Trust secured by the land, buildings, revenue from resident payments including entrance fees, and other assets of the Organization.

The 2014 Bonds, which were issued with six term dates maturing on November 1, 2019, 2024, 2029, 2034, 2044, and 2049, have face value interest rates ranging from 5.000% to 5.375%, but were priced with yields ranging from 2.950% to 5.350%. The average interest cost on the 2014 Bonds is approximately 5.250%. The Organization makes semiannual payments to the Bond Trustee of interest (in May and November) and principal sinking fund payments (in November). The principal sinking fund payments are sufficient to meet the term bond maturities when due. Annual debt service payments vary slightly, with the maximum annual debt service being $4,449,831. Under the Master Indenture, the Organization covenants that it will, among other requirements, maintain a debt service coverage ratio of 1.25 for each fiscal year. Furthermore, the Organization covenants that it will maintain days cash on hand of 180 days on each June 30 and December 31 while the 2014 Bonds are outstanding. Management believes that the Organization was in compliance with the days cash on hand covenant as of the June 30, 2021 measurement date, but was not in compliance with the debt service coverage ratio requirement.

The Organization requested and received a waiver letter from U.S. Bank related to the debt service coverage ratio noncompliance. The waiver letter states that U.S. Bank, as Bond Trustee and Master Trustee, received a consent and waiver from the majority of the Bondholders to waive the requirement of specific actions by the Organization related to the noncompliance.

As of June 30, the following is reflected in the statements of financial position of the Organization pertaining to the 2014 Bonds:

	2021	2020
Bonds payable, current portion	$ 980,000	$ 935,000
Bonds payable, net:		
Long-term portion of bonds payable	$ 65,420,000	$ 66,400,000
Unamortized bond premium	270,395	326,898
Unamortized bond issue cost	(1,504,051)	(1,557,147)
	$ 64,186,344	$ 65,169,751

Bond issuance costs are deferred and amortized using the effective interest method over the term of the bond liability.

The following provides the current and future principal obligations for the 2014 Bonds:

Year Ending June 30,	
2022	$ 980,000
2023	1,030,000
2024	1,080,000
2025	1,135,000
2026	1,190,000
Thereafter	60,985,000
	$ 66,400,000

NOTE 8 – LOANS PAYABLE

Loans payable consist of the following as of June 30:

	2021	2020
Loans from the Foundation	$ 5,400,000	$ 5,700,000
Less discount on loans	(852,629)	(980,524)
Total	4,547,371	4,719,476
Less current portion	300,000	600,000
Noncurrent portion	$ 4,247,371	$ 4,119,476

During the years ended June 30, 2011 and 2010, the Foundation provided the Organization with loans totaling $7,000,000 to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. With the issuance of the 2014 Bonds (see Note 7), $1,000,000 of these loans was repaid to the Foundation. Under the terms of the 2014 Bonds Master Indenture and a Debt Modification Agreement between the Organization and the Foundation, the remaining $6,000,000 outstanding principal amount of the loan originally due as of June 30, 2016, may be repaid by the Organization in 20 semiannual installments if the Organization meets certain financial requirements and tests. The Organization met these tests during the 12 months ended December 31, 2019, and thus made the first $300,000 payment on this loan in February 2020. An additional payment in the amount of $300,000 was made in August 2020 based on the Organization meeting the financial requirements for the 12 months ended June 30, 2020. The Organization did not meet these requirements for the 12 months ended December 31, 2020, or for the 12 months ended June 30, 2021. The loan provides for 0% interest and has been discounted to present value in the financial statements using a rate of 3.25%. The Organization amortized $127,895 and $127,894 of this discount in the years ended June 30, 2021 and 2020, respectively, which is reflected as interest expense in the statements of revenues and expenses.

NOTE 9 – FAIR VALUE MEASUREMENTS

The following fair value hierarchy tables present information about the Organization's financial instruments measured at fair value on a recurring basis as of June 30:

Description	Balance as of June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Money market funds and short-term investments	$ 12,222,491	$ 12,222,491	$ -	$ -
U.S. treasury securities	1,505,925	1,505,925	-	-
Debt securities – non-U.S. government	100,230	100,230	-	-
Investments total	13,828,646	13,828,646	-	-
Debt service fund (money market funds)	4,428,299	4,428,299	-	-
Beneficial interest in Jewish Home & Senior Living Foundation	9,502,395	-	-	9,502,395
	$ 27,759,340	$ 18,256,945	$ -	$ 9,502,395

Description	Balance as of June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Money market funds and short-term investments	$ 8,063,229	$ 8,063,229	$ -	$ -
Certificate of deposits	1,538,440	1,538,440	-	-
Debt securities – non-U.S. government	5,400,051	5,400,051	-	-
Investments total	15,001,720	15,001,720	-	-
Debt service fund (money market funds)	4,428,069	4,428,069	-	-
Beneficial interest in Jewish Home & Senior Living Foundation	8,089,314	-	-	8,089,314
	$ 27,519,103	$ 19,429,789	$ -	$ 8,089,314

The following table summarizes the changes in the Organization's Level 3 financial instruments:

	Beneficial Interest in Jewish Home & Senior Living Foundation
Balance, June 30, 2019	$ 7,746,850
Change in value	342,464
Balance, June 30, 2020	8,089,314
Change in value	1,523,780
Withdrawals	(110,699)
Balance, June 30, 2021	$ 9,502,395

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" for fair value measurement reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Organization also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Organization's credit standing, liquidity and, where appropriate, risk margins on unobservable parameters.

The Organization's management, under the supervision of its Board of Trustees, determines the fair value measurement policies and procedures. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. In determining the reasonableness of the methodology, management evaluates a variety of factors including a review of existing agreements, economic conditions, and industry and market developments. Certain unobservable inputs are assessed through review of contract terms (duration and payout data) while others are substantiated utilizing available market data (discount rates and mortality table). The following are the techniques used to determine fair values for the financial instruments listed in the above tables.

- Debt service funds consist of cash equivalents, which approximates fair value.

- Beneficial interest in Jewish Home & Senior Living Foundation – the fair value is determined based on the Organization's ownership interest in investments measured at quoted market prices.

Fair values of the Organization's financial instruments as of June 30, 2021 and 2020, which are not measured at fair value on a recurring basis, are as follows:

- Accounts receivable, prepaid expenses and other current assets, notes receivable, other receivables, accounts payable, accrued liabilities, deferred monthly fees and other liabilities, refundable deposits, and refundable entrance fees – the carrying amount approximates fair value due to their short-term nature.

- Loans payable – the carrying value approximates fair value as they are carried at the amounts to be paid discounted to present value.

- Future service benefit obligation – the carrying value approximates fair value as it is carried at the amounts to be paid discounted to present value.

NOTE 10 – ENDOWMENT FUNDS

The Organization follows FASB ASC Topic 958, *Not-for-Profit Entities*, for reporting endowment funds. The standard provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of California adopted a version of the UPMIFA, known as the State Prudent Management of Institutional Funds Act ("SPMIFA").

SPMIFA moves away from the concept of corpus with its "historical dollar value" in an endowment. Charities are encouraged to develop spending policies that are responsive to short term fluctuations in the value of the fund, preserve the value of the fund for future use, and honor the charitable purpose of the fund. The Organization continues to balance the endurance of its funds and the needs of the community in its granting policies and practices.

The Organization's endowment assets are generally donor-restricted endowment funds established to generate support for Jewish residents of the Project or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs. As required by FASB ASC Topic 958, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are approved for appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization

(7) The investment policies of the organization

Return objectives and risk parameters – The Organization has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to provide support for the various programs of the Organization while seeking to maintain the original gift value of the endowment asset. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to realize a competitive rate of return comparable to index benchmarks.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a diversified asset investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution of income, both current and accrued, from the endowment funds to any resident who needs financial assistance for any aspect of their stay at the facilities of the Organization. The Organization expects to provide annual distributions of 5% of the market value of the endowment assets as determined quarterly and averaged over the preceding 36 months. The investment managers are required to invest funds to ensure that required distributions of income can be met.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency of this nature existed as of June 30, 2021 and 2020.

Endowment net asset composition by type of fund as of June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 9,501,395	$ 9,501,395

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 8,088,314	$ 8,088,314

Endowment net asset composition by type of fund as of June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	$ -	$ 8,088,314	$ 8,088,314
Withdrawals - charitable care	-	(110,699)	(110,699)
Investment return - change in beneficial interest	-	1,523,780	1,523,780
Endowment net assets, end of year	$ -	$ 9,501,395	$ 9,501,395

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	$ -	$ 7,745,850	$ 7,745,850
Investment return - change in beneficial interest	-	342,464	342,464
Endowment net assets, end of year	$ -	$ 8,088,314	$ 8,088,314

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, were restricted to the following:

	2021	2020
Earnings on endowment net assets	$ 4,787,045	$ 3,373,964
Moldaw library fund/general funds	158,340	18,084
To be held in perpetuity	4,714,350	4,714,350
	$ 9,659,735	$ 8,106,398

Net assets were released from restrictions during 2021 and 2020 for the following purposes:

	2021	2020
Satisfaction of purpose	$ 130,141	$ 86,704

NOTE 12 – FINANCIALLY INTERRELATED ORGANIZATIONS

Taube-Koret Campus for Jewish Life Owners Association – Certain components of the property, facilities, and operations of the Organization and the Albert L. Schultz Jewish Community Center of Palo Alto ("Jewish Community Center") are common to both organizations. The Taube-Koret Campus for Jewish Life Owners Association ("TKCJL-OA") was formed as a partnership between the parties, and administers those functions, properties, and facilities that are common to both. To support the daily operations of TKCJL-OA, both parties fund those activities through annual operating assessments. Operating assessments were $13,860 and $18,480 during the years ended June 30, 2021 and 2020, respectively, which are included in general and administrative expense in the statements of revenues and expenses. In addition, and as required by law, the TKCJL-OA is required to prepare a reserve analysis of future capital replacement needs for the common areas of the campus. This reserve analysis projects the amount of funds that are required to be set aside on a current basis to meet future capital needs. The Organization's statements of financial position reflect a deposit held by TKCJL-OA of $489,021 and $709,134 as of June 30, 2021 and 2020, respectively, which is the Organization's share of such reserve fund deposits.

TKCJL-OA has a separate board of directors over which 899 Charleston does not exercise majority control and, therefore, the operations of TKCJL are not included in the accompanying financial statements.

The Foundation – The Foundation provided the Organization with noninterest bearing loans totaling $7 million to fund the Organization's project deficiencies and operational needs as guarantor under a letter of credit agreement. The Foundation fulfilled its obligation under a support and guarantee agreement. Subsequent payments have been made resulting in a remaining balance of $5,400,000 and $5,700,000 outstanding as of June 30, 2021 and 2020, respectively (see Note 8).

The Organization's employees perform various duties related to fundraising. Beginning in the fiscal year ended June 30, 2019, the Organization received reimbursement from the Foundation for these costs incurred in relation to such tasks based on estimated employees' time and efforts. For the years ended June 30, 2021 and 2020, reimbursement of costs equaled $158,917 and $140,150, respectively, which were recorded as a receivable from the Foundation as of June 30, 2021 and 2020, respectively.

The Foundation holds and invests the endowment funds on behalf of the Organization.

The Foundation has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Foundation are not included in the accompanying financial statements.

The Campus – The Campus has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Campus are not included in the accompanying financial statements.

Jewish Senior Living Group – Jewish Senior Living Group ("JSLG") was formed to provide supporting activities for the benefit of nonprofit organizations and to provide or promote the provision of Jewish living services, facilities, and/or aging services in Northern California. JSLG is currently a supporting organization to the Organization, the Foundation, and the Campus.

The Organization and JSLG have entered into annual service agreements since 2011, whereby JSLG has provided support services related to finance and accounting, information technology, marketing, human resources, and organizational advancement at a set monthly fee plus any additional services, costs, or expenses pre-approved by the Organization. Effective January 1, 2016, the Organization and JSLG entered into an Operations and Marketing Management Agreement, under which JSLG serves as the management company to the Organization. As such, JSLG has continued to provide the support services as described above, in addition to the management and marketing services as delineated in the agreement. JSLG has been paid an annual amount for the management and marketing services provided (subject to annual adjustments based on inflation) and has provided support services based upon an amount agreed upon at the beginning of each fiscal year. During the years ended June 30, 2021 and 2020, the Organization paid $326,448 and $320,616 for management and marketing services, respectively, and $806,100 and $834,000 for other support services, respectively. See Note 17 regarding phasing out of this arrangement.

JSLG has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of JSLG are not included in the accompanying financial statements.

NOTE 13 – RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution plan for its employees. The plan covers substantially all employees meeting certain eligibility requirements. Total expenses under the plan were $50,039 and $53,097 for the years ended June 30, 2021 and 2020, respectively.

NOTE 14 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended June 30 were as follows:

	For the Year Ended June 30, 2021			
	Program activities	Management and general	Fundraising	Total
Salaries and wages	$ 3,815,589	$ 455,752	$ 130,338	$ 4,401,679
Employee benefits and payroll taxes	1,010,735	193,043	21,368	1,225,146
Contract services and professional fees	1,514,467	1,319,938	-	2,834,405
Supplies, utilities, and maintenance	1,916,675	20,084	1,729	1,938,488
Interest	3,611,269	-	-	3,611,269
Depreciation	3,372,035	256,568	36,653	3,665,256
Other	413,787	767,771	8,949	1,190,507
Total	$ 15,654,557	$ 3,013,156	$ 199,037	$ 18,866,750

	For the Year Ended June 30, 2020			
	Program activities	Management and general	Fundraising	Total
Salaries and wages	$ 3,709,898	$ 520,353	$ 116,361	$ 4,346,612
Employee benefits and payroll taxes	1,008,125	120,077	19,929	1,148,131
Contract services and professional fees	1,449,924	1,325,113	-	2,775,037
Supplies, utilities, and maintenance	1,925,729	32,815	3,974	1,962,518
Interest	3,653,014	-	-	3,653,014
Depreciation	3,483,706	277,251	42,215	3,803,172
Other	370,550	430,109	3,491	804,150
Total	$ 15,600,946	$ 2,705,718	$ 185,970	$ 18,492,634

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation – In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory matters – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements.

NOTE 16 – LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year:

	2021	2020
Cash and cash equivalents	$ 11,034,065	$ 11,208,053
Investments	13,828,646	15,001,720
Accounts receivable	49,452	107,440
Notes receivable	4,545	523,800
Interest receivable	10,546	33,181
Related party receivables	158,917	140,150
Other receivables	329,243	47,190
Current financial assets at June 30	25,415,414	27,061,534
Less those unavailable for general expenditure within one year, due to:		
Water Quality Control Board Escrow Account	39,002	41,455
Financial assets available to meet cash needs for general expenditure within one year	$ 25,376,412	$ 27,020,079

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization reviews its funding level on an ongoing basis to ensure it is adequate to meet its current obligations.

NOTE 17 – SUBSEQUENT EVENT

In August 2021, the Board of Trustees entered into a contract with Life Care Services ("LCS") to provide management services beginning in October 2021. Services previously provided by JSLG will transition to LCS over a period of a few months.

Report of Independent Auditors and Financial Statements

899 Charleston
dba Moldaw Residences

June 30, 2022 and 2021

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MOSSADAMS

Report of Independent Auditors

The Board of Trustees
899 Charleston dba Moldaw Residences

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 899 Charleston dba Moldaw Residences, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of revenues and expenses, changes in net 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 899 Charleston dba Moldaw Residences as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 899 Charleston dba Moldaw Residences 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 accounting principles generally accepted in the United States of America, 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 899 Charleston dba Moldaw Residences' ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 899 Charleston dba Moldaw Residences' 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 899 Charleston dba Moldaw Residences' 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.

Moss Adams LLP

San Francisco, California
October 26, 2022

Financial Statements

899 Charleston dba Moldaw Residences
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,017,129	$ 11,034,065
Investments	13,755,879	13,828,646
Accounts receivable	41,054	49,452
Notes receivable	5,244	4,545
Interest receivable	15,000	10,546
Related party receivables	35,316	158,917
Prepaid expenses and other current assets	183,278	490,503
Other receivables	286,504	329,243
Total current assets	22,339,404	25,905,917
DEBT SERVICE FUND	4,421,822	4,428,299
DEPOSITS HELD BY HOME OWNERS ASSOCIATION	639,929	489,021
PROPERTY AND EQUIPMENT, net	100,840,564	103,162,232
BENEFICIAL INTEREST IN JEWISH HOME & SENIOR LIVING FOUNDATION	8,221,046	9,502,395
Total assets	$ 136,462,765	$ 143,487,864

See accompanying notes.

	2022	2021
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 587,124	$ 1,647,072
Entrance fee refund payable	4,256,000	4,089,752
Accrued liabilities	534,146	898,159
Deferred monthly fees	50,435	-
Refundable deposits	734,752	807,770
Related party payable	5,302	7,557
Loans payable, current portion	300,000	300,000
Bonds payable, current portion	1,030,000	980,000
Total current liabilities	7,497,759	8,730,310
LOANS PAYABLE, net of current portion	4,375,265	4,247,371
BONDS PAYABLE, net of current portion	63,156,285	64,186,344
REFUNDABLE ENTRANCE FEES	105,492,841	103,928,154
DEFERRED REVENUE FROM ENTRANCE FEES	7,301,493	7,199,324
FUTURE SERVICE BENEFIT OBLIGATION	-	1,115,724
Total liabilities	187,823,643	189,407,227
NET DEFICIT		
Without donor restrictions	(59,841,564)	(55,579,098)
With donor restrictions	8,480,686	9,659,735
Total net deficit	(51,360,878)	(45,919,363)
Total liabilities and net deficit	$ 136,462,765	$ 143,487,864

899 Charleston dba Moldaw Residences
Statements of Revenues and Expenses
Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Resident fees	$ 11,947,650	$ 12,564,432
Amortization of entrance fees	2,088,845	2,608,330
Fees for services and other income	128,025	591,034
Investment (loss) income	(51,822)	6,168
Government grant revenue	-	1,022,015
Contributions without donor restrictions	25,226	13,159
Net assets released from restrictions - satisfaction of purpose	136,612	130,141
Changes in future service benefit obligation	1,115,724	(1,115,724)
Total operating revenues	15,390,260	15,819,555
EXPENSES		
Salaries and wages	5,608,717	4,401,679
Employee benefits and payroll taxes	1,408,127	1,225,146
Contract services and professional fees	3,906,207	2,834,405
Supplies, utilities, and maintenance	1,442,424	1,938,488
Interest	3,226,751	3,611,269
Depreciation	3,562,817	3,665,256
Other	497,683	1,190,507
Total expenses	19,652,726	18,866,750
DEFICIT OF REVENUES OVER EXPENSES	$ (4,262,466)	$ (3,047,195)

See accompanying notes.

899 Charleston dba Moldaw Residences
Statements of Changes in Net Deficit
Years Ended June 30, 2022 and 2021

	2022	2021
NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Deficit of revenues over expenses	$ (4,262,466)	$ (3,047,195)
Changes in net deficit without donor restrictions	(4,262,466)	(3,047,195)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	102,300	159,698
Net assets released from restrictions - satisfaction of purpose	(136,612)	(130,141)
Changes in beneficial interest in Jewish Home & Senior Living Foundation	(1,144,737)	1,523,780
Changes in net assets with donor restrictions	(1,179,049)	1,553,337
CHANGES IN NET DEFICIT	(5,441,515)	(1,493,858)
NET DEFICIT, beginning of year	(45,919,363)	(44,425,505)
NET DEFICIT, end of year	$ (51,360,878)	$ (45,919,363)

899 Charleston dba Moldaw Residences
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from resident fees	$ 11,956,048	$ 12,733,119
Cash received from services and other income	103,788	566,891
Interest income received	64,635	81,863
Cash received from contributions and grants	25,226	1,035,174
Cash paid for interest on long-term debt	(3,463,224)	(3,494,574)
Cash paid to suppliers, employees and others	(13,144,444)	(11,413,868)
Net cash used in operating activities	(4,457,971)	(491,395)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,392,057)	(1,821,346)
Purchase of investments	(1,600,000)	(5,280,739)
Proceeds from sale of investments	1,551,856	6,400,753
Changes in refundable deposits	(73,018)	(163,830)
Decrease in interest receivable	(4,454)	22,635
Investments earnings transfer from Jewish Home & Senior Living Foundation	136,612	110,699
Net cash used in investing activities	(1,381,061)	(731,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bond principal	(980,000)	(935,000)
Payments of loan principal	-	(300,000)
Entrance fees received	14,652,499	7,771,900
Entrance fees refunded	(10,856,880)	(5,487,435)
Net cash provided by financing activities	2,815,619	1,049,465
NET CHANGES IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,023,413)	(173,758)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	15,462,364	15,636,122
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 12,438,951	$ 15,462,364

See accompanying notes.

	2022	2021
RECONCILIATION OF CHANGES IN NET DEFICIT TO NET CASH USED IN OPERATING ACTIVITIES		
Changes in net deficit	$ (5,441,515)	$ (1,493,858)
Adjustments to reconcile changes in net deficit to net cash used in operating activities:		
Amortization of entrance fees	(2,088,845)	(2,608,330)
Amortization of bond issuance costs	53,096	53,096
Amortization of bond premium	(53,155)	(56,503)
Amortization of loan discount	127,894	127,895
Unrealized loss on investments	120,911	53,060
Depreciation	3,562,817	3,665,256
Changes in beneficial interest in Jewish Home & Senior Living Foundation	1,144,737	(1,523,780)
Changes in future service benefit obligation	(1,115,724)	1,115,724
Changes in operating assets and liabilities:		
Increase in accounts receivable	8,398	57,988
Decrease (increase) in prepaid expenses and other current assets	307,225	(369,279)
Increase in deposits held by home owners association	-	(1,025)
Decrease (increase) in related party and other receivables	166,340	(300,820)
(Decrease) increase in accounts payable and related party payable	(1,062,203)	1,080,082
Increase in entrance fee refund payable	701,766	1,340,100
Decrease in accrued liabilities	(940,148)	(1,631,001)
Increase in deferred monthly fees	50,435	-
Net cash used in operating activities	$ (4,457,971)	$ (491,395)

NOTE 1 – NATURE OF ACTIVITIES

899 Charleston dba Moldaw Residences (the "Organization") was established on March 30, 2006, as a nonprofit public benefit corporation in the State of California. The specific and primary purposes of the Organization are: (1) to provide residential facilities that are specifically designated to meet a combination of physical, emotional, recreation, social, and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well-being of the residents; and (3) to adopt policies and procedures designed to address the need of the residents for protection against financial risks associated with the later years of life.

In 2007, 899 Charleston, LLC (the "LLC") was formed in order to facilitate the bond financing transaction for the 899 Charleston project (the "Project"). The Project included the construction of 193 continuing care retirement community units in Palo Alto, California, which became part of the network of living options, services, and care associated with the Hebrew Home for Aged Disabled (the "Campus") dba the San Francisco Campus for Jewish Living. The LLC's rights and obligations under the bond and the Project were assigned to the Organization after it was recognized by the Internal Revenue Service as a tax-exempt organization. In an agreement with the City of Palo Alto, the Project provides a Below-Market Rate ("BMR") Program that includes, among other services, providing 24 housing units: 12 assisted living units and 12 independent living units at entry fee levels that comply with the income and affordability standards prescribed by the BMR Program for 89 years. The Project also established a $5 million endowment for financial need with the stipulation that the income be restricted for the support of residents of 899 Charleston or accepted applicants who cannot afford a portion of either the entry fee or the monthly fee.

In October 2009, the construction of the facility was completed, and the Organization commenced operations. As of June 30, 2022, 131 out of 170 available independent living units are occupied. Additionally, as of June 30, 2022, 9 of the 12 assisted living units are occupied and 9 of the 11 memory support units are occupied.

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") spread a pandemic and public health emergency. Since the onset of the pandemic, the Organization has experienced difficulty in filling resident units that become vacant and has incurred additional costs in connection with personal protective equipment and other measures undertaken to prevent infection. The duration and intensity of the disruption from the pandemic is uncertain, and therefore the long-term impact, if any, cannot be predicted.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of presentation – The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Represent unrestricted resources available to support the Organization's operations. This includes resources that were originally restricted by the donor that became available for use by the Organization, in accordance with the intentions of donors.

Net assets with donor restrictions – Represent contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Organization according to the terms of the contribution. A portion of these contributions is classified as endowments and income from these contributions is primarily available to support the activities of the Organization as directed by the donors (see Note 10). Donor-imposed restrictions are released when a restriction expires; that is, when the stated time has elapsed, when the stated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Significant estimates include deferred revenue from entrance fees, future service benefit obligation and recoverability of long-lived assets. Actual results could differ from those estimates.

Cash, cash equivalents, and restricted cash – Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows as of June 30:

	2022	2021
Cash and cash equivalents	$ 8,017,129	$ 11,034,065
Restricted cash included in debt service fund	4,421,822	4,428,299
Total cash, cash equivalents, and restricted cash	$ 12,438,951	$ 15,462,364

Amounts included in restricted cash represent those contractually required to be set aside for future debt service payments.

Notes receivable – The Organization enters into continuing care contracts with individuals, of which a portion of the entrance fees are received upon signing of the contracts and notes receivable are issued for the remaining balances due. The notes are non-interest bearing, are due at various dates within a six-month period from the date of issuance and are carried at the unpaid principal balances. Prior to accepting deposits from prospective residents, the Organization does an extensive credit check and verifies the applicant's assets. Based on past collection experiences, the Organization estimated that all the outstanding balances are collectible as of June 30, 2022 and 2021, and no provision of allowance for losses is deemed necessary.

Investments – Investments in debt securities are stated at fair value. Fair value is determined based on quoted market prices. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the statements of revenues and expenses in the period such fluctuations occur. Realized gains or losses on sales of investments are calculated on the average cost basis. Investment sales and purchases are recorded on a trade-date basis and dividends and interest income are recorded when earned on an accrual basis. Investments include money market funds.

Fair value of financial instruments – Management has elected to value financial instruments at fair value on an instrument-by-instrument basis. See Note 9 for fair value hierarchy.

Contributions and promises to give – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Promises to give are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year.

Conditional promises to give are recognized when the conditions on which they depend have been substantially met and the promises become unconditional. There were no conditional promises to give as of June 30, 2022 or 2021.

The Organization uses the allowance method to determine uncollectible pledge receivables. The allowance is based on management's analysis of specific promises made.

Property and equipment – Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and building equipment	10 to 40 years
Land improvements	5 years
Personal property	3 to 10 years

Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Accounting for impairment of long-lived assets – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management determined that no impairment occurred to the long-lived assets as of June 30, 2022 and 2021.

Revenue recognition – Resident fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for the services provided. In accordance with resident agreements, the Organization provides senior living services to residents for a stated monthly fee. The Organization recognizes revenue for senior living services under the resident agreements for independent living in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 842, *Leases* ("ASC 842"). The noncancelable term of these resident agreements is less than 12 months; as such, these are accounted for as short-term lease agreements. The Organization recognizes revenue for senior living services under the resident agreements for assisted living and memory support in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), which is recognized as the services are performed. Resident fee revenue disaggregated by service line for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
Independent living	$ 9,249,172	$ 9,700,433
Assisted living	1,310,653	1,417,933
Memory support	1,387,825	1,446,066
Total resident fees	$ 11,947,650	$ 12,564,432

Fees for services and other income is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing the related services. Revenue is recognized as the services are performed and includes monthly service fees for independent living, assisted living and memory care as well as clinic revenue and other miscellaneous income.

Beneficial interest in Jewish Home & Senior Living Foundation – The Organization follows ASC 958, *Not-for-Profit Entities* ("ASC 958"), in recording transactions in which a donor makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization, i.e., the Jewish Home & Senior Living Foundation (the "Foundation")). The Foundation accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity (the beneficiary, i.e., the Organization) that is specified by the donor. The recipient organization, the Foundation, recognizes the fair value of those assets as a liability to the specified beneficiary, the Organization, concurrent with recognition of the assets received from the donor. The Organization recognizes an asset, beneficial interest in Foundation, with a corresponding change in beneficial interest in the net assets of the Foundation.

The beneficial interest in the Foundation is placed in certain investments that are exposed to various risks, such as changes in interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is possible that the value of the Foundation's investments and net asset balance could fluctuate by a material amount.

Continuing care contracts – The Organization has entered into continuing care contracts with the residents of its continuing care facilities. Under the provisions of these contracts, residents are required to pay an entrance fee and periodic monthly fees ("resident fees") in exchange for services and the right to occupy and use the facilities. Entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly fees, provide for living accommodations. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. The continuing care contracts create a performance obligation to provide residency care and services, which will be satisfied over the resident's remaining stay at the Organization. The nonrefundable portion of the fees is recorded as deferred revenue from entrance fees and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, in accordance with ASC 606. The period of amortization is adjusted annually using the life expectancy table published in the California Continuing Care Contract Statutes. The change in deferred revenue from entrance fees during the years ended June 30, 2022 and 2021, consists of the following activity:

	2022	2021
Balance, beginning of year	$ 7,199,324	$ 8,714,102
New entrance fees received	2,191,014	1,389,435
Amortization of entrance fees	(2,088,845)	(2,608,330)
Other	-	(295,883)
Balance, end of year	$ 7,301,493	$ 7,199,324

Refundable entrance fees are primarily non-interest bearing and, depending on the type of contract, can range from 0% to 90% of the total entrance fees. Refundable entrance fees are returned to the resident or the resident's estate depending on the form of the agreement either upon re-occupancy or termination of the care agreement. As of June 30, 2022 and 2021, the Organization is obligated to refund $109,748,841 and $108,017,906 in entrance fees, respectively.

Future service benefit obligation – The Organization annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (future service benefit obligation) with the corresponding charge to expense. The obligation is discounted at 7.0% for 2022 and 5.5% for 2021, based on the expected long-term rate of return on government obligations. As of June 30, 2022 and 2021, the Organization's future service benefit obligation was $0 and $1,115,724, respectively.

Fair value measurements – ASC 820, *Fair Value Measurement*, 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) and the lowest priority to measurements involving significant unobservable inputs (Level 3).

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 Organization has the ability to access at the measurement date;

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

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

The fair values of the financial instruments as of June 30, 2022 and 2021, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

Marketing and advertising expenses – The Organization expenses all marketing and advertising expenses as they are incurred, in accordance with ASC 606. Marketing and advertising expense for the years ended June 30, 2022 and 2021 amounted to $457,279 and $448,302, respectively.

Income taxes – The Organization is exempt from federal and California state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

U.S. GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable tax authority. The Organization has reviewed its tax positions for all open tax years and believes that it has appropriate support for the tax positions taken. Therefore, no liability has been recorded.

Functional allocation of expenses – The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis (see Note 14). Expenses for salaries and wages, employee benefits and payroll taxes (except for worker's compensation), contract services and professional fees, supplies, utilities, and maintenance, and other are charged directly to departments within each functional area. Additionally, certain indirect costs have been allocated among the programs and supporting services benefited. Worker's compensation insurance expense is allocated based on salaries and wages for each functional area. Interest related to the bonds used to fund construction of the facility and interest expense on the vehicles used to transport residents are designated as program expense. All other interest expense is designated as management and general expense. Depreciation expense is allocated based on the number of personnel in each function.

Performance indicator – The performance indicator reported in the statements of revenues and expenses is captioned as "deficit of revenues over expenses." Changes in net deficit without donor restrictions that are excluded from the performance indicator include funds released from restriction to purchase capital assets.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date, and before financial statements are issued.

The Organization has evaluated subsequent events through October 26, 2022, which is the date the financial statements are issued.

Reclassifications – Certain reclassifications were made to the 2021 amounts to conform to the 2022 presentation.

NOTE 3 – GOVERNMENT GRANT REVENUE

The Organization applied for a grant under the U.S. Small Business Administration Paycheck Protection Program ("PPP") loan program. The loan was granted and funded in the amount of $1,022,015 in April 2021. The Organization subsequently applied for forgiveness and was granted forgiveness in July 2021. The $1,022,015 of funds received have been accounted for as a government grant. Since the criteria for qualifying forgiveness were met as of June 30, 2021, the entire amount has been recognized as revenue in the year ended June 30, 2021.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Organization has defined its financial instruments that are subject to credit risk as cash and cash equivalents. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 5 – INVESTMENTS

Investments, carried at fair value, are summarized as follows as of June 30:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Money market funds and short-term investments	$ 13,755,879	$ 13,755,879	$ 12,222,491	$ 12,222,491
U.S. treasury securities	-	-	1,500,759	1,505,925
Debt securities - non-U.S. government	-	-	99,914	100,230
	$ 13,755,879	$ 13,755,879	$ 13,823,164	$ 13,828,646

Investments in securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Organization's investments and net asset balance could fluctuate materially.

Net unrealized loss on investments for the years ended June 30, 2022 and 2021, included in fees for services and other income in the statements of revenues and expenses, were $120,911 and $53,060, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following as of June 30:

	2022	2021
Buildings and building equipment	$ 128,134,304	$ 127,863,305
Land improvements	781,717	781,717
Furniture and equipment	9,095,312	8,055,067
Automobiles	323,660	323,660
Artwork	38,559	38,559
Total assets subject to depreciation	138,373,552	137,062,308
Less: accumulated depreciation	(52,331,082)	(48,768,265)
Depreciable assets	86,042,470	88,294,043
Land	13,118,538	13,118,538
Construction in progress	1,679,556	1,749,651
Total property and equipment, net	$ 100,840,564	$ 103,162,232

NOTE 7 – BONDS PAYABLE

Outstanding bonds payable as of June 30, 2022 and 2021, represents tax-exempt, fixed rate revenue term bonds (899 Charleston Project), Series 2014A (“2014 Bonds”) issued on November 20, 2014, by the California Statewide Communities Development Authority (the “Authority”) in the amount of $71,345,000, which will mature on November 1, 2049. The 2014 Bonds are a limited obligation of the California Statewide Communities Development Authority, which were issued pursuant to an Indenture of Trust between the Authority and the Bond Trustee. The proceeds from the 2014 Bonds were loaned to the Organization under a loan agreement between the Authority and the Organization. The Organization used the proceeds from the 2014 Bonds to (1) refund the then existing bonds payable (the 2007 Bonds, described below), (2) to repay all of the term loans outstanding under the Letter of Credit, to repay a portion of the outstanding loan payable to the Foundation, and all of the loan payable to the Campus (see Note 8 for further description of all term loans), and (3) pay the bond issuance cost and set aside required reserve funds. The 2014 Bonds are secured by funds held by the Bond Trustee and a Deed of Trust secured by the land, buildings, revenue from resident payments including entrance fees, and other assets of the Organization.

The 2014 Bonds, which were issued with six term dates maturing on November 1, 2019, 2024, 2029, 2034, 2044, and 2049, have face value interest rates ranging from 5.000% to 5.375%, but were priced with yields ranging from 2.950% to 5.350%. The average interest cost on the 2014 Bonds is approximately 5.250%. The Organization makes semi-annual payments to the Bond Trustee of interest (in May and November) and principal sinking fund payments (in November). The principal sinking fund payments are sufficient to meet the term bond maturities when due. Annual debt service payments vary slightly, with the maximum annual debt service being $4,449,831. Under the Master Indenture, the Organization covenants that it will, among other requirements, maintain a debt service coverage ratio of 1.25 for each fiscal year. Furthermore, the Organization covenants that it will maintain days' cash on hand of 180 days on each June 30 and December 31 while the 2014 Bonds are outstanding. Management believes that the Organization was in compliance with the days cash on hand covenant as of the June 30, 2022 measurement date, but was not in compliance with the debt service coverage ratio requirement.

The Organization requested and received a waiver letter from U.S. Bank related to the debt service coverage ratio noncompliance. The waiver letter states that U.S. Bank, as Bond Trustee and Master Trustee, received a consent and waiver from the majority of the Bondholders to waive the requirement of specific actions by the Organization related to the noncompliance.

As of June 30, the following is reflected in the statements of financial position of the Organization pertaining to the 2014 Bonds:

	2022	2021
Bonds payable, current portion	$ 1,030,000	$ 980,000
Bonds payable, net:		
Long-term portion of bonds payable	$ 64,390,000	$ 65,420,000
Unamortized bond premium	217,240	270,395
Unamortized bond issue cost	(1,450,955)	(1,504,051)
	$ 63,156,285	$ 64,186,344

Bond issuance costs are deferred and amortized using the effective interest method over the term of the bond liability.

The following provides the current and future principal obligations for the 2014 Bonds:

Years Ending June 30,	
2023	$ 1,030,000
2024	1,080,000
2025	1,135,000
2026	1,190,000
2027	1,250,000
Thereafter	59,735,000
	$ 65,420,000

NOTE 8 – LOANS PAYABLE, NET

Loans payable, net consist of the following as of June 30:

	2022	2021
Loans from the Foundation	$ 5,400,000	$ 5,400,000
Less: discount on loans	(724,735)	(852,629)
Total	4,675,265	4,547,371
Less: current portion	(300,000)	(300,000)
Loans payable, net of current portion	$ 4,375,265	$ 4,247,371

During the years ended June 30, 2011 and 2010, the Foundation provided the Organization with loans totaling $7,000,000 to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. With the issuance of the 2014 Bonds (see Note 7), $1,000,000 of these loans were repaid to the Foundation. Under the terms of the 2014 Bonds Master Indenture and a Debt Modification Agreement between the Organization and the Foundation, the remaining $6,000,000 outstanding principal amount of the loan originally due as of June 30, 2016, may be repaid by the Organization in 20 semi-annual installments if the Organization meets certain financial requirements and tests. The Organization met these tests during the 12 months ended December 31, 2019, and thus made the first $300,000 payment on this loan in February 2020. An additional payment in the amount of $300,000 was made in August 2020 based on the Organization meeting the financial requirements for the 12 months ended June 30, 2020. The Organization did not meet these requirements for the 12 months ended December 31, 2020, the 12 months ended June 30, 2021, the 12 months ended December 31, 2021, or for the 12 months ended June 30, 2022. The loan provides for 0% interest and has been discounted to present value in the financial statements using a rate of 3.25%. The Organization amortized $127,894 and $127,895 of this discount for the years ended June 30, 2022 and 2021, respectively, which is reflected as interest expense in the statements of revenues and expenses.

NOTE 9 – FAIR VALUE MEASUREMENTS

The following fair value hierarchy tables present information about the Organization's financial instruments measured at fair value on a recurring basis as of June 30:

Description	Balance as of June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Money market funds and short-term investments	$ 13,755,879	$ 13,755,879	$ -	$ -
Total investments	13,755,879	13,755,879	-	-
Debt service fund (money market funds)	4,421,822	4,421,822	-	-
Beneficial interest in Jewish Home & Senior Living Foundation	8,221,046	-	-	8,221,046
	$ 26,398,747	$ 18,177,701	$ -	$ 8,221,046

Description	Balance as of June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Money market funds and short-term investments	$ 12,222,491	$ 12,222,491	$ -	$ -
Certificate of deposits	1,505,925	1,505,925	-	-
Debt securities - non-U.S. government	100,230	100,230	-	-
Total investments	13,828,646	13,828,646	-	-
Debt service fund (money market funds)	4,428,299	4,428,299	-	-
Beneficial interest in Jewish Home & Senior Living Foundation	9,502,395	-	-	9,502,395
	$ 27,759,340	$ 18,256,945	$ -	$ 9,502,395

The following table summarizes the changes in the Organization's Level 3 financial instruments:

	Beneficial Interest in Jewish Home & Senior Living Foundation
Balance, June 30, 2020	$ 8,089,314
Change in value	1,523,780
Withdrawals	(110,699)
Balance, June 30, 2021	9,502,395
Change in value	(1,144,737)
Withdrawals	(136,612)
Balance, June 30, 2022	$ 8,221,046

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" for fair value measurement reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Organization also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Organization's credit standing, liquidity and, where appropriate, risk margins on unobservable parameters.

The Organization's management, under the supervision of its Board of Trustees, determines the fair value measurement policies and procedures. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. In determining the reasonableness of the methodology, management evaluates a variety of factors including a review of existing agreements, economic conditions, and industry and market developments. Certain unobservable inputs are assessed through review of contract terms (duration and payout data) while others are substantiated utilizing available market data (discount rates and mortality table). The following are the techniques used to determine fair values for the financial instruments listed in the above tables**:**

- Debt service funds consist of cash equivalents, which approximates fair value.

- Beneficial interest in Foundation – The fair value is determined based on the Organization's ownership interest in investments measured at quoted market prices.

Fair values of the Organization's financial instruments as of June 30, 2022 and 2021, which are not measured at fair value on a recurring basis, are as follows:

- Accounts receivable, prepaid expenses and other current assets, notes receivable, other receivables, accounts payable, accrued liabilities, deferred monthly fees, refundable deposits, and refundable entrance fees – The carrying amount approximates fair value due to their short-term nature.

- Loans payable – The carrying value approximates fair value as they are carried at the amounts to be paid discounted to present value.

- Future service benefit obligation – The carrying value approximates fair value as it is carried at the amounts to be paid discounted to present value.

NOTE 10 – ENDOWMENT FUNDS

The Organization follows ASC 958 for reporting endowment funds. The standard provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of California adopted a version of the UPMIFA, known as the State Prudent Management of Institutional Funds Act ("SPMIFA").

SPMIFA moves away from the concept of corpus with its "historical dollar value" in an endowment. Charities are encouraged to develop spending policies that are responsive to short term fluctuations in the value of the fund, preserve the value of the fund for future use, and honor the charitable purpose of the fund. The Organization continues to balance the endurance of its funds and the needs of the community in its granting policies and practices.

The Organization's endowment assets are generally donor-restricted endowment funds established to generate support for residents of the Project or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs. As required by ASC 958, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are approved for appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;

(2) The purposes of the organization and the donor-restricted endowment fund;

(3) General economic conditions;

(4) The possible effect of inflation and deflation;

(5) The expected total return from income and the appreciation of investments;

(6) Other resources of the organization; and

(7) The investment policies of the organization.

Return objectives and risk parameters – The Organization has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to provide support for the various programs of the Organization while seeking to maintain the original gift value of the endowment asset. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to realize a competitive rate of return comparable to index benchmarks.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a diversified asset investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution of income, both current and accrued, from the endowment funds to any resident who needs financial assistance for any aspect of their stay at the facilities of the Organization. The Organization expects to provide annual distributions of 5% of the market value of the endowment assets as determined quarterly and averaged over the preceding 36 months. The investment managers are required to invest funds to ensure that required distributions of income can be met.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency of this nature existed as of June 30, 2022 and 2021.

Endowment net asset composition by type of fund as of June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 8,220,046	$ 8,220,046

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 9,501,395	$ 9,501,395

Endowment net asset composition by type of fund as of June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 9,501,395	$ 9,501,395
Withdrawals - charitable care	-	(136,612)	(136,612)
Investment return - change in beneficial interest	-	(1,144,737)	(1,144,737)
Endowment net assets, end of year	$ -	$ 8,220,046	$ 8,220,046

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 8,088,314	$ 8,088,314
Withdrawals - charitable care	-	(110,699)	(110,699)
Investment return - change in beneficial interest	-	1,523,780	1,523,780
Endowment net assets, end of year	$ -	$ 9,501,395	$ 9,501,395

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 were restricted to the following:

	2022	2021
Earnings on endowment net assets	$ 3,505,696	$ 4,787,045
Moldaw library fund/general funds	260,640	158,340
To be held in perpetuity	4,714,350	4,714,350
	$ 8,480,686	$ 9,659,735

Net assets were released from restrictions during 2022 and 2021 for the following purposes:

	2022	2021
Satisfaction of purpose	$ 136,612	$ 130,141

NOTE 12 – FINANCIALLY INTERRELATED ORGANIZATIONS

Taube-Koret Campus for Jewish Life Owners Association – Certain components of the property, facilities, and operations of the Organization and the Albert L. Schultz Jewish Community Center of Palo Alto ("Jewish Community Center") are common to both organizations. The Taube-Koret Campus for Jewish Life Owners Association ("TKCJL-OA") was formed as a partnership between the parties, and administers those functions, properties, and facilities that are common to both. As required by law, the TKCJL-OA is required to prepare a reserve analysis of future capital replacement needs for the common areas of the campus. This reserve analysis projects the amount of funds that are required to be set aside on a current basis to meet future capital needs. The Organization's statements of financial position reflect a deposit held by TKCJL-OA of $639,929 and $489,021 as of June 30, 2022 and 2021, respectively, which is the Organization's share of such reserve fund deposits.

TKCJL-OA has a separate board of directors over which 899 Charleston does not exercise majority control and, therefore, the operations of TKCJL are not included in the accompanying financial statements.

The Foundation – The Foundation provided the Organization with non-interest bearing loans totaling $7 million to fund the Organization's project deficiencies and operational needs as guarantor under a letter of credit agreement. The Foundation fulfilled its obligation under a support and guarantee agreement. Subsequent payments have been made resulting in a remaining balance of $5,400,000 outstanding for each of the years ended June 30, 2022 and 2021 (see Note 8).

The Organization's employees perform various duties related to fundraising. Beginning in the fiscal year ended June 30, 2019, the Organization received reimbursement from the Foundation for these costs incurred in relation to such tasks based on estimated employees' time and efforts. For the years ended June 30, 2022 and 2021, reimbursement of costs equaled $35,316 and $158,917, respectively, which were recorded as a receivable from the Foundation as of June 30, 2022 and 2021, respectively.

The Foundation holds and invests the endowment funds on behalf of the Organization.

The Foundation has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Foundation are not included in the accompanying financial statements.

The Campus – The Campus has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Campus are not included in the accompanying financial statements.

Jewish Senior Living Group – The Organization had a management agreement with Jewish Senior Living Group ("JSLG") that was formed to provide supporting activities for the benefit of nonprofit organizations and to provide or promote the provision of Jewish living services, facilities, and/or aging services in Northern California.

The Organization and JSLG entered into annual service agreements in 2011, whereby JSLG provided support services related to finance and accounting, information technology, marketing, human resources, and organizational advancement at a set monthly fee plus any additional services, costs, or expenses pre-approved by the Organization. During the year ended June 30, 2021, the Organization paid $326,448 for management and marketing services and $806,100 for other services. During August 2021, the management agreement with JSLG was terminated effective October 2021.

Life Care Services – In August 2021, the Organization entered into a contract with Life Care Services ("LCS") for management of the community effective October 2021. Under the terms of the agreement, LCS supervises the operations of the community. During the year ended June 30, 2022, the Organization paid $404,733 for management and marketing services and $390,513 for other support services.

NOTE 13 – RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution plan for its employees. The plan covers substantially all employees meeting certain eligibility requirements. Total expenses under the plan were $52,702 and $50,039 for the years ended June 30, 2022 and 2021, respectively.

NOTE 14 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended June 30 were as follows:

	For the Year Ended June 30, 2022			
	Program Activities	Management and General	Fundraising	Total
Salaries and wages	$ 4,814,092	$ 660,377	$ 134,248	$ 5,608,717
Employee benefits and payroll taxes	1,095,983	290,135	22,009	1,408,127
Contract services and professional fees	1,942,902	1,963,305	-	3,906,207
Supplies, utilities, and maintenance	1,405,580	35,063	1,781	1,442,424
Interest	3,226,751	-	-	3,226,751
Depreciation	3,525,064	-	37,753	3,562,817
Other	468,488	19,978	9,217	497,683
Total	$ 16,478,860	$ 2,968,858	$ 205,008	$ 19,652,726

	For the Year Ended June 30, 2021			
	Program Activities	Management and General	Fundraising	Total
Salaries and wages	$ 3,815,589	$ 455,752	$ 130,338	$ 4,401,679
Employee benefits and payroll taxes	1,010,735	193,043	21,368	1,225,146
Contract services and professional fees	1,514,467	1,319,938	-	2,834,405
Supplies, utilities, and maintenance	1,916,675	20,084	1,729	1,938,488
Interest	3,611,269	-	-	3,611,269
Depreciation	3,372,035	256,568	36,653	3,665,256
Other	413,787	767,771	8,949	1,190,507
Total	$ 15,654,557	$ 3,013,156	$ 199,037	$ 18,866,750

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation – In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory matters – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements.

NOTE 16 – LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditure within one year:

	2022	2021
Cash and cash equivalents	$ 8,017,129	$ 11,034,065
Investments	13,755,879	13,828,646
Accounts receivable	41,054	49,452
Notes receivable	5,244	4,545
Interest receivable	15,000	10,546
Related party receivables	35,316	158,917
Other receivables	286,504	329,243
Current financial assets	22,156,126	25,415,414
Less those unavailable for general expenditure within one year, due to:		
Water Quality Control Board Escrow Account	39,002	39,002
Financial assets available to meet cash needs for general expenditure within one year	$ 22,117,124	$ 25,376,412

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization reviews its funding level on an ongoing basis to ensure it is adequate to meet its current obligations.

Report of Independent Auditors and
Financial Statements

899 Charleston
dba Moldaw Residences

June 30, 2023 and 2022

MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
899 Charleston dba Moldaw Residences

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 899 Charleston dba Moldaw Residences, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of revenues and expenses, changes in net 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 899 Charleston dba Moldaw Residences as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 899 Charleston dba Moldaw Residences 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 accounting principles generally accepted in the United States of America, 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 899 Charleston dba Moldaw Residences' ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 899 Charleston dba Moldaw Residences' 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 899 Charleston dba Moldaw Residences' 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.

Moss Adams LLP

San Francisco, California
October 23, 2023

Financial Statements

899 Charleston dba Moldaw Residences
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,657,880	$ 8,017,129
Investments	12,210,664	13,755,879
Accounts receivable	49,538	41,054
Notes receivable	839,564	5,244
Interest receivable	-	15,000
Related party receivables	-	35,316
Prepaid expenses and other current assets	312,832	183,278
Other receivables	64,753	286,504
Total current assets	25,135,231	22,339,404
DEBT SERVICE FUND	4,422,036	4,421,822
DEPOSITS HELD BY HOME OWNERS ASSOCIATION	808,385	639,929
PROPERTY AND EQUIPMENT, net	97,310,171	100,840,564
BENEFICIAL INTEREST IN JEWISH HOME & SENIOR LIVING FOUNDATION	8,330,396	8,221,046
Total assets	$ 136,006,219	$ 136,462,765

See accompanying notes.

899 Charleston dba Moldaw Residences
Statements of Financial Position (Continued)
June 30, 2023 and 2022

	2023	2022
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 658,133	$ 587,124
Entrance fee refund payable	4,157,000	4,256,000
Accrued liabilities	850,429	534,146
Deferred monthly fees	7,131	50,435
Refundable deposits	740,765	734,752
Related party payable	-	5,302
Loans payable, current portion	600,000	300,000
Bonds payable, current portion	1,080,000	1,030,000
Total current liabilities	8,093,458	7,497,759
LOANS PAYABLE, net of current portion	4,203,160	4,375,265
BONDS PAYABLE, net of current portion	62,076,227	63,156,285
REFUNDABLE ENTRANCE FEES	109,737,461	105,492,841
DEFERRED REVENUE FROM ENTRANCE FEES	10,578,429	7,301,493
Total liabilities	194,688,735	187,823,643
NET ASSETS (DEFICIT)		
Without donor restrictions	(67,355,012)	(59,841,564)
With donor restrictions	8,672,496	8,480,686
Total net deficit	(58,682,516)	(51,360,878)
Total liabilities and net deficit	$ 136,006,219	$ 136,462,765

See accompanying notes.

899 Charleston dba Moldaw Residences
Statements of Revenues and Expenses
Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Resident fees	$ 13,033,244	$ 11,947,650
Amortization of entrance fees	436,223	2,088,845
Fees for services and other income	262,645	128,025
Investment income (loss)	476,282	(51,822)
Contributions without donor restrictions	-	25,226
Net assets released from restrictions - satisfaction of purpose	541,369	136,612
Changes in future service benefit obligation	-	1,115,724
Total operating revenues	14,749,763	15,390,260
EXPENSES		
Salaries and wages	5,967,977	5,608,717
Employee benefits and payroll taxes	1,337,460	1,408,127
Contract services and professional fees	3,961,271	3,906,207
Supplies, utilities, and maintenance	2,006,984	1,442,424
Interest	3,590,895	3,226,751
Depreciation	4,905,810	3,562,817
Other	492,814	497,683
Total expenses	22,263,211	19,652,726
DEFICIT OF REVENUES OVER EXPENSES	$ (7,513,448)	$ (4,262,466)

See accompanying notes.

899 Charleston dba Moldaw Residences
Statements of Changes in Net Deficit
Years Ended June 30, 2023 and 2022

	2023	2022
NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Deficit of revenues over expenses	$ (7,513,448)	$ (4,262,466)
Changes in net deficit without donor restrictions	(7,513,448)	(4,262,466)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	82,460	102,300
Net assets released from restrictions - satisfaction of purpose	(541,369)	(136,612)
Changes in beneficial interest in Jewish Home & Senior Living Foundation	650,719	(1,144,737)
Changes in net assets with donor restrictions	191,810	(1,179,049)
CHANGES IN NET DEFICIT	(7,321,638)	(5,441,515)
NET DEFICIT, beginning of year	(51,360,878)	(45,919,363)
NET DEFICIT, end of year	$ (58,682,516)	$ (51,360,878)

See accompanying notes.

899 Charleston dba Moldaw Residences
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from resident fees	$ 12,185,196	$ 11,956,048
Cash received from services and other income	262,645	103,788
Nonrefundable entrance fees received	3,974,664	2,191,014
Interest income received	488,568	60,181
Cash received from contributions and grants	-	25,226
Cash paid for interest on long-term debt	(3,391,331)	(3,463,224)
Cash paid to suppliers, employees, and others	(13,275,360)	(13,144,444)
Net cash provided by (used in) operating activities	244,382	(2,271,411)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,560,041)	(1,392,057)
Purchase of investments	(474,568)	(1,600,000)
Proceeds from sale of investments	2,000,100	1,551,856
Changes in refundable deposits	6,013	(73,018)
Investments earnings transfer from Jewish Home & Senior Living Foundation	541,369	136,612
Net cash provided by (used in) investing activities	512,873	(1,376,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bond principal	(1,030,000)	(980,000)
Entrance fees received	16,246,364	12,461,485
Entrance fees refunded	(12,332,654)	(10,856,880)
Net cash provided by financing activities	2,883,710	624,605
NET CHANGES IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	3,640,965	(3,023,413)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	12,438,951	15,462,364
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 16,079,916	$ 12,438,951

See accompanying notes.

899 Charleston dba Moldaw Residences
Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022
RECONCILIATION OF CHANGES IN NET DEFICIT TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Changes in net deficit	$ (7,321,638)	$ (5,441,515)
Adjustments to reconcile changes in net deficit to net cash provided by (used in) operating activities:		
Amortization of entrance fees	(436,223)	(2,088,845)
Amortization of bond issuance costs	53,096	53,096
Amortization of bond premium	(53,154)	(53,155)
Amortization of loan discount	127,895	127,894
Unrealized loss on investments	19,683	120,911
Loss on disposal of property and equipment	16,168	-
Depreciation	4,905,810	3,562,817
Nonrefundable entrance fees received	3,974,664	2,191,014
Changes in beneficial interest in Jewish Home & Senior Living Foundation	(650,719)	1,144,737
Changes in future service benefit obligation	-	(1,115,724)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(8,484)	8,398
Increase in notes receivable	(770,217)	-
(Increase) decrease in prepaid expenses and other current assets	(129,554)	307,225
Decrease in related party and other receivables	272,067	161,886
Increase (decrease) in accounts payable and related party payable	71,009	(1,062,203)
(Decrease) increase in entrance fee refund payable	(99,000)	701,766
Increase (decrease) in accrued liabilities	316,283	(940,148)
(Decrease) increase in deferred monthly fees	(43,304)	50,435
Net cash provided by (used in) operating activities	$ 244,382	$ (2,271,411)

See accompanying notes.

Note 1 – Nature of Activities

899 Charleston dba Moldaw Residences (the "Organization") was established on March 30, 2006, as a nonprofit public benefit corporation in the State of California. The specific and primary purposes of the Organization are: (1) to provide residential facilities that are specifically designated to meet a combination of physical, emotional, recreation, social, and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well-being of the residents; and (3) to adopt policies and procedures designed to address the need of the residents for protection against financial risks associated with the later years of life.

In 2007, 899 Charleston, LLC (the "LLC") was formed in order to facilitate the bond financing transaction for the 899 Charleston project (the "Project"). The Project included the construction of 193 continuing care retirement community units in Palo Alto, California, which became part of the network of living options, services, and care associated with the Hebrew Home for Aged Disabled (the "Campus") dba the San Francisco Campus for Jewish Living. The LLC's rights and obligations under the bond and the Project were assigned to the Organization after it was recognized by the Internal Revenue Service as a tax-exempt organization. In an agreement with the City of Palo Alto, the Project provides a Below-Market Rate ("BMR") Program that includes, among other services, providing 24 housing units at entry fee levels that comply with the income and affordability standards prescribed by the BMR Program for 89 years. The Project also established a $5 million endowment for financial need with the stipulation that the income be restricted for the support of residents of 899 Charleston or accepted applicants who cannot afford a portion of either the entry fee or the monthly fee.

In October 2009, the construction of the facility was completed, and the Organization commenced operations.

Note 2 – Significant Accounting Policies

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of presentation – The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Represent unrestricted resources available to support the Organization's operations. This includes resources that were originally restricted by the donor that became available for use by the Organization, in accordance with the intentions of donors.

Net assets with donor restrictions – Represent contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Organization according to the terms of the contribution. A portion of these contributions is classified as endowments and income from these contributions is primarily available to support the activities of the Organization as directed by the donors (see Note 10). Donor-imposed restrictions are released when a restriction expires; that is, when the stated time has elapsed, when the stated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Significant estimates include deferred revenue from entrance fees, future service benefit obligation and recoverability of long-lived assets. Actual results could differ from those estimates.

Cash, cash equivalents, and restricted cash – Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows as of June 30:

	2023	2022
Cash and cash equivalents	$ 11,657,880	$ 8,017,129
Restricted cash included in debt service fund	4,422,036	4,421,822
Total cash, cash equivalents, and restricted cash	$ 16,079,916	$ 12,438,951

Amounts included in restricted cash represent those contractually required to be set aside for future debt service payments.

Notes receivable – Some prospective residents require additional time to liquidate assets to fully pay the entrance fee that is due when they sign their continuing care contract with the Organization. In these situations, the individuals sign a contract addendum and a notarized promissory note that gives them up to 90 days to pay the balance of their entrance fee. The Organization records a note receivable for these deferred entrance fees. Before contracts are signed, the Organization does extensive financial screening. Based on past collection experiences, the Organization estimates that all the outstanding balances are collectible as of June 30, 2023 and 2022, and no provision of allowance for losses is deemed necessary.

The Organization also records notes receivable when a resident's monthly fee is reduced due to a financial assistance subsidy or use of a health care line of credit. In both these situations, any reduction to the monthly fee is deducted from the refundable portion of the resident's entrance fee when the refund becomes due. In general, no provision of allowance for losses is deemed necessary because the Organization does not need to collect the balance on the note receivable; it simply reduces the payment it issues to the resident or their estate. If the aggregate amount of financial assistance a resident received equals the amount of the refundable portion of their entrance fee, an allowance for losses is recorded for any additional subsidies.

Investments – Investments in debt securities are stated at fair value. Fair value is determined based on quoted market prices. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the statements of revenues and expenses in the period such fluctuations occur. Realized gains or losses on sales of investments are calculated on the average cost basis. Investment sales and purchases are recorded on a trade-date basis and dividends and interest income are recorded when earned on an accrual basis. Investments include money market funds.

Fair value of financial instruments – Management has elected to value financial instruments at fair value on an instrument-by-instrument basis. See Note 8 for fair value hierarchy.

Contributions and promises to give – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Promises to give are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year.

Conditional promises to give are recognized when the conditions on which they depend have been substantially met and the promises become unconditional. There were no conditional promises to give as of June 30, 2023 or 2022.

The Organization uses the allowance method to determine uncollectible pledge receivables. The allowance is based on management's analysis of specific promises made.

Property and equipment – Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and building equipment	10 to 40 years
Land improvements	5 years
Personal property	3 to 10 years

Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Accounting for impairment of long-lived assets – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management determined that no impairment occurred to the long-lived assets as of June 30, 2023 and 2022.

Revenue recognition – Resident fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for the services provided. In accordance with resident agreements, the Organization provides senior living services to residents for a stated monthly fee. The Organization recognizes revenue for senior living services under the resident agreements for independent living in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 842, *Leases* ("ASC 842"). The noncancelable term of these resident agreements is less than 12 months; as such, these are accounted for as short-term lease agreements. The Organization recognizes revenue for senior living services under the resident agreements for assisted living and memory support in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), which is recognized as the services are performed. Resident fee revenue disaggregated by service line for the years ended June 30, is as follows:

	2023	2022
Independent living	$ 10,003,724	$ 9,249,172
Assisted living	1,491,967	1,310,653
Memory support	1,537,553	1,387,825
Total resident fees	$ 13,033,244	$ 11,947,650

Fees for services and other income is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing the related services. Revenue is recognized as the services are performed and includes monthly service fees for independent living, assisted living and memory care as well as clinic revenue and other miscellaneous income.

Beneficial interest in Jewish Home & Senior Living Foundation – The Organization follows ASC 958, *Not-for-Profit Entities* ("ASC 958"), in recording transactions in which a donor makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization, i.e., the Jewish Home & Senior Living Foundation (the "Foundation")). The Foundation accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity (the beneficiary, i.e., the Organization) that is specified by the donor. The recipient organization, the Foundation, recognizes the fair value of those assets as a liability to the specified beneficiary, the Organization, concurrent with recognition of the assets received from the donor. The Organization recognizes an asset, beneficial interest in Foundation, with a corresponding change in beneficial interest in the net assets of the Foundation.

The beneficial interest in the Foundation is placed in certain investments that are exposed to various risks, such as changes in interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is possible that the value of the Foundation's investments and net asset balance could fluctuate by a material amount.

Continuing care contracts – The Organization has entered into continuing care contracts with the residents of its continuing care facilities. Under the provisions of these contracts, residents are required to pay an entrance fee and periodic monthly fees ("resident fees") in exchange for services and the right to occupy and use the facilities. Entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly fees, provide for living accommodations. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. The continuing care contracts create a performance obligation to provide residency care and services, which will be satisfied over the resident's remaining stay at the Organization. The nonrefundable portion of the fees is recorded as deferred revenue from entrance fees and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, in accordance with ASC 606. The period of amortization is adjusted annually using the life expectancy table published in the California Continuing Care Contract Statutes. The change in deferred revenue from entrance fees during the years ended June 30, consists of the following activity:

	2023	2022
Balance, beginning of year	$ 7,301,493	$ 7,199,324
New entrance fees received	3,974,664	2,191,014
Amortization of entrance fees	(436,223)	(2,088,845)
Other	(261,505)	-
Balance, end of year	$ 10,578,429	$ 7,301,493

Refundable entrance fees are primarily noninterest bearing and, depending on the type of contract, can range from 0% to 90% of the total entrance fees. Refundable entrance fees are returned to the resident or the resident's estate depending on the form of the agreement either upon re-occupancy or termination of the care agreement. As of June 30, 2023 and 2022, the Organization is obligated to refund $113,894,461 and $109,748,841 in entrance fees, respectively.

Future service benefit obligation – The Organization annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (future service benefit obligation) with the corresponding charge to expense. The obligation is discounted at 5% for 2023 and 7% for 2022, based on the expected long-term rate of return on government obligations. As of both June 30, 2023 and 2022, the Organization's future service benefit obligation was $0.

Fair value measurements – ASC 820, *Fair Value Measurement*, 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) and the lowest priority to measurements involving significant unobservable inputs (Level 3).

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 Organization has the ability to access at the measurement date;

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

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

The fair values of the financial instruments as of June 30, 2023 and 2022, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

Marketing and advertising expenses – The Organization expenses all marketing and advertising expenses as they are incurred, in accordance with ASC 606. Marketing and advertising expense for the years ended June 30, 2023 and 2022, amounted to $420,536 and $457,279, respectively.

Income taxes – The Organization is exempt from federal and California state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

U.S. GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable tax authority. The Organization has reviewed its tax positions for all open tax years and believes that it has appropriate support for the tax positions taken. Therefore, no liability has been recorded.

Functional allocation of expenses – The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis (see Note 13). Expenses for salaries and wages, employee benefits and payroll taxes (except for worker's compensation), contract services and professional fees, supplies, utilities, and maintenance, and other are charged directly to departments within each functional area. Additionally, certain indirect costs have been allocated among the programs and supporting services benefited. Worker's compensation insurance expense is allocated based on salaries and wages for each functional area. Interest related to the bonds used to fund construction of the facility and interest expense on the vehicles used to transport residents are designated as program expense. All other interest expense is designated as management and general expense. Depreciation expense is allocated based on the number of personnel in each function.

Performance indicator – The performance indicator reported in the statements of revenues and expenses is captioned as "deficit of revenues over expenses." Changes in net deficit without donor restrictions that are excluded from the performance indicator include funds released from restriction to purchase capital assets.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date, and before financial statements are issued.

The Organization has evaluated subsequent events through October 23, 2023, which is the date the financial statements are issued.

Reclassifications – Certain reclassifications were made to the 2022 amounts to conform to the 2023 presentation.

Note 3 – Concentration of Credit Risk

The Organization has defined its financial instruments that are subject to credit risk as cash and cash equivalents. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 4 – Investments

Investments, carried at fair value, are summarized as follows as of June 30:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 10,558,880	$ 10,558,880	$ 12,122,849	$ 12,122,849
Fixed income mutual funds	1,651,784	1,651,784	1,633,030	1,633,030
	$ 12,210,664	$ 12,210,664	$ 13,755,879	$ 13,755,879

Investments in securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Organization's investments and net asset balance could fluctuate materially.

Net unrealized losses on investments for the years ended June 30, 2023 and 2022, included in investment income (loss) in the statements of revenues and expenses, were $19,683 and $120,911, respectively.

Note 5 – Property and Equipment, net

Property and equipment, net consist of the following as of June 30:

	2023	2022
Buildings and building equipment	130,814,785	$ 128,134,304
Land improvements	831,956	781,717
Furniture and equipment	9,417,570	9,095,312
Automobiles	323,660	323,660
Artwork	-	38,559
Total assets subject to depreciation	141,387,971	138,373,552
Less: accumulated depreciation	(57,196,338)	(52,331,082)
Depreciable assets	84,191,633	86,042,470
Land	13,118,538	13,118,538
Construction in progress	-	1,679,556
Total property and equipment, net	$ 97,310,171	$ 100,840,564

Note 6 – Bonds Payable

Outstanding bonds payable as of June 30, 2023 and 2022, represents tax-exempt, fixed rate revenue term bonds (899 Charleston Project), Series 2014A ("2014 Bonds") issued on November 20, 2014, by the California Statewide Communities Development Authority (the "Authority") in the amount of $71,345,000, which will mature on November 1, 2049. The 2014 Bonds are a limited obligation of the California Statewide Communities Development Authority, which were issued pursuant to an Indenture of Trust between the Authority and the Bond Trustee. The proceeds from the 2014 Bonds were loaned to the Organization under a loan agreement between the Authority and the Organization. The Organization used the proceeds from the 2014 Bonds to (1) refund the then existing bonds payable (the 2007 Bonds, described below), (2) to repay all of the term loans outstanding under the Letter of Credit, to repay a portion of the outstanding loan payable to the Foundation, and all of the loan payable to the Campus (see Note 7 for further description of all term loans), and (3) pay the bond issuance cost and set aside required reserve funds. The 2014 Bonds are secured by funds held by the Bond Trustee and a Deed of Trust secured by the land, buildings, revenue from resident payments including entrance fees, and other assets of the Organization.

The 2014 Bonds, which were issued with six term dates maturing on November 1, 2019, 2024, 2029, 2034, 2044, and 2049, have face value interest rates ranging from 5.000% to 5.375%, but were priced with yields ranging from 2.950% to 5.350%. The average interest cost on the 2014 Bonds is approximately 5.250%. The Organization makes semi-annual payments to the Bond Trustee of interest (in May and November) and principal sinking fund payments (in November). The principal sinking fund payments are sufficient to meet the term bond maturities when due. Annual debt service payments vary slightly, with the maximum annual debt service being $4,449,831. Under the Master Indenture, the Organization covenants that it will, among other requirements, maintain a debt service coverage ratio of 1.25 for each fiscal year. Furthermore, the Organization covenants that it will maintain days' cash on hand of 180 days on each June 30 and December 31 while the 2014 Bonds are outstanding. Management believes that the Organization was in compliance with these covenants as of the June 30, 2023, measurement date.

As of June 30, the following is reflected in the statements of financial position of the Organization pertaining to the 2014 Bonds:

	2023	2022
Bonds payable, current portion	$ 1,080,000	$ 1,030,000
Bonds payable, net:		
Long-term portion of bonds payable	$ 63,310,000	$ 64,390,000
Unamortized bond premium	164,086	217,240
Unamortized bond issue cost	(1,397,859)	(1,450,955)
	$ 62,076,227	$ 63,156,285

Bond issuance costs are deferred and amortized using the effective interest method over the term of the bond liability.

The following provides the current and future principal obligations for the 2014 Bonds:

Years Ending June 30,	
2024	$ 1,080,000
2025	1,135,000
2026	1,190,000
2027	1,250,000
2028	1,315,000
Thereafter	58,420,000
	$ 64,390,000

Note 7 – Loans Payable, net

Loans payable, net consist of the following as of June 30:

	2023	2022
Loans from the Foundation	$ 5,400,000	$ 5,400,000
Less: discount on loans	(596,840)	(724,735)
Total	4,803,160	4,675,265
Less: current portion	(600,000)	(300,000)
Loans payable, net of current portion	$ 4,203,160	$ 4,375,265

During the years ended June 30, 2011 and 2010, the Foundation provided the Organization with loans totaling $7,000,000 to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. With the issuance of the 2014 Bonds (see Note 6), $1,000,000 of these loans were repaid to the Foundation. Under the terms of the 2014 Bonds Master Indenture and a Debt Modification Agreement between the Organization and the Foundation, the remaining $6,000,000 outstanding principal amount of the loan originally due as of June 30, 2016, may be repaid by the Organization in 20 semi-annual installments if the Organization meets certain financial requirements and tests. The Organization met these tests during the 12 months ended December 31, 2019, and thus made the first $300,000 payment on this loan in February 2020. An additional payment in the amount of $300,000 was made in August 2020 based on the Organization meeting the financial requirements for the 12 months ended June 30, 2020. The Organization did not meet these requirements again until the 12 months ended June 30, 2023, upon which, a $300,000 payment is due in August 2023. The loan provides for 0% interest and has been discounted to present value in the financial statements using a rate of 3.25%. The Organization amortized $127,895 and $127,894 of this discount for the years ended June 30, 2023 and 2022, respectively, which is reflected as interest expense in the statements of revenues and expenses.

Note 8 – Fair Value Measurements

The following fair value hierarchy tables present information about the Organization's financial instruments measured at fair value on a recurring basis as of June 30:

Description	Balance as of June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Money market funds	$ 10,558,880	$ 10,558,880	$ -	$ -
Fixed income mutual funds	1,651,784	1,651,784	-	-
Total investments	12,210,664	12,210,664	-	-
Debt service fund (money market funds)	4,422,036	4,422,036	-	-
Beneficial interest in Jewish Home & Senior Living Foundation	8,330,396	-	-	8,330,396
	$ 24,963,096	$ 16,632,700	$ -	$ 8,330,396

Description	Balance as of June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Money market funds	$ 12,122,849	$ 12,122,849	$ -	$ -
Fixed income mutual funds	1,633,030	1,633,030	-	-
Total investments	13,755,879	13,755,879	-	-
Debt service fund (money market funds)	4,421,822	4,421,822	-	-
Beneficial interest in Jewish Home & Senior Living Foundation	8,221,046	-	-	8,221,046
	$ 26,398,747	$ 18,177,701	$ -	$ 8,221,046

The following table summarizes the changes in the Organization's Level 3 financial instruments:

	Beneficial Jewish Home & Senior Living Foundation
Balance, June 30, 2021	$ 9,502,395
Change in value	(1,144,737)
Withdrawals	(136,612)
Balance, June 30, 2022	8,221,046
Change in value	650,719
Withdrawals	(541,369)
Balance, June 30, 2023	$ 8,330,396

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" for fair value measurement reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Organization also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Organization's credit standing, liquidity and, where appropriate, risk margins on unobservable parameters.

The Organization's management, under the supervision of its Board of Trustees, determines the fair value measurement policies and procedures. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. In determining the reasonableness of the methodology, management evaluates a variety of factors including a review of existing agreements, economic conditions, and industry and market developments. Certain unobservable inputs are assessed through review of contract terms (duration and payout data) while others are substantiated utilizing available market data (discount rates and mortality table). The following are the techniques used to determine fair values for the financial instruments listed in the above tables:

- Debt service funds consist of cash equivalents, which approximates fair value.
- Beneficial interest in Foundation – The fair value is determined based on the Organization's ownership interest in investments measured at quoted market prices.

Fair values of the Organization's financial instruments as of June 30, 2023 and 2022, which are not measured at fair value on a recurring basis, are as follows:

- Accounts receivable, prepaid expenses and other current assets, notes receivable, other receivables, accounts payable, accrued liabilities, deferred monthly fees, refundable deposits, and refundable entrance fees – The carrying amount approximates fair value due to their short-term nature.

- Loans payable – The carrying value approximates fair value as they are carried at the amounts to be paid discounted to present value.

- Future service benefit obligation – The carrying value approximates fair value as it is carried at the amounts to be paid discounted to present value.

Note 9 – Endowment Funds

The Organization follows ASC 958 for reporting endowment funds. The standard provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of California adopted a version of the UPMIFA, known as the State Prudent Management of Institutional Funds Act ("SPMIFA").

SPMIFA moves away from the concept of corpus with its "historical dollar value" in an endowment. Charities are encouraged to develop spending policies that are responsive to short-term fluctuations in the value of the fund, preserve the value of the fund for future use, and honor the charitable purpose of the fund. The Organization continues to balance the endurance of its funds and the needs of the community in its granting policies and practices.

The Organization's endowment assets are generally donor-restricted endowment funds established to generate support for residents of the Project or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs. As required by ASC 958, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are approved for appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;

(2) The purposes of the organization and the donor-restricted endowment fund;

(3) General economic conditions;

(4) The possible effect of inflation and deflation;

(5) The expected total return from income and the appreciation of investments;

(6) Other resources of the organization; and

(7) The investment policies of the organization.

Return objectives and risk parameters – The Organization has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to provide support for the various programs of the Organization while seeking to maintain the original gift value of the endowment asset. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to realize a competitive rate of return comparable to index benchmarks.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a diversified asset investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution of income, both current and accrued, from the endowment funds to any resident who needs financial assistance for any aspect of their stay at the facilities of the Organization. The Organization expects to provide annual distributions of 5% of the market value of the endowment assets as determined quarterly and averaged over the preceding 36 months. The investment managers are required to invest funds to ensure that required distributions of income can be met.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency of this nature existed as of June 30, 2023 and 2022.

Endowment net asset composition by type of fund as of June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 8,330,396	$ 8,330,396

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 8,221,046	$ 8,221,046

Endowment net asset composition by type of fund as of June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 8,221,046	$ 8,221,046
Withdrawals - charitable care	-	(541,369)	(541,369)
Investment return - change in beneficial interest	-	650,719	650,719
Endowment net assets, end of year	$ -	$ 8,330,396	$ 8,330,396

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 9,502,395	$ 9,502,395
Withdrawals - charitable care	-	(136,612)	(136,612)
Investment return - change in beneficial interest	-	(1,144,737)	(1,144,737)
Endowment net assets, end of year	$ -	$ 8,221,046	$ 8,221,046

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 were restricted to the following:

	2023	2022
Earnings on endowment net assets	$ 3,616,046	$ 3,506,696
Moldaw library fund/general funds	342,100	259,640
To be held in perpetuity	4,714,350	4,714,350
	$ 8,672,496	$ 8,480,686

Net assets were released from restrictions during 2023 and 2022 for the following purposes:

	2023	2022
Satisfaction of purpose	$ 541,369	$ 136,612

Note 11 – Financially Interrelated Organizations

Taube-Koret Campus for Jewish Life Owners Association – Certain components of the property, facilities, and operations of the Organization and the Albert L. Schultz Jewish Community Center of Palo Alto ("Jewish Community Center") are common to both organizations. The Taube-Koret Campus for Jewish Life Owners Association ("TKCJL-OA") was formed as a partnership between the parties, and administers those functions, properties, and facilities that are common to both. As required by law, the TKCJL-OA is required to prepare a reserve analysis of future capital replacement needs for the common areas of the campus. This reserve analysis projects the amount of funds that are required to be set aside on a current basis to meet future capital needs. The Organization's statements of financial position reflect a deposit held by TKCJL-OA of $808,385 and $639,929 as of June 30, 2023 and 2022, respectively, which is the Organization's share of such reserve fund deposits.

TKCJL-OA has a separate board of directors over which 899 Charleston does not exercise majority control and, therefore, the operations of TKCJL are not included in the accompanying financial statements.

The Foundation – The Foundation provided the Organization with noninterest-bearing loans totaling $7 million to fund the Organization's project deficiencies and operational needs as guarantor under a letter of credit agreement. The Foundation fulfilled its obligation under a support and guarantee agreement. Subsequent payments have been made resulting in a remaining balance of $5,400,000 outstanding for each of the years ended June 30, 2023 and 2022 (see Note 7).

The Organization's employees perform various duties related to fundraising. Beginning in the fiscal year ended June 30, 2019, the Organization received reimbursement from the Foundation for these costs incurred in relation to such tasks based on estimated employees' time and efforts. For the years ended June 30, 2023 and 2022, reimbursement of costs equaled $0 and $35,316, respectively, which were recorded as a receivable from the Foundation as of June 30, 2023 and 2022, respectively.

The Foundation holds and invests the endowment funds on behalf of the Organization.

The Foundation has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Foundation are not included in the accompanying financial statements.

The Campus – The Campus has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Campus are not included in the accompanying financial statements.

Jewish Senior Living Group – The Organization had a management agreement with Jewish Senior Living Group ("JSLG") that was formed to provide supporting activities for the benefit of nonprofit organizations and to provide or promote the provision of Jewish living services, facilities, and/or aging services in Northern California.

The Organization and JSLG entered into annual service agreements in 2011, whereby JSLG provided support services related to finance and accounting, information technology, marketing, human resources, and organizational advancement at a set monthly fee plus any additional services, costs, or expenses pre-approved by the Organization. During the year ended June 30, 2022, the Organization paid $390,513 for other services. During August 2021, the management agreement with JSLG was terminated effective October 2021.

Note 12 – Management Agreement

In August 2021, the Organization entered into a contract with Life Care Services ("LCS") for management of the community effective October 2021. Under the terms of the agreement, LCS supervises the operations of the community. During the years ended June 30, 2023 and 2022, the Organization paid $588,731 and $404,733, respectively, for management and marketing services.

Note 13 – Retirement Plan

The Organization sponsors a 403(b) defined contribution plan for its employees. The plan covers substantially all employees meeting certain eligibility requirements. Total expenses under the plan were $75,647 and $52,702 for the years ended June 30, 2023 and 2022, respectively.

Note 14 – Functional Classification of Expenses

Expenses by function for the years ended June 30 were as follows:

	For the Year Ended June 30, 2023			
	Program Activities	Management and General	Fundraising	Total
Salaries and wages	$ 5,183,146	$ 784,831	$ -	$ 5,967,977
Employee benefits and payroll taxes	1,049,131	288,329	-	1,337,460
Contract services and professional fees	2,216,841	1,744,430	-	3,961,271
Supplies, utilities, and maintenance	1,956,963	50,021	-	2,006,984
Interest	3,590,895	-	-	3,590,895
Depreciation	4,905,810	-	-	4,905,810
Other	201,416	291,398	-	492,814
Total	$ 19,104,202	$ 3,159,009	$ -	$ 22,263,211

	For the Year Ended June 30, 2022			
	Program Activities	Management and General	Fundraising	Total
Salaries and wages	$ 4,814,092	$ 660,377	$ 134,248	$ 5,608,717
Employee benefits and payroll taxes	1,095,983	290,135	22,009	1,408,127
Contract services and professional fees	1,942,902	1,963,305	-	3,906,207
Supplies, utilities, and maintenance	1,405,580	35,063	1,781	1,442,424
Interest	3,226,751	-	-	3,226,751
Depreciation	3,525,064	-	37,753	3,562,817
Other	468,488	19,978	9,217	497,683
Total	$ 16,478,860	$ 2,968,858	$ 205,008	$ 19,652,726

Note 15 – Commitments and Contingencies

Litigation – In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory matters – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements.

Note 16 – Liquidity and Availability

The following table reflects the Organization’s financial assets as of June 30, reduced by amounts not available for general expenditure within one year:

	2023	2022
Cash and cash equivalents	$ 11,657,880	$ 8,017,129
Investments	12,210,664	13,755,879
Accounts receivable	49,538	41,054
Notes receivable	839,564	5,244
Interest receivable	-	15,000
Related party receivables	-	35,316
Other receivables	64,753	286,504
Current financial assets	24,822,399	22,156,126
Less those unavailable for general expenditure within one year, due to:		
Water Quality Control Board Escrow Account	39,004	39,002
Financial assets available to meet cash needs for general expenditure within one year	$ 24,783,395	$ 22,117,124

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization reviews its funding level on an ongoing basis to ensure it is adequate to meet its current obligations.

Exhibit V

Interim Financial Statements

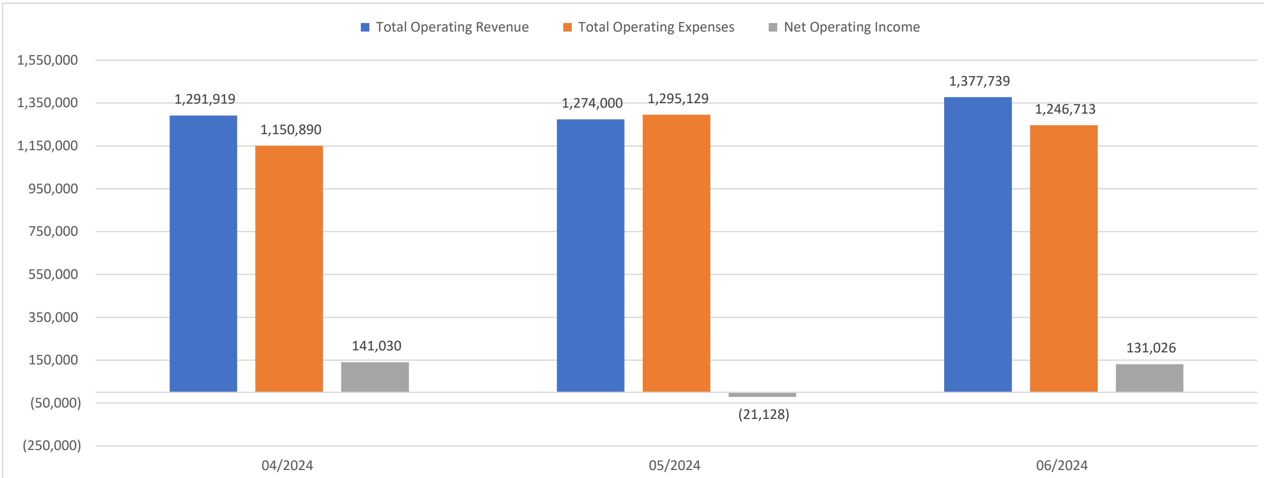
YTD June 30, 2024

Moldaw Residences

Summary of Financial Results

Jun-24

	04/2024 Actual	05/2024 Actual	06/2024 Actual	06/2024 Budget	Variance	06/2024 YTD	06/2024 YTD Budget	YTDVariance
Total Operating Revenue	1,291,919	1,274,000	1,377,739	1,281,782	95,957	15,228,112	14,926,119	301,993
Total Operating Expenses	1,150,890	1,295,129	1,246,713	1,229,643	(17,070)	14,354,246	14,746,829	392,583
Net Operating Income	**141,030**	**(21,128)**	**131,026**	**52,139**	**78,887**	**873,867**	**179,290**	**694,576**



Operating Revenue

- Total Operating Revenues for the month were $1.378M, $96k ahead of budget. YTD Revenue is $302k ahead of budget.
- Avg occupancy in June was 87.3%.

Operating Expenses

- Total expenses were $1.25M, under budget by ~$17k.
- Total Wages and benefits were ~$62k over budget in the month.
- Non-wage related expenses were under budget by ~$45k. The main drivers of the non-wage favorable variance were:
  Plant non-utility and utility costs as well as a positive variance in insurance costs, which were partially offset by higher food costs.

Net Operating Income

- Net Operating Income was a surplus of $131k in June, $79k ahead of budget.
- NOI YTD is $874k, ~$695k ahead of budget

	04/2024 Actual	05/2024 Actual	06/2024 Actual	06/2024 Budget	Variance -	06/2024 YTD	06/2024 YTD Budget	YTDVariance -
Net Operating Income	**141,030**	**(21,128)**	**131,026**	**52,139**	**78,887**	**873,867**	**179,290**	**694,576**
Total Other Income	225,863	257,658	179,991	124,171	55,820	2,760,039	1,490,056	1,269,983
Total Other Expense	684,657	612,528	965,392	722,803	(242,589)	7,908,464	8,691,630	783,167
Net Income (Loss)	**(317,765)**	**(375,999)**	**(654,375)**	**(546,492)**	**(107,883)**	**(4,274,558)**	**(7,022,284)**	**2,747,726**

Other Income

- Other Income was $180k compared to a budget of $124k, $56k better than budget.
- Total non-refundable entrance fee income (Amortization & Entry Fee Income) was $42k, ~$41k behind budget
- Interest Income resulted in a positive variance to budget of $103k for the month

Other Expense

- Other expenses were $965k.
- Major items include depreciation of $326k, interest expense on debt of $276k and interest expense on resident entrance fees of $354k

Net Income

- Net Income loss of ($654k), $108k behind the budgeted loss of ($546k).
- Net Income loss YTD is ($4.275M), ~$2.7M ahead of budget.

Exhibit A

Average Occupancy

	Apr-24	May-24	Jun-24	Budget	Variance	YTD	Budget	Variance
Independent Living	145.3	144.5	148.8	143.9	4.9	142.8	141.3	1.5
	86.5%	86.0%	88.6%	84.6%	3.9%	84.0%	83.1%	0.9%
IL - 2nd Person	42.0	40.5	40.2	38.5	1.7	40.2	37.8	2.4
Assisted Living	10.7	11.0	11.7	11.5	0.2	11.3	11.5	(0.2)
	88.9%	91.9%	97.5%	95.8%	1.7%	93.9%	95.8%	-1.9%
AL - 2nd Person	1.0	1.0	1.0	-	1.0	1.0	-	1.0
Memory Care	9.9	8.4	8.0	10.0	(2.0)	9.1	10.0	(0.9)
	90.0%	76.3%	72.7%	90.9%	-18.2%	82.4%	90.9%	-8.5%
Total Units	**165.9**	**163.9**	**168.5**	**165.4**	**3.1**	**163.2**	**162.8**	**0.3**
	86.0%	**84.9%**	**87.3%**	**85.7%**	**1.6%**	**84.5%**	**84.4%**	**0.2%**
Total Residents	**208.9**	**205.4**	**209.7**	**203.9**	**5.8**	**204.4**	**200.7**	**3.7**

Ending Occupancy

	Apr-24	May-24	Jun-24	Budget	Variance
Independent Living	145	146	151	145.0	6.0
(Primary Residents)	85.3%	85.9%	88.8%	85.3%	
Assisted Living	11	12	11	11.5	(0.5)
(Primary Residents)	91.7%	100.0%	91.7%	95.8%	
Memory Care	9	8	8	10.0	(2)
	81.8%	72.7%	72.7%	90.9%	
Total	**165**	**166**	**170**	**166.5**	**3.5**
	85.5%	**86.0%**	**88.1%**	**86.3%**	

FTE's

	Apr-24	May-24	Jun-24	Budget	Variance	YTD	Budget	Variance
G&A	6.9	7.0	7.0	9.0	2.0	7.1	9.0	1.9
Plant	3.1	3.0	3.2	3.0	(0.2)	3.1	3.0	(0.1)
EVS	6.7	6.0	6.2	6.5	0.3	6.2	6.5	0.3
Food	26.6	27.0	28.1	25.7	(2.4)	25.5	25.7	0.2
Resident Serv.	11.2	10.1	10.3	10.8	0.5	11.7	10.8	(0.9)
AL + MC	27.4	29.2	30.5	31.7	1.2	26.4	31.7	5.3
Total	**81.9**	**82.3**	**85.3**	**86.7**	1.4	**79.9**	**86.7**	6.8

Entrance Fees

	Apr-24	May-24	Jun-24	Budget	Variance	YTD	Budget	Variance
Units Closed	-	3	4	2	2	23	24	(1)
Total Entr. Fees	-	3,080,956	4,399,740	2,297,086	2,102,653	25,453,186	27,510,653	(2,057,467)
Repayments	2	-	11	2	9	23	30	(7)
Total Repayments	(764,738)	(67,716)	(7,152,884)	(1,217,461)	(5,935,423)	(15,121,647)	(18,617,642)	3,495,994
Net Entr. Fees	(764,738)	3,013,240	**(2,753,144)**	**1,079,625**	**(3,832,770)**	**10,331,539**	**8,893,012**	**1,438,527**

DSCR & DCOH

	Apr-24	May-24	Jun-24	Budget	Variance	Bond Requirement
T12 Adjusted Net Income	1,757,144	1,922,205	1,625,611	379,774	1,245,837	
T12 Net Entrance Fees	14,800,876	16,767,683	10,331,539	8,893,012	1,438,527	
Income Available for Debt Service	16,558,020	18,689,887	11,957,150	9,272,785	2,684,365	
÷ Maximum Annual Debt Service	4,449,519	4,449,519	4,449,519	4,449,519	-	
Debt Service Coverage Ratio	3.72	4.20	2.69	2.08	0.60	1.25
Days Operating Cash on Hand*	581	601	572			180

**Balance Sheet lines 1 & 2*

Moldaw Residences (2187)

3 Month Income Statement (Summary)

Jun 2024

		04/2024 Actual	05/2024 Actual	06/2024 Actual	06/2024 Budget	Variance	06/2024 YTD	06/2024 YTD Budget	YTDVariance
	Operating Revenue								
1	Independent Living	1,021,399	1,013,993	992,889	993,544	(656)	11,569,296	11,512,699	56,597
2	Assisted Living	122,098	137,224	139,398	130,933	8,465	1,566,435	1,554,482	11,953
3	Memory Care	146,880	121,230	115,676	155,661	(39,985)	1,596,284	1,839,210	(242,926)
4	Other Operating	1,544	1,553	129,776	1,644	128,132	496,097	19,728	476,369
5	**Total Operating Revenue**	**1,291,919**	**1,274,000**	**1,377,739**	**1,281,782**	**95,957**	**15,228,112**	**14,926,119**	**301,993**
	Operating Expenses								
6	General & Administrative Wages & Benefits	125,268	141,957	125,592	141,977	16,385	1,520,746	1,732,735	211,989
7	General & Administrative Expense	58,725	51,979	61,657	61,903	246	763,843	767,669	3,826
8	**Total General & Administrative Expense**	**183,993**	**193,936**	**187,249**	**203,880**	**16,631**	**2,284,589**	**2,500,404**	**215,815**
9	**Marketing**	**27,310**	**34,937**	**16,896**	**25,915**	**9,019**	**382,233**	**311,574**	**(70,659)**
10	Plant Wages & Benefits	88,238	76,126	75,705	78,534	2,829	933,178	947,025	13,847
11	Plant Non-Utility Expense	1,884	54,133	38,988	68,920	29,931	555,276	709,487	154,211
12	Plant Utility Expense	61,770	64,381	68,963	102,900	33,937	875,204	1,108,987	233,782
13	**Total Plant Expense**	**151,892**	**194,640**	**183,656**	**250,354**	**66,697**	**2,363,658**	**2,765,499**	**401,840**
14	Housekeeping Wages & Benefits	42,428	34,209	35,937	37,796	1,859	443,946	459,642	15,696
15	Housekeeping Expense	1,437	7,344	13,891	7,531	(6,360)	112,887	106,272	(6,615)
16	**Total Housekeeping Expense**	**43,865**	**41,553**	**49,828**	**45,327**	**(4,501)**	**556,833**	**565,914**	**9,081**
17	Food & Beverage Wages & Benefits	144,308	202,798	165,247	147,973	(17,274)	1,892,797	1,808,566	(84,231)
18	Food & Beverage Expense	106,842	121,308	104,351	95,209	(9,142)	1,196,440	1,137,817	(58,623)
19	**Total Food & Beverage Expense**	**251,150**	**324,106**	**269,598**	**243,182**	**(26,416)**	**3,089,237**	**2,946,383**	**(142,854)**
20	Resident Services Wages & Benefits	110,426	87,103	107,907	85,730	(22,177)	1,144,149	1,042,254	(101,895)
21	Resident Services Expense	35,148	29,561	30,390	30,072	(318)	385,681	374,700	(10,981)
22	**Total Resident Services Expense**	**145,574**	**116,664**	**138,297**	**115,802**	**(22,495)**	**1,529,830**	**1,416,954**	**(112,876)**
23	Assisted Living/Memory Care Wages & Benefits	212,758	251,229	249,511	205,614	(43,897)	2,558,306	2,511,836	(46,470)
24	Assisted Living/Memory Care Expense	6,791	4,548	7,467	5,610	(1,858)	71,950	69,604	(2,346)
25	**Total Assisted Living/Memory Care Expense**	**219,549**	**255,777**	**256,978**	**211,224**	**(45,755)**	**2,630,256**	**2,581,440**	**(48,816)**
26	**Management Fees**	**56,322**	**55,443**	**60,180**	**57,680**	**(2,500)**	**665,916**	**671,675**	**5,759**
27	**Professional Fees**	**19,086**	**25,526**	**31,884**	**17,266**	**(14,618)**	**225,521**	**277,273**	**51,753**
28	**Insurance & Taxes**	**52,148**	**52,148**	**52,148**	**59,016**	**6,869**	**625,772**	**709,713**	**83,941**
29	**Extraordinary Expenses**	**-**	**400**	**-**	**-**	**-**	**400**	**-**	**(400)**
30	**Total Operating Expenses**	**1,150,890**	**1,295,129**	**1,246,713**	**1,229,643**	**(17,070)**	**14,354,246**	**14,746,829**	**392,583**
31	**Net Operating Income**	**141,030**	**(21,128)**	**131,026**	**52,139**	**78,887**	**873,867**	**179,290**	**694,576**

Moldaw Residences (2187)

3 Month Income Statement (Summary)

Jun 2024

		04/2024 Actual	05/2024 Actual	06/2024 Actual	06/2024 Budget	Variance	06/2024 YTD	06/2024 YTD Budget	YTDVariance
32	**Total Other Income**	**225,863**	**257,658**	**179,991**	**124,171**	**55,820**	**2,760,039**	**1,490,056**	**1,269,983**
33	Amortization Income	109,460	112,227	117,067	82,455	34,612	1,264,882	989,460	275,422
34	Entry Fee Income	9,855	-	(75,240)	-	(75,240)	122,330	-	122,330
35	Development Income	-	-	-	-	-	-	-	-
36	Gifts & Contributions	100	18	-	8,333	(8,333)	1,372	100,000	(98,628)
37	Interest Income	123,599	130,120	136,819	33,383	103,436	1,305,111	400,596	904,515
38	Unrealized Gain/Loss on investments	(17,151)	15,292	1,345	-	1,345	66,343	-	66,343
39	**Total Other Expense**	**684,657**	**612,528**	**965,392**	**722,803**	**(242,589)**	**7,908,464**	**8,691,630**	**783,167**
40	Amortization Expense	10,653	10,653	10,653	10,653	0	127,836	127,836	-
41	Depreciation Expense	325,814	325,910	325,235	411,625	86,390	3,896,322	4,939,500	1,043,178
42	Interest Expense - Resident Deposits	72,225	-	353,539	24,559	(328,979)	555,211	294,713	(260,498)
43	Interest Expense - Non Operating	275,965	275,965	275,965	275,965	-	3,329,581	3,329,581	-
44	Miscellaneous Expense	-	-	-	-	-	(486)	-	486
45	**Net Income (Loss)**	**(317,765)**	**(375,999)**	**(654,375)**	**(546,492)**	**(107,883)**	**(4,274,558)**	**(7,022,284)**	**2,747,726**

Moldaw Residences (2187)

Balance Sheet

Jun 2024

		Current Month	Prior Month	Difference	Prior Yr End	Difference
		06/2024	05/2024		06/2023	
	ASSETS					
1	TOTAL CASH AND CASH EQUIVALENTS	7,985,044	9,555,770	(1,570,726)	11,657,880	(3,672,836)
2	TOTAL INVESTMENTS	19,719,371	19,631,647	87,724	12,210,664	7,508,707
3	TOTAL ASSETS WHOSE USE IS RESTRICTED - CURRENT	976,841	962,803	14,038	808,385	168,456
4	TOTAL ACCOUNTS RECEIVABLE	229,744	334,337	(104,593)	(98,318)	328,061
5	TOTAL A/R - ADMISSION PAYMENTS	1,095,017	1,247,078	(152,061)	-	1,095,017
6	TOTAL INTERCOMPANY RECEIVABLE	-	-	-	-	-
7	TOTAL INVENTORY	22,491	22,491	-	22,491	-
8	TOTAL PREPAID	194,907	214,426	(19,519)	290,341	(95,434)
9	TOTAL ASSETS WHOSE USE IS RESTRICTED - LONG TERM	12,984,013	13,147,604	(163,590)	12,752,432	231,582
10	TOTAL PROJECTS UNDER DEVELOPMENT	-	-	-	-	-
11	TOTAL REMODEL PROJECTS	133,413	134,117	(704)	-	133,413
12	TOTAL LAND	13,118,538	13,118,538	-	13,118,538	-
13	TOTAL FIXED ASSETS ALL	81,489,367	81,787,418	(298,052)	84,191,631	(2,702,264)
14	TOTAL LONG TERM RECEIVABLES	1,078,487	1,031,901	46,586	987,073	91,414
15	TOTAL ORGANIZATION COSTS	1,344,763	1,349,187	(4,425)	1,397,859	(53,096)
16	Deposit Clearing	(28,865)	(28,865)	-	(28,865)	-
17	**TOTAL ASSETS**	**140,343,131**	**142,508,453**	**(2,165,322)**	**137,310,112**	**3,033,019**
	LIABILITIES					
	CURRENT LIABILITIES					
18	TOTAL ACCOUNTS PAYABLE - TRADE	367,864	281,351	86,513	646,495	(278,631)
19	TOTAL ACCOUNTS PAYABLE - OTHER	2,232	1,980	252	11,638	(9,406)
20	TOTAL INTER-COMPANY PAYABLES	-	-	-	-	-
21	TOTAL ACCRUED PAYROLL	124,526	93,365	31,161	83,399	41,128
22	TOTAL ACCRUED VACATION/SICK BENEFITS	193,334	189,086	4,249	205,474	(12,140)
23	TOTAL EMPLOYER ACCRUED PR LIABILITIES	25,115	-	25,115	-	25,115
24	TOTAL ACCRUED EXPENSES	733	450	283	626	107
25	TOTAL ACTIVITY FUNDS	7,507	6,791	716	-	7,507
26	TOTAL REFUNDABLE DEPOSITS	422,074	712,056	(289,982)	711,900	(289,826)
27	Refundable Entrance Fees, Current Portion	4,957,394	10,572,950	(5,615,556)	11,978,055	(7,020,661)
28	**TOTAL CURRENT LIABILITIES**	**6,100,780**	**11,858,030**	**(5,757,250)**	**13,637,586**	**(7,536,806)**
	LONG TERM LIABILITIES					
29	Bonds Payable LT #1	63,310,000	63,310,000	-	64,390,000	(1,080,000)
30	Bond Discount/Premium	(358,015)	(364,243)	6,228	(432,755)	74,740
31	Term Loan Payable - LT	4,800,000	4,800,000	-	5,400,000	(600,000)
32	Long Term Interest Payable - Bonds	551,930	275,965	275,965	560,930	(9,000)
33	Deferred Revenue	179,497	40,796	138,701	7,131	172,366
34	Refundable Fees - Assisted Living	3,536,900	3,536,900	-	4,157,000	(620,100)
35	Attrition - Operating	136,710,142	132,631,203	4,078,939	119,665,823	17,044,319
36	Attrition - Operating - Accum Amort	(11,731,014)	(11,659,464)	(71,550)	(11,393,089)	(337,925)
37	**TOTAL LONG TERM LIABILITIES**	**196,999,441**	**192,571,156**	**4,428,284**	**182,355,041**	**14,644,400**
38	**TOTAL LIABILITIES**	**203,100,221**	**204,429,186**	**(1,328,966)**	**195,992,627**	**7,107,594**
	NET ASSETS					
39	Net Assets with Donor Restrictions	8,746,228	8,928,210	(181,982)	8,672,496	73,733
40	Net Assets without Donor Restrictions	(71,503,318)	(70,848,943)	(654,375)	(67,355,011)	(4,148,307)
41	**TOTAL NET ASSETS**	**(62,757,090)**	**(61,920,733)**	**(836,357)**	**(58,682,515)**	**(4,074,575)**
42	**TOTAL LIABILITIES & NET ASSETS**	**140,343,131**	**142,508,453**	**(2,165,322)**	**137,310,112**	**3,033,019**
43	**TOTAL OF ALL**	**-**	**-**	**-**	**-**	**-**

Moldaw Residences (2187)

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED JUNE 30, 2024

		Current Month	Year to Date
1	**CASH, BEGINNING OF PERIOD**	**9,555,770**	**11,657,880**
	CASH FLOWS FROM OPERATING ACTIVITIES:		
2	Net Income (Loss)	(654,375)	(4,274,558)
			-
3	Depreciation and Amortization	335,888	4,024,158
4	Amortization of Non-Refundable Entrance Fee	(41,827)	(1,387,213)
5	Nonrefundable portion of entrance fees received	659,961	4,165,684
6	(Increase) decrease in investments	(87,724)	(7,508,707)
7	Change in donor restricted funds	(181,982)	199,983
			-
	Net Changes In:		-
8	Decrease (increase) in Account Receivable	994,285	(321,982)
9	Decrease (increase) in Other Assets	(51,281)	(1,516,444)
10	Increase (decrease) in Unearned Revenue	138,701	172,366
11	(Increase) decrease in Prepaid Assets	19,519	95,434
12	Increase (decrease) in Accounts Payable	86,765	(288,037)
13	Increase (decrease) in Accrued Expenses	98,086	89,650
14	**Net Cash Provided By Operating Activities**	**1,316,015**	**(6,549,664)**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
15	Net Purchase (Sale) of Investments	-	-
16	Accrued Investment Interest	-	-
17	Loss (gain) on sale of fixed asset	-	-
18	Loss (gain) on sale of investments	-	-
19	Projects Under Development	704	(133,413)
20	Purchases of Property and Equipment	(27,183)	(1,194,058)
21	Assets whose use is limited or restricted	(14,038)	(168,456)
22	Assets restricted under bond indenture	163,590	(231,582)
23	**Net Cash Provided (Used) In Investing Activities**	**123,073**	**(1,727,509)**
	CASH FLOWS FROM FINANCING ACTIVITIES:		
24	Long Term Bond Interest Payable	275,965	(9,000)
25	Principal Payment on Notes Payable	-	(1,680,000)
26	Refundable Proceeds of Entrance Fees and Deposits from residents	3,449,797	20,997,676
27	Repayment of Entrance Fees and Deposits to residents	(6,735,577)	(14,704,340)
28	**Net Cash Provided (Used) In Financing Activities**	**(3,009,814)**	**4,604,337**
29	**NET INCREASE (DECREASE) IN CASH**	(1,570,726)	(3,672,836)
30	**CASH, END OF PERIOD**	**7,985,044**	**7,985,044**

Moldaw Residences (2187)

Operating Expense Detail

1		-
2	TOTAL WAGES & BENEFITS	
3		-
4		-
5	DEPARTMENTAL EXPENSES	
6	GENERAL AND ADMINISTRATIVE EXPENSE	
7	Miscellaneous Employee Benefits	
8	Recruiting	
9	Uniforms	
10	Employment Screenings	
11	Training and Meetings	
12	Employee Amenities - Meals	
13	Travel	
14	Travel Meals	
15	Professional Dues & Fees	
16	Bank Fees	
17	Late Fees	
18	Consultants	
20	Subscriptions - Publications	
21	Licenses & Fees	
22	Postage	
23	IT Outside Tech Support	
24	IT Support Agreements	
25	Board/Owner Expenses	
26	Rental & Leasing - Other	
27	M&R Equipment Other	
28	Telephone	
29	Telephone - Cellular Phone	
30	Supplies - Expendable/Durable Goods	
31	Expense Allocation	
32	TOTAL GENERAL AND ADMINISTRATIVE EXPENSE	
33		-
34	MARKETING	
35	Marketing & Sales - Office Supplies	
36	Marketing & Sales - Adv Agency Related	
37	Marketing & Sales - Adv Agency Related - Digital	
38	Marketing & Sales - Adv Agency Related - Projects	
39	Marketing & Sales - Advertising Site Placed	
40	Marketing & Sales - Site Events	
41	Marketing & Sales - Subscription/Contract Services	
42	Marketing & Sales - Market Research	
43	Marketing & Sales - Telemarketing & Call Center	
44	Marketing & Sales - Resident Referrals	
45	Marketing & Sales - Paid Agency Referrals	
46	Marketing & Sales - Printing	
47	Marketing & Sales - Travel & Training	
48	Marketing & Sales - Community Outreach	
49	Marketing & Sales - Sales Incentives	
50	Marketing & Sales - Model Units	
51	Marketing & Sales - Miscellaneous	
52	TOTAL MARKETING	
53		-
54	PLANT EXPENSE	
55	NON-UTILITY EXPENSE	
56	Miscellaneous Employee Benefits	
57	Employee Amenities - Meals	
58	Travel	
59	Travel Meals	
60	Consultants	
61	Licenses & Fees	
62	Rental & Leasing - Other	
63	Auto & Bus	
64	Regular Disposal	
65	Hazardous Waste	
66	Fire Protection & Security Services	
67	Elevator Service	
68	M&R Bldg Apartment Turn Over	
69	M&R Extermination Service	
71	M&R HVAC	
72	M&R Equipment Other	
73	M&R Grounds	
74	Cable TV	
75	Supplies - Expendable/Durable Goods	
76	Supplies - Minor Equip	
77	Supplies Chemicals	
78	Supplies Repairs Building	
79	TOTAL NON-UTILITY EXPENSE	
80		-
81	UTILITY EXPENSE	
82	Utilities - Gas	
83	Utilities - Electric	
84	Utilities - Water	
85	Utilities - Sewage	
86	TOTAL UTILITY EXPENSE	
87		-
88	TOTAL PLANT EXPENSE	
89		-
90	ENVIRONMENTAL SERVICES EXPENSE	
91	Miscellaneous Employee Benefits	
92	Employee Amenities - Meals	
93	Housekeeping Service Other	
94	M&R Equipment Other	
95	Supplies - Expendable/Durable Goods	
96	Supplies - Minor Equip	
97	Supplies Chemicals	
98	Supplies Linens	
99	TOTAL ENVIRONMENTAL SERVICES EXPENSE	
100		-
101	FOOD & BEVERAGE EXPENSE	
102	Miscellaneous Employee Benefits	

Moldaw Residences (2187)

Operating Expense Detail

103	Employee Amenities - Meals	
104	Consultants	
105	Licenses & Fees	
106	Food	
107	Food For Events	
108	Lounge Beverage Supply	
109	Rental & Leasing - Other	
110	Food Service - Contract	
111	M&R Equipment Other	
112	Supplies - Expendable/Durable Goods	
113	Supplies - Minor Equip	
114	Supplies Chemicals	
115	Supplies Linens	
116	Supplies Silverware & Dishes	
117	Expense Allocation	
118	Vendor Rebates - F&B	
119	TOTAL FOOD & BEVERAGE EXPENSE	
120		-
121	RESIDENT SERVICES EXPENSE	
122	Miscellaneous Employee Benefits	
123	Employee Amenities - Meals	
124	Travel	
125	Travel Meals	
126	Professional Dues & Fees	
127	Licenses & Fees	
128	Auto & Bus	
129	Supplies - Expendable/Durable Goods	
130	Supplies - Minor Equip	
131	Supplies - Other Goods	
132	Activities-Recreation	
133	TOTAL RESIDENT SERVICES EXPENSE	
134		-
135	ASSISTED LIVING EXPENSE	
136	Miscellaneous Employee Benefits	
137	Employee Amenities - Meals	
138	Consultants	
139	Licenses & Fees	
140	Supplies - Expendable/Durable Goods	
141	Supplies - Minor Equip	
142	Medical Supplies Chargeable	
143	Medical Supplies-Non Chargeable	
144	TOTAL ASSISTED LIVING EXPENSE	

145		-
146	MEMORY CARE EXPENSE	
147	Miscellaneous Employee Benefits	
148	Supplies - Expendable/Durable Goods	
149	Medical Supplies Chargeable	
150	Medical Supplies-Non Chargeable	
151	TOTAL MEMORY CARE EXPENSE	
152		-
153	TOTAL DEPARTMENTAL EXPENSE	
154	OTHER OPERATING EXPENSE	
155		-
156	MANAGEMENT FEES	
157	Management Fee	
158	TOTAL MANAGEMENT FEES	
159		-
160	PROFESSIONAL FEES	
161	Audit Fees	
162	Tax Return	
163	Legal Fees	
164	Other Legal & Professional	
165	Accounting/Payroll Services	
166	TOTAL PROFESSIONAL FEES	
167		-
168	INSURANCE & TAXES	
169	Insurance - General/Professional Liability	
170	Insurance - Umbrella	
171	Insurance - Crime	
172	Insurance - Auto	
173	Insurance - Liability	
174	Insurance - Directors & Officers	
175	Insurance - Property	
176	Insurance - Miscellaneous	
177	Taxes Real Estate	
178	TOTAL INSURANCE & TAXES	
179		-
180	EXTRAORDINARY EVENTS	
181	Licenses & Fees EE	
182	TOTAL EXTRAORDINARY EVENTS	
183	TOTAL OTHER OPERATING EXPENSE	
184	TOTAL OPERATING EXPENSES	
185		-
186	NET OPERATING INCOME	
187		-
188		-
189	OTHER INCOME	
190	Amortization Income	
191	Entry fee Income - Death	
192	Entry Fee Income - Move Out	

Exhibit VI

Financial Feasibility Report

HENDRICKSON CONSULTING

6 Beach Road – #494, Tiburon, California 94920 - (415) 889-5035 – Bill1Hendrickson@gmail.com

FINAL REPORT

899 CHARLESTON dba MOLDAW RESIDENCES

FINANCIAL FEASIBILITY REPORT

AUGUST 16, 2024

HENDRICKSON CONSULTING

6 Beach Road, #494, Tiburon, CA 94920 – (415) 889-5035 – Bill1Hendrickson@gmail.com

August 16, 2024

Ben Chaika
Chief Financial Officer
Moldaw Residences
899 East Charleston Road
Palo Alto, CA 94303

Dear Mr. Chaika:

We are pleased to submit this feasibility study for 899 Charleson dba Moldaw Residences (Moldaw), a 501(c)(3) corporation that owns and operates a multi-level continuing care retirement community (CCRC) in Palo Alto, California. Moldaw began operations in 2009 and includes 170 independent living (IL) apartments and 23 assisted living/memory care (AL/MC) apartments. The proceeds of the $63.7 million Series 2024 Bonds (par plus premium) will be used to refinance Series 2014A Revenue Refunding Bonds, resulting in an estimated $360,000 reduction to current annual debt payments.

The 2024 Bonds are anticipated to be issued on November 1, 2024, and mature on November 1, 2049, with a maximum coupon rate of 5.0%. The 2024 Bonds will be insured through the State of California's Cal Mortgage program. Interest payments to bondholders begin on May 1, 2025. Principal payments begin on November 1, 2025.

To evaluate the financial feasibility of the transaction we have reviewed critical information sources, including the following:

- the key revenue sources for Moldaw,
- the key expenses for Moldaw, and
- the terms and structure of the proposed bond issue.

The information obtained through this process has been used to forecast Moldaw financial statements for the fiscal years ending June 30, 2025 to 2029. Based on our evaluation, the debt coverage ratio is expected to exceed 2.40x maximum annual debt service. In addition, the sources of funds will be adequate to meet operating expenses, working capital, and other capital requirements. The forecasts contained in this report are based on several assumptions. To the extent that these assumptions are not realized, the actual results may vary accordingly. Implementation of policies and procedures to attain the forecast results is the responsibility of Moldaw and its management. Since forecasts of future events are subject to uncertainty, we cannot guarantee these forecasts as specific results that will be achieved.

We appreciate the assistance provided by Moldaw management during the preparation of this study.

Sincerely,

William D. Hendrickson

William D. Hendrickson
Hendrickson Consulting

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SECTION A
899 CHARLESTON dba MOLDAW RESIDENCES
STATEMENTS OF ACTIVITIES
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
REVENUE							
Independent Living	$9,992	$11,331	$12,220	$13,063	$13,573	$14,103	$14,655
Assisted Living/Memory Care	3,022	3,147	3,452	3,590	3,734	3,883	4,039
Other	282	274	630	970	1,008	1,049	1,091
Amortized Entrance Fees	436	1,394	1,425	1,431	1,442	1,459	1,479
Investment Earnings	476	1,371	921	844	893	953	1,019
Net Released Assets	542	478	500	520	541	562	585
Total Revenue	**$14,750**	**$17,995**	**$19,148**	**$20,418**	**$21,192**	**$22,009**	**$22,867**
EXPENSES							
Salaries	$5,968	$5,470	$6,480	$7,053	$7,335	$7,629	$7,934
Benefits	1,337	1,354	1,690	1,758	1,828	1,901	1,977
Other	5,971	6,864	6,596	6,860	7,134	7,420	7,716
Management Fees	490	666	740	793	824	857	890
Depreciation/Amortization	4,906	4,024	4,195	4,209	4,280	4,346	4,358
Interest - Bonds/Residents	3,591	3,885	2,974	2,791	2,725	2,655	2,582
Total Expenses	**$22,263**	**$22,263**	**$22,675**	**$23,464**	**$24,127**	**$24,807**	**$25,458**
Change Net Assets w/o D. Rest.	**($7,513)**	**($4,268)**	**($3,526)**	**($3,047)**	**($2,935)**	**($2,798)**	**($2,591)**
Contributions - Donor Restricted	$82	$409	$0	$0	$0	$0	$0
Net Released Assets	(542)	(478)	(500)	(520)	(541)	(562)	(585)
Change in Beneficial Interest	651	141	500	500	500	500	500
Change Net Assets w/ D. Rest.	**$191**	**$72**	**$0**	**($20)**	**($41)**	**($62)**	**($85)**
CHANGE IN NET ASSETS	**($7,322)**	**($4,196)**	**($3,526)**	**($3,067)**	**($2,975)**	**($2,860)**	**($2,676)**
NET ASSETS	**($58,683)**	**($62,879)**	**($66,405)**	**($69,472)**	**($72,447)**	**($75,307)**	**($77,983)**

SECTION A
899 CHARLESTON dba MOLDAW RESIDENCES
STATEMENTS OF FINANCIAL POSITION
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
ASSETS							
Cash & Investments - Unrestr.	$23,869	$27,703	$26,759	$28,418	$30,388	$32,604	$35,096
Accounts Receivable	49	547	728	780	812	845	879
Other Current Assets	1,218	2,186	2,252	2,319	2,389	2,460	2,534
Total Current Assets	$25,136	$30,436	$29,739	$31,517	$33,588	$35,909	$38,509
Bond Funds - Restricted	$4,422	$4,513	$2,044	$2,044	$2,044	$2,044	$2,044
Deposits - HOA	808	977	977	977	977	977	977
Beneficial Interest Funds	8,330	8,471	8,971	9,471	9,971	10,471	10,971
Net PPE/Financing	97,310	94,741	102,228	101,019	99,859	98,758	97,774
TOTAL ASSETS	**$136,006**	**$139,138**	**$143,959**	**$145,028**	**$146,439**	**$148,158**	**$150,275**
LIABILITIES							
Accts. Payable/Accr. Exp.	$1,509	$1,273	$1,499	$1,519	$1,583	$1,631	$1,682
Refundable E. Fees	4,157	3,537	4,000	4,000	4,000	4,000	4,000
Deposits/Other	748	630	630	630	630	630	630
Current Portion - Bonds	1,080	1,135	1,295	1,360	1,430	1,505	1,580
Current Portion - Loan	600	600	600	600	600	600	600
Total Current Liabilities	$8,094	$7,175	$8,024	$8,109	$8,243	$8,366	$8,492
Deferred/Refundable E. Fees	$120,316	$130,170	$136,787	$142,798	$149,081	$155,641	$162,488
Bonds	62,076	60,941	62,422	61,062	59,632	58,127	56,547
Loans	4,203	3,731	3,131	2,531	1,931	1,331	731
TOTAL LIABILITIES	**$194,689**	**$202,017**	**$210,364**	**$214,500**	**$218,886**	**$223,465**	**$228,258**
Net Assets w/o Donor Restr.	($67,355)	($71,623)	($75,149)	($78,196)	($81,130)	($83,928)	($86,518)
Net Assets w/ Donor Restr.	8,672	8,744	8,744	8,724	8,683	8,621	8,536
NET ASSETS	**($58,683)**	**($62,879)**	**($66,405)**	**($69,472)**	**($72,447)**	**($75,307)**	**($77,983)**
TOTAL NET ASSETS/LIAB.	**$136,006**	**$139,138**	**$143,959**	**$145,028**	**$146,439**	**$148,158**	**$150,275**

SECTION A
899 CHARLESTON dba MOLDAW RESIDENCES
STATEMENTS OF CASH FLOWS
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
OPERATING ACTIVITIES							
Change in Net Assets	($7,322)	($4,196)	($3,526)	($3,067)	($2,975)	($2,860)	($2,676)
Depreciation and Amortization	4,906	4,024	4,195	4,209	4,280	4,346	4,358
Amortized Entrance Fees	(436)	(1,394)	(1,425)	(1,431)	(1,442)	(1,459)	(1,479)
Changes in Assets/Liabilities	(898)	(1,843)	(521)	(600)	(537)	(556)	(558)
Cash From Operating Act.	**($3,750)**	**($3,409)**	**($1,277)**	**($888)**	**($675)**	**($529)**	**($354)**
INVESTING ACTIVITIES							
2024 Bond Expenditures	$0	$0	$0	$0	$0	$0	$0
Capital Expenditures	(1,560)	(1,322)	(6,500)	(3,000)	(3,120)	(3,245)	(3,375)
Cash From Investing Act.	**($1,560)**	**($1,322)**	**($6,500)**	**($3,000)**	**($3,120)**	**($3,245)**	**($3,375)**
FINANCING ACTIVITIES							
Net Entrance Fees	$7,889	$10,505	$8,505	$7,442	$7,725	$8,019	$8,326
2024 Bond Proceeds	0	0	63,717	0	0	0	0
Refunding Escrow	0	0	(62,175)	0	0	0	0
Issuance/Fees	0	0	(3,948)	0	0	0	0
Bond Principal Payments	(1,030)	(1,080)	(1,135)	(1,295)	(1,360)	(1,430)	(1,505)
Loan Principal Payments	(300)	(600)	(600)	(600)	(600)	(600)	(600)
Cash From Financing Act.	**$6,559**	**$8,825**	**$4,364**	**$5,547**	**$5,765**	**$5,989**	**$6,221**
Net Change in Cash/Inv.	**$1,249**	**$4,094**	**($3,413)**	**$1,659**	**$1,970**	**$2,216**	**$2,493**
Cash & Investments	**$29,099**	**$33,193**	**$29,780**	**$31,439**	**$33,409**	**$35,625**	**$38,117**
Unrestricted/Designated	23,869	27,703	26,759	28,418	30,388	32,604	35,096
Restricted - Bonds	4,422	4,513	2,044	2,044	2,044	2,044	2,044
Restricted - Donor/Other	808	977	977	977	977	977	977

B. BACKGROUND

899 Charleston dba Moldaw Residences (Moldaw), is a 501(c)(3) non-profit corporation which owns and operates a continuing care retirement community (CCRC) located on an 8.5-acre site located in the City of Palo Alto. Moldaw opened in 2009, and consists of 170 independent living (IL), 12 assisted living (AL), 11 memory care (MC) apartments. Moldaw has been managed by Life Care Services (LCS), a national senior community management and development firm, since August 2021. Moldaw is a "Type B" CCRC which provides meals (equivalent of one dinner meal per day to IL residents), housekeeping (bi-weekly), and activities as part of the monthly fee and provides a discount from market rates (20%) for IL residents who transfer to AL or MC areas.

Moldaw is part of the Taube Koret Campus for Jewish Life (TKCJL), which provides many of the campus amenities, including gymnasium, fitness, and pool facilities at the Oshman Family Jewish Community Center, and cultural programs at the 370-seat Schultz Cultural Arts Center.

Moldaw has a formal Below Market Rent (BMR) affordable program under an agreement with the City of Palo Alto. A total of 24 non-specified units are set aside for moderate-income residents, whose entrance fee and monthly fees are held below rates charged to the occupants of Moldaw's other market-rate units.

Moldaw required four years to reach full occupancy by the Fall of 2013, due largely to the impacts of the 2008+ recession. Between 2013 and the onset of Covid-19 in Spring 2020, Moldaw maintained an IL occupancy above 95%, reaching 98% (167 apartments) in early-2020. Occupancy declined significantly as a result of two unrelated factors: the impacts of Covid on sales and marketing, and the non-Covid-related high number of deaths and transfers from the original residents (a typical actuarial pattern). Occupancy reached a low point of 130 apartments (76%) in the Summer of 2022. Since then, occupancy has gradually improved and currently is at 147 apartments (86%). During the low-occupancy period Moldaw missed the Series 2014A Bonds debt service coverage ratio (DSCR) covenants in fiscal years ending June 30 (FY) 2021 and 2022 but exceeded these covenants in FY 2023 and in FY 2024. The FY 2025 budget reflects a continuation of the improved occupancy trend and financial performance.

<u>THE 2024 BONDS</u>

The proceeds of the $63.7 million par/premium Series 2024 Refunding Bonds (the 2024 Bonds) will be used to refinance $62.2 million in 2014A Bonds remaining on the original $71.4 million. The primary benefit of the refinancing will be to lower annual debt payments by $360,000 from $4.45 million to $4.09 million (an 8% reduction) while maintaining the same November 1, 2049 maturity term. This reduction, combined with improved occupancy, will strengthen Moldaw's financial condition.

THE BOARD OF DIRECTORS

Moldaw is currently governed by a 17-member Board of Directors, including one resident director plus on non-voting resident member. Non-resident directors are eligible to serve a maximum of three consecutive three-year terms. Members also participate in a series of standing committees including Executive, Finance, Budget, Audit, Governance, and Community Relations.

C. FINANCING ASSUMPTIONS

A summary of the sources and uses of funds for the refinancing of Series 2014A Bonds is shown in **Table 1**.

REFINANCING ASSUMPTIONS

The 2024 Bonds financing assumptions reflected in **Tables 1 and 2** have been provided by Cain Brothers, a division of Key Banc Capital Markets, Moldaw's investment banker. The 2024 bonds are estimated to have a maximum 5.0% coupon rate, with principal payments beginning on November 1, 2025 and ending in 2049. Sources of funds include the $60.9 million par Bonds, the $2.8 million premium, and the $4.45 million 2014A Bonds debt reserve. The last payment prior to the refinancing of the 2014A Revenue Refunding Bonds ($1.14 million) is due on November 1, 2025, leaving $62.18 million to be defeased and refunded. Additional uses of funds include the 6-month debt service reserve, issuance and discount costs, and Cal Mortgage premium (2.65% of total principal and interest payments through 2049) and inspection fees.

As shown in **Table 2**, annual debt on the 2024 Bonds averages $4.1 million, about $360,000 below the refinanced 2014 Bonds annual debt payments. The net present value savings calculated by Cain Brothers is estimated at $4.0 million, 6.4% of total 2014A Bond payments.

TABLE 1
MOLDAW RESIDENCES
SOURCES/USES OF FUNDS
($000s)

SOURCES	
Bonds - Par	$60,930
Bonds - Premium	$2,787
2014 Bonds Reserve	$4,450
Cash Equity	$0
TOTAL SOURCES	**$68,167**
USES	
Refinancing	$62,175
Debt Service Reserve	$2,044
Cal Mortgage Fees	$2,978
Issuance Costs	$970
TOTAL USES	**$68,167**
BALANCE	**$0**

TABLE 2
MOLDAW RESIDENCES
2024 BOND DEBT PAYMENTS
($000s)

Fiscal Year Ending June 30	2025	2026	2027	2028	2029	2030
Interest/Fees	$1,883	$2,791	$2,725	$2,655	$2,582	$2,505
Principal	0	1,295	1,360	1,430	1,505	1,580
Total	**$1,883**	**$4,086**	**$4,085**	**$4,085**	**$4,087**	**$4,085**
Balance - Par/Premium	**$63,717**	**$62,422**	**$61,062**	**$59,632**	**$58,127**	**$56,547**

D. OPERATING ASSUMPTIONS

The following is a discussion of key utilization, revenue, and expense assumptions. These are based on FY 2023 audited statements, FY 2024 internal statements through June (the 12th month of the fiscal year), the FY 2025 budget, and discussions with management.

KEY REVENUE ASSUMPTIONS

Moldaw receives private non-governmental payments for all levels of care. A summary of monthly fees and entrance fees for move-ins after July 1, 2024 is shown in **Table 3**. New IL entrant monthly fees were increased by 7.5% from July 1, 2023 while entrance fees were both increased and re-structured to better reflect market demand. Existing IL resident and all AL/MC monthly fees were increased by 4.5% from FY 2023, effective September 1, 2024.

Monthly Fees

Moldaw IL monthly fee rates can be divided into three general categories. The first is the market rates for new entrants shown in **Table 3**. The second includes existing market residents who generally pay a lower monthly fee averaging about 5%-10% below the listed market rate, with a few original residents paying a more deeply discounted rate. This has been the result of management's decision in FY 2023 and FY 2025 to increase existing resident rates less than new entrants (5.4% versus 9.8% in FY 2023, 4.5% versus 7.5% for FY 2025 – in FY 2024 both were raised by 9.5%). This split increase has been used by some other CCRCs. For these forecasts, both existing and new entrant rates are estimated to increase by 4.0% per year effective July 1 and September 1, 2025 respectively. Additionally, AL/MC rates are also expected to increase by 4.0% per year. IL transfers receive no discounts from the rates shown in **Table 3**.

The third monthly fee category includes the 24 BMR IL apartments, whose residents pay monthly fees approved by the City of Palo Alto (the City) and based on a combination of market and affordability factors. In FY 2025 these monthly fees are approximately 37% below the market rate for new entrants. Rate increases are limited to the consumer price index (CPI) for All Urban Consumers in the San Francisco, Oakland, and San Jose areas. Increases are permitted each January 1 and were last raised by 5.4% in 2024 and are set to increase by 2.4% in 2025. The historically and likely future lower rate inflation for BMR will result in an increasing gap between market and BMR monthly fee levels and resulting revenues. For these forecasts, rates are estimated to increase by 3.0% per year, 1.0% below the increase for market rate units. The City allows BMR units to vary depending on availability but limits them to no more than three two-bedroom units, and at least 21 one-bedroom units. As a result, BMR occupied units are smaller, on a weighted average, than market-occupied units. As a result, they currently average about 16% of total occupied apartments but about 10% of total monthly fee revenues.

TABLE 3
MOLDAW RESIDENCES
UNITS/MARJET-RATE FEES
FISCAL YEAR 2025

Unit Type	Number Units	Average Sq. Feet	Base E. Fee (1)	Monthly Fee (2)
INDEPENDENT LIVING				
Gershwin	4	600	$700,000	$4,500
Arbus	6	700	$861,000	$5,630
Mahler	6	760	$935,000	$5,630
Bernstein	23	780	$959,000	$5,630
Newman	3	880	$1,076,000	$6,580
Chagall	32	900	$1,107,000	$6,700
Douglas	51	1,090	$1,341,000	$7,790
Einstein	22	1,150	$1,414,000	$8,290
Hellman	11	1,150	$1,414,000	$8,290
Friedan	12	1,600	$1,909,000	$11,550
TOTAL/AVERAGE	**170**	**1,020**	**$1,248,500**	**$7,400**
Double Fee	56		$38,200	$1,825
ASSISTED LIVING/MEMORY CARE				
Assisted Living	12	450	$0	$8,650-$10,820
Memory Care	11	350	$0	$9,920-$12,400
Double Fee	0		$0	$2,625

Table 4 shows a summary of monthly fee revenues for IL and AL/MC. Moldaw currently has about 148 occupied IL apartments, including occupied 23-24 BMR apartments. In each year from FY 2014 to FY 2019 Moldaw averaged above 165 IL units (97.0%). As discussed previously, occupancy declined due to the impact of Covid-19 combined with the departure of many of the FY 2009-FY 2013 initial move-ins, a common pattern for CCRCs. Occupancy began to improve in FY 2022 and is currently above 86%. Management expects occupancy to reach 90% (153 apartments) by the end of FY 2025 or soon after, eventually exceeding 160 apartments (94%) in the next few years. For forecasting purposes, IL occupancy is conservatively held at 90% for the forecast period. Approximately 40% of the new IL entrants and 25% of the existing IL occupants are couples, who pay a second person monthly fee.

AL/MC occupancy have historically exceeded 20 of the 23 units (87%), including an average of 20.4 units (89%) in FY 2024. AL/MC occupancy is expected to remain at current levels over the forecast period. Currently about 15 of the 20 occupants are IL market transfers, with one BMR IL transfer and four outside market admits. BMR transfers who cannot afford the market rate pay a lower negotiated rate but are expected to not exceed an average of two AL/MC occupants.

TABLE 4
MOLDAW RESIDENCES
REVENUE ASSUMPTIONS
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
Independent Living - Market							
Available Units	146.0	146.0	146.0	146.0	146.0	146.0	146.0
Occupied Units	111.9	119.3	125.5	129.5	129.5	129.5	129.5
Percent Occupancy	76.6%	81.7%	86.0%	88.7%	88.7%	88.7%	88.7%
Average Monthly Rate	$6,657	$7,129	$7,328	$7,621	$7,926	$8,243	$8,572
Annual IL Revenues - Market	**$8,939**	**$10,206**	**$11,036**	**$11,843**	**$12,317**	**$12,809**	**$13,322**
Independent Living - BMR							
Available Units	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Occupied Units	23.5	23.5	23.5	23.5	23.5	23.5	23.5
Percent Occupancy	97.9%	97.9%	97.9%	97.9%	97.9%	97.9%	97.9%
Average Monthly Rate	$3,735	$3,989	$4,200	$4,326	$4,456	$4,589	$4,727
Annual IL Revenues - BMR	**$1,053**	**$1,125**	**$1,184**	**$1,220**	**$1,257**	**$1,294**	**$1,333**
INDEPENDENT LIVING - TOTAL							
Available Units	170.0	170.0	170.0	170.0	170.0	170.0	170.0
Occupied Units	135.4	142.8	149.0	153.0	153.0	153.0	153.0
Percent Occupancy	79.6%	84.0%	87.6%	90.0%	90.0%	90.0%	90.0%
Average Monthly Rate	$6,150	$6,612	$6,834	$7,115	$7,393	$7,682	$7,982
ANNUAL IL REVENUES	**$9,992**	**$11,331**	**$12,220**	**$13,063**	**$13,573**	**$14,103**	**$14,655**
ASSISTED LIVING/MEMORY CARE							
Available Beds	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Occupied Beds - Total	21.1	20.4	21.0	21.0	21.0	21.0	21.0
Percent Occupancy	91.7%	88.7%	91.3%	91.3%	91.3%	91.3%	91.3%
Average Monthly Revenue	$11,935	$12,855	$13,700	$14,248	$14,818	$15,411	$16,027
ANNUAL AL/MC REVENUES	**$3,022**	**$3,147**	**$3,452**	**$3,590**	**$3,734**	**$3,883**	**$4,039**

Entrance Fees

Moldaw currently offers one contract entrance fee option for market entrants and one for BMR entrants. The market option is 85% repayable of the paid entrance fee upon re-occupancy of the IL apartment and termination of the Resident Agreement. The BMR option is similar but with a 50% repayment instead of 85%. Moldaw has existing residents on earlier contracts, which vary from those that are non-refundable after 60 months to those with 90% repayments. In general, the average amount of refunds and repayments of entrance fees to prior residents per apartment has averaged about 60% of gross entrance fees received. This percentage is expected to remain stable through the forecast period. Entrance fees are estimated to increase by 4.0% per year for market units and 3.0% per year for BMR entrants (the CPI limitation applies to both monthly and entrance fees). BMR entrance fees currently average about 55%-60% of comparable unit market rates but will decline over the forecast period to approximately 50%-55% of market rates.

Table 5 shows a summary of historical and projected move-ins, refunds, and the resulting net revenues. From July 2022 and June 2024 there were 16 more IL move-ins than move-outs, and occupancy increased from 132 to 148 apartments. The number of refunds shown may include refunds for move-outs from prior years, whose vacated apartments required a long period to sell. For forecasting purposes, move-ins and move-outs are forecast to stabilize at 16 per year (about 10% turnover) in FY 2026 and thereafter.

TABLE 5
MOLDAW RESIDENCES
ENTRANCE FEE REVENUES
(000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
Move-Ins	22.0	23.0	24.0	16.0	16.0	16.0	16.0
Average Price	$919	$1,111	$1,146	$1,163	$1,207	$1,253	$1,301
Refunds/Repayments	18.0	23.0	29.0	16.0	16.0	16.0	16.0
Average Refund/Repayment	($685)	($654)	($655)	($698)	($724)	($752)	($781)
Gross Resale Revenues	$20,221	$25,543	$27,500	$18,605	$19,312	$20,048	$20,816
Refunds/Repayments	($12,332)	($15,038)	($18,995)	($11,163)	($11,587)	($12,029)	($12,490)
Net Resale Fees	**$7,889**	**$10,505**	**$8,505**	**$7,442**	**$7,725**	**$8,019**	**$8,326**

Ancillary Care and Other Revenues

Other revenues consist of extra meal income from residents, guests, and employees, and other miscellaneous charges, ancillary care giving services for IL residents, and average about 1.5% of monthly fee revenue. Moldaw expects to increase the ancillary IL services in FY 2025 and thereafter. Management has budgeted $390,000 in FY 2025 in fees and expects monthly income to reach $60,000 by June 2025. For forecasting purposes ancillary care revenues are estimated at $720,000 in FY 2026 and then increased by 4.0% per year thereafter. Ancillary care expenses are estimated to equal ancillary revenues in all forecast years.

Donations and Foundation Transfers

Moldaw receives about $500,000 each year in transfers from its endowment. The audit classifies these transfers as net assets released from restriction. A small amount or in some years no additional donor and non-donor restricted contributions are received from various donors. For forecasting purposes net released assets are estimated at $500,000 in FY 2025 and increased by 4.0% per year thereafter.

Investment Earnings

In FY 2024 Moldaw investment earnings totaled $1.4 million, including $1.3 million of realized gains, interest, and dividends, and another $66,000 in unrealized gains. For forecasting purposes, earnings on reserves and on the 2024 Bond debt reserve are projected to average respectively 3.0% and 2.0% per year in interest, dividends, and realized gains. No unrealized gains and losses are projected after FY 2024.

KEY EXPENSE ASSUMPTIONS

Table 6 shows a summary of budgeted salaries, benefits (e.g. payroll taxes, FICA, health insurance) and other expenses (primarily food, utilities, insurance, and payments to TKCJL for maintenance and related services, and contract payments for LCS employees). The budget is about 5.3% higher than the comparable FY 2024 expenses, adjusting for the higher ancillary care services. Not included in the table are LCS management fees, depreciation, and interest. As shown, Moldaw employs about 95 full-time equivalent (FTE) persons. Salaries and benefits account for approximately 55% of total departmental expenditures. Management has budgeted a 4.5% average salary increase for FY 2025. Other major non-salary expenses include food (about $1.2 million), utilities (about $1.0 million), and repairs and maintenance (about $640,000)

For forecasting purposes, all expenses are increased by 4.0% per year after FY 2025, with the exception of ancillary care expenses which are increased overall to $720,000 in FY 2026 and then inflated by 4.0% per year.

The management agreement with LCS extends until August 2026 and the payments are set at 4.5% of monthly fee and related revenue, with additional expenses for accounting and information technology (IT) support, as well as reimbursement for expenses.

FY 2023 and FY 2024 interest expense includes interest payments to residents who vacated their IL units but who did not receive refunds until after six months. The State's Continuing Care Statutes (Section 1788.4) require CCRCs to pay interest to a post-2016 entry resident (or family) if they have waited more than 6 months to receive their entrance fee repayments (currently 85% for market, 50% for BMR). In FY 2023 Moldaw paid $208,000 and in FY 2024 paid $555,000 in resident interest. Management expects no interest payments in FY 2025 and thereafter.

TABLE 6
MOLDAW RESIDENCES
OPERATING EXPENSES (1)
FY 2025 DOLLARS

Department	FTEs	Sal/FTE	Salaries	Benefits	Other	TOTAL
General/Administration	7.0	$140,000	$980,000	$210,000	$2,106,000	$3,296,000
Plant/Utilities	4.0	$82,500	$330,000	$130,000	$2,330,000	$2,790,000
Food & Beverage	27.7	$60,600	$1,680,000	$370,000	$1,150,000	$3,200,000
Environmental Services	7.0	$50,000	$350,000	$160,000	$90,000	$600,000
Resident Services	12.8	$56,300	$720,000	$200,000	$720,000	$1,640,000
Home Health	4.7	$63,800	$300,000	$70,000	$20,000	$390,000
Assisted Living	15.8	$69,600	$1,100,000	$300,000	$100,000	$1,500,000
Memory Care	15.9	$64,200	$1,020,000	$250,000	$80,000	$1,350,000
TOTAL	**94.9**	**$68,282**	**$6,480,000**	**$1,690,000**	**$6,596,000**	**$14,766,000**

(1) Excludes interest, depreciation, management fees
(2) Other includes food, utilities, insurance, supplies, and outside labor

OPERATING CASH FLOWS

Table 7 shows a summary of historical and forecast operating cash flows, before and after net entrance fees. In FY 2018 and FY 2019 Moldaw generated net operating cash flow before entrance fees of $3 million, prior to the Covid-19 impact. As shown, FY 2023 was the last year with pre-entrance fee negative operating cash flow and are estimated to exceed $1 million by FY 2026.

TABLE 7
MOLDAW RESIDENCES
SUMMARY OF OPERATING CASH FLOWS
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
REVENUE							
Independent Living	$9,992	$11,331	$12,220	$13,063	$13,573	$14,103	$14,655
Assisted Living/Memory Care	3,022	3,147	3,452	3,590	3,734	3,883	4,039
Home Health/Other	282	274	630	970	1,008	1,049	1,091
Total Revenue	**$13,296**	**$14,752**	**$16,302**	**$17,623**	**$18,316**	**$19,036**	**$19,784**
EXPENSES							
Salaries	$5,968	$5,470	$6,480	$7,053	$7,335	$7,629	$7,934
Benefits	1,337	1,354	1,690	1,758	1,828	1,901	1,977
Other	5,971	6,864	6,596	6,860	7,134	7,420	7,716
Management Fees	490	666	740	793	824	857	890
Total Expenses	**$13,766**	**$14,354**	**$15,506**	**$16,464**	**$17,122**	**$17,806**	**$18,518**
Net Operating Cash Flow	**($470)**	**$398**	**$796**	**$1,159**	**$1,194**	**$1,230**	**$1,266**
Net Resale Entrance Fees	$7,889	$10,505	$8,505	$7,442	$7,725	$8,019	$8,326
Net Cash Flow w/ E. Fees	**$7,419**	**$10,903**	**$9,301**	**$8,601**	**$8,919**	**$9,249**	**$9,593**

E. FINANCIAL STATEMENT FORECASTS

Section A shows financial forecast statements for Moldaw, which are based on several assumptions not discussed in earlier sections.

STATEMENTS OF ACTIVITIES

In addition to the cash revenue and expense assumptions discussed in previous sections, there are two accrual categories. Depreciation estimates are based on an average useful life of 30 years for existing assets and 15 years for future ongoing capital improvements. Forecast entrance fee amortization for the non-refundable portion of the entrance fees (15% for market rate entrants, 50% for BMR entrants) is calculated assuming a 10-year life for new entrants.

STATEMENTS OF FINANCIAL POSITION

Accounts receivable is estimated at 15 days of cash revenues. Accounts payable and accrued expenses are projected at 30 days of annual expenses less depreciation. Beneficial Interest in the Foundation restricted balances are increased by $500,000 per year (donations and earnings).

STATEMENTS OF CASH FLOWS

Moldaw has budgeted $6.5 million in improvements for FY 2025. Maintenance projects total $2.1 million and include heat pump replacement, and replacement of kitchen countertops in vacated apartments. An additional $4.4 million is for “refresh” projects for dining areas, corridors, and the lobby. Annual ongoing maintenance and refresh capital expenditures are estimated at $3.0 million in FY 2026, inflating by 4.0% per year thereafter.

F. KEY FINANCIAL RATIOS

Table 8 shows a summary of key financial ratios for Moldaw. Maximum Annual Debt Service (MADS) coverage exceeded 1.80x in FY 2023, 2.70x in FY 2024, and is expected to exceed 2.40x in FY 2025 and thereafter, due to the reduction of 2024 Bond MADS and the continued improvement in occupancy. Days cash on hand (DCOH) is estimated to continue to exceed 500 days.

TABLE 8
899 CHARLESTON dba MOLDAW RESIDENCES
DEBT COVERAGE AND OTHER KEY RATIOS
($000s)

Fiscal Year Ending June 30	2023	2024	2025	2026	2027	2028	2029
CASH AVAILABLE FOR DEBT SERVICE							
Change in Unrestr. Net Assets	($7,513)	($4,268)	($3,526)	($3,047)	($2,935)	($2,798)	($2,591)
Unrealized Losses (Gains)	20	(66)	0	0	0	0	0
Depreciation and Amortization	4,906	4,024	4,195	4,209	4,280	4,346	4,358
Amortized Entrance Fees	(436)	(1,394)	(1,425)	(1,431)	(1,442)	(1,459)	(1,479)
Net Entrance Fees	7,889	10,505	8,505	7,442	7,725	8,019	8,326
Interest Expense - Bonds	3,383	3,330	2,974	2,791	2,725	2,655	2,582
Net Cash for Debt Service	**$8,249**	**$12,131**	**$10,723**	**$9,965**	**$10,353**	**$10,764**	**$11,197**
DEBT SERVICE							
Interest Paid - Bonds	$3,383	$3,330	$2,974	$2,791	$2,725	$2,655	$2,582
Principal	1,030	1,080	1,135	1,295	1,360	1,430	1,505
Total Payments	**$4,413**	**$4,410**	**$4,109**	**$4,086**	**$4,085**	**$4,085**	**$4,087**
Unrestricted Cash and Equiv.	$23,869	$27,703	$26,759	$28,418	$30,388	$32,604	$35,096
Total Debt	$62,076	$60,941	$62,422	$61,062	$59,632	$58,127	$56,547
Operating Expenses w/Interest	$17,357	$18,239	$18,480	$19,255	$19,847	$20,461	$21,100
MADS	$4,494	$4,494	$4,087	$4,087	$4,087	$4,087	$4,087
KEY RATIOS							
Debt Coverage Ratio - MADS	1.84	2.70	2.62	2.44	2.53	2.63	2.74
Unrestr. Days Cash on Hand	502	554	529	539	559	582	607
Unrestr. Cash to Long-term Debt	38.5%	45.5%	42.9%	46.5%	51.0%	56.1%	62.1%

G. SENSITIVITY FORECASTS

Table 9 shows actual debt coverage and days cash calculations under alternative scenarios:

Scenario 1 – IL occupancy declines by 3 units per year from FY 2025 base case levels (149) to 137 units (80%) by FY 2029. Move-ins also decline by 3 per year (13 versus base case 16), while conservatively refunds remain at 16 per year. No offsetting reduction in expenses are assumed.

Scenario 2 – Salaries, benefits, and other operating expenses increase by 6.0% per year through the forecast period, 2.0%+ per year above the 3.0%-4.0% annual projected rate increases.

Scenario 3 – Interest rates are increased by 0.30% over the base case rates. If rates increase by more than this, the refinance falls below the Cal Mortgage net present value savings minimum of 4.0%. The base rates themselves have are approximately 0.25%-0.35% higher than current rates.

TABLE 9
MOLDAW RESIDENCES
SENSITIVITY KEY RATIOS
($000s)

Fiscal Year Ending June 30	2025	2026	2027	2028	2029
Base Case					
Debt Coverage	2.62	2.44	2.53	2.63	2.74
Unrestricted Days Cash	529	539	559	582	607
Sensitvity 1 - Low Occupancy					
Debt Coverage	2.62	1.47	1.40	1.35	1.30
Unrestricted Days Cash	529	462	400	334	265
Sensitvity 2 - Expense Inflation					
Debt Coverage	2.62	2.37	2.38	2.30	2.31
Unrestricted Days Cash	529	525	526	524	518
Sensitvity 3 - High Interest Rates					
Debt Coverage	2.52	2.28	2.29	2.30	2.31
Unrestricted Days Cash	525	518	516	511	503

Exhibit VII

Appraisal Summary

APPRAISAL REPORT

MOLDAW RESIDENCES
899 EAST CHARLESTON ROAD
PALO ALTO, CALIFORNIA

AS OF AUGUST 6, 2024
SLVS FILE NO. 24-08-12

PREPARED FOR

899 CHARLESTON d/b/a MOLDAW RESIDENCES

PREPARED BY

MICHAEL G. BOEHM, MAI, CRE

Senior Living Valuation Services, Inc.

Senior Living Valuation Services, Inc.
Appraisers & Consultants to the Senior Housing Industry

August 12, 2024

899 Charleston d/b/a Moldaw Residences
899 East Charleston Road
Palo Alto, California 94063

Attention: Mr. Ben Chaika, Chief Financial Officer

Re: Moldaw Residences
899 East Charleston Road
Palo Alto, California 94303
SLVS File No. 24-08-12

Mr. Chaika:

In accordance with your request, we have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled us to form an opinion of the market value of effective fee simple interest of the existing Moldaw Residences continuing care retirement community. This report has been prepared to be in a compliance with the requirements of the Uniform Standards of Professional Appraisal Practice. This is an Appraisal Report in a self contained, comprehensive narrative format.

The value stated herein is based on our understanding of the site and improvement descriptions as represented to us by the Client and/or the Client's representatives and professional consultants as well as other available sources. It is your responsibility to read the report and inform the appraiser of any errors or omissions you are aware of prior to utilizing this report.

Fee Simple Total Going Concern Market Value @ 8/6/24

Based on an inspection of the property and the investigation and analysis undertaken, we have formed the opinion, subject to the assumptions and limiting conditions set forth in this report, that the market value of the effective fee simple total going concern interest in the subject, as is, as of August 6, 2024, is:

SEVENTY FIVE MILLION SIX HUNDRED SEVENTY FIVE THOUSAND DOLLARS
($75,675,000)

1458 Sutter Street, San Francisco, CA 94109 • tel : (415) 749-1387 • fax: (415) 749-1487 • e-mail: mboehm@slvsinc.com

The narrative appraisal report that follows sets forth the identification of the property, property rights appraised, assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable data, results of our investigation and analyses and the reasoning leading to the conclusions set forth. Please feel free to call me at (415) 385-2832 with any questions.

Respectfully submitted,

SENIOR LIVING VALUATION SERVICES, INC.

Michael Boehm

Michael G. Boehm, MAI, CRE
President

Aerial Photograph of Subject

Senior Living Valuation Services, Inc.

EXECUTIVE SUMMARY

Property Name:	Moldaw Residences (continuing care retirement community/CCRC)	
Location:	899 East Charleston Road Palo Alto, California 94303	
Property Rights Appraised:	Fee Simple Total Going Concern	
Date of Value:	August 6, 2024	
Land Area:	± 159,865 square feet (3.67 acres) per the public record	
Zoning:	PC-4918, a specific Planned Community (Palo Alto), allowing the subject retirement community (and also the larger Taube Koret campus) after specific review.	
Improvements:	Type:	Eight, four story plus below grade multi level parking garage, Class A/B congregate retirement apartment buildings and care component wings and separated commons areas; all as an integrated retirement community sharing building spaces with OJCCC.
	Yr. Built:	2009; Current Effective Average Age - 15 Years; Average Remaining Economic Life- 45 Years.
	Size/Mix:	170 total entry fee congregate retirement apartment units (146 market rate and 24 below market rate), separated common areas and 23 unit care component (12 assisted living units and 11 memory care units with separate common areas) in approximately an allocated 349,171 square feet of total gross building area (including an allocated approximate 171,232 square feet in the subterranean parking garage).
H & B Use (if vacant):	Senior Housing	
H & B Use (as improved):	As Existing and Operating	

Projected Unit Turnover at Actuarial Stabilization:	16 units/year; 9.4% of all IL units beginning in period two (8/25-7/26); 21 units in period one (8/24-7/25) to an appraisal estimated 90.0% stabilized occupancy within 12 months or approximately August, 2025.
Fee Simple Projected Net Income/Cash Flow:	Period 1 (8/24 to 7/25)- $5,167,608; Period 2 (8/25 to 7/26)- $6,252,148; Period 3 (8/26 to 7/27)- $6,657,070; Period 4 (8/27 to 7/28)- $7,009,247; Period 11 (8/34 to 7/35)- $8,346,029
Terminal Capitalization Rate:	9.0%
Discount Rate:	10.5%

Effective Fee Simple Total Going Concern
Market Value, as of August 6, 2024:

Cost Approach	Not Used
Income Approach	$75,675,000
Sales Comparison Approach	Not Used
Value Conclusion	$75,675,000

Total Estimated Marketing & Exposure Time:	6 Months from Listing

MOLDAW RESIDENCES
DISCOUNTED CASH FLOWS & VALUATION

	Notes/ Escalation Rate	Period 1 (8/24-7/25)	Period 2 (8/25-7/26)	Period 3 (8/26-7/27)	Period 4 (8/27-7/28)	Period 5 (8/28-7/29)	Period 6 (8/28-7/30)
Net Turnover Receipts - ILU	(1)	$11,350,687	$8,877,680	$9,586,258	$10,257,441	$10,898,099	$11,514,227
Operational Cash Flows Receipts -							
Monthly Fees (net)	(1)	$12,113,439	$23,675,951	$13,038,483	$13,411,384	$13,794,949	$14,189,485
Assisted Living/Memory Care Units	(1)	3,191,145	3,286,879	3,385,486	3,487,050	3,591,662	3,699,412
Investment/Interest Income		591,570	591,570	591,570	591,570	591,570	591,570
Other Income	(3)	612,183	639,513	656,959	675,937	695,464	715,556
Total Operational Receipts		$16,508,338	$17,192,914	$17,672,498	$18,165,941	$18,673,646	$19,196,022
Outlays							
Depart. Op. Exp. – IL	4%	$12,240,000	$12,729,600	$13,238,784	$13,768,335	$14,319,069	$14,891,832
Depart. Op. Exp. – AL/MC	4%	3,105,000	3,229,200	3,358,368	3,492,703	3,632,411	3,777,707
Management Fees	(2)	825,417	859,646	883,625	908,297	933,862	959,801
Replacement Reserves/Capital Expenditures	4%	6,521,000	3,000,000	3,120,000	3,244,800	3,374,592	3,509,576
Total Operational Outlays		$22,691,417	$19,818,586	$20,600,777	$21,414,135	$22,259,754	$23,138,916
Net Operational Cash Flows		($ 6,183,079)	($ 2,625,532)	($ 2,928,279)	($ 3,248,194)	($ 3,586,108)	($ 3,942,893)
Total Cash Flows		$ 5,167,608	$ 6,252,148	$ 6,657,070	$ 7,009,247	$ 7,311,991	$ 7,571,334
		=======	=======	=======	=======	=======	=======
Discount Factor (10.5%)		.9050	.8190	.7412	.6707	.6070	.5493
Discounted Value		$ 4,676,568	$ 5,120,409	$ 4,934,641	$ 4,701,347	$ 4,438,378	$ 4,159,094
		==,=====	=======	=======	=======	=======	=======

NOTES:
(1) Per detail supporting schedules.
(2) 5% of total operational receipts.
(3) 4% combined monthly fees and AL/MC revenues.

MOLDAW RESIDENCES
DISCOUNTED CASH FLOWS & VALUATION
(continued)

	Period 7 (8/30-7/31)	Period 8 (8/31-7/32)	Period 9 (8/32-7/33)	Period 10 (8/33-7/34)	Period 11 (8/34-7/35)
Net Turnover Receipts - ILU	$12,111,062	$12,693,190	$13,264,632	$13,828,926	$14,389,196
Operational Cash Flows Receipts-					
Monthly Fees (net)	$14,595,304	$15,012,730	$15,442,094	$15,883,738	$16,338,013
Assisted Living/Memory Care Units	3,810,394	3,924,706	4,042,447	4,163,720	4,288,632
Investment Income	591,570	591,570	591,570	591,570	591,570
Other Income	736,228	757,497	779,382	801,898	825,066
Total Operational Receipts	$19,733,496	$20,286,503	$20,855,493	$21,440,927	$22,043,281
Outlays					
Depart. Op. Exp. - IL	$15,487,505	$16,107,005	$16,751,285	$17,421,337	$18,118,190
Depart. Op. Exp. – AL/MC	13,928,816	4,085,968	4,249,407	4,419,383	4,596,159
Management Fees	986,675	1,014,325	1,042,775	1,072,046	1,102,164
Replacement Reserves/Capital Expenditures	3,649,59	3,795,957	3,947,795	4,105,707	4,269,935
Total Operational Outlays	$24,052,954	$25,003,255	$25,991,262	$27,018,473	$28,086,448
Net Operational Cash Flows	($ 4,319,458)	($ 4,716,752)	($ 5,135,769)	($ 5,577,547)	($ 6,043,167)
Total Cash Flows	$ 7,791,605	$ 7,976,437	$ 8,128,862	$ 8,251,380	$ 8,346,029/.09
Capitalized Value (99.0%)					$ 91,806,315
Discount Factor (10.5%)	.4971	.4499	.4071	.3684	.3684
Discounted Value	$ 3,873,388	$ 3,588,482	$ 3,309,552	$ 3,040,212	$ 33,825,932
				Total	$ 75,668,002
				Called	$ 75,675,000

Agenda Item 6A – Cal-Mortgage Reports

Project Monitoring

Department of Health Care Access and Information
Cal-Mortgage Loan Insurance Program

As of August 23, 2024

Summary of Monitoring
Financial Statements Received
Project Filing Status

Survey Date:	Apr 27, 2023	Jun 29, 2023	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024	Aug 23, 2024
Current	42	50	42	43	43	38
Behind 1 quarter	13	2	11	11	14	12
Behind 2 quarters	0	2	2	1	1	7
Behind 3 quarters	2	3	3	3	1	2
Total:	**57**	**57**	**58**	**58**	**59**	**59**

Summary of Monitoring
Debt Service Coverage Ratio
Number of Projects that Exceed Required Ratio

Survey Date:	Apr 27, 2023	Jun 29, 2023	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024	Aug 23, 2024
DSCR at or greater than required:	41	46	42	43	47	51
DSCR less than required:	16	11	14	13	11	7
Problem Project:	0	0	1	1	1	1
Total:	**57**	**57**	**58**	**58**	**59**	**59**

Summary of Monitoring
Site Visits
Number of Projects that are Current

Survey Date:	Apr 27, 2023	Jun 29, 2023	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024	Aug 23, 2024
Current:	11	8	13	25	21	23
Past Due:	46	49	45	33	38	36
Total:	**57**	**57**	**58**	**58**	**59**	**59**

Agenda Item 6B – Cal-Mortgage Reports

Pending Projects

Department of Health Care Access and Information (HCAI)
Cal-Mortgage Loan Insurance Program
As of September 1, 2024

Projects Insured - Fiscal 2023-2024

Project Name	Location	Facility Type	Loan Amount	Loan Type	Rating
Ararat Home of Los Angeles	Mission Hills	Multi- CCRC	$10,915,000	New	--
Odd Fellows Home of California	Napa	Multi- CCRC	$67,065,000	Refinance Plus	BBB
			$77,980,000		

Projects Insured - Fiscal 2022-2023

Project Name	Location	Facility Type	Loan Amount	Loan Type	Rating
St. Rose Hospital	Hayward	Hosp	$24,500,000	Refinance	--
Carmel Valley Manor	Carmel	Multi-Others	$36,035,000	New	BB+
O'Connor Woods	Stockton	Multi-Others	$35,595,000	Refinance	BB+
Bethany Home Society of San Joaquin County	Ripon	Multi-Others	$49,560,000	New	--
Community Medical Centers, Inc.	Lodi	Clinic- PC	$26,040,000	New	BB-
Aldersly	San Rafael	Multi- CCRC	$61,030,000	New	--
			$232,760,000		

Projects with Letters of Commitment

Project Name	Location	Facility Type	Amount	Loan Type	Rating
La Maestra Community Health Centers	San Diego	Clinic-PC	$14,225,000	New	

Applications Before Advisory Loan Insurance Committee

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Moldaw	Palo Alto	Multi-CCRC	$60,945,000	New	

Pending Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Alexander Valley Healthcare	Cloverdale	Clinic-PC	$43,900,000	New	

Pre - Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating
No Applicants in Pre-Application Phase					

Discussions

Project Name	Location	Facility Type	Amount	Loan Type	Rating
SAC Health	San Bernardino	Clinic-PC	$45,000,000	New	
Tulare District Hospital	Tulare	Hospital - Dist.	$50,000,000	New	
OLE Health	Fairfield	Clinic-PC	$15,000,000	New	
			$110,000,000		

Facility Type Abbreviations

ADHC-DD	Adult Day Health Care-Developmentally Disabled
CDRF	Chemical Dependency Recovery Facility
Clinic-PC	Clinic for Primary Care
GH-DD	Group Home for the Developmentally Disabled
GH-Mental Health	Group Home - Mental Health
Hosp	General Acute Care Hospital
Hosp-Dist.	Acute Care Hospital - Healthcare District
Multi-CCRC	Multi-level Facility - Entrance Fee Continuing Care Retirement Community
Multi-Others	Multi-level Facility - Multiple Levels of Care, Month-to-Month Rental Community
SNF	Skilled Nursing Facility

Agenda Item 6C – Cal-Mortgage Reports

Problem Projects Report

Department of Health Care Access and Information

Cal-Mortgage Loan Insurance Program

Problem Projects Report

August 2024

Distribution: Elizabeth A. Landsberg, Director
Scott Christman, Chief Deputy Director
J. P. Marion, Deputy Director, Cal-Mortgage
Advisory Loan Insurance Committee Members

Problem Projects Report - Update for August 2024

Facility Name	Location	Type	Risk Rating as of 8/1/24	Current Obligation (Millions)	Percent In Debt Reserve Fund [1]	Payment Status?	Technical Default? (or other issues)	HFCLIF [2] Payment Likelihood? [3]	Change Since Last Report	Page
I. HFCLIF Payments Expected										
II. Ongoing HFCLIF Payments										
None										
III. Financial Performance Problems										
San Benito Health Care District	Hollister	Hosp - District	C	$ 8.3	100% (6-Month)	Current	Liquidity, Ratio Default	Low - March '25	June. YTD (12 mo.) profit of $15,511,128 and 93 DCOH. The District filed for Chapter 9 on May 23, 2023. Judge dismissed case on March 21, 2024 and the District filed an appeal. District voted to continue negotiations with Insight.	1
Hill Country Community Clinic	Round Mountain /Redding	FQHC	C	$ 3.1	76%	Not Current	Liquidity, Ratio Default	Moderate - May '24	The clinic sold its Redding clinic, Center of Hope, on April 22, 2024. The clinic projected to keep approx. $3 million cash on hand thru end-2024. The clinic has made two catch-up bond payments since mid-July 2024.	3
St. Rose Hospital	Hayward	Hospital	B	$18.8M - note $10M - LOC	N/A	Current	Liquidity, Ratio Default	Moderate	The payments for the insured term loan with City National Bank (CNB) is current. Line of Credit (LOC) is fully drawn; Corporation is making the required interest-only payments on LOC. A membership agreement with Alameda Health System (AHS) was executed on 8/19/2024. CNB has drafted the LOC extension for 120 days.	5
IV. Defaulted Projects: Pending Asset Sales										
None										
V. Resolved Defaulted Projects										
Verdugo Mental Health	Glendale	Clinic-MH							Last payment received on August 14, 2024. Current balance is $3,777,806.03.	8
Lake Merrit - Cal-Nevada/Pacifica	Oakland	CCRC							Last payment received on August 7, 2024. Current balance is $14,064,175.60	9

[1] The insured project's Debt Service Reserve Fund (DSRF)
[2] Health Facility Construction Loan Insurance Fund
[3] Likelihood means probability or possibility of using HFCLIF for next payment.

III. Financial Performance Problems

Project: San Benito Health Care District **Number:** 1076

Description:
San Benito Health Care District (District) operates the 25-bed Hazel Hawkins Memorial Hospital, four rural health clinics, two community health clinics, a distinct part skilled nursing facility, four satellite lab/draw stations, a home health agency in Hollister, and a rural health clinic in San Juan Bautista, California. In March 2013, HCAI insured a $24.9M bond issue for the refunding of $16M in outstanding bond debt, reimbursing the District $10M for construction costs for a Women's Center, and $2.4M toward the cost of issuance (2013 Bonds). The District refinanced the 2013 Bonds on February 11, 2021 (2021 Bonds) and achieved a net present value (NPV) savings of 10.42 percent, or $1.7M. The refinance provided annual cash flow savings of approximately $380,000. In addition, the refinance allowed the outstanding balance to decline from $16.48M to $12.57M. The 2021 Bonds have a current outstanding balance of $8.33M with a final maturity on March 1, 2029.

Background:
Between 2014 and 2020, the District's financial condition struggled due to a decline in census and ever-increasing expenses. In 2018, the District began the application process to convert to a Critical Access Hospital (CAH) and the Centers for Medicare and Medicaid Services (CMS) approved its application effective March 26, 2020. As part of the reclassification to a CAH, the District decreased its licensed beds from 62 to 25. Between April 2020 and June 2022, the District's financial condition improved due to the increased Medicare rates as part of the CAH reclassification, improved census related to COVID, and supplemental COVID funding.

In the third quarter of calendar year 2022, the District began experiencing liquidity issues due to two factors. First, CMS indicated that the District was overpaid during the FYE 2022 by $5.2M. A one-year repayment plan was established in the amount of $441,036 per month. In addition, CMS indicated that an additional $5.2M was to be reduced from future payments in FYE 2023, thus the District's inpatient rates were reduced by 20 percent and outpatient rates were reduced by 13 percent. The District was able to negotiate the one-year CMS repayment plan to a five-year repayment plan.

Second, the District ended its commercial provider agreement with Anthem Blue Cross (Anthem) on August 10, 2022. Anthem deactivated payments to the District on the commercial provider agreement, and inadvertently deactivated payments to the District on its Medi-Cal provider agreement. Anthem identified that it may take 45 days to correct the accidental deactivation of the payments for the Medi-Cal provider agreement. The District identified that approximately $4M in claims were delayed due to this payment processing issue with Anthem. The District eventually reached a new commercial provider agreement with Anthem covering the 2023 calendar year. The outstanding Anthem Medi-Cal receivables were subsequently processed and paid.

The District initiated an aggressive cost savings plan to address its immediate cash-flow needs, while the District explored sources to provide temporary liquidity and collected on its receivables. The San Benito County Board of Supervisors agreed to advance the District its annual property tax revenue normally paid in April; the District received $2.2M of property tax revenue in December 2022. In January 2023, the District obtained a $3.09M loan from the California Health Facilities Financing Authority's Nondesignated Public Hospital Bridge Loan Program II to provide additional liquidity. The District receives over $13M in supplemental funding annually; however, the majority of the funding is normally not received until months later and sometimes in the following fiscal year. The District worked with various agencies to receive its supplemental payments in advance, thus improving its liquidity.

Current Situation: (As of August 21, 2024) **Risk Rating: C**

On May 22, 2023, the District's Board of Directors authorized the filing of a Chapter 9 bankruptcy petition and adopting a pendency plan outlining a strategy to proceed forward. The District officially filed for Chapter 9 on May 23, 2023. In December the District defended itself in a trial due to Unions' claiming that the District did not meet the criteria to file for bankruptcy protection, which lead to wage and benefit cost cutting measures. On March 21, 2024, the Judge dismissed the District's bankruptcy case citing that the District is not insolvent and therefore not eligible for Chapter 9 relief. The District filed an appeal and anticipates a 9-to-12-month appeal process.

The District engaged B Riley Advisory Services to search for a strategic partner to help ensure the long-term viability of the District. The District received interest from several potential partners or buyers. On August 3, 2023, the District received a letter of intent (LOI) from American Advanced Management, Inc. proposing a lease-to-own transaction structure; this LOI was withdrawn in May 2024. On October 26, 2023, the District received a second LOI from the County of San Benito and Salinas Valley Health proposing a Joint Powers Authority (JPA) with Salinas Valley Health managing the operations of the District; this LOI has since been revised to remove Salinas Valley Health. On January 2, 2024, the District received a third LOI from Insight Foundation of America (Insight) proposing a purchase of the District's assets for between $59M and $65M. The District received a fourth LOI from San Benito Health Alliance, which is a local physician's group, proposing that Ovation Healthcare will manage the District's operations with no changes to the District's ownership structure; this LOI was withdrawn on April 22, 2024. At a June 5, 2024 Board meeting, the District's Board voted to continue negotiations with Insight. The proposal with Insight was modified from an outright purchase to a five-year lease-to-own option. The Insight proposal will be included on the November 5, 2024, ballot measure as Measure X for voters to make a final decision.

The District received a $10 million loan award from the Distressed Hospital Loan Program (DHLP). The DHLP loan closed on July 1, 2024, and the District received their first disbursement of $2.7 million on July 5, 2024.

The following table shows historical results for a number of key financial statistics:

Statement Date (6/30 FYE)	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Months Covered	12	12	12	12	12
Audit Method	Internal	Unqualified	Unqualified	Unqualified	Unqualified
Cash & Investments	$35,264,192	$13,413,099	$14,442,002	$18,508,626	$21,900,654
Net Worth	$38,981,819	$23,542,007	$23,197,870	$20,527,771	$20,233,144
Net Revenue	$157,417,452	$161,907,260	$149,021,950	$140,543,291	$119,478,898
EBITDA	$19,872,571	$4,625,783	$6,928,468	$4,988,398	$301,838
Net Income	$15,511,128	$344,137	$2,670,099	$294,627	($4,652,596)
Debt Service Coverage Ratio	9.33	5.34	3.09	2.11	(0.27)
Current Ratio	2.00	1.56	1.50	1.75	2.02
Days Cash on Hand	93	32	37	49	65

For the 12-month period ended June 30, 2024, the District had a net income of $15,511,128 compared to a budgeted net loss of $2,117,148. This resulted in a debt service coverage ratio of positive 9.33. The District had $35.26M in cash, equal to 93 days cash on hand.

Assessment:

Profitability:	3/31/2024 (9 mo.): $13,826,249
Liquidity:	Days Cash on Hand: 93
Debt Service Reserve Fund:	100% funded: $936,400
Debt Service Payments:	Current
HFCLIF:	3/1/2025 (P&I): low probability
CEO:	Mary Casillas
CFO:	Mark Robinson
Account Manager: Lauren Hadley	**Supervisor:** Dean O'Brien

III. Financial Performance Problems

Project: Hill Country Community Clinic **Number:** 1034

Description:
Hill Country Community Clinic (Corporation) is a California nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code. The Corporation owns and operates a healthcare facility in Round Mountain, Shasta County, to provide primary care and health education services to the Northeast portion of the County. In addition, the Corporation also operates a clinic and homeless shelter for transitional youth in Redding, Shasta County, namely Center of Hope (COH), to provide primary care, mental health, and chiropractic service. In December 2004, the Corporation earned a Section 330 Federally Qualified Health Center (FQHC) designation.

In October 2007, the Department insured a bond series in the amount of $5,250,000 for the Corporation (2007 Bonds). The 2007 Bonds were used to finance an expansion project that added a 12,500-square-foot space onto the Corporation's existing Round Mountain facility for housing six new medical exam rooms, three dental operatories, a mental health suite, a teen activity center, a new helicopter landing pad, and storage facilities.

The 2007 Bonds were refinanced in November 2016 in an amount of $4,420,000 (2016 Bonds) with the Department. The outstanding balance of the 2016 Bonds is $3,070,000.

On November 6, 2019, the Department consented to an additional $10 million indebtedness acquired by the Corporation from Nonprofit Finance Fund and Dignity Health Partners to structure a New Market Tax Credit (NMTC) transaction that would finance the construction of COH, which was open in July 2021. Commencing December 15, 2021, quarterly principal and interest payments of $194,325 are payable on the 15th day of March, June, September, and December with all unpaid principal and interest due in December 2026.

Background:
The Corporation's operating income started dropping since the COVID-19 pandemic in 2020. In 2022 and 2023, the Corporation's financial performance got worse and recorded net loss of $1.5 million and $3.7 million respectively. The Corporation's cash depleted quickly from $1.7 million in 2021 to less than $500k in 2022 as a result of poor operating results and construction of the COH. Based on the past 24-month financial performance ended December 31, 2022, the auditor, FORVIS LLC, opined in the audit report for Fiscal Year 2020 that due to decreased working capital, coupled with the additional debt service payments required to be made in relation to the COH project, and the impact of the COVID-19 pandemic raises substantial doubt about the Corporation's ability to continue as a going concern.

Cal-Mortgage staff made a site visit at the Corporation on August 18, 2023, and took a tour of the COH, which opened in July 2021 as the Corporation's flagship clinic site located in Redding. During the meeting with the CEO and CFO at the COH, the CFO expressed that the Corporation is facing serious liquidity problem due to changes of reimbursement requirements from the County, broken revenue cycle; physician and medical staff turnover; and dropping utilization. The CEO also admitted the COH was overbuilt for current demand for services and has caused a huge financial burden, which coincided with the COVID-19 pandemic that brought adverse impact to the Corporation's operation.

The Corporation and Shasta Community Health Center (SCHC) entered into an Asset Purchase Agreement on April 22, 2024, by which the Corporation transferred the ownership of COH and the respective NMTC loan to SCHC. In return, the Corporation received $5.6 million cash from the transaction. After partial payment of overdue unsecured debts and settling the outstanding professional fee such as the legal fee for the transaction, business consultant fee, and service fee for fiscal audit, the Corporation maintained $3 million cash for operations in May.

Current Situation: (As of August 20, 2024) **Risk Rating: C**

According to the latest liquidity projection as of August 7, 2024, the Corporation maintained $2.9 million cash balance and expected to keep at a similar level through the end of 2024. Such projection includes bond payments of $43K every three weeks until end of October when the annual bondholders' payment is due. After that, the bond payments will resume to monthly basis with $21.5K for each installment. The Corporation has made two bond payments so far (July 18 and August 19). Although the second payment was made ten days behind the proposed three-week schedule, the Corporation confirmed to stick to their proposal and expected to meet the upcoming debt service requirement in November 2024. The total balance due in November 2024 is $258,518.04 (Principal: $170,000, Interest: $54,206.25, DSRF Replenishment: $34,311.79).

Meanwhile, the Corporation is transitioning their operations in Redding to a new smaller site that is approximately one mile away from COH. Meanwhile, the operation at Round Mountain remains unchanged.

The Corporation has re-engaged FORVIS as their auditor in May. Due to staffing problems experienced by the auditor, the target filing dates of financial audit of FY 2021, 2022, and 2023 are further postponed to end-September 2024, end-December 2024, and end-March 2025, respectively. Meanwhile, the Corporation provided draft internal financial statements as of June 30, 2024, which showed a $938K net loss during the first six months of the year.

The following table shows key financial statistics of the Corporation.

Dollars in Thousand	Audit		Draft Internal (subject to reconciliation*)			
	2019	2020	12.2021	12.2022	12.2023	6.2024
Cash & Equivalents	1,398	1,864	1,765	520	1,386	3,628
Total Assets	45,091	51,592	49,514	48,370	49,060	48,426
Total Liabilities	38,409	44,139	39,643	42,483	46,051	49,514
Net Worth	6,682	7,453	9,871	5,887	3,009	(1,088)
Net Income	2,069	1,186	820	(1,509)	(3,656)	(938)
Debt Service Coverage Ratio	1.28	2.66	2.40	1.01	(4.63)	(0.51)
Days Cash on Hand	37.31	41.91	34.66	8.47	24.07	141.88
Current Ratio	1.08	0.86	1.37	0.91	0.84	0.72
*According to the Corporation's CFO, figures such as Total Assets, Total Liabilities, and Net Worth in the draft internal financial statements are preliminary and subject to review and reconciliation. In addition, the COH transaction has not been reflected in the balance sheet of 6.30.2024.						

Assessment:

Profitability:	6/30/2024 (6 mo.): -$938,144
Liquidity:	Days Cash on Hand: 141.88
Debt Service Reserve Fund:	76% funded: $108,289.15
Debt Service Payments:	Not Current
CEO:	Jo Campbell
CFO:	Christi Hines

Account Manager: Dennis Lo **Supervisor:** Dean O'Brien

II. Financial Performance Problems

Project: St. Rose Hospital **Numbers:** 1084, 0932

Description:
Hayward Sisters Hospital dba St. Rose Hospital (Corporation) is a general acute care 171 bed facility in Hayward, CA which offers emergency, obstetrics, and coronary care and both inpatient and outpatient services that was founded in 1962. It is the sole corporate member of St. Rose Medical Office Building and the St. Rose Hospital Foundation. Since 2013 the Corporation has been run via a management agreement with Alecto Healthcare LLC.

Background:
In May 2009 the Department insured a total of $42.1M of fixed rate bonds for the Corporation with Series 2009A tax-exempt bonds of $31.15M and Series 2009B taxable bonds of $10.95M (collectively "2009 Bonds"). The 2009 Bonds were used for the expansion of the fifth floor to accommodate 30 private rooms; replacement and repairs to the existing structure; and to complete seismic requirements to meet SB 1953 compliance by 2030.

In December 2010, the Corporation was having financial issues and drew on a $7M Alameda County emergency reserve fund to pay $4M for Hospital Provider Fees and $3M to pay down an outstanding balance on a Department insured line of credit (LOC). As a result of this and other performance issues, the Department eventually took actions towards the end of FYE 2012 to avert bankruptcy and enforced the replacement of all board members with five new board members. After restructuring the Board of Directors and various management roles, the Corporation ultimately entered into a management agreement with Alecto Healthcare LLC (Alecto), a for-profit organization. As Alecto was a for-profit organization with the option to buy the Corporation, the Corporation needed to refinance out of the 2009A tax-exempt bonds to avert a possible tax liability that could have inadvertently been triggered had Alecto exercised the buy option. Therefore, in 2016, the 2009A bonds were refinanced into a $38M Department insured bank loan with City National Bank (2016 CNB). In August 2022, the 2016 CNB loan was refinanced again with CNB in the amount of $24.36M (2022 CNB). Concurrent with the 2009 Bonds, the Department also insured a $10M line of credit (LOC) with CNB to ensure adequate operating liquidity for the Corporation. Current outstanding balances on the Department insured loan and LOC are approximately $19.3M and $10M respectively.

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The following table shows key financial statistics of the Corporation:

Dollars in Thousands	Internal 6/30/2024	Audit	Audit	Audit	Audit
	(9 months)	2023	2022	2021	2020
Cash & Equivalents	$21,984	$8,768	$11,652	$26,175	$36,831
Net Accounts Receivable	$10,913	$11,226	$8,867	$9,269	$6,782
Total Assets	$93,114	$68,449	$68,242	$81,597	$94,642
Total Current Liabilities	$62,329	$35,940	$21,930	$26,647	$26,791
Total Liabilities	$79,589	$59,298	$49,238	$59,567	$67,678
Net Assets	$13,525	$9,151	$19,004	$22,030	$26,964
Revenue	$113,553	$119,316	$122,295	120,745	$125,420
Operating Profit/Loss	$5,192	($10,470)	($4,773)	($4,683)	($2,776)
Net Income/Loss	$4,071	($9,853)	($5,712)	($5,641)	($4,637)
DSCR	0.76	(1.25)	0.30	0.61	1.03
Days Cash on Hand	56.37	25.20	24.97	79.85	110.76
Current Ratio	0.85	0.88	1.47	1.76	2.05

Fiscal year-end is September 30.

<u>Current Situation</u>: (as of August 22, 2024) **<u>Risk Rating:</u> B**

For the month of June, operating revenue totaled $8.1M which was $1.2M under budget. Operating expenses were slightly below budget which resulted in a monthly net loss of $3.0M. The Corporation's year to date net income for the nine months ended June 30, 2024, was $4.1M which compared favorably to budget by $8.5M. This significant upbeat result is due to the receipt of supplemental funding in the form of Measure A (Alameda County) tax revenues and contributions. June's operating expenses were favorable to budget by $344K, but FYTD operating expenses remained over budget by $6.2M. This was almost entirely due to the Hospital Quality Assurance Provider Fee expense.

Cash & equivalents decreased by $6.4M from the previous month due to both paying down accounts payable and other accrued liabilities and the purchasing of equipment. Current liabilities showed a decrease of $3.2M as accounts payable was reduced as mentioned above. The above reductions combined to decrease the current ratio and days cash on hand. The Corporation did not meet its DSCR, CR, and DCOH ratio covenants requirements for FYE 2023. The Corporation requested a waiver on March 25, 2024, and subsequently the Department granted a waiver on May 6, 2024.

The membership agreement with Alameda Health System (AHS) was executed on August 19, 2024 after a supportive vote at AHS's August board of trustees meeting. The Corporation has received a draft extension from City National Bank (CNB) pertaining to the LOC which expired in July 2024 which states that CNB will extend the maturity date of the LOC by 120 days. The Department continues to hold tri-weekly meetings with the Corporation's management for the purpose of receiving updates regarding the progress of the affiliation. HCAI is currently evaluating a request from AHS to modify the payoff structure of the insured term loan and LOC to offer some cash-flow relief over the first five years of AHS' acquisition of St. Rose so it can make the needed investments into the hospital's turnaround initiatives.

Assessment:

Profitability:	6/30/2024 (9 mo.): $4,071
Liquidity:	Days Cash on Hand: 56 days
Line of Credit:	$10M, fully drawn
Debt Service Reserve Fund:	Not required per terms of note
Debt Service Payments:	Current
HFCLIF:	Moderate Probability
Alecto CEO:	Lex Reddy
Alecto CFO:	Matt Williams
Board Secretary/Counsel:	Michael Sarrao, Esq.

Account Manager: Arne Bracchi

Supervisor: Consuelo Hernandez

V. Resolved Defaulted Projects

Project: Verdugo Mental Health **Number:** 0973

Description:
The Las Candelas Nonprofit Group, in conjunction with the Glendale Hospital, established the Verdugo Mental Health Center (Clinic) in 1957. Services focused on abused and emotionally disturbed children, seriously mentally ill adults, and those recovering from substance abuse and other addictions. In December 1993, the Department insured a loan to purchase, renovate, and equip an outpatient/administrative facility. This loan was refinanced in April 2005 for the balance of $810,000. In April 2006, the Department approved a $5,505,000 loan to construct a 14,740 square foot outpatient clinic. The clinic is a two-story building with partial subterranean parking, joined with existing retrofitted, 4281 square foot clinic.

Background:
Verdugo filed Chapter 7 bankruptcy due to a special education local plan area liability of $566,000, growing net losses resulting from cuts in reimbursements for patient services, and declining fundraising. On December 9, 2010, the Department issued a Declaration of Default and Notice to Cure for $5,220,000.

All bonds were redeemed by the trustee on April 18, 2011, using funds drawn from the HFCLIF and the balance of the trustee accounts, which was $5,732,382.18. A $5,000,000 bankruptcy court order approved, HCAI financed sale to DiDi Hirsch Psychiatric (DiDi Hirsch) closed on May 13, 2011.

Current Situation: (as of August 14, 2024) **Risk Rating: None**
The August 2024 amortized payment of $21,080.20 was made on August 14, 2024. The current outstanding balance is $3,777,806.03. The 2023 audited financial statements were received on March 27, 2024.

Assessment:

Profitability: (DiDi Hirsch)	$8,927,521 (6/30/23 Audit)
Liquidity: (DiDi Hirsch)	$21,409,961 cash (6/30/23 Audit)
DSCR: (DiDi Hirsch)	8.45 (6/30/23 Audit)
Loan Balance:	$3,777,806.03
Payments:	Current (8/14/2024)
Final Maturity:	6/1/2044
Interest Rate:	3%
Payment Terms:	$21,080.20 monthly until maturity on 6/1/2044

CEO: Jonathan Goldfinger, MD **CFO:** Howard Goldman

Account Manager: Dennis Lo **Supervisor:** Dean O’Brien

V. Financial Performance Problems

Project: California Nevada Methodist Homes **Numbers:** 1018, 1053

Description:
California Nevada Methodist Homes (Corporation) was founded over 60 years ago. It operates two continuing care retirement communities (CCRCs)–Forest Hill Manor (FHM) in Pacific Grove and Lake Park Retirement Residence (LPRR) in Oakland.

Background:
On October 1, 2015, the Department of Health Care Access and Information (Department) insured Revenue Bonds Series 2015 (Bonds) for the Corporation in the amount of $32,920,000. The Bonds were used to refinance the Department insured 2006 bonds and fund $6.3 million in capital improvements.

The Corporation has had several financial setbacks dating back to 2007, which contributed to its net losses since Fiscal Year End (FYE) 2009. Approximately $27.5 million of the $42.3 million 2006 bonds were used for the expansion of FHM. Construction was scheduled to be completed in late 2007, but construction was delayed by 16 months. The construction delays caused the opening of FHM to be set back until March 2009, right at the beginning of the recession. By March 2009, Independent Living (IL) cottage deposits had declined, and the Corporation has not been able to increase occupancy at FHM. The purpose of the 2015 Bonds was to provide interest rate savings, along with an additional $6.3 million for renovations and upgrades to the Corporation's facilities. The renovations were believed to be necessary to improve occupancy and increase the marketability of vacant IL units. The units have not sold at the pace that was projected in the feasibility study done by Bill Hendrickson at the time of the bond closing.

On March 16, 2021, the Corporation filed a voluntary petition commencing Chapter 11 for relief under the Bankruptcy Code continuing in possession of its property and operation of its businesses as debtor-in-possession (DIP). The Corporation missed the monthly debt service payments from February 2020 through December 2022. On December 6, 2022, the sale of the Corporation to Pacifica Companies LLC (Pacifica) was finalized. The Department elected to accelerate the bonds per section 7.2 of the Indenture and the bonds were paid in full and redeemed on March 3, 2023. The Plan of Liquidation was approved during the court hearing on June 30, 2023, and became effective on July 5, 2023. The Department received a wire of $2,358,613.01 on July 6, 2023. The wire was the amount due to the Department as part of the liquidation plan.

On September 8, 2023, the Corporation entered a final decree to close the Chapter 11 case with the Bankruptcy Court. The final decree was approved by the Court on October 4, 2023.

Current Situation: (as of August 21, 2024) **Risk Rating: N/A**
There are some unresolved disputes over administrative expense claims still to be resolved, but it is anticipated that expenses will be less than the $750,000 being held in the reserve account. Any money left after all expenses have been paid will be returned to the Department.

Under the amended Purchase Sale Agreement, the Department and Pacifica have negotiated a workout plan that involved a carryback secured note (Note) with Pacifica dba Lake Merritt Senior Living LLC as the obligor. The Note is secured by a Deed of Trust recorded against LPRR. The Note is for $15 million and amortized over 240 months, but payable in full on or before month 120. Interest is 3 percent, and a $3 million loan forgiveness will be issued upon payoff. Pacifica has made the monthly payment of $83,189.64 from January 2023 to August 2024. The current outstanding balance is $14,064,175.60

Assessment:
Pacifica CEO: Deepak Israni
Pacifica Counsel: Thomas P. Sayer

Health Facility Construction Financing Officer: Consuelo Hernandez