ADVISORY LOAN INSURANCE COMMITTEE

May 11, 2023

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

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

Agenda Item 3 – Meeting Minutes for March 9, 2023

HCAI Department of Health Care Access and Information
2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
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ADVISORY LOAN INSURANCE COMMITTEE MINUTES

March 9, 2023

1. CALL TO ORDER

Mr. David Kears, ALIC Chair, called to order the teleconferenced meeting of the Advisory Loan Insurance Committee (Committee) of the Cal-Mortgage Loan Insurance Division (Cal-Mortgage) of the Department of Health Care Access and information (HCAI) at 10:30 a.m.

COMMITTEE MEMBERS PRESENT
David Kears, Chair, via teleconference
Jay Harris, Vice Chair, via teleconference
Soyla-Reyna Griffin, Member, via teleconference
John Woodward, Member, via teleconference
Derik Ghookasian, Member, via teleconference
Jonathon Andrus, Member, via teleconference
Richard Tannahill, Member, via teleconference

COMMITTEE MEMBERS ABSENT
None

ADDITIONAL ATTENDEES
Elizabeth Landsberg, HCAI, Director
Scott Christman, HCAI, Chief Deputy Director
Jeremy (J.P.) Marion, HCAI, Cal-Mortgage, Deputy Director
Dean O’Brien, HCAI, Cal-Mortgage, Supervisor
Geoff Trautman, HCAI, Staff Attorney
Consuelo Hernandez, HCAI, Cal-Mortgage, Account Manager
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
Wendy Benedetto, HCAI, Associate Governmental Program Analyst
Joanna Luce, HCAI, Executive Secretary
Michael Scannell, HCAI, Cal-Mortgage, Office Technician
Christine Noguera, Community Medical Centers, Inc., Chief Executive Officer
Jaime Allen, Community Medical Centers, Inc., Chief Financial Officer
Del Nordby, Construction and Development Solutions, Inc., Project Manager
Grant Wilson, H.G. Municipal Finance, Inc., Project Manager

Tony Skapinsky, Capital Link, Tony Skapinsky

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

Before Mr. Kears, Committee Chair, called the meeting to order, Mr. J.P. Marion, HCAI, Cal-Mortgage Deputy Director, asked that for the 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 item be done through a roll-call vote.

Mr. Kears proceeded to perform a roll call of the Committee members present at today's meeting and then asked for public comments regarding the action items on today's agenda. Mr. Marion informed Mr. Kears that there is a committee member who may not be able to stay for the full meeting agenda and asked to move Agenda Item 5, the loan insurance application to be the next item in the order of the agenda instead of Agenda Item 3, approval of the meeting minutes. Prior to moving to Agenda Item 5, Mr. Kears asked if there were any objections to the proposed change in the order of the agenda. Hearing none, the meeting immediately moved to Agenda Item 5, presentation of the loan application.

3. APPROVAL OF THE MINUTES OF THE AUGUST 11, 2022 MEETING

A motion to approve the minutes as written was made by Jonathon Andrus. Derik Ghookasian seconded the motion. Ms. Soyla Reyna-Griffin abstained for voting on the minutes stating that she was not present at the last meeting. The motion passed, 6-0.

4. ALIC CHAIR AND HCAI EXECUTIVE STAFF REMARKS

- **ALIC Chair**

  Mr. Kears did not make any additional opening remarks in addition to his brief opening remarks during the presentation of the loan application.

- **HCAI Director**

  Ms. Elizabeth Landsberg, HCAI, Director made brief remarks first by saying it was a great discussion about Community Medical Centers and that it is helpful to hear about overlapping issues that HCAI is working on that these types of facilities face.

  Ms. Landsberg gave the Committee a few updates from HCAI that included the Governor's proposed budget for next year and the projected shortfall in the budget. The Governor's response to the budget gap includes delays of funds that will directly impact HCAI's programs. Ms. Landsberg then reviewed some of the workforce programs at HCAI to assist facilities such as today's Applicant with their staffing challenges.

Ms. Landsberg updated the Committee on the new programs HCAI is implementing this year in the areas of reproductive health care services; workforce development; a small and rural hospital relief program; the implementation of the Office of Healthcare Affordability and the Governor's appointments to the new California Healthcare Affordability Board; and the CalRX initiative to create, manufacture, and distribute a biosimilar insulin at affordable costs.

Ms. Landsberg discussed the beginning of the new legislation session and said HCAI is analyzing introduced bills and educating the members about HCAI's programs noting Mr. Marion and his team is looking at a bill that would affect his program.

At the conclusion of Ms. Landsberg's remarks she acknowledged that HCAI is aware of the pressures that clinics and hospitals face with health care costs. HCAI is providing technical assistance and ways to help with those pressures. Ms. Landsberg then returned the meeting back to Mr. Kears. Mr. Kears asked the Committee for their comments or questions. The Committee did not have any questions for Ms. Landsberg. Mr. Kears then thanked Ms. Landsberg for her report. In response, Ms. Landsberg thanked the Committee for their service.

- **HCAI Chief Deputy Director**
  Mr. Scott Christman, HCAI, Chief Deputy Director stated he did not have any remarks and returned the meeting to Mr. Kears.

- **Cal-Mortgage Deputy Director**
  Mr. Marion began his remarks with updating the Committee on the activities of Cal-Mortgage since the last meeting stating that the program has been busy having discussions with a few new prospective borrowers and dealing with a number of borrowers with projects on the Problem Project Report and Watch List.

  Mr. Marion provided the Committee an overview of the Small and Rural Hospital Relief Program and how it will be of assistance toward the cost of seismic related construction services to bring these facilities into seismic compliance.

  Mr. Marion reminded the Committee that it is Form 700 season and if due, asked the members to please complete their ethics training. If a Committee member needs the link to log into the Form 700 website to complete their form online, to let himself or Joanna Luce, Executive Secretary know so that they can provide them with a link to log into the Form 700 website. Mr. Marion also updated the Committee about his discussions with prospective new members to fill the vacancy on the Committee.

Mr. Marion advised the Committee that the Governor's Executive Order that authorizes virtual meetings expires at the end of June. At the beginning of July, we may need to go back to in person meetings; noting there does not seem to be proposed legislation to amend the Bagley-Keene Act to continue the option to conduct virtual meetings. However, there is a provision to attend a meeting virtually under certain conditions if needed by a member. As the July meeting date approaches and the situation develops, Mr. Marion said he would reach out to the members individually to discuss this option. At the conclusion of Mr. Marion's remarks, he asked the Committee if they had any questions. No questions were asked, and Mr. Kears asked that Mr. Marion proceed to the next item on the agenda, the Deputy Director's Reports.

5. LOAN INSURANCE APPLICATION REVIEW: COMMUNITY MEDICAL CENTERS, INC. (APPLICANT)

Lauren Hadley, Account Manager

The Applicant is a Federally Qualified Health Center that provides medical; dental; behavioral health; pharmacy; laboratory; and specialty services in San Joaquin, Solano, and Yolo Counties. The purpose of the proposed insured loan of $25.6 million is to finance (i) the construction of a 26,625 square foot health center in the city of Lodi; (ii) refinance the land mortgages; (iii) a debt service reserve fund; (iv) 18-months of capitalized interest; and (v) the cost of issuance.

Mr. Marion introduced Lauren Hadley, Account Manager for this Applicant to the Committee. Ms. Hadley provided the Committee with a summary background of the Applicant and the project with her recommendation to approve the request for loan insurance before introducing the following representatives present on behalf of the Applicant:

Christine Noguera, Community Medical Centers, Inc., Chief Executive Officer
Jaime Allen, Community Medical Centers, Inc., Chief Financial Officer
Del Nordby, Construction and Development Solutions, Inc., Project Manager
Grant Wilson, H.G. Municipal Finance, Inc., Project Manager
Tony Skapinsky, Capital Link, Tony Skapinsky

Ms. Christine Noguera, Community Medical Centers, Inc., Chief Executive Officer gave an opening statement to the Committee regarding their proposed project. At the conclusion of Ms. Noguera's opening statement Mr. Kears made a brief comment about today's loan application. Mr. Kears stated he was pleased to see this loan application as it sort of gave him a sense of returning to normalcy and that the focus can now be how we start building and expanding services for our low income and indigent populations as well as the general populations as a whole in their counties. Mr. Kears then opened the discussion of this project with the Applicant and the Committee to discuss the following subjects related to the

Applicant's loan application: the Applicant's different clinic sites; scope of services; the Year-To-Date December 2022 financial statements; Days Cash on Hand; reimbursement rates; revenue sources; net patient revenue; Medi-Cal 340B Prescription Program and manufacturers' carve outs; Prospective Payment Systems rates; operating performance and liquidity; Line of Credit; family residency and behavioral health programs; inflation; staff shortages, recruitment, and wages; Department of Health Care Services; COVID-19 and COVID-19 grants; and the project budget and contingency plan.

At the conclusion of this discussion, all questions were answered to the Committee's satisfaction Mr. Kears opened the discussion to the public for comment. No public comments were offered on the project. Mr. Kears then called for a motion to vote on the loan application project. Soyla Reyna-Griffin made the motion to approve the application for loan insurance. Jay Harris seconded the motion. The Committee voted to approve the application. The motion passed unanimously, 7-0.

At the conclusion of the Applicant's presentation and the Committee's vote on the application, Mr. Marion told the Applicant they are free to drop off of the meeting call. Mr. Tony Skapinsky asked if this meeting is a public meeting and if he would be allowed to stay on the meeting call to listen to the remainder of the meeting in the background. Mr. Marion indicated the meeting is a public meeting and that Mr. Skapinsky may remain on the meeting call.

6. DEPUTY DIRECTOR'S REPORT

Mr. Marion displayed the Deputy Director's reports for the meeting attendees to follow along as the reports were presented. Mr. Marion then asked Dean O'Brien, HCAI, Cal-Mortgage Supervisor, to review the Project Monitoring report with the Committee.

- **Project Monitoring – Dean O'Brien**

  Mr. O'Brien provided the Committee with updates on Cal-Mortgage's Project Monitoring Report. Mr. O'Brien said that the reporting has been consistent where it has been before. However, we are now seeing significant delays in corporations being able to turn around their internally prepared and audited financial statements. What we are hearing is that like medical providers there is a shortage of accountants and back-office staff to turnaround the financial statements as there has been a significant turnover through the COVID-19 pandemic. We are seeing delays from a handful of corporations that used to be very timely with their financial statements. Mr. O'Brien stated we are staying on top of the situation but wanted to let the Committee know that we are seeing delays in financial reporting. Further stating that luckily the corporations are doing okay in terms of being able to hit their debt service coverage ratios.

  Mr. O'Brien then asked the Committee if they had any questions concerning his report. Ms. Reyna-Griffin made comments as a corporation with loans with

Cal-Mortgage, about the challenges they have faced because of COVID-19 and to be timely with their financial statements. Mr. O'Brien thanked Ms. Reyna-Griffin for the open lines of communications with her and her team and her anecdotal evidence backing up the significant delays of what we have been seeing in terms of financial reporting apart from what we have seen in the past.

Mr. Marion then introduced Ms. Consuelo Hernandez, HCAI, Cal-Mortgage Acting Supervisor and Account Manager to present the Pending Projects Report.

- **Pending Projects – Consuelo Hernandez**
  Ms. Hernandez noted that the April Committee meeting will likely be canceled. Of the pending projects on the report, Aldersly, a Continuing Care Retirement Community located in San Rafael, CA will likely be the next project to come before the Committee. The project will be roughly a $64 million loan to construct new independent living units. They are aiming to present their project at the May 11th Committee meeting.

  Ms. Hernandez said we will be adding one new project to our project discussion list. Alexander Valley Healthcare, a Federally Qualified Health Care facility located in Cloverdale, CA. A discussion with Mr. Marion, Mr. O'Brien, and herself, and the facility occurred two weeks ago. They are very interested in our program and our team feels like they would be a perfect fit for the mission of our program. We are looking forward to them to coming before the Committee to present their project at a future meeting.

- **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:

  California Nevada Methodist Homes (CNMH): Mr. Marion gave the Committee an extensive update of CNMH's current status of their sale to Pacifica Senior Living (Pacifica) and the payoff of the bonds according to the IRS rules for tax-exempt bond issuance. Given the current interest rate climate and the low rate of return on the Health Facility Construction Loan Insurance Fund (HFCLIF), it was felt to pay off the bonds now from the HFCLIF as the most fiscally prudent option. As of March 3rd, the bonds are paid off and the insured bond holders were paid their principal back. The bonds are no longer an obligation to our program. The bankruptcy process continues. The program is expected to recoup money from the estate. The next bankruptcy hearing is scheduled for March 24th where the judge will review the bankruptcy plan and provide comments. Then the bankruptcy plan goes into a confirmation process where all of the interested parties get a vote on the bankruptcy plan. The confirmation hearing is projected to occur around May 26th. However, SEIU has now come forward with a late filing concerning its employees' pensions. The filing is nearly two years past the due date. There are a lot of objections to this filing including Cal-Mortgage's objection. There are other parties with objections to this late filing as well. There is a possibility this late filing will drag out the bankruptcy plan's confirmation process. More will be known after the hearing on March 24th.

Mr. Marion then answered questions from the Committee specific to the CNMH borrower. There was a brief discussion between Mr. Marion and the Committee about the total loss of money to the HFCLIF from the bankruptcy of CNMH.

San Benito Health Care District (San Benito): Mr. Marion gave the Committee a brief update about this borrower, their financial problems, and prospects for filing Chapter 9 bankruptcy. Mr. Marion said San Benito in the last couple of months has managed to get some working capital from various resources, but it is not a long-term solution to their financial problems. They have initiated a Request For Proposal (RFP) process looking for partners to sell to or affiliate with. They have ten interested parties that have signed non-disclosure agreements. The hope is the RFP process will lead to a letter of intent and a proposal from a party interested in buying or affiliating with the hospital. We are monitoring this situation closely.

Mr. Marion then answered questions from the Committee specific to the San Benito borrower. There was a brief discussion between Mr. Marion and the Committee about San Benito's RFP process and the possibilities of a sale or affiliation.

Verdugo Mental Health: This borrower is now a direct note with Didi Hirsch, which took over Verdugo through bankruptcy and is now making payments as agreed upon.

The Gateway: Mr. Marion updated the Committee on the sale of the facility to Pacifica. The Attorney General's Office approved the sale without adding additional conditions to the sale. The transaction closed on February 9th. The bonds are now paid off and this borrower is no longer a risk to Cal-Mortgage. The Committee did not have any questions for Mr. Marion regarding this borrower.

Jewish Home of San Francisco: Mr. Marion said this project is on our Watch List. He gave an update of this borrower and their efforts to recruit a new Chief Executive Officer (CEO) after the retirement of the former CEO Daniel Ruth and their financial status. Mr. Marion said we continue to keep our eye on this borrower.

Asian Community Health Care Centers: Mr. Marion said this borrower has a similar situation to Jewish Home of San Francisco. We are currently monitoring their situation.

Hill Country Community Clinic: Mr. Marion said this borrower experienced a Chief Financial Officer change and accounting challenges with their staff; and have fallen behind in their financial reporting submissions. Given we have not seen financial statements from them in awhile we sent a letter to formally request them to please submit financials within 30 days. They are working with us, and we have them on our Watch List. Mr. Marion commented as Mr. O'Brien reported, just in general, we have been seeing a kind of overall weaking in the financials that we have seen. It is to be expected with all of the rising labor costs and inflation. Mr. Marion is hoping that reimbursement methods will start to catch up.

7. FUTURE AGENDA ITEMS/ANNOUNCEMENTS FROM COMMITTEE MEMBERS

There was no discussion made under this agenda item.

8. GENERAL PUBLIC COMMENT

No public comments were made.

9. ADJOURN

Mr. Kears made a motion to adjourn the meeting and the meeting was adjourned at 11:50 a.m.

The Minutes of the above meeting were approved during the meeting of the Committee held on May 11, 2023. .

Dave Kears, Chair	Joanna Luce, Executive Secretary

Agenda Item 5 – Aldersly, Inc. Project

Cal-Mortgage Application
May 11, 2023 ALIC Meeting

Aldersly, Inc.
326 Mission Ave, San Rafael, CA 94901

Contents

PROJECT SUMMARY & FEASIBILITY ANALYSIS

For the May 11, 2023 Advisory Loan Insurance Committee (ALIC) Meeting

Project Summary

Applicant:	Aldersly, Inc. (Corporation) 326 Mission Ave, San Rafael, CA 94901
Project No.:	1089
Account Manager:	Tom Wenas

Executive Summary:
The Corporation is a 501(c)(3) nonprofit public benefit corporation which owns and operates a single site multi-level continuing care retirement community (CCRC) on a 3.5-acre campus located in San Rafael, Marin County California. Originally founded and incorporated in 1921 serving the Danish-American population in California and Nevada, now the community welcomes anyone who meets its financial and other admission criteria. The name Aldersly means *shelter for the aging, and* the Corporation is dedicated to serving the needs of its senior residents in the Danish tradition and spirit of respecting and caring for the elderly. Since 2009, the Corporation has been managed by Life Care Services (LCS), LLC., a national senior community management and development firm.

The Corporation offers direct admit and entry fee options to its residents across a continuum of care in residential living, assisted living, memory care and extended care. Currently the Corporation has 41 independent living (IL) apartments, 15 private assisted living units (AL), 20 memory care units (MC), and 16 extended care beds (EC). EC is a level of care the Corporation states is on par with skilled nursing care for high-acuity AL residents with some limitations. If a resident needs a higher level of care the Corporation also has contracts with two LCS affiliated facilities to provide skilled nursing care in the area. Discussions are ongoing to execute transfer agreements with more skilled nursing providers.

The proposed Project includes the construction of 35 new IL units, parking and other common area amenities, in addition to refinancing a relatively small amount of outstanding debt. Total Project costs are estimated at approximately $72.8 million and are proposed to be financed using a $63.3 million insured loan (Project). The proposed Series 2023 Bonds will be secured by all assets and revenues of the Corporation except for the Corporation's LLC. The Corporation is the sole member of a California limited liability company known as H.C. Andersen Properties LLC (LLC). The Corporation established the LLC in 2014 to immediately acquire real property surrounding the existing campus as it becomes available, for the ultimate benefit of the Corporation. Assets include two residential properties contiguous to the existing campus. The LLC assets and liabilities will not be pledged to support the Series 2023 Bonds and are not reflected in the feasibility report. The Corporation request not to include this entity was driven by the fact that these two properties are not related to or needed for the Project. The Corporation will continue to look for opportunities to acquire contiguous properties for future expansion opportunities. Total assets in the LLC are approximately $1.8 million and will be broken out in a supplementary schedule as part of the audited financial statements going forward.

Insured Total:

The total amount to be insured by the California Department of Health Care Access and Information (Department), will not exceed the amount of $63.3 million, which equates to approximately 87 percent of total Project costs. The bond model dated April 11, 2023, shows a par amount of approximately $60.7 million and a bond premium of approximately $2.5 million. The bond proceeds will be used to: (i) fund the construction of 35 new IL units, (ii) refund the 2015A bonds, (iii) fund capitalized interest during construction, debt service reserve funds, HCAI insurance premiums, and costs of issuance.

The Corporation has proposed a financing structure consisting of $30.3 million of shorter term temporary fixed-rate bonds (TEMPS) with maturities starting upon Project completion in 2025, and $33.0 million in fixed-rate bonds with long term maturities to 2053. The TEMPS are expected to be repaid from the initial first-generation entrance fees of the 35 new IL units with predetermined fill up targets over an estimated 18-month period starting in 2025. Finally, $5.3M in TEMP bonds will be issued in order to do an early refinance of 2015 bonds that are currently outstanding.

Cal-Mortgage Priority Project:

The proposed Project meets Cal-Mortgage's definition of a priority project based on the following two criteria in the State Plan: Projects that provide services to keep people with special needs functioning optimally in a community-based environment and avoiding the need for institutional placement. Special needs populations would include, but are not limited to, the elderly, children, persons with mental or developmental disabilities, and persons in substance abuse therapy. Projects that provide innovative solutions to healthcare delivery problems. These may include projects that promote the development of healthcare networks in rural areas, projects that provide integrated services for persons with chronic health conditions, or projects that develop a continuum of care.

Financing History with the Department:

The relationship between the Department and the Corporation dates back over 32 years when, in May 1991, the Department insured a $2.0 million loan for the Corporation to construct a 20-bed skilled nursing facility (SNF). In September 2002, the Department insured an additional $7.1 million loan for the construction of a new 3-story, 30-unit AL facility. Finally, in July 2004, a $1.2 million loan was insured to refinance the Corporation's 1991 financing. In 2015 the Corporation refinanced all outstanding insured loans with the Department by issuing a $6.3 million uninsured loan on its own. During the years the Corporation partnered with the Department it had a history of generating a positive net income, making timely bond payments, and being in compliance with all required financial covenants.

Credit Rating and Premium:

The Corporation does not plan to obtain an independent credit rating. The Cal-Mortgage loan insurance premium is estimated to be $2.8 million which is 3 percent, of the total debt service of $94.3 million; the certification and inspection fee is $243,120 or 0.4 percent, of total principal amount $60.8 million; for a combined total of $3.1 million.

Eligibility and Licensing:

The Corporation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code as a California nonprofit company and licensed as a Residential Care Facility for the Elderly (RCFE) by the California Department of Social Services (DSS) to operate IL, AL, MC units. The Corporation ensures a full continuum of care by contracting with other LCS managed skilled nursing facilities and offers a higher level of healthcare beyond ordinary senior living apartments in its EC unit, therefore, it is eligible for loan insurance as defined in Section 129010 of the Health and Safety Code. The Corporation's proposed Project is eligible for insurance, as a multi-level continuing CCRC as defined in Section 129010 of the Health and Safety Code. It has received approval from DSS to accept deposits from prospective residents as provided by the Health and Safety Code Section 1780 et seq.

Skilled Nursing Facility Conversion:

In an attempt to adapt to the hyper inflationary economic environment and significant cost pressures specifically facing the healthcare industry in February 2022, the Corporation delicensed its SNF and converted the 18 SNF beds to what it refers to as 16 high-acuity assisted living or EC beds. In connection with the closure, its skilled nursing license from the California Department of Public Health and its provider agreement with the United States Centers for Medicare & Medicaid Services were terminated. The SNF closure was motivated by several factors, but primarily driven by 1) the extraordinarily high cost of operating a SNF (particularly a small one with historical low occupancy), 2) extensive regulatory oversight and high costs of compliance, 3) the fact that many residents in the SNF could and were being properly cared for at the assisted living level of care, provided nursing staff was present, and residents' stated a preference to reside in the residential portion of the community. Over the past year the Corporation has demonstrated that they are still able to offer a continuum of care to residents including onsite therapy, hospice and end of life care, and care supported by registered nurses and certified nursing assistants. For the limited cases that require skilled care such as blood transfusions, serious wound care, feeding tubes, tracheotomies, ostomies, or more intensive rehabilitation, the Corporation has transfer agreements with two local LCS affiliated licensed providers, The Forum at Rancho San Antonio in Cupertino and Arbol Residences of Santa Rosa, to admit its residents, and in the final stages of an executed agreement with the Redwoods located in nearby Mill Valley. The Corporation has not been required to transfer any residents to other providers since the SNF was delicensed. Even without the SNF the Corporation continues to have a strong healthcare focus evidenced by a commitment to helping train the next generation of health care providers by offering classes to nurses and certified nursing assistants from Dominican University of California and to certified nursing assistants from College of Marin on campus within the EC unit.

Project Description:

The proposed Project is the second part of a two-phase master plan adopted by the Corporation to address market demands for larger IL units, amenities, memory care, and extended care. The Corporation and its Board completed a master planning process with the overarching goal of improving IL offerings and completing the continuum of care to meet the demands of the aging local population.

The master plan has two phases. The first phase was completed in 2022 and consisted of three components: (1) converting a floor of 15 AL units into 20 MC units, (2) converting its 18 SNF beds into 16 EC beds, (3) phasing out 15 units of IL from available inventory that are located in a building that will be demolished as part of phase two of the Project, and (4) refreshing existing facilities. Phase one was funded entirely using the Corporation's equity.

The second phase of the master plan includes the Project, and involves construction of a new IL building with larger and more marketable units, as well as additional common areas and parking spaces, which are all proposed to be financed with the proceeds of the 2023 Bonds. The proposed new four story 57,000 square foot concrete building will include a café, activity room, and a rooftop terrace. The average size of the 35 new units will be approximately 1,013 square feet, double the size of the existing IL units. Demolition and site preparation are expected to begin in June 2023, with construction beginning in July 2023 and ending in January 2025. First move-ins, after licensing, are estimated to take place in February 2025.

The following chart shows the unit mix prior to the completion of phase one, the unit mix after the closure and conversions, and the anticipated unit mix upon the completion of the Project.

Unit Mix				
Level of Care	Prior to Unit Conversions/ Expansion	Phase 1 (Completed 2022)	Phase 2 (Projected Completion 2025)	Net Change
IL	56	41	76	21
AL	30	15	15	-15
MC	-	20	20	20
EC	-	16	16	16
SNF	18	-	-	-18
Total Units	103	92	127	24

<u>Existing Loan Refinancing</u>:
When the Corporation last refinanced its insured loan with the Department in 2015, the California Statewide Communities Development Authority issued the Series 2015A Bonds in the aggregate principal amount of $6.3 million of which approximately $5.3 million is currently outstanding. A portion of the proceeds of the 2023 Bonds will be used to refinance the 2015A Bonds in order to perfect the Department's collateral in obtaining the first lien position in the real property and gross revenues of the Corporation. Because the bonds are not technically callable until 2025 the funds will be irrevocably deposited into an escrow account and the escrow funds will be sufficient to fund all required principal and interest to defease the bonds.

<u>Services and Fee Structure:</u>
In order to appeal to the most diverse market of prospective residents possible, the Corporation offers multiple options to enter the community. Every resident of the community enters into an admission agreement with the Corporation corresponding to a payment/repayment plan or level of care at the community, which follow.

Options include paying a one-time entry fee contract under a traditional non-refundable, or 50 percent and 90 percent return of capital (ROC) format, which secures up to 90 days of residency in the EC unit and a 15 percent discount on monthly fees for all levels of care over the life of the residents stay. An alternative more affordable upfront entry option is for prospective residents to enter into at a higher level of care under a Residence and Service agreement, under which they would pay an upfront admission fee of $7,500 and no discount on monthly fee structure.

The Corporation has added a 90 percent ROC agreement for the 35 new IL units, and at this time that option is only available for those units. About two-thirds of the existing IL units are occupied by entrants who selected the traditional option and one-third who selected the 50 percent ROC option. The following chart shows the number of continuing care contracts of each type as of March 31, 2023.

Type of Continuing Care Contract	Number of Contracts
Traditional	34
50 percent ROC	14
Total	48

Continuing care residents must also pay a monthly fee to the Corporation for residency, which is based on the size of the residential unit, number of people occupying the unit, and location of the unit. Monthly fees are generally adjusted annually based on projected costs, prior year capital costs, and economic indicators. Residents of existing IL units receive three meals per day, weekly housekeeping, and a range of social and activity services. Residents of the new IL units will receive a meal allowance equivalent to approximately one dinner meal per day and bi-weekly housekeeping, as well as the 15 percent health bed discount. Future entrants to the existing units will continue to receive the three meals and weekly services, in part since they tend to be frailer and their kitchens more limited. Entrance fees and monthly fees are summarized in the following table.

Entrance Fees and Monthly Service Fees for Calendar Year 2023

Unit Description	Available Units	Approximate Sq. Feet	Entrance Fees (Traditional)[1]	Entrance Fee 50% RoC	Monthly Fees
Residential Living					
Alcove	7	370	$143,560	$189,400	$4,760
Studio	6	390	$155,290	$204,760	$4,760
Standard One-Bedroom	6	450	$206,450	$270,920	$5,010
Medium One-Bedroom	4	630	$259,180	$339,340	$5,510
Large One-Bedroom	11	680	$266,920	$349,480	$6,830
Deluxe One-Bedroom Suite	5	720	$281,490	$368,550	$6,830
Penthouse One-Bedroom	2	600	$295,930	$387,460	$6,830
Total/Average	41	547	$223,110	$292,700	$5,870
Second Person Fee					$1,300

	Available Units	Approximate Sq. Feet	Residential Living Resident Monthly Fee	Direct Admit Resident Monthly Fees[3]
Assisted Living				
Studio	9	350	$6,790	7,990
One Bedroom	6	500	$7,810[2]	9,190[2]
Total	15			
Memory Care				
Studio Shared	10	150	$6,260	$7,370
Studio Private	10	350	$7,920	$9,310
Total	20			
Extended Care				
Semi-Private	6		$360 per day	$420 per day
Private	4		$400 per day	$470 per day
Total	16			

Source: Aldersly
(1) Entrance fee pricing for Continuing Care Contract. There is no entrance fee for a second person.
(2) Second person fee for one bedroom assisted living is $2,340 for Residential Living residents and $2,750 for direct admit Associate Residents.
(3) Direct admit Associate Residents pay a one-time admission and community fee of $7,500 to pay the costs of processing admission and developing a care plan.

Executive Management:
LCS has provided management for operations of the community for the last 14 years. The Corporation decided to contract with an outside professional management company following the 2009 recession. The most current Management Agreement commenced on November 1, 2019, and terminates on October 31, 2024. The compensation consists of a Monthly Management Fee initially set at $24,495 per month, which increases each January 1 starting January 2021 by the same percentage

increase as the percentage increase in the index figure for “all items” as shown in the United States Consumer Price Index. During fiscal year 2022 LCS charged the Corporation $314,000 for management fees.

Shannon Brown, Executive Director
Ms. Brown is an employee of LCS and joined the Corporation as Executive Director in 2022. Prior to that, she originally joined LCS as Regional Director of Operations and has also been the Executive Director of Sierra Winds, a lifecare community. In addition, Ms. Brown was the Executive Director of Elmcroft Senior Living in Tempe, Arizona, Regional Manager of Resident Services for Watermark Retirement Communities in Tucson, Arizona, and Executive Director of Assisted Living Concepts in Peoria, Arizona. Ms. Brown holds a Master of Business Administration degree from the University of Phoenix, a Bachelor of Science degree in Health Care Administration from American Intercontinental University, and an Associate of Science in Nursing degree from the University of Southern South Dakota.

Dhailani Aquino, Director of Accounting
Ms. Aquino joined the Corporation as Director of Accounting in 2022 after working for the city of Vallejo, California, as Finance Manager. Prior to that, she was the Director of Accounting and Finance at Meyer Corporation in Vallejo from 2006 to 2021. From 1998 to 2006, she was the Assistant Controller at US Bank-Oliver Allen Technology Leasing, Larkspur, California. Ms. Aquino received a Certified Public Accountant license in the Philippines and graduated with honors from the Polytechnic University of the Philippines with a Bachelor’s Degree in Accounting. She also holds a Master of Business Administration degree from the same university.

Melanie Fenn, Health and Wellness Director
Ms. Melanie Fenn is a Registered Nurse (RN) and has been with the Corporation since 2018. She is the Health and Wellness Director and oversees the extended care unit. Ms. Fenn graduated from Grays Harbor College, Aberdeen, Washington, and has been a nurse for over 20 years. She started her nursing career in a general hospital in Washington state and quickly became lead charge nurse on a medical/surgical floor.

Board of Directors:
The members of the Board have diverse backgrounds in business, finance, health care, and construction, which are valuable to the Corporation. According to the Corporation’s bylaws, the Corporation shall be governed by its Board consisting of not less than nine but not more than 15 persons and the number shall be fixed by the Board at its annual meeting. Currently the Board consists of 11 directors and two non-voting resident representatives. Under California law, the Board must also accept at least one resident director nominated by the residents. Approximately one-third of the directors are elected at the annual meeting of the members each year. Board members initially are elected to a three-year term and may serve up to two additional consecutive three-year terms for a total of nine consecutive years. A director who has served three consecutive three-year terms can become eligible for re-election after one year has elapsed from the end of the third consecutive three-year term. The current directors of

the Board, their professional affiliations, and the expiration of their terms as directors are set forth in the following table.

Board of Directors	Professional Affiliation	Current Term End
Peter Schakow, President	Hope Or Cope, LLC, President and Co-Founder	2025
Paul Castro, Senior Vice President	Jewish Family Service of Los Angeles, CEO (Retired)	2024
Per Caroe, Vice President	Self-employed, Professional Sales Consultant	2024
Ruth A Vosmek, Secretary	Kaiser Permanente, Coordination of Care Director	2024
Lizette Burtis, Director (Auxiliary Representative)	Pacific Gas & Electric, Program Liaison	2025
Michael B Hansen, Director	Certified Financial Planner	2023
Jeppe Larsen, Director	Pannu Larsen McCarthy (Engineering)	2025
Ed Lewis, Director	Keegan and Coppin Co., Inc. (Property management), President	2024
Susan Petersen, Director	Healthier Kids Foundation, Accountant	2025
Niels Kvaavik, Director	MarqVision, Head of Global Sales	2025
Robert Wilhem, Resident Director	St. Francis Hotel, Former Managing Director	2025

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

Project Readiness:
The following table shows a tentative timeline of the Project.

Event	Date
Execution of Final GMP contract	May 1, 2023
ALIC Meeting	May 11, 2023
Building Permits	May 15, 2023
Bond Pricing	May 22, 2023
Bond Closing	June 5, 2023
Demolition	June 15, 2023
Start Construction	July 1, 2023
End Construction	January 1, 2025
Start Occupancy	February 1, 2025
Stabilized Occupancy	February 1, 2027

Development Consultant – Greenbrier Development:
The Corporation and Greenbrier Development, LLC, executed a Development Consulting Services Agreement (Agreement). Pursuant to the Agreement, Greenbrier's role is to provide all aspects of development project management, including budget creation, obtaining required government approvals or entitlements, coordination of design and construction drawings, supervision of marketing program, assistance in

securing financing, negotiating construction contracts, ongoing project monitoring, and continuing disclosure requirements.

With more than 150 years of combined experience in the senior housing and life plan community development arena, Greenbrier principals have been involved in developing some of the industry's leading senior living communities. Greenbrier's founding partners are long-time leaders in the national development of entrance fee-based, not-for-profit, senior living communities. Collectively, the team has participated in the planning, financing, development, and marketing of more than $2 billion in senior housing developments, including some of the largest communities in the country, with individual project budgets ranging from $10 million to $300 million including a community insured by the Department named Viamonte, a $220 million CCRC located in nearby Walnut Creek that came in under budget, and is on schedule in regards to construction, sales and stabilization estimates. The following table shows the payments of the Development Fee and Marketing Fee as of the date hereof and the anticipated timing of future payments:

Date	Amount	Cumulative Fee
Prior to Issuance of the Series 2023 Bonds	$750,000	$750,000
Upon Achieving 70% of Project Units Reserved and Issuance of the Series 2023 Bonds	$150,000	$900,000
During Construction	$15,000 per month	$1,200,000
Upon Achieving 50% Occupancy of Project Units	$25,000	$1,225,000
Upon Achieving 90% Occupancy of Project Units	$225,000	$1,450,000

The Agreement is similar to others seen by the Department for past Projects using third-party development consultants and the incentive structure seems reasonable considering all the services that are being provided.

Architect:
The Corporation entered into an agreement with Perkins Eastman Architects, DPC of San Francisco, California (PE) to provide architectural services for the Project. PE is the design architect, managing architect, and architect of record for the Project. Founded in 1981, PE is a leading architecture, urban design, and interior design firm offering programming, planning, design, and strategic planning services, with a global network of more than 1,000 professionals across 15 offices. With more than 600 completed senior living design projects, and 20 principals focused on senior living, PE has led the effort on master planning, building design conceptualization, development and execution, interior design, consultant coordination, and specifications.

General Contractor:
After going through a competitive bid process the Corporation has engaged Cahill Contractors (Contractor) to provide general contractor services for the Project. The Contractor has been a family-owned business and has been in business for over 100 years, providing preconstruction, general contracting, and design-build services in many

market segments, including continuing care facilities. The Contractor has offices in San Francisco and Oakland, and has collaborated on and participated in many successful projects including Viamonte in Walnut Creek (as previously mentioned, a Department insured project), St. Francis Memorial Hospital in San Francisco, and Stanford Neuroscience Heath Center in Palo Alto.

The Corporation is in the final stages of executing a guaranteed maximum price construction contract with respect to the Project. The Contractor's guaranteed maximum price contract (GMP) is approximately $44.0M. The Construction Contract requires that the Contractor provide the Corporation with payment and performance bonds in the full amount of the guaranteed maximum price. A fully executed GMP acceptable to the Department is a condition of bond pricing.

<u>Project Costs:</u>
The following is a breakdown of Project costs.

Project Cost Breakdown	Total
Surveys and Zoning Legal Fees	$ 375,000
Architectural, Engineering, Development & Other Professional Serv.	$ 4,970,815
Permitting Fees	$ 1,118,443
Project Inspection	$ 80,000
Legal Fees	$ 160,000
Owner Supplied Construction Costs (Insurance and Low Voltage)	$ 460,000
GMP (Including Construction Contingency)	$ 44,000,000
Furniture and Equipment	$ 300,000
Owner's Contingency	$ 3,712,179
Marketing Expenses	$ 1,800,000
Total	$ 56,976,437

The current estimated Project cost based on the current near final GMP of $44,000,000, is $56,976,437, which includes a general contractor's contingency of $1,512,179. The Corporation has included an additional owner's contingency of $3,712,179, when combined both equal 12 percent of GMP and 9 percent of the total Project cost budget. Total pre-construction expenses paid by the Corporation as of April 11, 2023 were almost $4 million, and will remain in the deal as part of the Corporation's $9 million equity contribution, which exceeds the Departments 10 percent requirement.

<u>Building Permits</u>:
The Corporation submitted its building permit application and supporting materials to the City of San Rafael (City) on December 14, 2022. The permit was resubmitted on March 17, 2023, addressing all comments from the City and the Corporation anticipates the building permit for the Project to be approved and issued in May 2023. The building

permits or assurances from the governmental agency that permits are imminent and will be issued for the Project are a condition of pricing the 2023 Bonds.

Sources and Uses of Funds:
Following is a summary of all sources and uses of funds for the proposed Project that corresponds to the bond sizing dated April 11, 2023.

SOURCES Debt - Long-Term	$33,053	45.4%
Debt - Short-Term	$25,050	34.4%
Debt - Refinance	$5,235	7.2%
Debt Reserve Funds - 2015 Bonds	$508	0.7%
Cash Equity	$9,000	12.4%
TOTAL SOURCES	$72,846	100.0%
USES Land & Related	$844	1.2%
Construction & Related	$47,610	65.4%
Professional Services	$4,970	6.8%
Marketing	$1,800	2.5%
Other	$1,672	2.3%
Subtotal - Project Costs	$56,896	78.1%
Net Funded Interest	$3,861	5.3%
Refinancing	$5,369	7.4%
Debt Reserve - A	$1035	1.4%
Debt Reserve - B/C	$1,349	1.9%
Cal Mortgage Fees	$3,071	4.2%
Issuance Costs	$1,265	1.7%
Subtotal - Financing Costs	$15,950	21.9%
TOTAL USES	$72,846	100.0%

Financing Team:
The following team has a long track record of successful projects with the Department.

Underwriter	Ziegler Investment Bank
Issuer	California Municipal Finance Authority
Bond Council	Orrick, Herrington & Sutcliffe
Bond Trustee	Bank of New York Mellon
Borrower Council	Hanson Bridgett
Feasibility Consultant	Hendrickson Consulting
Auditor	Baker Tilly

Financing:
As stated previously, the Corporation intends to finance the Project using both traditional 30-year tax exempt bonds, shorter term TEMPS.
Relevant repayment and Bond terms are as follows:

1. The permanent long term $33.1 million in 2023A bonds will have a term of 30 years and are to be issued at fixed rates. The Average Coupon is projected to be 4.94 percent with an All-In TIC of 5.33 percent. For conservatism, April 2023 market rates were increased by 0.25 percent for the base case bond financing assumptions.
2. 2023B1 TEMPS series totals $7.2 million and commences repayment in December 2025 with monthly maturities running through June 2026.
3. 2023B2 TEMPS series totals $17.8 million and commences repayment in May 2025 with monthly maturities running through December 2025.
4. 2023C TEMPS series totals $5.3 million and will be funded into escrow to defease bonds that are outstanding but not callable until 2025.
5. The TEMPS structure gives the Project more flexibility in terms of when the short-term bonds can and must be redeemed. The TEMPS include early call provisions, which occur soon after expected Project completion. Once the Project is completed, the TEMPS can be paid early and reduce total debt service. If the Project is delayed, the TEMPS are not required to be redeemed until a soft maturity in May 2025 with a hard maturity of May 2027. This structure also helps mitigate the risks of construction and initial fill up delays, as there is a significant cushion built into the hard maturity dates.
6. After the TEMP bonds are paid the annual maximum debt service for the Series 2023A Bonds will not exceed approximately $2 million.
7. Capitalized interest will provide interest payments during construction and initial move-ins for approximately 24 months on the new issue.

Security:
The new IL facility will be constructed on the Corporation's existing campus. HCAI shall receive a security interest in the Corporation's real properties located 326 Mission Avenue, San Rafael, and all personal property secured by fixture filings, first deeds of trust, UCC-1s, and a gross revenue pledge with a Deposit Account Control Agreement and a Securities Account Control Agreement.

Appraisal and Loan-to-Value:
David Rey Salinas – a California state-certified appraiser – and Marissa Cassman, both of HealthTrust (Appraiser), prepared an appraisal on March 16, 2023.

The appraisal used the Income and Cost approach to value the property. A sales comparison analysis was not considered appropriate to estimate the market value of the property because of the complex characteristics of the subject cash flow and lack of comparable sales of entry fee facilities. According to the appraiser the income approach most accurately incorporates the first generation and future annual unit turnover entry fees and absorption period cash flow streams for non-stabilized expansion projects such as the Corporation's proposed Project, and was given the most weight in the reconciliation of values and final opinion of value. As of December 20, 2022, the opinion of the value of the existing campus and improvements was estimated at $25,400,000. After taking into account first generation entrance fees and the redemption of all TEMPS, the “Upon Completion” and “Prospective Stabilized” values under the income approach, along with the loan-to-value (LTV) calculation are shown in the following.

	Upon Completion Jan 1, 2025		Prospective Stabilized Jan 2, 2027[1]	
	$	93,200,000	$	61,300,000
2023 Bonds	$	59,560,000	$	29,265,000
LTV		**63.9%**		**47.7%**

[1]Does not include the accumulated first-generation entry fees as these funds are projected to be used to pay down portions of the initial bond debt.

In a catastrophic scenario the Department might have to take control of the Project and foreclose under bankruptcy proceedings and transfer ownership of the property to a new operator. In the following two tables, the appraised values along with the projected long term entrance entry fee liability exposure are analyzed under a downside workout LTV scenario:

	Upon Completion Jan 1, 2025
Appraised Value	$93,200,000
Debt Service Reserve Fund	$ 6,097,955
Total	$99,297,955
Projected 2023 Total Debt Outstanding	$61,123,191
Projected Refundable Entrance Fee Liability Jan 2025	$29,747,000
Total	$90,870,191.75
Estimated Catastrophic/ Foreclosure LTV	**97.5%**

	Prospective Stabilized Jan 2, 2027
Appraised Value	$61,300,000
Debt Service Reserve Fund	$3,754,905
Total	$65,054,905
Projected 2023 Total Debt Outstanding	$29,265,000
Projected Refundable Entrance Fee Liability Jan 2027	$39,837,000
Total	$69,102,000
Estimated Catastrophic/ Foreclosure LTV	**106%**

The preceding catastrophic scenario is considered highly unlikely to ever occur. Under a foreclosure scenario the Department faces obvious risk of a loss, however, there does appear to be sufficient real estate assets to repay or come close to repaying any outstanding insured loan at that time.

Conclusion: After a thorough review of the report, considering the staff Appraiser's methodology, the final opinion of value seems reasonable. In addition, the Appraiser conducted an analysis to determine the useful life of the combined properties after the expansion is complete and has determined a weighted remaining useful life of 40 years.

Financial Performance:

The following table summarizes the historical results for several key ratios and financial statistics from the Corporation's audited financial statements for the fiscal year end (FYE) 2019 to 2021, the draft audit for 2022 and the internally prepared financial statements for the year-to-date (YTD) first four months of 2023. It should be noted that the table may include category variances compared to the actual financial statements and the Financial Feasibility Report due to the financial spread software used. A detailed financial spread is provided under Exhibit C, and the audited financial statements and internally prepared financial statements are provided under Exhibits D and E, respectively.

Statement Date	9/30/2019	9/30/2020	9/30/2021	9/30/2022	1/31/2023
Months Covered	12	12	12	12	4
Audit Method	Unqualified	Unqualified	Unqualified	Draft	Internal
Unrestricted Cash & Investments	$23,768,925	$24,896,882	$20,807,417	$13,602,489	$16,360,223
Net Assets	$21,485,835	$22,272,546	$25,047,536	$28,899,444	$30,210,699
Operating Profit	($952,363)	($533,766)	($1,506,816)	($1,357,694)	($473,161)
Net Income	($802,077)	$786,711	$2,774,990	$3,851,908	$1,025,399
Investment Income	$963,353	$804,495	$3,314,917	$1,679,722	$138,137
Net Entrance Fees	$2,100,530	$1,003,933	$829,700	$758,508	$510,066
Unrealized Gain/Loss Invest.	($577,000)	$418,000	$1,105,000	($4,079,000)	$1,502,000
Debt Service Coverage (DSCR)	4.14	3.23	4.79	2.22	(1.15)
Current Ratio (CR)	9.80	5.96	4.43	6.20	6.30
Days Cash On Hand (DCOH)	925	922	808	564	632
Note: Like other entry fee CCRCs DSCR includes the net cash flow from entrance fees. DCOH includes long-term investments. The current ratio was hand calculated and does not include long-term investments.					

Historically the Corporation has generated consistent net income and has mitigated any operational losses, which are primarily driven by the cost of delivering services in the higher levels of care, with donations, investment income, and net cash flows from entrance fees. Between FYE 2019 and FYE 2022 total net assets increased by $7.4 million, more than 35 percent. The DCOH downward trajectory starting in 2021 was because of the Corporation deciding to use cash to convert 15 of its AL units into 20 MC suites and reposition its 18-bed SNF to a high-acuity AL extended care unit. In addition, the Corporation has funded all pre-development work for the phase two expansion Project using cash, and is reflected on the cash flow statements, which show $5.7 million in total capital expenditures for 2021 and $5.6 million for 2022 respectively. Nevertheless, DCOH has remained strong never dropping below 500 days. The increase in cash in the latest internally prepared financials is a result of an approximately $7.7 million pledge that came in 2022. The Corporation has started to receive those funds and is in process of converting all those funds to unrestricted cash in 2023.

In 2021 and 2022 total operating profit decreased mainly due to the AL to MC conversion, repositioning of the SNF and a dip in IL census due to phasing out 15 units of IL inventory as part of the phase two expansion Project. As a result of the hyper inflationary market conditions, the Corporation has been attempting to strategically cut costs. In 2022 total operating expenses decreased by approximately $500,000 compared to those of 2021. The decrease in operating expenses was mainly driven by a reduction in personnel costs related to the SNF closure. During the first four months of 2023, the Corporation generated a net income of $1 million; however, $1.5 million of that was from an unrealized investment gain. The current year-to-date operating loss is mitigated by another significant pledge of $1 million dollars that is expected to be received in 2023 and will help offset any operational losses or potential reduction in entrance fees and monthly revenue during the construction phase of the new Project.

The Corporation's balance sheet currently contains approximately $1.8 million in real estate held in its LLC. The LLC and underlying collateral will not be party to the 2023 proposed bonds. No assets in the LLC were used in the financial feasibility study, or LTV analysis. Going forward the auditor will provide supplementary schedules that breakout the assets and any liabilities associated with the LLC.

COVID-19 Impact:

Within the County of Marin, there have been over 49,000 positive cases of and over 300 deaths from COVID-19. The Corporation experienced positive cases by residents and staff, however, it was able to limit cases by restricting access to the campus, implementing extensive screening and testing of staff and residents, discontinuation of group dining and activities, and increasing sanitation throughout the campus. Additionally, because the Corporation had access to the LCS network of support it was able to secure personal protective equipment even when shortages occurred, and gain access to training and best practices on infection control standards. In addition, management stated that the relatively smaller size of the campus and the fact that they hadn't historically drawn on outside admits to fill the old SNF beds, helped them to isolate and contain effectively as compared to some other larger communities.

Between FYE 2019 and FYE 2021, the Corporation did not see a significant impact on overall occupancy due to COVID-19. Expenses increased due to higher operating costs and COVID-19 related costs, and the higher costs were one of the factors that helped drive the SNF closure. The Corporation obtained a $931,200 million Payroll Protection Program loan during FYE 2020, which was forgiven in 2022.

Utilization:
As evidenced by the preceding financial performance discussion, utilization is a direct driver of overall financial performance for the Corporation in any given year. Over the past 4-year period, even during the pandemic, the Corporation was able to remain relatively stable and is in good position to attract new residents with the new larger units of the proposed Project and as perceptions are expected to shift back to pre-pandemic mindsets regarding congregate living.

Utilization 2019 to 2023	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Independent Living					
Available Beds	55	55	55	54	48
Occupied Beds	45	47.5	46.2	42.4	44
Percentage Occupied	81.8%	86.4%	84.0%	78.5%	91.7%
Assisted Living					
Available Beds	30	30	30	15	15
Occupied Beds	29	29.4	22	15	15
Percentage Occupied	96.7%	98.0%	73.3%	100.0%	100.0%
Skilled Nursing/EC					
Available Beds	18	18	18	18	16
Occupied Beds	17	15	11	12	8
Percentage Occupied	94.4%	83.3%	61.1%	66.7%	50.0%
Memory Care					
Available Beds				20	20
Occupied Beds				8.5	14
Percentage Occupied				42.5%	70.0%

MC and SNF/EC occupancy levels were lower than some other facilities, in part because the Corporation, like other multi-level providers, focuses on serving the needs of residents who have transferred from IL, and has historically not aggressively sought direct admits to AL or SNF. As a result, AL and SNF often have more vacancies than a CCRC that accepts more direct outside admits.

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Portfolio Comparison:
The Corporation's financial ratios from the FYE 2022 audit were compared to the latest audits of similar CCRC facilities. Facilities with the most recent audited net revenue between $14 million and $24 million were used in the comparison.

Multi-Level CCRC Facility Comparison (HCAI Portfolio)					
Corporation	City	DSCR	CR	DCOH	*Latest Audit Available*
Aldersly	San Rafael	2.36	6.20	564	FY 09/30/2022
Channing House	Palo Alto	0.70	3.57	372	FY 02/28/2022
Carmel Valley Manor	Carmel	16.75	3.17	173	FY 12/31/2021
Pilgrim Place	Claremont	1.50	2.22	156	FY 12/31/2021
Solvang Lutheran Home	Solvang	5.88	9.17	356	FY 12/31/2021
Town & Country Manor	Santa Ana	(0.19)	5.87	238	FY 06/30/2022

The Corporation's DSCR, CR and DCOH fall within the top tier when compared to similar projects.

Market Analysis:
There are two market studies for the Project. A Greenbrier Development, LLC, report (Greenbrier Report) dated March 2023 is focused on the San Rafael senior living competitive demographic environment. In contrast, the market study conducted by HealthTrust (HealthTrust Report) dated December 20, 2022, as part of the appraisal is focused on more comparable projects spread across the San Francisco Bay area.

Executive Summary

1. The Primary Market Area (PMA) is forecasted to provide sufficient demand for the new IL units.
2. The current and projected entry fee and monthly pricing is in line with market comparables.
3. Current real estate values in the PMA are more than sufficient to support the target entrance fees forecast upon the sale of a depositor's home.

Primary Service Area and Target Demographic
The proposed Project is located in San Rafael, California, a city approximately 15 miles north of San Francisco. San Rafael's close proximity to San Francisco enables the market to share in tech gains, high educational attainment, and a burgeoning biotech industry. The region has a diverse economy with industries such as healthcare, education, technology, finance, retail, and public sector government offices being top employers. Though impacted by the Great Recession and subsequent economic cycles, San Rafael has been able to hold steady with an unemployment rate of 2.5 percent in December 2022 compared to 4.1 percent for the State of California.
Based on the zip code origin of the 23 depositors to date, and discussions with existing senior living providers in the area, the Greenbrier Report determined the PMA is defined to be a 9-zip code area within Marin County. The PMA includes the cities of Fairfax, San Rafael, San Anselmo, Kentfield, Larkspur, Corte Madera, Mill Valley, and Ross and

spans approximately a 10-mile radius around the Project. To measure the PMA demand, Greenbrier analyzed demographic statistics extrapolated from US census data and Claritas, Inc., a national demographic service provider. Specifically, the analysis looked at 1) the number of households with seniors above 75 years of age and income above $75,000, 2) the number of existing competitive units in the market area, and 3) the market environment of the subject property given the market saturation rates.

For the purpose of quantifying the number of income-qualified households in the PMA, households with the head of household aged 75 or older were considered to be the most likely to establish residency in an independent living unit at the proposed Project. The composition of depositors as of April 26, 2023, shows that the average age of depositors is 82, with 40 percent being couples. Of the depositors to date, the average annual income is approximately $213,000 and the average net worth is approximately $6.3 million. A strong local real estate market is important for the Project because typically depositors expect to use the proceeds from the sale of their home to pay the balance of the entry fee upon moving into the Project. The estimated home values of current depositors range from $800,000 to $7,000,000 with an average of approximately $1,500,0000. The local real estate market in the PMA for single-family detached homes is robust. The median home value in the PMA is $1,250,000. Due to low supply of inventory in single-family homes and high desirability of the PMA, prices are expected to continue on an upward trajectory.

As part of the Greenbrier Report a penetration analysis was conducted to measure the percentage of the age and income qualified households from a PMA that must be captured to successfully fill the units at the Project to stabilized occupancy of 95 percent. There are currently 7,003 households with seniors above 75 years of age and incomes above $75,000 in the target PMA. There are currently 1,002 competitive units in the PMA. The Project penetration rate indicates the Corporation will need to capture approximately 1.8 percent of the target market to reach 95 percent occupancy. This appears achievable, as it is well below the 4 percent to 7 percent target generally used as a demand guideline for CCRCs.

According to the HealthTrust Report, the Project is uniquely positioned in the PMA and has significant potential to fill an underserved market with high projected growth rate and occupancy, with evidence indicating unmet demand. A number of similar entry fee and direct admit rental projects were included in the report and are summarized in the following table and corresponding graphs.

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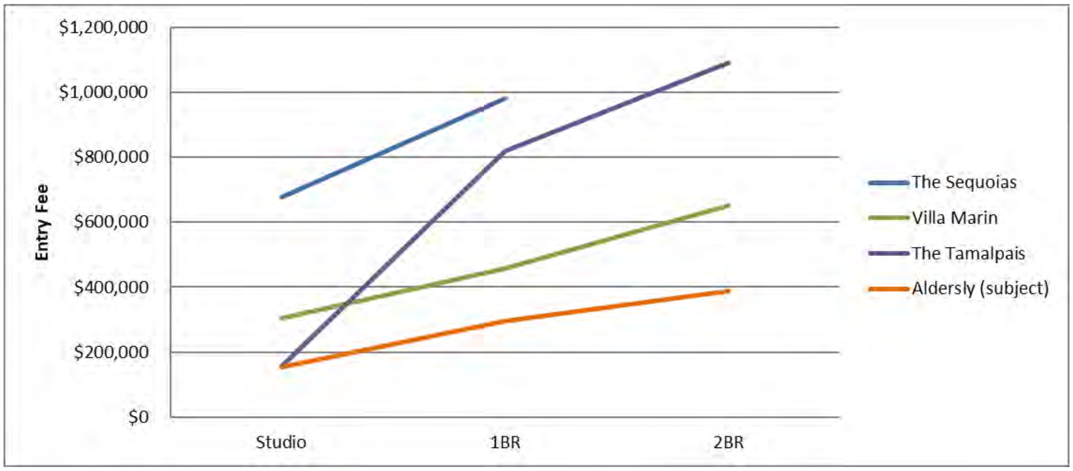
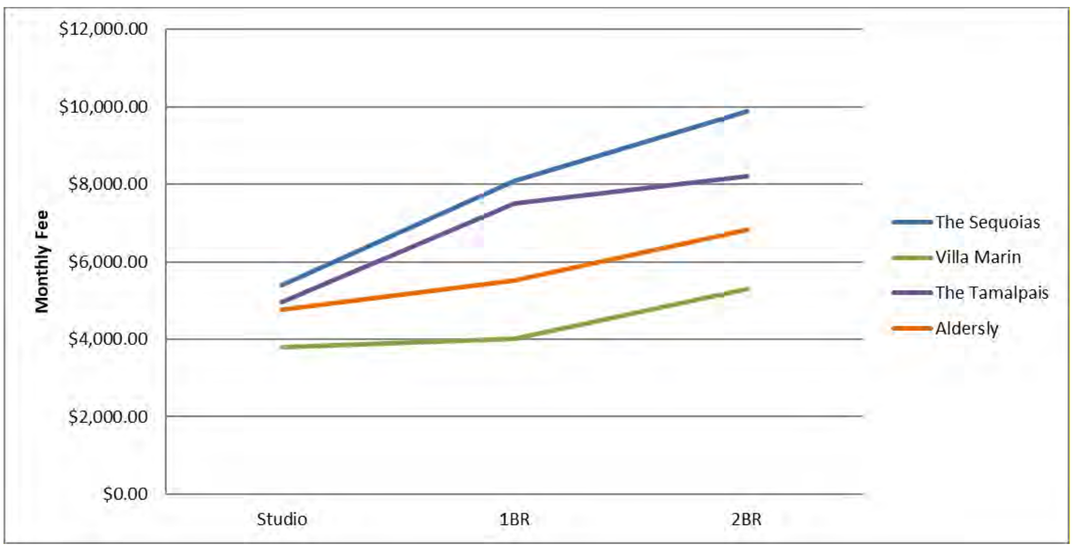
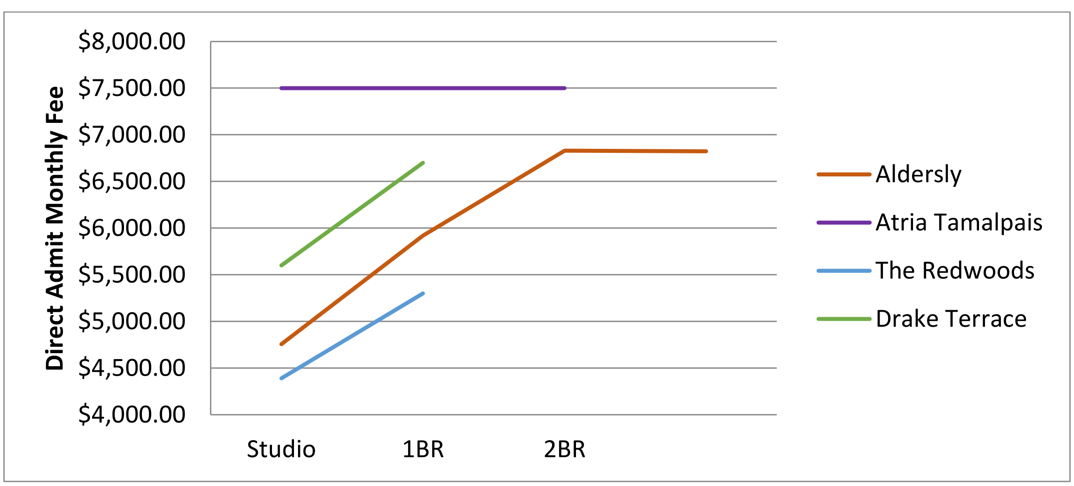
Competition:

	Name	Location	# of Beds	Unit Type	Avg Entry Fee	Avg Monthly Fee
1	The Sequoias	17 miles from subject	IL - 339	Studio	$365,750	
			AL - 18	1 BR	$677,000	$1,856
			MC - 19	2 BR	$979,000	$2,200
			SNF - 50			
2	Villa Marin	4 miles from the subject	IL - 224	Studio	$305,000	$3,800
			AL - 14	1 BR	$457,000	$4,000
			SNF - 32	2 BR	$650,000	$5,300
				2 BR+	$1,100,000	$6,000
3	The Tamalpais	Greenbrae <5 miles from the subject	IL - 224	Studio	$305,000	$3,800
			AL - 22	1 BR	$457,000	$4,000
			MC - 22	2 BR	$650,000	$5,300
			SNF - 52		$1,100,000	$6,000
4	Drake Terrace	3 miles from the subject $5,000 Community Fee	IL - 23	Studio	n/a	$4,700
			AL - 84	1 BR	n/a	$5,850
			SNF - 15	2 BR	n/a	$6,200
5	AlmaVia	Palo Alto 4 miles from the subject $7,500 Community Fee	IL - 0	Studio	n/a	$4,700
			AL - 113	1 BR	n/a	$5,500
			MC - 13	2 BR	n/a	$7,500
6	The Redwoods	7 miles from the subject $7,500 Community Fee	IL - 149	-	n/a	-
			AL - 130	1 BR	n/a	$4,390
			SNF -52	2 BR	n/a	$7,720
					n/a	-
7	Atria Tamalpais	16 miles from the subject $7,500 Community Fee	IL - 40	Studio	n/a	$4,095
			AL - 59	1 BR	n/a	$6,895
			MC -17	2 BR	n/a	$10,995
					n/a	
Subject	Aldersly	San Rafael	IL - 48	Studio	$155,287	$4,760
			AL - 15	1 BR	$295,926	$5,510
			MC -20 / EC - 16		$387,460	$6,830
				Proposed 2BR	$1,094,750	$6,824

The following is a summary, which demonstrates the proposed pricing of the proposed Project is competitive in the marketplace in terms of entry fee and monthly fee structures:







Conclusion
The overall optimistic conclusion of the market studies reflected in the Greenbrier Report and HealthTrust Report seem reasonable. The subject's current presale rates of nearly 70 percent are the best evidence of the market acceptance of the Project at its current pricing structure. The relatively small unit count of the expansion means the Corporation does not need to penetrate very far into the prospective marketplace to fill up. Finally, the local senior target market of 75 years of age or older and making $75,000 or more is forecast to grow over the next five years, which will continue to drive demand for the Project.

Feasibility Analysis

Executive Summary:
The final Financial Feasibility Report (Study) dated April 21, 2023, was prepared by Bill Hendrickson from Hendrickson Consulting and is available under Exhibit F. The Study assumes a borrowing not to exceed $64 million with a 30-year term based on a maximum coupon rate of 5 percent. There will be 24 months of capitalized interest, approximately $3.8 million, that will cover debt service payments during construction and initial fill up. The Maximum Annual Debt Service (MADS) after the TEMPS are paid off will be approximately $2 million. DSCR is expected to exceed 1.40x beginning in FY 2027 (DSCR will be tested by the Department using actual debt service during construction and initial fill up and convert to MADS at stabilization in 2027). DCOH is estimated to be at 492 days when stabilization is reached in FY 2027 and does not fall below that number during the construction and fill-up periods. The Corporation is projected to generate positive cash flow from current operations to meet operating expenses, capital requirements, and debt payments.

Key Revenue Assumptions and Discussions:
IL, AL, MC, and EC Occupancy

Overall occupancy has fluctuated over the last two years because of units being repositioned or taken out of available inventory as part of the phase one development master plan. However, over the years the Corporation has experienced high levels of IL occupancy even during challenging times like the Great Recession and the more recent Pandemic. During construction occupancy of the existing IL units are projected to remain at current levels between 80-90 percent. Based on historical performance and the relatively small number of units, this assumption seems reasonable. Regarding the proposed new Project, the Corporation has received 23 out of 35 10-percent entrance fee deposits, only one of which was from an existing resident. For the new units fill up is estimated to take 18 months (under 2 per month) and stabilize at 33 apartments (93 percent) in 2027. Both of those assumptions seem reasonable given the demand indicators in the market study and appraisal.

Occupancy of AL units has historically been high, averaging above 95 percent. The Corporation converted the first floor of the Rosenborg building to MC in January 2022 and AL occupancy has continued to average above 95 percent and is estimated to remain the same during the forecast period. This assumption seems reasonable based on past performance and continued strong demand based on the aging population of the target demographic.

The MC occupancy has been stable since its opening in 2021, generally between 9 and 12 beds filled at any time. The Study predicts that the MC rate will grow from 10.5 occupied beds in 2022 to 15 occupied beds, a 43 percent increase, when the construction of the new IL units is completed, and additional residents move in. Given the MC is still relatively new and is still in the process of ramping up occupancy the decision to delay significant increases in occupancy seems reasonable.

Since the conversion of the Corporation's SNF to EC in February 2022, census has been stable at 9–10 beds (62 percent). Occupancy is expected to stabilize at 14 beds, a 47 percent increase by the end of FY 2026. Based on historical utilization and given the relatively small size of the EC unit, the assumption to delay significant increases in occupancy seems reasonable.

Entrance Fees

The turnover of existing IL units drives entrance fee income for the Corporation. Looking back, the average number of resales per year prior to FY 2023 was 10 units. So far there have been three IL entrance fee move-ins/transfers totaling $650,000 through February 2023. However, due to the vacant units scheduled to be demolished as part of the Project management expects low or no move-ins through June 2023. This assumption seems reasonable. The age of entry is higher at the Corporation than that of a typical CCRC's and the average length of stay in IL is about 6–7 years (versus 10 years for a typical CCRC). Entrance fee resales of existing IL units are estimated at six per year in FY 2024 and thereafter. Based on historical results this assumption seems reasonable.

Entrants to the new IL units are expected to be younger and have lower turnover (average 9–11 years length of stay). Turnover of new units is expected to be low in FY 2027 and FY 2028. Based on current deposit patterns, move-ins to the 35 new units are expected to include approximately 18 90-percent ROC contracts (54 percent), nine 50-percent ROC contracts (26 percent), and seven traditional contracts (20 percent). This assumption seems reasonable given the current depositor mix of 12 90-percent, seven 50-percent, and five traditional. Entrance fees for the existing apartments are estimated to increase annually by four percent after move-in. Based on historical performance this assumption seems reasonable. There is a marketing program to incentivize early depositors whereby they will receive a five-percent discount from the base rates and are expected to make up about 60 percent (21 of 35) of the new move-ins. Standard entrants will pay either the base rate or a higher rate, depending on the time they place their deposit. These assumptions seem reasonable given the high demand for senior living in the market, combined with the relatively small number of units.

Monthly Fees
One-third of the residents with entrance fee contracts pay a 15-percent discounted rate for all levels of care while the other two-thirds pay the listed market rate. The number of AL, MC, and EC contract occupants is projected to remain at one-third during the forecast period. Monthly fees and related income for existing apartments are expected to increase by four percent per year after FY 2023 and new apartments also by four percent after FY 2025. Given historical performance this assumption seems reasonable.

Other Income
The Corporation also relies on other revenue streams such as investment earnings, donations, and a relatively small amount of rental income (approx. $82K) associated with the two nearby single family detached homes. The Corporation received a $7.7 million donation in 2022, which will be converted into unrestricted cash in 2023. An additional $1.0 unrestricted million donation is expected in 2023. Historically the Corporation has averaged $250,000 per year, and for conservatism this lower level of annual fundraising was used as the base case assumption with four percent escalation modeled annually. Investment earnings are projected to increase at a rate of four percent per year in interest, dividends and realized gains. Based on historical performance this assumption seems reasonable.

Key Expense Assumptions and Discussions:
The Corporation's expenses (excluding depreciation and interest) are projected to total $9.2 million in FY 2023 with 74 full-time employees (FTEs). The number of FTEs declined in FY 2022 with the closure of the SNF. Just like other senior living communities, the Corporation has faced many staffing challenges and had to increase average wages by an average of six percent in FY 2023 to attract employees. Operating expenses are projected to increase by 4.0 percent per year thereafter. Given that the Corporation has had a history of relatively low turnover in key staffing positions and has reacted to inflationary market conditions by increasing wages to attract and retain talent, this assumption seems reasonable.

The number of MC and EC caregivers is also expected to increase in future years to reflect the projected increase in MC and EC census (from approximately 20 currently to 29 by FY 2027). LCS management fees are set annually, and any increases are tied to the "all items" as shown in the United States Consumer Price Index. The LCS fee is projected to be $318,000 in FY 2023 and is modeled to increase by four percent per year. These assumptions are conservative given the proposed growth of the campus and current management agreement in place.

The Corporation is budgeting $500,000 in capital improvements to the existing campus during the expansion Project and $1,000,000 per year going forward. Based on the age of the campus and the need to stay competitive in the marketplace, this assumption seems reasonable.

Financial Covenant Ratio:
The following summarizes the financial covenant ratio projection included in the Feasibility Report. The DSCR will be at or above 1.41x MADS after the Project is completed and the DCOH will be at or above 480 days throughout the projection period.

Base Case - Financial Covenant Ratio Projection					
Fiscal Year Ending September 30	2024	2025	2026	2027	2028
Debt Service Coverage Ratio (DSCR) - MADS	NA	NA	1.15	1.41	1.51
Days Cash On Hand (DCOH)	536	847	511	492	480

Sensitivity Analysis:
The Feasibility Report includes four sensitivity scenarios to stress test the projected financial performance between FYE 2024 and 2028.

Scenario 1 - Reduced MC/EC Occupancy					
Fiscal Year Ending September 30	2024	2025	2026	2027	2028
Debt Service Coverage Ratio (DSCR) - MADS	NA	NA	0.62	0.86	0.92
Days Cash On Hand (DCOH)	527	823	468	420	377

Scenario 1: MC and EC occupancy remains at recent historical/current levels (10.5 beds and 9.5 beds respectively – total 20 beds), versus the base case increase of FY 2026 to 30 beds. Should MC and EC occupancy remain at recent levels, the reduction in monthly income from ten beds is approximately $1.3 million. The Corporation would take action to reduce overhead to compensate for the reduction in revenue. However, it will still have a significant negative impact on cash available for debt service. DSCR will be less than 1.0 in 2026 and 2027, and cash will be reduced from 484 days in the base case to 395 in 2028. MC and EC monthly fees are important sources of revenue to compensate for the high costs of MC and EC operation and, therefore, monitoring census closely and scaling staff is crucial. Nevertheless, corporate management believes that MC and EC occupancy will increase due to the new IL units. Given the influx of new residents that the Project will generate this assumption seems reasonable.

Scenario 2 - Reduced IL Expansion Occupancy					
Fiscal Year Ending September 30	2024	2025	2026	2027	2028
Debt Service Coverage Ratio (DSCR) - MADS	NA	NA	0.99	1.04	1.12
Days Cash On Hand (DCOH)	536	847	349	312	282

Scenario 2: MC and EC occupancy increases to 30 beds as projected in the base case, but occupancy of the 35 new IL units is at 28 (80 percent) versus the 33 (94 percent) estimated in the base case. The reduction in annual fees for lower occupancy at 80 percent (28 units) is approximately $500,000. The Corporation would probably reduce

overhead to compensate for the revenue decrease. There will be a negative impact on cash since there will be five units less of first-generation entrance fees to collect. However, Scenario 2 seems unlikely to happen considering the small number of new IL units (35) and a strong demand, as well as the 23 out of 35 entrance fee deposits far before the Project completion date.

Scenario 3 - Higher IL Operating Expenses					
Fiscal Year Ending September 30	2024	2025	2026	2027	2028
Debt Service Coverage Ratio (DSCR) - MADS	NA	NA	0.92	1.21	1.23
Days Cash On Hand (DCOH)	536	847	484	456	433

Scenario 3: If operating expenses are increased by $300,000 (50 percent) above the estimated $600,000 (2023 dollars) at stabilized occupancy. Under this scenario the Corporation comes close but is projected to be unable to meet the DSCR at 1.25. Also, there is a negative cash impact of approximately 30–40 DCOH. The Corporation would probably increase monthly fees to cover the higher costs. Based on the fact the new IL units require a lower level of staffing, in addition to the Corporations aggressive cost saving tactics evidenced by the SNF closure this scenario seems unlikely.

Scenario 4 - Higher Interest Rates					
Fiscal Year Ending September 30	2024	2025	2026	2027	2028
Debt Service Coverage Ratio (DSCR) - MADS	NA	NA	0.98	1.25	1.34
Days Cash On Hand (DCOH)	536	847	513	485	475

Scenario 4: Interest expense on the 2023 Bonds increases by one percent over the five percent estimate used in the base case, adding about $280,000 per year in debt payments.

If the interest rate were to increase by one percent over the estimated rate of five percent used in the base case, the increase in debt payment of $280,000 will not threaten the feasibility of the financing. DSCR will be at 1.35 and DCOH will be around 480 days in FY 2028.

Conclusion:

The Feasibility Report assumptions are consistent with historical increases or amounts, unless otherwise noted, and seem reasonable. The Account Manager believes that the proposed financing is feasible. First, a total of 35 new units is a relatively small increase in capacity in the PMA according to the market analysis, there is a strong demand for IL apartments in the PMA and the Corporation’s prices are competitive. Second, there has already been a high number of depositors for the new IL units and considering the new units being twice the size of the existing units (which the Corporation had difficulty selling), marketing the new units should not be a challenge. Third, the Corporation has a long-standing history, a unique campus, and a level of care that is not available elsewhere. EC provides SNF like services that should satisfy new potential entrants.

Four, the Corporation has a strong management team (Life Care Services). Fifth, an interest rate increase (one of the four sensitivity scenarios) is an economic factor that the Corporation does not control while the other three scenarios can be managed or mitigated to a certain extent by the Corporation. In the event of a one-percent interest rate hike, the financing would still be feasible. Although the stress test includes scenarios that take lower occupancy rates into account, and increased costs, if that did happen, the Corporation's manager, LCS, would have the experience and resources to help address these risks.

Strengths and Weaknesses:

Strengths

1. Deep-rooted History: The Corporation has been in business for over 100 years, opening in 1921, and has a strong Danish heritage, people from all backgrounds who appreciate a small and unique community.

2. History with Cal-Mortgage: The Corporation has a history of making all insured bond debt payments on time and meeting all Regulatory Agreement covenants and reporting requirements.

3. Proven Management Team: The Corporation is managed by Life Care Services, LLC., awarded the highest customer satisfaction among other senior IL providers for the 4^{th} consecutive year in 2022 by JD Power.

4. Historically High IL Occupancy: IL occupancy has been between 80 and 90 percent despite the Corporation's less marketable studio and smaller units. Occupancy is expected to increase after Project completion, when newer and larger apartments become available.

5. Strong Liquidity: The Corporation's liquidity ratios rank within the top tier compared to its peers in the Department's portfolio. In FY 2022, its CR was 6.20; and DCOH was 564 days, the highest compared to its peers (see Portfolio Comparison section). The cash and investment reserves provide a financial buffer to mitigate moderate financial risk.

6. Equity Contribution: The Corporation has invested $4 million in predevelopment costs and will not request any reimbursement. The Corporation will make an additional $5 million equity contribution at closing which demonstrates its vested interest in the success of the Project.

7. Demand for new IL units: As mentioned in the Competition section and the market study conducted by Greenbrier, there is a strong demand for IL in the PMA. Additionally, the Department will require a minimum of 70 percent in pre-sale deposits for IL units prior to pricing of the bonds.

Weaknesses

1. *No SNF on campus*. The Corporation closed its SNF in February 2022 but is still able to provide a full spectrum of care to its residents and community through its EC unit, under the supervision of licensed nurses and nursing assistants.

   Mitigation: For healthcare needs that cannot be provided by the Corporation in the EC unit, residents can be transferred to Skilled Nursing home partners (currently 2 contracts in place and others being negotiated) along with two nearby hospitals.

2. *Older existing campus*: The amenities offered by the Corporation are considered typical in the market but are competing against newer projects with more modern facilities.

   Mitigation: The new IL expansion will freshen the entire look and feel of the campus, adding new parking, administrative, and common areas in addition to the new units; while the existing campus will still offer an affordable alternative for prospective residents who are targeting a smaller entrance fee or direct admission contract option.

3. *Real estate market:* CCRCs with entrance fee contracts are generally reliant on stability in the real estate market due to the need for prospective residents to sell their home to afford the entrance fee.

   Mitigation: Evidence shows an upward trend in real estate values within the submarket of Marin when compared to the greater California Bay Area region. There are currently no indications of an implosion in this particular submarket.

4. *Competition:* There is a threat of new entrants in the PMA.

   Mitigation: The Corporation is well respected in the community and offers prospective residents a full continuum of care and different contract options.

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

A. HCAI shall receive a security interest on all of the Corporation's property. 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 all the property of the Corporation. Such real property shall include the property located at 308 and 326 Mission Avenue, San Rafael, with the following Assessor's Parcel Numbers (APN):
    1. 014-054-31
    2. 014-054-32

B. HCAI shall 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 April 21, 2023, the Application for Loan Insurance, and 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. Capitalized Interest shall not exceed 24-month debt service. Principal shall be amortized beginning on or before September 1, 2023. The no-call period, if any, shall not extend beyond the first 10 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 60 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) 2023 and thereafter, as determined by the annual audited financial statements.
    - A debt service coverage ratio of at least 1.25 to 1, beginning FYE 2023 and thereafter, as determined by the annual audited financial statements.
    - A non-restricted cash balance of at least 150 days cash, beginning FYE 2023 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 MADS 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. Pro forma 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)
      g. ALTA Endorsement 33.06 and 32.2-06 (Construction)

      HCAI may require additional endorsements and forms.

   4. A satisfactory Environmental Report Review completed by the California Department of Toxic Substance Control for the collateralized real property.

   5. 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.

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

7. As construction is part of this Project:
    a. Certification from the architect that the final set of the architectural plans, and the construction materials outline specification for the Project are complete and available to HCAI upon request.
    b. Copies of all required building permits and governmental agency approvals required for the Project or assurances from the governmental agency that permits will be issued. All such permits, approvals, and assurances must be acceptable to HCAI.
    c. Copies of the executed construction contracts, including all amendments or additions thereto, based upon final approved architectural plans, with a fixed limit of construction cost (not-to-exceed price or guaranteed maximum price) for the Project, and all correspondence between the contractor and the Corporation.
    d. A detailed breakdown of total Project costs by subcontractors and suppliers. Identify subcontractors and suppliers that are subject to mechanic's liens.
    e. Evidence of fire and extended coverage for all work performed under contract and other improvements on the site against loss or damage to the extent of replacement value covered by the standard extended coverage insurance endorsement. The policies shall include a standard mortgage clause making any loss payable to the mortgagee and HCAI as their interest may appear.
    f. Evidence of payment, performance, and materialmen's bonds in the amount of the construction contract for all contractors and subcontractors.

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

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

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

11. 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 copies of the final: (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, changes in the law, or changes in the structure of the transaction come to the attention of HCAI, then HCAI may require additional conditions.

Tom Wenas, Account Manager

Date: April 28, 2023

I approve the above recommendation.

Dean O'Brien, Supervisor

Date: April 28, 2023

I approve the above recommendation.

Jeremy R. Marion, Deputy Director

Date: April 28, 2023

Exhibit A

Project Renderings

Aldersly New IL Project

Building

Lobby

Lounge

Apartment Living Room

Apartment Bedroom

Terrace

Exhibit B

Proposed Bond Model

TABLE OF CONTENTS

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
===== ===== ===== ===== ===== ===== ===== ===== =====
On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

SOURCES AND USES OF FUNDS

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
===== ===== ===== ===== ===== ===== ===== ===== =====
On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Dated Date	06/08/2023
Delivery Date	06/08/2023

Sources:	2023A	2023B1 (TEMPS-85)	2023B2 (TEMPS-65)	2023C (TMPS)	Total
Bond Proceeds:					
Par Amount	30,495,000.00	7,170,000.00	17,880,000.00	5,235,000.00	60,780,000.00
Premium	2,558,118.75	-	-	-	2,558,118.75
	33,053,118.75	7,170,000.00	17,880,000.00	5,235,000.00	63,338,118.75
Other Sources of Funds:					
Cal-Mortgage Equity Contribution	4,515,547.88	1,061,697.93	2,647,581.44	775,172.75	9,000,000.00
2015A DSRF	-	-	-	468,625.00	468,625.00
2015A Bond Fund	-	-	-	38,804.00	38,804.00
	4,515,547.88	1,061,697.93	2,647,581.44	1,282,601.75	9,507,429.00
	37,568,666.63	8,231,697.93	20,527,581.44	6,517,601.75	72,845,547.75

Uses:	2023A	2023B1 (TEMPS-85)	2023B2 (TEMPS-65)	2023C (TMPS)	Total
Project Fund Deposits:					
Project Fund	32,334,631.80	6,868,576.43	17,693,229.77	-	56,896,438.00
Refunding Escrow Deposits:					
Cash Deposit	-	-	-	0.24	0.24
SLGS Purchases	-	-	-	5,368,822.00	5,368,822.00
	-	-	-	5,368,822.24	5,368,822.24
Other Fund Deposits:					
Capitalized Interest	2,023,290.41	493,979.82	845,752.31	498,157.47	3,861,180.01
Debt Service Reserve Fund (2023A)	1,035,375.00	-	-	-	1,035,375.00
Debt Service Reserve Fund (2023B1)	-	358,500.00	-	-	358,500.00
Debt Service Reserve Fund (2023B2)	-	-	715,200.00	-	715,200.00
Debt Service Reserve Fund (2023C)	-	-	-	274,837.50	274,837.50
	3,058,665.41	852,479.82	1,560,952.31	772,994.97	6,245,092.51
Delivery Date Expenses:					
Cost of Issuance	631,072.90	148,378.18	370,014.22	108,334.70	1,257,800.00
Cal-Mortgage Premium	1,418,776.70	333,583.50	831,865.14	243,557.83	2,827,783.17
Cal-Mortgage Inspection Fee	121,980.00	28,680.00	71,520.00	20,940.00	243,120.00
	2,171,829.60	510,641.68	1,273,399.36	372,832.53	4,328,703.17
Other Uses of Funds:					
Additional Proceeds	3,539.82	-	-	2,952.01	6,491.83
	37,568,666.63	8,231,697.93	20,527,581.44	6,517,601.75	72,845,547.75

BOND MATURITY TABLE

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
===== ===== ===== ===== ===== ===== ===== ===== =====
On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Maturity Date	2023A	2023B1 (TEMPS-85)	2023B2 (TEMPS-65)	2023C (TMPS)	Total
05/15/2024	-	-	-	-	-
04/01/2025	-	-	-	-	-
05/01/2025	-	-	-	-	-
05/15/2025	-	-	-	-	-
06/01/2025	-	-	875,000	5,235,000	6,110,000
07/01/2025	-	-	1,945,000	-	1,945,000
08/01/2025	-	-	1,945,000	-	1,945,000
09/01/2025	-	-	1,945,000	-	1,945,000
10/01/2025	-	-	1,945,000	-	1,945,000
11/01/2025	-	-	1,945,000	-	1,945,000
12/01/2025	-	-	1,945,000	-	1,945,000
01/01/2026	-	-	1,945,000	-	1,945,000
02/01/2026	-	-	1,945,000	-	1,945,000
03/01/2026	-	1,215,000	1,445,000	-	2,660,000
04/01/2026	-	1,945,000	-	-	1,945,000
05/01/2026	-	1,945,000	-	-	1,945,000
05/15/2026	-	-	-	-	-
06/01/2026	-	2,065,000	-	-	2,065,000
05/15/2027	560,000	-	-	-	560,000
05/15/2028	585,000	-	-	-	585,000
05/15/2029	615,000	-	-	-	615,000
05/15/2030	645,000	-	-	-	645,000
05/15/2031	680,000	-	-	-	680,000
05/15/2032	710,000	-	-	-	710,000
05/15/2033	745,000	-	-	-	745,000
05/15/2034	785,000	-	-	-	785,000
05/15/2035	825,000	-	-	-	825,000
05/15/2036	865,000	-	-	-	865,000
05/15/2037	910,000	-	-	-	910,000
05/15/2038	955,000	-	-	-	955,000
05/15/2039	1,000,000	-	-	-	1,000,000
05/15/2040	1,050,000	-	-	-	1,050,000
05/15/2041	1,105,000	-	-	-	1,105,000
05/15/2042	1,160,000	-	-	-	1,160,000
05/15/2043	1,215,000	-	-	-	1,215,000
05/15/2044	1,280,000	-	-	-	1,280,000
05/15/2045	1,340,000	-	-	-	1,340,000
05/15/2046	1,410,000	-	-	-	1,410,000
05/15/2047	1,480,000	-	-	-	1,480,000
05/15/2048	1,555,000	-	-	-	1,555,000
05/15/2049	1,630,000	-	-	-	1,630,000
05/15/2050	1,715,000	-	-	-	1,715,000
05/15/2051	1,800,000	-	-	-	1,800,000
05/15/2052	1,890,000	-	-	-	1,890,000
05/15/2053	1,985,000	-	-	-	1,985,000
	30,495,000	7,170,000	17,880,000	5,235,000	60,780,000

BOND SUMMARY STATISTICS

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
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On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Dated Date	06/08/2023
Delivery Date	06/08/2023
Last Maturity	05/15/2053
Arbitrage Yield	5.021164%
True Interest Cost (TIC)	4.355347%
Net Interest Cost (NIC)	4.563786%
All-In TIC	5.333739%
Average Coupon	4.941348%
Average Life (years)	11.147
Weighted Average Maturity (years)	12.290
Duration of Issue (years)	7.697
Par Amount	60,780,000.00
Bond Proceeds	63,338,118.75
Total Interest	33,479,438.86
Net Interest	30,921,320.11
Bond Years from Dated Date	677,536,583.33
Bond Years from Delivery Date	677,536,583.33
Total Debt Service	94,259,438.86
Maximum Annual Debt Service	26,341,664.44
Average Annual Debt Service	3,148,686.83
Underwriter's Fees (per $1000)	
Average Takedown	-
Other Fee	-
Total Underwriter's Discount	-
Bid Price	104.208817

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
2023C (TMPS)	5,235,000.00	100.000	5.250%	1.981	942.30
2025B2 (TEMPS-65)	17,880,000.00	100.000	4.000%	2.368	4,648.80
2025B (TEMPS-85)	7,170,000.00	100.000	5.000%	2.870	1,935.90
Serial Bonds	3,085,000.00	112.469	5.000%	6.033	1,817.80
Term 2042	10,110,000.00	109.500	5.000%	14.423	6,571.50
Term 2048	8,280,000.00	107.450	5.000%	22.579	6,955.20
Term 2053	9,020,000.00	106.609	5.000%	28.034	7,576.80
	60,780,000.00			11.147	30,448.30

	TIC	All-In TIC	Arbitrage Yield
Par Value	60,780,000.00	60,780,000.00	55,545,000.00
+ Accrued Interest	-	-	-
+ Premium (Discount)	2,558,118.75	2,558,118.75	2,558,118.75
- Underwriter's Discount	-	-	
- Cost of Issuance Expense		(1,257,800.00)	
- Other Amounts	-	(3,070,903.17)	(2,806,405.34)
Target Value	63,338,118.75	59,009,415.58	55,296,713.41
Target Date	06/08/2023	06/08/2023	06/08/2023
Yield	4.355347%	5.333739%	5.021164%

BOND PRICING

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
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On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Bond Component	Maturity Date	Amount	Rate	Yield	Price		Yield to Maturity	Call Date	Call Price	Premium (-Discount)
2023C (TMPS):										
	06/01/2025	5,235,000	5.250%	5.250%	100.000		-	-	-	-
2025B2 (TEMPS-65):										
	03/01/2026	17,880,000	4.000%	4.000%	100.000		-	-	-	-
2025B (TEMPS-85):										
	06/01/2026	7,170,000	5.000%	5.000%	100.000		-	-	-	-
Serial Bonds:										
	05/15/2027	560,000	5.000%	2.700%	108.532		-	-	-	47,779.20
	05/15/2028	585,000	5.000%	2.710%	110.511		-	-	-	61,489.35
	05/15/2029	615,000	5.000%	2.710%	112.477		-	-	-	76,733.55
	05/15/2030	645,000	5.000%	2.720%	114.321		-	-	-	92,370.45
	05/15/2031	680,000	5.000%	2.790%	115.633		-	-	-	106,304.40
		3,085,000								384,676.95
Term 2042:										
	05/15/2042	10,110,000	5.000%	3.810%	109.500	C	4.264%	05/15/2030	103.000	960,450.00
Term 2048:										
	05/15/2048	8,280,000	5.000%	4.080%	107.450	C	4.500%	05/15/2033	100.000	616,860.00
Term 2053:										
	05/15/2053	9,020,000	5.000%	4.180%	106.609	C	4.591%	05/15/2033	100.000	596,131.80
		60,780,000								2,558,118.75

Dated Date	06/08/2023	
Delivery Date	06/08/2023	
First Coupon	11/15/2023	
Par Amount	60,780,000.00	
Premium	2,558,118.75	
Production	63,338,118.75	104.208817%
Underwriter's Discount	-	-
Purchase Price	63,338,118.75	104.208817%
Accrued Interest	-	
Net Proceeds	63,338,118.75	

AGGREGATE DEBT SERVICE

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
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On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Period Ending	2023A	2023B1 (TEMPS-85)	2023B2 (TEMPS-65)	2023C (TMPS)	Aggregate Debt Service
09/30/2024	1,427,335.42	335,595.83	669,506.67	257,278.44	2,689,716.36
09/30/2025	1,524,750.00	358,500.00	7,476,028.89	5,522,052.50	14,881,331.39
09/30/2026	1,524,750.00	7,504,933.34	11,427,707.77	-	20,457,391.11
09/30/2027	2,084,750.00	-	-	-	2,084,750.00
09/30/2028	2,081,750.00	-	-	-	2,081,750.00
09/30/2029	2,082,500.00	-	-	-	2,082,500.00
09/30/2030	2,081,750.00	-	-	-	2,081,750.00
09/30/2031	2,084,500.00	-	-	-	2,084,500.00
09/30/2032	2,080,500.00	-	-	-	2,080,500.00
09/30/2033	2,080,000.00	-	-	-	2,080,000.00
09/30/2034	2,082,750.00	-	-	-	2,082,750.00
09/30/2035	2,083,500.00	-	-	-	2,083,500.00
09/30/2036	2,082,250.00	-	-	-	2,082,250.00
09/30/2037	2,084,000.00	-	-	-	2,084,000.00
09/30/2038	2,083,500.00	-	-	-	2,083,500.00
09/30/2039	2,080,750.00	-	-	-	2,080,750.00
09/30/2040	2,080,750.00	-	-	-	2,080,750.00
09/30/2041	2,083,250.00	-	-	-	2,083,250.00
09/30/2042	2,083,000.00	-	-	-	2,083,000.00
09/30/2043	2,080,000.00	-	-	-	2,080,000.00
09/30/2044	2,084,250.00	-	-	-	2,084,250.00
09/30/2045	2,080,250.00	-	-	-	2,080,250.00
09/30/2046	2,083,250.00	-	-	-	2,083,250.00
09/30/2047	2,082,750.00	-	-	-	2,082,750.00
09/30/2048	2,083,750.00	-	-	-	2,083,750.00
09/30/2049	2,081,000.00	-	-	-	2,081,000.00
09/30/2050	2,084,500.00	-	-	-	2,084,500.00
09/30/2051	2,083,750.00	-	-	-	2,083,750.00
09/30/2052	2,083,750.00	-	-	-	2,083,750.00
09/30/2053	2,084,250.00	-	-	-	2,084,250.00
	60,707,835.42	8,199,029.17	19,573,243.33	5,779,330.94	94,259,438.86

NET DEBT SERVICE

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
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On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest	Debt Service Reserve Fund (2023A)	Debt Service Reserve Fund (2023B1)	Debt Service Reserve Fund (2023B2)	Debt Service Reserve Fund (2023C)	Net Debt Service
09/30/2024	-	2,689,716.36	2,689,716.36	(2,689,716.36)	-	-	-	-	-
09/30/2025	11,945,000	2,936,331.39	14,881,331.39	(2,929,848.05)	-	-	-	(274,837.50)	11,676,645.84
09/30/2026	18,340,000	2,117,391.11	20,457,391.11	(491,899.44)	(20,707.50)	(372,840)	(729,504)	-	18,842,440.17
09/30/2027	560,000	1,524,750.00	2,084,750.00	-	(41,415.00)	-	-	-	2,043,335.00
09/30/2028	585,000	1,496,750.00	2,081,750.00	-	(41,415.00)	-	-	-	2,040,335.00
09/30/2029	615,000	1,467,500.00	2,082,500.00	-	(41,415.00)	-	-	-	2,041,085.00
09/30/2030	645,000	1,436,750.00	2,081,750.00	-	(41,415.00)	-	-	-	2,040,335.00
09/30/2031	680,000	1,404,500.00	2,084,500.00	-	(41,415.00)	-	-	-	2,043,085.00
09/30/2032	710,000	1,370,500.00	2,080,500.00	-	(41,415.00)	-	-	-	2,039,085.00
09/30/2033	745,000	1,335,000.00	2,080,000.00	-	(41,415.00)	-	-	-	2,038,585.00
09/30/2034	785,000	1,297,750.00	2,082,750.00	-	(41,415.00)	-	-	-	2,041,335.00
09/30/2035	825,000	1,258,500.00	2,083,500.00	-	(41,415.00)	-	-	-	2,042,085.00
09/30/2036	865,000	1,217,250.00	2,082,250.00	-	(41,415.00)	-	-	-	2,040,835.00
09/30/2037	910,000	1,174,000.00	2,084,000.00	-	(41,415.00)	-	-	-	2,042,585.00
09/30/2038	955,000	1,128,500.00	2,083,500.00	-	(41,415.00)	-	-	-	2,042,085.00
09/30/2039	1,000,000	1,080,750.00	2,080,750.00	-	(41,415.00)	-	-	-	2,039,335.00
09/30/2040	1,050,000	1,030,750.00	2,080,750.00	-	(41,415.00)	-	-	-	2,039,335.00
09/30/2041	1,105,000	978,250.00	2,083,250.00	-	(41,415.00)	-	-	-	2,041,835.00
09/30/2042	1,160,000	923,000.00	2,083,000.00	-	(41,415.00)	-	-	-	2,041,585.00
09/30/2043	1,215,000	865,000.00	2,080,000.00	-	(41,415.00)	-	-	-	2,038,585.00
09/30/2044	1,280,000	804,250.00	2,084,250.00	-	(41,415.00)	-	-	-	2,042,835.00
09/30/2045	1,340,000	740,250.00	2,080,250.00	-	(41,415.00)	-	-	-	2,038,835.00
09/30/2046	1,410,000	673,250.00	2,083,250.00	-	(41,415.00)	-	-	-	2,041,835.00
09/30/2047	1,480,000	602,750.00	2,082,750.00	-	(41,415.00)	-	-	-	2,041,335.00
09/30/2048	1,555,000	528,750.00	2,083,750.00	-	(41,415.00)	-	-	-	2,042,335.00
09/30/2049	1,630,000	451,000.00	2,081,000.00	-	(41,415.00)	-	-	-	2,039,585.00
09/30/2050	1,715,000	369,500.00	2,084,500.00	-	(41,415.00)	-	-	-	2,043,085.00
09/30/2051	1,800,000	283,750.00	2,083,750.00	-	(41,415.00)	-	-	-	2,042,335.00
09/30/2052	1,890,000	193,750.00	2,083,750.00	-	(41,415.00)	-	-	-	2,042,335.00
09/30/2053	1,985,000	99,250.00	2,084,250.00	-	(1,076,790.00)	-	-	-	1,007,460.00
	60,780,000	33,479,438.86	94,259,438.86	(6,111,463.85)	(2,174,287.50)	(372,840)	(729,504)	(274,837.50)	84,596,506.01

PROOF OF ARBITRAGE YIELD

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
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On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Date	Debt Service	Total	Present Value to 06/08/2023 @ 5.0211636278%
11/15/2023	1,133,212.92	1,133,212.92	1,108,967.50
05/15/2024	1,299,225.00	1,299,225.00	1,240,289.23
11/15/2024	1,299,225.00	1,299,225.00	1,209,913.36
05/15/2025	1,299,225.00	1,299,225.00	1,180,281.43
06/01/2025	876,555.56	876,555.56	794,554.04
07/01/2025	1,954,941.11	1,954,941.11	1,764,748.76
08/01/2025	1,961,424.44	1,961,424.44	1,763,299.18
09/01/2025	1,967,907.78	1,967,907.78	1,761,831.55
10/01/2025	1,974,391.11	1,974,391.11	1,760,346.02
11/01/2025	1,980,874.44	1,980,874.44	1,758,842.79
11/15/2025	1,087,225.00	1,087,225.00	963,500.49
12/01/2025	1,948,457.78	1,948,457.78	1,722,924.67
01/01/2026	1,954,941.11	1,954,941.11	1,721,528.38
02/01/2026	1,961,424.44	1,961,424.44	1,720,114.30
03/01/2026	2,694,906.39	2,694,906.39	2,353,610.68
04/01/2026	1,981,738.89	1,981,738.89	1,723,624.23
05/01/2026	1,989,843.06	1,989,843.06	1,723,535.37
05/15/2026	814,000.00	814,000.00	703,701.08
06/01/2026	2,069,588.89	2,069,588.89	1,785,215.61
11/15/2026	762,375.00	762,375.00	642,930.10
05/15/2027	1,322,375.00	1,322,375.00	1,087,880.13
11/15/2027	748,375.00	748,375.00	600,588.46
05/15/2028	1,333,375.00	1,333,375.00	1,043,857.76
11/15/2028	733,750.00	733,750.00	560,361.68
05/15/2029	1,348,750.00	1,348,750.00	1,004,807.98
11/15/2029	718,375.00	718,375.00	522,076.48
05/15/2030	11,045,375.00	11,045,375.00	7,830,593.64
11/15/2030	467,250.00	467,250.00	323,143.06
05/15/2031	1,147,250.00	1,147,250.00	773,989.18
11/15/2031	450,250.00	450,250.00	296,320.60
05/15/2032	1,160,250.00	1,160,250.00	744,888.05
11/15/2032	432,500.00	432,500.00	270,867.46
05/15/2033	17,732,500.00	17,732,500.00	10,833,580.14
	71,651,857.92	71,651,857.92	55,296,713.41

Proceeds Summary

Delivery date	06/08/2023
Par Value	55,545,000.00
Premium (Discount)	2,558,118.75
Arbitrage expenses	(2,806,405.34)
Target for yield calculation	55,296,713.41

PROOF OF ARBITRAGE YIELD

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
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On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Yield To Call/Maturity
S31	05/15/2031	5.000%	2.790%	-	-	2.7905873%
T42	05/15/2032	5.000%	3.810%	-	-	3.7398958%
T42	05/15/2033	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2034	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2035	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2036	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2037	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2038	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2039	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2040	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2041	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T42	05/15/2042	5.000%	3.810%	05/15/2030	103.000	3.8108289%
T48	05/15/2043	5.000%	4.080%	05/15/2033	100.000	4.0807773%
T48	05/15/2044	5.000%	4.080%	05/15/2033	100.000	4.0807773%
T48	05/15/2045	5.000%	4.080%	05/15/2033	100.000	4.0807773%
T48	05/15/2046	5.000%	4.080%	05/15/2033	100.000	4.0807773%
T48	05/15/2047	5.000%	4.080%	05/15/2033	100.000	4.0807773%
T48	05/15/2048	5.000%	4.080%	05/15/2033	100.000	4.0807773%
T53	05/15/2049	5.000%	4.180%	05/15/2033	100.000	4.1806843%
T53	05/15/2050	5.000%	4.180%	05/15/2033	100.000	4.1806843%
T53	05/15/2051	5.000%	4.180%	05/15/2033	100.000	4.1806843%
T53	05/15/2052	5.000%	4.180%	05/15/2033	100.000	4.1806843%
T53	05/15/2053	5.000%	4.180%	05/15/2033	100.000	4.1806843%

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Yield To Call/Maturity	Increase to Yield
S31	05/15/2031	5.000%	2.790%	05/15/2030	103.000	2.8905023%	0.0999150%
T42	05/15/2032	5.000%	3.810%	05/15/2030	103.000	3.8108289%	0.0709332%
T42	05/15/2032	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0796621%
T42	05/15/2033	5.000%	3.810%	-	-	3.8411356%	0.0303067%
T42	05/15/2033	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2033	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2034	5.000%	3.810%	-	-	3.9235968%	0.1127679%
T42	05/15/2034	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2034	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2034	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T42	05/15/2035	5.000%	3.810%	-	-	3.9919920%	0.1811631%
T42	05/15/2035	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2035	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2035	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T42	05/15/2036	5.000%	3.810%	-	-	4.0495793%	0.2387504%
T42	05/15/2036	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2036	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2036	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T42	05/15/2037	5.000%	3.810%	-	-	4.0986833%	0.2878544%
T42	05/15/2037	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2037	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2037	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T42	05/15/2038	5.000%	3.810%	-	-	4.1410068%	0.3301779%
T42	05/15/2038	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2038	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2038	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T42	05/15/2039	5.000%	3.810%	-	-	4.1778260%	0.3669971%
T42	05/15/2039	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2039	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2039	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T42	05/15/2040	5.000%	3.810%	-	-	4.2101163%	0.3992874%
T42	05/15/2040	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2040	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2040	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T42	05/15/2041	5.000%	3.810%	-	-	4.2386355%	0.4278066%
T42	05/15/2041	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%

PROOF OF ARBITRAGE YIELD

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
===== ===== ===== ===== ===== ===== ===== ===== =====
On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Yield To Call/Maturity	Increase to Yield
T42	05/15/2041	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2041	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T42	05/15/2042	5.000%	3.810%	-	-	4.2639819%	0.4531530%
T42	05/15/2042	5.000%	3.810%	05/15/2031	102.000	3.8195578%	0.0087289%
T42	05/15/2042	5.000%	3.810%	05/15/2032	101.000	3.8298270%	0.0189981%
T42	05/15/2042	5.000%	3.810%	05/15/2033	100.000	3.8411356%	0.0303067%
T48	05/15/2043	5.000%	4.080%	-	-	4.4334988%	0.3527215%
T48	05/15/2043	5.000%	4.080%	05/15/2030	103.000	4.1320537%	0.0512764%
T48	05/15/2043	5.000%	4.080%	05/15/2031	102.000	4.1066107%	0.0258334%
T48	05/15/2043	5.000%	4.080%	05/15/2032	101.000	4.0904671%	0.0096898%
T48	05/15/2044	5.000%	4.080%	-	-	4.4495882%	0.3688109%
T48	05/15/2044	5.000%	4.080%	05/15/2030	103.000	4.1320537%	0.0512764%
T48	05/15/2044	5.000%	4.080%	05/15/2031	102.000	4.1066107%	0.0258334%
T48	05/15/2044	5.000%	4.080%	05/15/2032	101.000	4.0904671%	0.0096898%
T48	05/15/2045	5.000%	4.080%	-	-	4.4641003%	0.3833230%
T48	05/15/2045	5.000%	4.080%	05/15/2030	103.000	4.1320537%	0.0512764%
T48	05/15/2045	5.000%	4.080%	05/15/2031	102.000	4.1066107%	0.0258334%
T48	05/15/2045	5.000%	4.080%	05/15/2032	101.000	4.0904671%	0.0096898%
T48	05/15/2046	5.000%	4.080%	-	-	4.4772425%	0.3964651%
T48	05/15/2046	5.000%	4.080%	05/15/2030	103.000	4.1320537%	0.0512764%
T48	05/15/2046	5.000%	4.080%	05/15/2031	102.000	4.1066107%	0.0258334%
T48	05/15/2046	5.000%	4.080%	05/15/2032	101.000	4.0904671%	0.0096898%
T48	05/15/2047	5.000%	4.080%	-	-	4.4891873%	0.4084099%
T48	05/15/2047	5.000%	4.080%	05/15/2030	103.000	4.1320537%	0.0512764%
T48	05/15/2047	5.000%	4.080%	05/15/2031	102.000	4.1066107%	0.0258334%
T48	05/15/2047	5.000%	4.080%	05/15/2032	101.000	4.0904671%	0.0096898%
T48	05/15/2048	5.000%	4.080%	-	-	4.5000797%	0.4193024%
T48	05/15/2048	5.000%	4.080%	05/15/2030	103.000	4.1320537%	0.0512764%
T48	05/15/2048	5.000%	4.080%	05/15/2031	102.000	4.1066107%	0.0258334%
T48	05/15/2048	5.000%	4.080%	05/15/2032	101.000	4.0904671%	0.0096898%
T53	05/15/2049	5.000%	4.180%	-	-	4.5629508%	0.3822665%
T53	05/15/2049	5.000%	4.180%	05/15/2030	103.000	4.2659290%	0.0852447%
T53	05/15/2049	5.000%	4.180%	05/15/2031	102.000	4.2262545%	0.0455702%
T53	05/15/2049	5.000%	4.180%	05/15/2032	101.000	4.1991142%	0.0184299%
T53	05/15/2050	5.000%	4.180%	-	-	4.5710806%	0.3903964%
T53	05/15/2050	5.000%	4.180%	05/15/2030	103.000	4.2659290%	0.0852447%
T53	05/15/2050	5.000%	4.180%	05/15/2031	102.000	4.2262545%	0.0455702%
T53	05/15/2050	5.000%	4.180%	05/15/2032	101.000	4.1991142%	0.0184299%
T53	05/15/2051	5.000%	4.180%	-	-	4.5785552%	0.3978710%
T53	05/15/2051	5.000%	4.180%	05/15/2030	103.000	4.2659290%	0.0852447%
T53	05/15/2051	5.000%	4.180%	05/15/2031	102.000	4.2262545%	0.0455702%
T53	05/15/2051	5.000%	4.180%	05/15/2032	101.000	4.1991142%	0.0184299%
T53	05/15/2052	5.000%	4.180%	-	-	4.5854434%	0.4047591%
T53	05/15/2052	5.000%	4.180%	05/15/2030	103.000	4.2659290%	0.0852447%
T53	05/15/2052	5.000%	4.180%	05/15/2031	102.000	4.2262545%	0.0455702%
T53	05/15/2052	5.000%	4.180%	05/15/2032	101.000	4.1991142%	0.0184299%
T53	05/15/2053	5.000%	4.180%	-	-	4.5918047%	0.4111204%
T53	05/15/2053	5.000%	4.180%	05/15/2030	103.000	4.2659290%	0.0852447%
T53	05/15/2053	5.000%	4.180%	05/15/2031	102.000	4.2262545%	0.0455702%
T53	05/15/2053	5.000%	4.180%	05/15/2032	101.000	4.1991142%	0.0184299%

BOND DEBT SERVICE

2023 Cal-Mortgage Financing
2023A

Period Ending	Principal	Coupon	Interest	Debt Service
09/30/2024	-	-	1,427,335.42	1,427,335.42
09/30/2025	-	-	1,524,750.00	1,524,750.00
09/30/2026	-	-	1,524,750.00	1,524,750.00
09/30/2027	560,000	5.000%	1,524,750.00	2,084,750.00
09/30/2028	585,000	5.000%	1,496,750.00	2,081,750.00
09/30/2029	615,000	5.000%	1,467,500.00	2,082,500.00
09/30/2030	645,000	5.000%	1,436,750.00	2,081,750.00
09/30/2031	680,000	5.000%	1,404,500.00	2,084,500.00
09/30/2032	710,000	5.000%	1,370,500.00	2,080,500.00
09/30/2033	745,000	5.000%	1,335,000.00	2,080,000.00
09/30/2034	785,000	5.000%	1,297,750.00	2,082,750.00
09/30/2035	825,000	5.000%	1,258,500.00	2,083,500.00
09/30/2036	865,000	5.000%	1,217,250.00	2,082,250.00
09/30/2037	910,000	5.000%	1,174,000.00	2,084,000.00
09/30/2038	955,000	5.000%	1,128,500.00	2,083,500.00
09/30/2039	1,000,000	5.000%	1,080,750.00	2,080,750.00
09/30/2040	1,050,000	5.000%	1,030,750.00	2,080,750.00
09/30/2041	1,105,000	5.000%	978,250.00	2,083,250.00
09/30/2042	1,160,000	5.000%	923,000.00	2,083,000.00
09/30/2043	1,215,000	5.000%	865,000.00	2,080,000.00
09/30/2044	1,280,000	5.000%	804,250.00	2,084,250.00
09/30/2045	1,340,000	5.000%	740,250.00	2,080,250.00
09/30/2046	1,410,000	5.000%	673,250.00	2,083,250.00
09/30/2047	1,480,000	5.000%	602,750.00	2,082,750.00
09/30/2048	1,555,000	5.000%	528,750.00	2,083,750.00
09/30/2049	1,630,000	5.000%	451,000.00	2,081,000.00
09/30/2050	1,715,000	5.000%	369,500.00	2,084,500.00
09/30/2051	1,800,000	5.000%	283,750.00	2,083,750.00
09/30/2052	1,890,000	5.000%	193,750.00	2,083,750.00
09/30/2053	1,985,000	5.000%	99,250.00	2,084,250.00
	30,495,000		30,212,835.42	60,707,835.42

NET DEBT SERVICE

2023 Cal-Mortgage Financing
2023A

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest	Debt Service Reserve Fund (2023A)	Net Debt Service
09/30/2024	-	1,427,335.42	1,427,335.42	(1,427,335.42)	-	-
09/30/2025	-	1,524,750.00	1,524,750.00	(1,524,750.00)	-	-
09/30/2026	-	1,524,750.00	1,524,750.00	(321,891.67)	(20,707.50)	1,182,150.83
09/30/2027	560,000	1,524,750.00	2,084,750.00	-	(41,415.00)	2,043,335.00
09/30/2028	585,000	1,496,750.00	2,081,750.00	-	(41,415.00)	2,040,335.00
09/30/2029	615,000	1,467,500.00	2,082,500.00	-	(41,415.00)	2,041,085.00
09/30/2030	645,000	1,436,750.00	2,081,750.00	-	(41,415.00)	2,040,335.00
09/30/2031	680,000	1,404,500.00	2,084,500.00	-	(41,415.00)	2,043,085.00
09/30/2032	710,000	1,370,500.00	2,080,500.00	-	(41,415.00)	2,039,085.00
09/30/2033	745,000	1,335,000.00	2,080,000.00	-	(41,415.00)	2,038,585.00
09/30/2034	785,000	1,297,750.00	2,082,750.00	-	(41,415.00)	2,041,335.00
09/30/2035	825,000	1,258,500.00	2,083,500.00	-	(41,415.00)	2,042,085.00
09/30/2036	865,000	1,217,250.00	2,082,250.00	-	(41,415.00)	2,040,835.00
09/30/2037	910,000	1,174,000.00	2,084,000.00	-	(41,415.00)	2,042,585.00
09/30/2038	955,000	1,128,500.00	2,083,500.00	-	(41,415.00)	2,042,085.00
09/30/2039	1,000,000	1,080,750.00	2,080,750.00	-	(41,415.00)	2,039,335.00
09/30/2040	1,050,000	1,030,750.00	2,080,750.00	-	(41,415.00)	2,039,335.00
09/30/2041	1,105,000	978,250.00	2,083,250.00	-	(41,415.00)	2,041,835.00
09/30/2042	1,160,000	923,000.00	2,083,000.00	-	(41,415.00)	2,041,585.00
09/30/2043	1,215,000	865,000.00	2,080,000.00	-	(41,415.00)	2,038,585.00
09/30/2044	1,280,000	804,250.00	2,084,250.00	-	(41,415.00)	2,042,835.00
09/30/2045	1,340,000	740,250.00	2,080,250.00	-	(41,415.00)	2,038,835.00
09/30/2046	1,410,000	673,250.00	2,083,250.00	-	(41,415.00)	2,041,835.00
09/30/2047	1,480,000	602,750.00	2,082,750.00	-	(41,415.00)	2,041,335.00
09/30/2048	1,555,000	528,750.00	2,083,750.00	-	(41,415.00)	2,042,335.00
09/30/2049	1,630,000	451,000.00	2,081,000.00	-	(41,415.00)	2,039,585.00
09/30/2050	1,715,000	369,500.00	2,084,500.00	-	(41,415.00)	2,043,085.00
09/30/2051	1,800,000	283,750.00	2,083,750.00	-	(41,415.00)	2,042,335.00
09/30/2052	1,890,000	193,750.00	2,083,750.00	-	(41,415.00)	2,042,335.00
09/30/2053	1,985,000	99,250.00	2,084,250.00	-	(1,076,790.00)	1,007,460.00
	30,495,000	30,212,835.42	60,707,835.42	(3,273,977.09)	(2,174,287.50)	55,259,570.83

BOND DEBT SERVICE

2023 Cal-Mortgage Financing
2023B1 (TEMPS-85)

Period Ending	Principal	Coupon	Interest	Debt Service
09/30/2024	-	-	335,595.83	335,595.83
09/30/2025	-	-	358,500.00	358,500.00
09/30/2026	7,170,000	5.000%	334,933.34	7,504,933.34
	7,170,000		1,029,029.17	8,199,029.17

NET DEBT SERVICE

2023 Cal-Mortgage Financing
2023B1 (TEMPS-85)

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest	Debt Service Reserve Fund (2023B1)	Net Debt Service
09/30/2024	-	335,595.83	335,595.83	(335,595.83)	-	-
09/30/2025	-	358,500.00	358,500.00	(358,500.00)	-	-
09/30/2026	7,170,000	334,933.34	7,504,933.34	(75,683.33)	(372,840)	7,056,410.01
	7,170,000	1,029,029.17	8,199,029.17	(769,779.16)	(372,840)	7,056,410.01

BOND DEBT SERVICE

2023 Cal-Mortgage Financing
2023B2 (TEMPS-65)

Period Ending	Principal	Coupon	Interest	Debt Service
09/30/2024	-	-	669,506.67	669,506.67
09/30/2025	6,710,000	4.000%	766,028.89	7,476,028.89
09/30/2026	11,170,000	4.000%	257,707.77	11,427,707.77
	17,880,000		1,693,243.33	19,573,243.33

NET DEBT SERVICE

2023 Cal-Mortgage Financing
2023B2 (TEMPS-65)

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest	Debt Service Reserve Fund (2023B2)	Net Debt Service
09/30/2024	-	669,506.67	669,506.67	(669,506.67)	-	-
09/30/2025	6,710,000	766,028.89	7,476,028.89	(759,545.55)	-	6,716,483.34
09/30/2026	11,170,000	257,707.77	11,427,707.77	(94,324.44)	(729,504)	10,603,879.33
	17,880,000	1,693,243.33	19,573,243.33	(1,523,376.66)	(729,504)	17,320,362.67

BOND DEBT SERVICE

2023 Cal-Mortgage Financing
2023C (TMPS)

Period Ending	Principal	Coupon	Interest	Debt Service
09/30/2024	-	-	257,278.44	257,278.44
09/30/2025	5,235,000	5.250%	287,052.50	5,522,052.50
	5,235,000		544,330.94	5,779,330.94

NET DEBT SERVICE

2023 Cal-Mortgage Financing
2023C (TMPS)

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest	Debt Service Reserve Fund (2023C)	Net Debt Service
09/30/2024	-	257,278.44	257,278.44	(257,278.44)	-	-
09/30/2025	5,235,000	287,052.50	5,522,052.50	(287,052.50)	(274,837.50)	4,960,162.50
	5,235,000	544,330.94	5,779,330.94	(544,330.94)	(274,837.50)	4,960,162.50

SUMMARY OF BONDS REFUNDED

2023 Cal-Mortgage Financing
2023C (TMPS)

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series 2015A Bonds, 2015A, T25:					
	05/15/2025	4.500%	420,000	-	-
Series 2015A Bonds, 2015A, T32:					
	05/15/2032	5.000%	1,825,000	05/15/2025	100.000
Series 2015A Bonds, 2015A, T40:					
	05/15/2040	5.000%	3,010,000	05/15/2025	100.000
			5,255,000		

ESCROW COST DETAIL

2023 Cal-Mortgage Financing
2023C (TMPS)

Type of Security	Maturity Date	Par Amount	Rate	Cost	Total Cost
15_DS:					
SLGS	11/15/2023	38,804	3.351%	38,804	38,804.00
15_DSRF:					
SLGS	11/15/2023	1,384	4.224%	1,384	1,384.00
SLGS	05/15/2024	20,922	3.947%	20,922	20,922.00
SLGS	11/15/2024	3,457	3.552%	3,457	3,457.00
SLGS	05/15/2025	442,862	3.350%	442,862	442,862.00
		468,625		468,625	468,625.00
BP:					
SLGS	11/15/2023	2,216	5.030%	2,216	2,216.00
SLGS	05/15/2024	204,289	4.700%	204,289	204,289.00
SLGS	11/15/2024	21,884	4.230%	21,884	21,884.00
SLGS	05/15/2025	4,633,004	3.990%	4,633,004	4,633,004.00
		4,861,393		4,861,393	4,861,393.00
		5,368,822		5,368,822	5,368,822.00

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
15_DS	06/08/2023	38,804	-	38,804.00	3.362656%
15_DSRF	06/08/2023	468,625	-	468,625.00	3.362926%
BP	06/08/2023	4,861,393	0.24	4,861,393.24	4.003344%
		5,368,822	0.24	5,368,822.24	

ESCROW REQUIREMENTS

2023 Cal-Mortgage Financing
2023C (TMPS)

Dated Date	06/08/2023
Delivery Date	06/08/2023

Prior Debt (PRI)

Period Ending	Principal	Interest	Principal Redeemed	Total
11/15/2023	-	130,325.00	-	130,325.00
05/15/2024	205,000	130,325.00	-	335,325.00
11/15/2024	-	125,712.50	-	125,712.50
05/15/2025	215,000	125,712.50	4,835,000	5,175,712.50
	420,000	512,075.00	4,835,000	5,767,075.00

ESCROW DESCRIPTIONS DETAIL

2023 Cal-Mortgage Financing
2023C (TMPS)

	Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate	Cost	Total Cost
15_DS, Jun 8, 2023:									
	SLGS	Certificate	11/15/2023	11/15/2023	38,804	3.351%	5.030%	38,804	38,804.00
15_DSRF, Jun 8, 2023:									
	SLGS	Certificate	11/15/2023	11/15/2023	1,384	4.224%	5.030%	1,384	1,384.00
	SLGS	Certificate	05/15/2024	05/15/2024	20,922	3.947%	4.700%	20,922	20,922.00
	SLGS	Note	11/15/2024	11/15/2023	3,457	3.552%	4.230%	3,457	3,457.00
	SLGS	Note	05/15/2025	11/15/2023	442,862	3.350%	3.990%	442,862	442,862.00
					468,625			468,625	468,625.00
BP, Jun 8, 2023:									
	SLGS	Certificate	11/15/2023	11/15/2023	2,216	5.030%	5.030%	2,216	2,216.00
	SLGS	Certificate	05/15/2024	05/15/2024	204,289	4.700%	4.700%	204,289	204,289.00
	SLGS	Note	11/15/2024	11/15/2023	21,884	4.230%	4.230%	21,884	21,884.00
	SLGS	Note	05/15/2025	11/15/2023	4,633,004	3.990%	3.990%	4,633,004	4,633,004.00
					4,861,393			4,861,393	4,861,393.00
					5,368,822			5,368,822	5,368,822.00

SLGS Summary

SLGS Rates File	11APR23
Total Certificates of Indebtedness	267,615.00
Total Notes	5,101,207.00
Total original SLGS	5,368,822.00

ESCROW STATISTICS

2023 Cal-Mortgage Financing
2023C (TMPS)

Escrow	Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
15_DS	38,804.00	0.429	1.66	3.362656%	3.362656%	39,372.45	(568.45)	-
15_DSRF	468,625.00	1.809	84.78	3.362926%	3.362926%	498,302.59	(29,677.59)	-
BP	4,861,393.24	1.803	876.41	4.003344%	4.003343%	5,229,399.96	(368,006.72)	-
	5,368,822.24		962.85			5,767,075.00	(398,252.76)	0.00

Delivery date	06/08/2023
Composite Modified Duration	1.794

ESCROW SUFFICIENCY

2023 Cal-Mortgage Financing
2023C (TMPS)

Prior Debt (PRI)

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
06/08/2023	-	0.24	0.24	0.24
11/15/2023	130,325.00	130,325.54	0.54	0.78
05/15/2024	335,325.00	335,325.23	0.23	1.01
11/15/2024	125,712.50	125,711.62	(0.88)	0.13
05/15/2025	5,175,712.50	5,175,712.37	(0.13)	-
	5,767,075.00	5,767,075.00	0.00	

YIELD TO MATURITY

CMFA
Cal-Mortgage Insured Revenue and Revenue Refunding Bonds
(Aldersly), Series 2023
===== ===== ===== ===== ===== ===== ===== ===== =====
On Market Rates Plus 25bps Cushion
$44 Million Project Sensitivity

YTM

YTM	4.3553%

Exhibit C

Detailed Financial Spread

Aldersly, Inc.
Aldersly
CCRC Template (GEN)
Statement in Actual (U.S. Dollar)
April 26, 2023 5:26 PM

CalMortgage CCRC (GEN)	9/30/2019 Historical 12M Unqualified Squarmilner	9/30/2020 Historical 12M Unqualified Bakertilly	9/30/2021 Historical 12M Unqualified Bakertilly	9/30/2022 Historical 12M Qualified Bakertilly [1]	1/31/2023 Historical 4M Company Prepared
Debt Service Coverage	4.14	3.23	4.79	2.22	(1.15)
Days Cash on Hand	924.69	922.39	807.88	564.22	631.80
Current Ratio	14.89	9.12	8.60	9.02	9.50
Quick Ratio	14.89	9.12	8.60	9.02	9.49
Working Capital	22,662,665.00	22,700,743.00	19,828,371.00	20,081,082.00	20,859,470.00
Actual Payables in Days	44.48	65.65	78.55	85.16	5.12
Actual Receivables in Days	9.05	11.04	40.26	374.41	280.02
Pre-Tax (Operating) Profit Margin	(2.53)	3.76	19.97	2.02	(16.94)
Net Profit Margin	(9.03)	8.02	33.18	48.22	36.45
EBITDA	270,970.00	1,835,064.00	3,785,951.00	4,905,242.00	1,322,723.00
Debt/Tangible Net Worth	0.69	0.72	0.60	0.50	0.48

Short Description:

[1] DRAFT

Aldersly, Inc.
Aldersly
CCRC Template (GEN)
Statement in Actual (U.S. Dollar)
April 26, 2023 5:26 PM

	9/30/2019 Historical 12M Unqualified Squarmilner		9/30/2020 Historical 12M Unqualified Bakertilly		9/30/2021 Historical 12M Unqualified Bakertilly		9/30/2022 Historical 12M Qualified Bakertilly [1]		1/31/2023 Historical 4M Company Prepared	
Assets Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Cash	1,934,194	5.3	1,466,118	3.8	1,158,200	2.9	1,121,640	2.6	8,505,938	19.0
Marketable Securities	13,521,159	37.2	14,593,671	38.2	8,759,081	21.8	5,429,829	12.5	0	0.0
LT counted towards DCOH	8,313,572	22.9	8,837,093	23.1	10,890,136	27.2	7,051,020	16.3	7,854,285	17.5
Cash and Cash Equivalents	23,768,925	65.4	24,896,882	65.2	20,807,417	51.9	13,602,489	31.4	16,360,223	36.5
Accts Receivable - Residents	215,979	0.6	294,271	0.8	919,566	2.3	422,003	1.0	0	0.0
Accts Receivable - Others	1,881	0.0	50	0.0	0	0.0	7,769,542	17.9	6,474,240	14.4
Interest and Dividends Receivable	2,403	0.0	2,313	0.0	2,997	0.0	3,104	0.0	0	0.0
Net Accounts Receivable	220,263	0.6	296,634	0.8	922,563	2.3	8,194,649	18.9	6,474,240	14.4
Supplies	0	0.0	0	0.0	0	0.0	0	0.0	26,451	0.1
Prepaid Expenses and Deferreds	304,684	0.8	301,987	0.8	705,736	1.8	787,529	1.8	452,290	1.0
Total Current Assets	**24,293,872**	**66.8**	**25,495,503**	**66.7**	**22,435,716**	**55.9**	**22,584,667**	**52.1**	**23,313,204**	**52.0**
Trustee Held	708,150	1.9	796,647	2.1	760,738	1.9	762,012	1.8	750,950	1.7
Asset Limited to Use	708,150	0.0	796,647	0.0	760,738	0.0	762,012	0.0	750,950	0.0
Land and Improvements	500,820	1.4	489,156	1.3	489,156	1.2	1,479,156	3.4	21,391,382	47.7
Buildings and Improvements	19,236,161	52.9	19,302,775	50.5	19,382,336	48.3	27,949,618	64.4	0	0.0
Machinery & Equipment	1,863,065	5.1	961,148	2.5	976,294	2.4	1,001,036	2.3	0	0.0
Transportation Equipment	109,787	0.3	61,457	0.2	61,457	0.2	61,457	0.1	0	0.0
Furniture & Fixtures	600,852	1.7	560,206	1.5	562,370	1.4	562,370	1.3	0	0.0
Construction in Progress	297,599	0.8	1,313,457	3.4	6,956,521	17.3	3,152,229	7.3	13,515,925	30.1
Gross Fixed Assets	22,608,284	62.2	22,688,199	59.4	28,428,134	70.9	34,205,866	78.8	34,907,307	77.8
Accumulated Depreciation (-)	(13,021,140)	(35.8)	(12,518,154)	(32.8)	(13,230,761)	(33.0)	(14,167,836)	(32.7)	(14,124,565)	(31.5)
Accumulated Depreciation (-)	(13,021,140)	(35.8)	(12,518,154)	(32.8)	(13,230,761)	(33.0)	(14,167,836)	(32.7)	(14,124,565)	(31.5)
Net Fixed Assets	9,587,144	26.4	10,170,045	26.6	15,197,373	37.9	20,038,030	46.2	20,782,742	46.3
Investment in residential real estate - net	1,766,821	4.9	1,742,957	4.6	1,715,309	4.3	0	0.0	0	0.0
Cemetery Plots	5,582	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TOTAL ASSETS	**36,361,569**	**100.0**	**38,205,152**	**100.0**	**40,109,136**	**100.0**	**43,384,709**	**100.0**	**44,846,896**	**100.0**
Liabilities Common Size	USD	%	USD	%	USD	%	USD	%	USD	%

Aldersly, Inc.
Aldersly
CCRC Template (GEN)
Statement in Actual (U.S. Dollar)
April 26, 2023 5:26 PM

	9/30/2019 Historical 12M Unqualified Squarmilner		9/30/2020 Historical 12M Unqualified Bakertilly		9/30/2021 Historical 12M Unqualified Bakertilly		9/30/2022 Historical 12M Qualified Bakertilly [1]		1/31/2023 Historical 4M Company Prepared	
Current Portion Long Term Debt Bank/Bonds	170,000	0.5	180,000	0.5	190,000	0.5	195,000	0.4	195,000	0.4
Accts Payable and Accrued Expenses	610,668	1.7	663,548	1.7	1,352,325	3.4	459,831	1.1	129,124	0.3
Refund Payable	22,110	0.1	620,580	1.6	97,480	0.2	287,240	0.7	0	0.0
Deposit Liability	102,562	0.3	44,287	0.1	20,934	0.1	634,638	1.5	0	0.0
Entrance Fee Refunds	370,000	1.0	393,000	1.0	494,070	1.2	612,300	1.4	0	0.0
Total Accounts Payable	1,105,340	3.0	1,721,415	4.5	1,964,809	4.9	1,994,009	4.6	129,124	0.3
Accrued Wages/Salaries	355,867	1.0	493,345	1.3	452,536	1.1	314,576	0.7	466,794	1.0
Other Accruals	0	0.0	400,000	1.0	0	0.0	0	0.0	48,474	0.1
Total Accruals	355,867	1.0	893,345	2.3	452,536	1.1	314,576	0.7	515,268	1.1
Other Current Liabilities	0	0.0	0	0.0	0	0.0	0	0.0	(1)	0.0
Other Current Liabilities	0	0.0	0	0.0	0	0.0	0	0.0	1,614,343	3.6
Total Current Liabilities	**1,631,207**	**4.5**	**2,794,760**	**7.3**	**2,607,345**	**6.5**	**2,503,585**	**5.8**	**2,453,734**	**5.5**
Long Term Debt Bank/Bond	6,084,673	16.7	5,891,657	15.4	5,688,640	14.2	5,464,801	12.6	0	0.0
Customize	0	0.0	0	0.0	0	0.0	0	0.0	7,372,470	16.4
Unearned Entrance Fees	4,312,897	11.9	4,912,356	12.9	5,084,396	12.7	4,960,361	11.4	4,809,993	10.7
Guaranteed Refunds	2,846,957	7.8	2,333,833	6.1	1,681,219	4.2	1,556,518	3.6	0	0.0
Total Liabilities	**14,875,734**	**40.9**	**15,932,606**	**41.7**	**15,061,600**	**37.6**	**14,485,265**	**33.4**	**14,636,197**	**32.6**
Net Worth Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Unrestricted	21,247,092	58.4	22,196,936	58.1	24,971,301	62.3	21,053,667	48.5	30,210,699	67.4
Temporarily Restricted	0	0.0	0	0.0	0	0.0	7,845,777	18.1	0	0.0
Permanently Restricted	238,743	0.7	75,610	0.2	76,235	0.2	0	0.0	0	0.0
Net Assets	21,485,835	59.1	22,272,546	58.3	25,047,536	62.4	28,899,444	66.6	30,210,699	67.4
TOTAL LIABILITIES & NET WORTH	**36,361,569**	**100.0**	**38,205,152**	**100.0**	**40,109,136**	**100.0**	**43,384,709**	**100.0**	**44,846,896**	**100.0**

Aldersly, Inc.
Aldersly
CCRC Template (GEN)
Statement in Actual (U.S. Dollar)
April 26, 2023 5:26 PM

	9/30/2019 Historical 12M Unqualified Squarmilner		9/30/2020 Historical 12M Unqualified Bakertilly		9/30/2021 Historical 12M Unqualified Bakertilly		9/30/2022 Historical 12M Qualified Bakertilly [1]		1/31/2023 Historical 4M Company Prepared	
Revenue Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
IL / Residential Care Fees	2,919,658	32.9	2,960,821	30.2	2,948,594	35.3	3,089,865	38.7	1,063,372	37.8
SNF	2,334,746	26.3	2,459,206	25.1	2,118,148	25.3	1,800,586	22.5	420,727	15.0
AL Fees	2,385,840	26.9	2,420,924	24.7	1,901,544	22.7	1,493,770	18.7	715,063	25.4
Other	11,657	0.1	0	0.0	0	0.0	656,167	8.2	1,359	0.0
Resident Revenue	7,651,901	0.0	7,840,951	0.0	6,968,286	0.0	7,040,388	0.0	2,200,521	0.0
Amortization of Entrance Fees Earned	907,519	10.2	894,598	9.1	1,286,110	15.4	889,014	11.1	498,517	17.7
Customize	26,896	0.3	0	0.0	0	0.0	0	0.0	0	0.0
Government Revenues	26,896	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Unrestricted Donations/Contributions	293,447	3.3	138,550	1.4	109,151	1.3	59,218	0.7	109,541	3.9
Other Revenue	0	0.0	931,200	9.5	0	0.0	0	0.0	4,384	0.2
Other Revenue	0	0.0	931,200	0.0	0	0.0	0	0.0	4,384	0.0
Total Operating Revenue	8,879,763	100.0	9,805,299	100.0	8,363,547	100.0	7,988,620	100.0	2,812,963	100.0
Operating Expenses Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Salaries	3,999,040	45.0	4,293,543	43.8	3,850,124	46.0	3,717,564	46.5	2,957,695	105.1
Payroll Taxes and Benefits	1,001,373	11.3	1,169,519	11.9	1,042,206	12.5	1,042,206	13.0	0	0.0
Other	0	0.0	0	0.0	0	0.0	0	0.0	30,066	1.1
Personnel Expense	5,000,413	0.0	5,463,062	0.0	4,892,330	0.0	4,759,770	0.0	2,987,761	0.0
Consultants	251,661	2.8	124,118	1.3	85,494	1.0	40,840	0.5	81,883	2.9
Professional Services	76,946	0.9	141,056	1.4	331,096	4.0	208,706	2.6	0	0.0
Outside Labor	234,938	2.6	227,881	2.3	246,876	3.0	0	0.0	0	0.0
Purchased Services	563,545	0.0	493,055	0.0	663,466	0.0	249,546	0.0	81,883	0.0
Management Service Expense	732,235	8.2	717,058	7.3	772,037	9.2	628,805	7.9	0	0.0
Utilities	280,485	3.2	268,416	2.7	282,061	3.4	230,333	2.9	0	0.0
Maintenance & Repairs	221,520	2.5	278,549	2.8	241,842	2.9	244,240	3.1	0	0.0
Health Care Ancillaries	350,811	4.0	230,593	2.4	101,430	1.2	64,902	0.8	0	0.0
Food	417,074	4.7	439,417	4.5	442,518	5.3	449,978	5.6	0	0.0
Marketing Expenses	193,081	2.2	250,867	2.6	261,180	3.1	282,252	3.5	0	0.0
Operating Expenses	859,840	9.7	1,132,141	11.5	1,068,188	12.8	1,070,195	13.4	0	0.0
Other Op Expenses (Last line on Income Stmt)	451,663	5.1	298,174	3.0	405,055	4.8	566,292	7.1	0	0.0
Depreciation	761,459	8.6	767,733	7.8	740,256	8.9	800,001	10.0	216,480	7.7
Operating Expenses	9,832,126	110.7	10,339,065	105.4	9,870,363	118.0	9,346,314	117.0	3,286,124	116.8
Operating Profit	(952,363)	(10.7)	(533,766)	(5.4)	(1,506,816)	(18.0)	(1,357,694)	(17.0)	(473,161)	(16.8)
Other R. & E. (Net Income) Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Investment Income	963,353	10.8	804,495	8.2	3,314,917	39.6	1,679,722	21.0	138,137	4.9

Aldersly, Inc.
Aldersly
CCRC Template (GEN)
Statement in Actual (U.S. Dollar)
April 26, 2023 5:26 PM

	9/30/2019 Historical 12M Unqualified Squarmilner		9/30/2020 Historical 12M Unqualified Bakertilly		9/30/2021 Historical 12M Unqualified Bakertilly		9/30/2022 Historical 12M Qualified Bakertilly [1]		1/31/2023 Historical 4M Company Prepared	
Gain/(Loss) on Sale of Assets	0	0.0	0	0.0	0	0.0	0	0.0	(60,733)	(2.2)
Other Income	7,939	0.1	310,650	3.2	69,082	0.8	29,390	0.4	0	0.0
Customize	70,034	0.8	69,573	0.7	63,512	0.8	63,281	0.8	0	0.0
In Kind and Non Cash Income (Excluded from NIADS)	70,034	0.8	69,573	0.7	63,512	0.8	63,281	0.8	0	0.0
Total Other Income	1,041,326	11.7	1,184,718	12.1	3,447,511	41.2	1,772,393	22.2	77,404	2.8
Interest Expense	311,588	3.5	280,620	2.9	270,705	3.2	253,333	3.2	80,844	2.9
Other Expense	2,452	0.0	1,621	0.0	0	0.0	0	0.0	0	0.0
Total Other Expenses	314,040	3.5	282,241	2.9	270,705	3.2	253,333	3.2	80,844	2.9
Profit Before Tax	(225,077)	(2.5)	368,711	3.8	1,669,990	20.0	161,366	2.0	(476,601)	(16.9)
Extraordinary Donations-Temp Restricted	0	0.0	0	0.0	0	0.0	7,769,542	97.3	0	0.0
Unrealized Gain/(Loss) (excluded from NIADS)	(577,000)	(6.5)	418,000	4.3	1,105,000	13.2	(4,079,000)	(51.1)	1,502,000	53.4
NET INCOME	**(802,077)**	**(9.0)**	**786,711**	**8.0**	**2,774,990**	**33.2**	**3,851,908**	**48.2**	**1,025,399**	**36.5**

Aldersly, Inc.
Aldersly
CCRC Template (GEN)
Statement in Actual (U.S. Dollar)
April 26, 2023 5:26 PM

	9/30/2019 Historical 12M Unqualified Squarmilner		9/30/2020 Historical 12M Unqualified Bakertilly		9/30/2021 Historical 12M Unqualified Bakertilly		9/30/2022 Historical 12M Qualified Bakertilly [1]		1/31/2023 Historical 4M Company Prepared	
Changes in Retained Earnings Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Beginning Net Worth	22,287,912	103.7	21,485,835	96.5	22,272,546	88.9	25,047,536	86.7	29,185,300	96.6
Changes in Retained Earnings:										
Net Income (Loss)	(802,077)	(3.7)	786,711	3.5	2,774,990	11.1	3,851,908	13.3	1,025,399	3.4
Changes in Net Worth Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Changes in Other NW										
Change in Net Worth	**(802,077)**	**(3.7)**	**786,711**	**3.5**	**2,774,990**	**11.1**	**3,851,908**	**13.3**	**1,025,399**	**3.4**
Ending Total Net Worth	**21,485,835**	**100.0**	**22,272,546**	**100.0**	**25,047,536**	**100.0**	**28,899,444**	**100.0**	**30,210,699**	**100.0**
Other Lines Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Principal Payments on ST and LTD	165,000	0.0	170,000	0.0	180,000	0.0	205,822	0.0	195,000	0.0
Number of Months	12	0.0	12	0.0	12	0.0	12	0.0	4	0.0
Cash Flows from Entrance Fees	2,351,280	0.0	2,047,263	0.0	2,180,529	0.0	1,603,029	0.0	510,066	0.0
Cash Refund of Entrance Fees	250,750	0.0	1,043,330	0.0	1,350,829	0.0	844,521	0.0	0	0.0

Short Description:
[1] DRAFT

Exhibit D

Audited Financial Statements

FYE 2019 – 2022

squarmilner

Certified Public Accountants
and Financial Advisors

Aldersly and Subsidiary
Consolidated Financial Statements
September 30, 2019 with summarized
comparative totals for 2018

INDEX TO FINANCIAL STATEMENTS

squarmilner
Certified Public Accountants
and Financial Advisors

Squar Milner LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Aldersly and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Aldersly (a California not-forprofit organization) and Subsidiary (collectively the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aldersly and Subsidiary as of September 30, 2019, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

Squar Milner LLP

San Francisco, California
December 4, 2019

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2019
(with comparative totals for the year ended September 30, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,934,194	$ 958,021
Investments in marketable securities (Note 4)	13,521,159	13,701,010
Accounts receivable - residents - net (Note 5)	215,979	219,144
Accounts receivable - other	1,881	425
Interest and dividends receivable	2,403	2,343
Prepaid expenses	304,684	169,866
Total current assets	15,980,300	15,050,809
Property and Equipment - net (Note 7)	9,587,144	9,618,227
Assets Whose Use is Limited or Restricted (Note 8)	708,150	1,228,622
Other Noncurrent Assets		
Long-term investments held for endowment (Note 4)	8,313,572	8,217,790
Investment in residential real estate - net (Note 6)	1,766,821	1,792,793
Cemetery plots	5,582	5,582
	10,085,975	10,016,165
Total assets	$ 36,361,569	$ 35,913,823
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 610,668	$ 298,769
Accrued salaries and wages	355,867	305,340
Refunds payable	22,110	203,149
Deposit liability	102,562	37,109
Unearned vendor credit - current portion	-	12,011
Unearned entrance fees - refundable current portion (Note 10)	370,000	324,000
Current maturities of long-term debt (Note 9)	170,000	165,000
Total current liabilities	1,631,207	1,345,378
Long-Term Liabilities		
Unearned entrance fees - refundable (Note 10)	2,121,512	1,372,238
Unearned entrance fees - non-refundable (Note 10)	2,191,385	2,340,132
Guaranteed refunds (Note 10)	2,846,957	2,300,473
Long-term debt - net of unamortized financing costs (Note 9)	5,537,790	5,693,911
Premium paid on bond, net of accumulated amortization of $125,514 and $98,619 in 2019 and 2018, respectively	546,883	573,779
	13,244,527	12,280,533
Total liabilities	14,875,734	13,625,911
Net Assets		
Without donor restrictions		
Undesignated	11,980,044	13,050,730
Board designated (Note 11)	9,267,048	9,154,046
	21,247,092	22,204,776
With donor restrictions (Note 12)	238,743	83,136
Total net assets	21,485,835	22,287,912
Total liabilities and net assets	$ 36,361,569	$ 35,913,823

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2019
(with comparative totals for the year ended September 30, 2018)

	2019			2018
	Without Donor Restirctions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Revenue				
Residential care fees	$ 2,919,658	$ -	$ 2,919,658	$ 2,780,031
Health care center fees	2,334,746	-	2,334,746	1,967,934
Assisted living fees	2,385,840	-	2,385,840	2,228,950
Resident services	11,657	-	11,657	11,098
	7,651,901	-	7,651,901	6,988,013
Other operating revenue				
Entrance fees amortization	907,519	-	907,519	1,291,840
Amortization of premium on bond discount	26,896	-	26,896	26,896
	934,415	-	934,415	1,318,736
Total revenue	8,586,316	-	8,586,316	8,306,749
Support				
Donations, gifts and bequests	17,220	276,227	293,447	22,066
Net assets released from restrictions (Note 12)	120,620	(120,620)	-	-
Total revenue and support	8,724,156	155,607	8,879,763	8,328,815
OPERATING EXPENSES				
Program services	8,659,581	-	8,659,581	6,556,227
Management and general	1,267,888	-	1,267,888	2,751,126
Fundraising	146,211	-	146,211	48,526
Total expenses	10,073,680	-	10,073,680	9,355,879
Change in net assets before other revenues (expenses)	(1,349,524)	155,607	(1,193,917)	(1,027,064)
OTHER REVENUES (EXPENSES)				
Loss on disposal of assets	(2,452)	-	(2,452)	(337,300)
Investment income - net (Note 4)	386,353	-	386,353	2,161,132
Investment property net income (Note 6)	5,616	-	5,616	9,436
Rental and other income	2,323	-	2,323	2,593
	391,840	-	391,840	1,835,861
CHANGE IN NET ASSETS	(957,684)	155,607	(802,077)	808,797
NET ASSETS - beginning of year	22,204,776	83,136	22,287,912	21,479,115
NET ASSETS - end of year	$ 21,247,092	$ 238,743	$ 21,485,835	$ 22,287,912

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019
(with comparative totals for the year ended September 30, 2018)

	2019				2018
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 3,562,783	$ 320,676	$ 115,581	$ 3,999,040	$ 3,456,765
Payroll taxes and benefits	878,423	96,820	26,130	1,001,373	831,019
Total personnel costs	4,441,206	417,496	141,711	5,000,413	4,287,784
Depreciation	697,396	64,063	-	761,459	704,782
Management service expense	624,644	107,591	-	732,235	641,495
Food	417,074	-	-	417,074	424,717
Health care ancillaries	350,811	-	-	350,811	226,978
Interest	293,920	17,668	-	311,588	315,452
Utilities	266,461	14,024	-	280,485	267,045
Consultants	-	251,661	-	251,661	383,855
Outside Labor	230,438	-	4,500	234,938	108,930
IT, connection and phone	215,069	11,319	-	226,388	183,510
Maintenance & repairs	210,444	11,076	-	221,520	206,190
Marketing	-	193,081	-	193,081	239,044
Supplies expense	166,314	8,753	-	175,067	111,826
Insurance	163,545	9,831	-	173,376	163,385
Property taxes	115,043	6,055	-	121,098	118,500
Activities	83,302	-	-	83,302	73,868
Rental property expenses	-	42,676	-	42,676	70,964
Professional services	-	59,841	-	59,841	107,563
Travel	-	37,933	-	37,933	30,661
Professional services non-operating	-	17,105	-	17,105	356,132
Other operating expenses	383,914	67,749	-	451,663	404,162
	8,659,581	1,337,922	146,211	10,143,714	9,426,843
Less expenses included with revenues on the statement of activities:					
Rental property expenses	-	(70,034)	-	(70,034)	(70,964)
	$ 8,659,581	$ 1,267,888	$ 146,211	$ 10,073,680	$ 9,355,879

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended September 30, 2019
(with comparative totals for the year ended September 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents	$ 9,743,885	$ 7,009,261
Cash received from donors	293,447	22,066
Investment income received net of management fees	479,654	421,537
Cash paid for interest on long-term debt	(297,709)	(301,573)
Cash paid to suppliers and employees	(8,882,428)	(8,653,856)
Net cash provided by (used in) operating activities (Note 14)	1,336,849	(1,502,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in assets held in trust	520,472	1,058,759
Capital expenditures	(706,856)	(534,761)
Proceeds from sale of equipment	-	2,395
Proceeds from sales of investments	7,648,168	11,166,831
Purchase of investments	(7,657,460)	(10,432,433)
Net cash (used in) provided by investing activities	(195,676)	1,260,791
CASH FLOWS USED IN FINANCING ACTIVITIES		
Bond principal payments	(165,000)	(165,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	976,173	(406,774)
CASH AND CASH EQUIVALENTS - beginning of year	958,021	1,364,795
CASH AND CASH EQUIVALENTS - end of year	$ 1,934,194	$ 958,021
NON-CASH TRANSACTIONS		
Donated equipment from vendor	$ -	$ 20,304

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

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1921 by Danish immigrants as a not-for-profit retirement community located in San Rafael, California, Aldersly today is a diverse and vibrant mix of residents from many cultural backgrounds. Aldersly is a continuing care retirement community that offers three lifestyle options - Independent Living, Assisted Living, and the Health and Rehabilitation Center. Residents are able to seamlessly transition between care levels, as necessary.

In August 2014, Aldersly formed a wholly owned subsidiary, an LLC, for the purpose of acquiring property.

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Aldersly and its wholly-owned subsidiary, collectively the "Organization". Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Net Assets

The net assets of the Organization are reported as follows:

Without Donor Restrictions:

Net assets that are not subject to donor-imposed stipulations. Donations received and spent in accordance with donor-imposed stipulations in the same reporting period are also included in this classification. A portion of these net assets may be designated by the Board of Directors for specific purposes (refer to Note 11).

With Donor Restrictions:

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time as well as net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. At September 30, 2019, the Organization did not have net assets with donor restrictions to be maintained in perpetuity.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d except as noted for the LLC. Accordingly, it has not provided for income taxes in these consolidated financial statements.

The LLC's net earnings (losses) are reported on the federal exempt organization tax return of its parent company. The LLC files a separate state tax return in California and is subject to an $800 minimum tax.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these consolidated financial statements.

Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization classifies cash held in money market funds by investment custodians as short-term investments.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts Receivable - Residents

Resident accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. The Organization provides for an allowance for doubtful accounts based on management's estimate of the collectability of accounts receivable. Management provides for an allowance for doubtful accounts of approximately 90% of all receivables aged over 120 days. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to write off uncollectible accounts receivable when management determines the receivable will not be collected.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable equity and debt securities are presented in the consolidated financial statements at their fair value. Investment income, which consists of dividend and interest income and unrealized and realized gains (losses) on investments, is shown in the consolidated statement of activities.

Rental real estate held for investment is recorded at cost, less accumulated depreciation.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its marketable investment securities using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. exit price) in an orderly transaction between market participants at the measurement date.

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Donated assets are recorded at fair market value at the date of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets, which range from five to forty years. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. The Organization capitalizes assets with a cost or donated value of $1,000 or more and an estimated useful life greater than one year. Gains or losses on dispositions of property and equipment are included in the consolidated statement of activities.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted represent assets held by trustees under indenture agreements. These assets are presented in the consolidated financial statements at their fair value. The underlying investments are held in interest bearing and fixed income accounts.

Financing Costs

Deferred financing costs are amortized over the term of the related financing.

Deferred financing costs are presented in the Consolidated Statement of Financial Position as a direct deduction from the carrying amount of the debt liability (refer to Note 9). The amortization of deferred financing costs is included in interest expense. For the year ended September 30, 2019, the amortization of deferred financing costs amounted to $13,879.

Entrance Fees

The Organization has entered into agreements with most of its residents, whereby the Organization agrees to provide continuing care and lodging for the residents in exchange for a one-time entrance fee paid upon occupancy plus a monthly fee thereafter. Under certain circumstances, the agreements provide the resident with the right to a refund or credit, which is reduced for each month of residency, subject to a minimum of 10% of the exhaustible portion of the entrance fee. California Health and Safety Sections 1771 and 1793 require a reserve for refundable contracts be established if refund rights are not exhausted within six years. Refund rights are typically exhausted within five years, for non-guaranteed refundable contracts. For contracts that guarantee a specific refund amount that is not exhausted over time, a reserve is maintained. In addition, the refundable fees are included in liabilities (refer to Note 10).

Non-refundable entrance fees are recognized as revenue over the expected remaining lives of the residents, using the straight-line method of amortization. Upon the death or withdrawal of a resident, unrecognized entrance fees, less any refundable amounts, remain the property of the Organization and are recognized as revenue.

Donated Services

The Organization receives various types of volunteer services. Contributed services are not recognized unless the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased. Donated services received do not meet the two recognition criteria described above. Accordingly, the value is not reflected in the consolidated financial statements.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Payroll and benefit costs are allocated based on a percentage of time spent. All other expenses related to more than one function are charged to programs and supporting services pro rata on the basis of square footage or other appropriate usage factors.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include entrance fee amortization, functional allocation of expenses, depreciation expense and fair value of investments. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year were reclassified to conform to the current year presentation.

Recently Issued Accounting Standards

The FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) (“ASU 2018-08”) clarifying the scope and the accounting guidance for contributions received and contributions made, including the criteria for evaluating whether contributions are conditional or unconditional. The new standard will be effective for the Organization for the year ending September 30, 2020. The Organization is currently evaluating the impact on its financial statements.

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products or services are transferred to customers. The new standard will be effective for the Organization for the year ending September 30, 2020. The Organization is currently evaluating the impact on its financial statements.

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements, as of, and for the year ended June 30, 2018, from which the summarized information was derived.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued, December 4, 2019.

2. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Organization's financial statements:

1. The unrestricted net asset class has been renamed net assets without donor restrictions. The temporarily restricted net asset class has been renamed net assets with donor restrictions.
2. The financial statements include a statement of functional expenses and a new disclosure about liquidity and availability of resources (refer to Note 3)

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization primary source of revenue is revenue received from residents. The Organization considers contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include programmatic expenses, management and general expenses and fundraising expenses that are expected to be paid in the subsequent year. In the event that a need arises to utilize board-designated funds for liquidity purposes, the funds could be drawn upon through board resolution.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The table below presents financial assets available to fund general operating expenses within one year at September 30, 2019:

Cash and cash equivalents	$ 1,934,194
Investments in marketable securities	13,521,159
Accounts receivable - residents - net	215,979
Accounts receivable - other	1,881
Interest and dividends receivable	2,403
Long-term investments held for endowment	8,313,572
Total financial assets	23,989,188
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(238,743)
Financial assets available to meet general expenditures within one year	$ 23,750,445

4. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following are the major categories of assets measured at fair value on a recurring basis at September 30, 2019, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	Fair Value	Level 1	Level 2	Level 3
Cash investments	$ 430,200	$ 430,200	$ -	$ -
Corporate stocks	11,057,608	11,057,608	-	-
Corporate bonds	1,525,409	-	1,525,409	-
U.S. government obligations	2,729,470	-	2,729,470	-
Foreign obligations	47,907	-	47,907	-
Municipal bonds	68,667	-	68,667	-
Fixed income funds	2,373,549	2,373,549	-	-
Equity funds	3,601,921	3,601,921	-	-
Total investments	$ 21,834,731	$ 17,463,278	$ 4,371,453	$ -

Investments are reflected in the consolidated statements of financial position as follows:

Current	$ 13,521,159
Long-term - held for endowment	8,313,572
	$ 21,834,731

4. INVESTMENTS AND FAIR VALUE DISCLOSURES (continued)

The investment income for the year ended September 30, 2019 was as follows:

Interest and dividend income	$	585,951
Net realized and unrealized losses		(93,361)
		492,590
Less: Investment management fees		(106,237)
	$	386,353

The investment income for the year ended September 30, 2019 includes $95,782 in earnings from the board designated Endowment Fund.

5. ACCOUNTS RECEIVABLE - RESIDENTS

At September 30, 2019, accounts receivable - residents consisted of the following:

Private	$	131,365
Medicare/MediCal		97,137
Other insurance		44,477
		272,979
Less: Allowance for doubtful accounts		(57,000)
	$	215,979

6. INVESTMENT IN RESIDENTIAL REAL ESTATE

At September 30, 2019, rental real estate held for investment consisted of the following:

Land	$	990,000
Buildings		716,245
Building improvements		142,351
		1,848,596
Less: Accumulated depreciation		(81,775)
Investment in residential real estate - net	$	1,766,821

6. INVESTMENT IN RESIDENTIAL REAL ESTATE (continued)

Operating results for the year ended September 30, 2019 were as follows:

Rental income	$ 75,650
Bank fees	(300)
Professional fees	(925)
Utilities and maintenance	(11,372)
Management fees	(4,924)
Depreciation	(27,358)
Taxes and licenses	(25,155)
Investment property net income	$ 5,616

7. PROPERTY AND EQUIPMENT - NET

At September 30, 2019, property and equipment consisted of:

Land	$ 232,822
Buildings and building improvements	19,236,161
Land improvements	267,998
Equipment	1,863,065
Furniture	444,715
Assisted living furniture	156,137
Vehicles	109,787
Total property and equipment	22,310,685
Less: accumulated depreciation	(13,021,140)
	9,289,545
Construction in progress:	
Mission Avenue project - design phase	160,534
Assisted living project - design phase	101,473
Unit remodels	35,592
Total construction in progress	297,599
	$ 9,587,144

8. ASSETS WHOSE USE IS LIMITED OR RESTRICTED

At September 30, 2019, assets with limited or restricted use consisted of the following:

Money market and bonds managed by the trustees (as required by trust indentures), which are valued at fair value and classified as level 2 within the fair value hierarchy:

Series 2015A bond funds	
Debt service reserve	$ 499,332
Interest fund	128,507
Principal fund	28,447
Project fund	51,864
	$ 708,150

During the year ended September 30, 2019, management drew approximately $544,000 for reimbursement of capital expenditures from funds held for capital projects. Funds held by the trustee at September 30, 2019 include approximately $52,000, for capital projects.

9. LONG-TERM DEBT

At September 30, 2019, long-term debt consisted of the following:

In February 2015, the California Statewide Communities Development Authority (CSCDA) issued Revenue Refunding Bonds series 2015A and 2015B on behalf of the Organization at an aggregate purchase price of $7,307,398. The purchase amount reflects $6,635,000 of aggregate par amounts plus an original issue premium of the series 2015A bonds of $765,288 and less an aggregate purchase discount of $92,890 (of which $29,458 relates to the series 2015A bonds and $63,432 relates to the series 2015B bonds). The bond proceeds were used to pay off existing bond debt from the California Health Facilities Financing Authority (CHFFA), pay off a note to a financial institution, establish funding for future capital projects, and a debt service reserve fund. The bonds bear interest rates ranging from 2.5% to 5% and mature at various dates through May 15, 2040. The series 2015B bonds matured and were repaid in 2017.	$ 5,990,000
Less: unamortized financing costs	(282,210)
	5,707,790
Less: current maturities	(170,000)
	$ 5,537,790

9. LONG-TERM DEBT (continued)

Future maturities of long-term debt were as follows:

Year ending September 30,	
2020	$ 170,000
2021	180,000
2022	190,000
2023	195,000
2024	205,000
Thereafter	5,050,000
	$ 5,990,000

The debt is collateralized by a deed of trust on the real property, certain personal property, and a security interest in the gross revenues of the Organization.

10. UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS

Changes in unearned entrance fees and guaranteed refunds for the year ended September 30, 2019 were as follows:

	Unearned Entrance Fees	Guaranteed Refunds	Total
Balance at September 30, 2018	$ 4,036,370	$ 2,300,473	$ 6,336,843
Entrance fees received	1,743,996	607,284	2,351,280
	5,780,366	2,907,757	8,688,123
Less: entrance fees amortization	(907,519)	-	(907,519)
Less: refunds	(189,950)	(60,800)	(250,750)
Balance at September 30, 2019	$ 4,682,897	$ 2,846,957	$ 7,529,854

At September 30, 2019, unearned entrance fees are reflected in the consolidated statements of financial position as follows:

Unearned entrance fees - refundable	$ 2,491,512
Unearned entrance fees - non-refundable	2,191,385
Total unearned entrance fees	$ 4,682,897

10. UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS (continued)

Continuing care retirement communities are required to report a liability recognizing an obligation to provide future services and the use of the facilities to current residents in excess of related anticipated revenues, when the present value of future net cash outflows plus depreciation to be charged related to the contracts exceeds the unearned entrance fees. A calculation of the obligation for future services was done as of September 30, 2019. There was no obligation for future services at September 30, 2019 as the projected revenues exceeded projected expenses by approximately $1,626,180, discounted to approximately $1,484,306. The interest rate used to discount the asset was 3.05%.

11. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

Board Designated for Endowment

Certain gifts and realized and unrealized gains or losses on these gifts have been internally appropriated by the Board of Directors to be maintained similar to an endowment fund. Dissolution of this appropriation requires a three quarters vote of the full Board. The Organization does not have any donor restricted endowment funds.

The Board of Directors adopted a spending policy for the board designated endowment fund with an objective of allocating 3% of the fund balance annually (based on the rolling average of the 12 preceding quarters' balances) to fund various projects at the discretion of management.

The investment objective is to provide liquidity for debt service, operations, projects, and capital needs as required. The asset allocations are set up to maintain approximately 35% of the assets in fixed income investments with the remaining assets in equities with large market capitalization and a high level of liquidity.

Board Designated for Care Fund

The Board designated Care Fund was established to provide assistance to residents who have developed a financial need due to unforeseen or uncontrollable circumstances. The Board of Directors has established a set of guidelines to be used in considering applications for hardship assistance each year.

Board Designated for Master Plan

The Board designated Master Plan fund was established to provide partial funding for various facilities renovations at Aldersly. The Master Plan is part of the Organization's strategic planning for long-term success of the Organization. The Board of Directors has not yet determined the full cost of the project and will be designating additional funds as necessary in the future to cover anticipated costs.

11. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED (continued)

For the year ended September 30, 2019, changes in board designated net assets were as follows:

	Endowment	Care Fund	Master Plan	Total
Balances at September 30, 2018	$ 8,217,790	$ 170,954	$ 765,302	$ 9,154,046
Donations designated for Care Fund	-	17,220	-	17,220
Designated investment income - net	95,782	-	-	95,782
Balances at September 30, 2019	$ 8,313,572	$ 188,174	$ 765,302	$ 9,267,048

12. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2019, net assets with donor restrictions were held for the following purposes:

Mission Avenue project - Phase 2	$ 126,380
Care Fund	102,284
Music memory	10,079
	$ 238,743

For the year ended September 30, 2019, $120,620 was released from restrictions for the Mission Avenue project – Phase 2.

13. RETIREMENT PLAN

The Organization has an Internal Revenue Code section 401(k) retirement plan (the "Plan"). Plan participants may elect to defer a portion of their compensation (up to the maximum allowed by law) and have such salary deferrals contributed to their plan accounts. The Organization matches up to 4% of the employee's salary. Matching contributions for the year ended September 30, 2019 were $47,323. The Plan also provides for discretionary employer profit sharing contributions to the Plan. There were no discretionary contributions made for the year ended September 30, 2019.

14. STATEMENTS OF CASH FLOWS - ADDITIONAL DISCLOSURES

Reconciliation of change in net assets to net cash flows provided by operating activities for the year ended September 30, 2019 was as follows:

Change in net assets	$ (802,077)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in unearned entrance fees:	
Entrance fees received	1,743,996
Revenue recognized/refunded	(1,097,469)
Change in return of capital contracts received	546,484
Amortization of deferred financing costs	13,879
Amortization of premium on bond discount	(26,896)
Depreciation	761,459
Loss on asset disposal	2,452
Net realized/unrealized loss on investments	93,361
Changes in operating assets and liabilities:	
Accounts receivable - residents - net	3,165
Accounts receivable - other	(1,456)
Interest and dividends receivable	(60)
Prepaid expenses	21,788
Accounts payable and accrued expenses	193,809
Refunds payable	(181,039)
Deposit liability	65,453
Net cash provided by operating activities	$ 1,336,849

15. COMMITMENTS AND CONTINGENCIES

The Organization does not have any contingencies as of September 30, 2019. The Organization has set aside approximately $765,000 for future capital projects (refer to Note 11).

Aldersly and Subsidiary

Consolidated Financial Statements

September 30, 2020

with summarized comparative totals for

September 30, 2019

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Aldersly and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Aldersly (a California not-for-profit organization) and Subsidiary (collectively the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

bakertilly

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aldersly and Subsidiary as of September 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Francisco, California
January 28, 2021

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2020
(with comparative totals for the year ended September 30, 2019)

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,466,118	$ 1,934,194
Investments in marketable securities (Note 4)	14,593,671	13,521,159
Accounts receivable - residents - net (Note 5)	294,271	215,979
Accounts receivable - other	50	1,881
Interest and dividends receivable	2,313	2,403
Prepaid expenses	301,987	304,684
Total current assets	16,658,410	15,980,300
Property and Equipment - net (Note 6)	10,170,045	9,587,144
Assets Whose Use is Limited or Restricted (Note 7)		
Restricted cash equivalents	290,785	215,018
Fixed income securities	505,862	493,132
	796,647	708,150
Other Noncurrent Assets		
Long-term investments held for endowment (Note 4)	8,837,093	8,313,572
Investments in residential real estate - net (Note 8)	1,742,957	1,766,821
Cemetery plots	-	5,582
	10,580,050	10,085,975
Total assets	$ 38,205,152	$ 36,361,569
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 663,548	$ 420,718
Accrued salaries and wages	493,345	355,867
Refunds payable	620,580	212,060
Deposit liability	44,287	102,562
Guaranteed refunds (Note 9)	393,000	370,000
Current maturities of long-term debt (Note 10)	180,000	170,000
Accrued settlement (Note 15)	400,000	-
Total current liabilities	2,794,760	1,631,207
Long-Term Liabilities		
Unearned entrance fees (Note 9)	4,912,356	4,682,897
Guaranteed refunds (Note 9)	2,333,833	2,476,957
Long-term debt - net of unamortized financing costs and net bond premium (Note 10)	5,891,657	6,084,673
	13,137,846	13,244,527
Total liabilities	15,932,606	14,875,734
Net Assets		
Without donor restrictions		
Undesignated	12,406,367	11,980,044
Board designated (Note 12)	9,790,569	9,267,048
	22,196,936	21,247,092
With donor restrictions (Note 13)	75,610	238,743
Total net assets	22,272,546	21,485,835
Total liabilities and net assets	$ 38,205,152	$ 36,361,569

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2020
(with comparative totals for the year ended September 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SERVICE REVENUE AND SUPPORT				
Service Revenue				
Independent living fees	$ 2,960,821	$ -	$ 2,960,821	$ 2,919,658
Skilled nursing fees - net	2,459,206	-	2,459,206	2,334,746
Assisted living fees	2,420,924	-	2,420,924	2,386,590
Entrance fees amortization	894,598	-	894,598	907,519
Total service revenue	8,735,549	-	8,735,549	8,548,513
Support				
Government grant - PPP	931,200	-	931,200	-
Donations, gifts and bequests	136,750	1,800	138,550	293,447
Net assets released from restrictions (Note 13)	164,933	(164,933)	-	-
Total revenue and support	9,968,432	(163,133)	9,805,299	8,841,960
OPERATING EXPENSES				
Program services	8,894,541	-	8,894,541	8,634,210
Management and general	1,469,939	-	1,469,939	1,266,363
Fundraising	185,632	-	185,632	146,211
Total expenses	10,550,112	-	10,550,112	10,046,784
Change in net assets before other revenues (expenses)	(581,680)	(163,133)	(744,813)	(1,204,824)
OTHER REVENUES (EXPENSES)				
Loss on disposal of assets	(1,621)	-	(1,621)	(2,452)
Investment income - net (Note 4)	1,622,495	-	1,622,495	386,353
Investment property net income (Note 8)	7,990	-	7,990	5,616
Provider relief funds	293,180	-	293,180	-
Rental and other income	9,480	-	9,480	13,230
Settlement expense (Note 15)	(400,000)	-	(400,000)	-
	1,531,524	-	1,531,524	402,747
CHANGE IN NET ASSETS	949,844	(163,133)	786,711	(802,077)
NET ASSETS - beginning of year	21,247,092	238,743	21,485,835	22,287,912
NET ASSETS - end of year	$ 22,196,936	$ 75,610	$ 22,272,546	$ 21,485,835

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2020
(with comparative totals for the year ended September 30, 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 3,807,376	$ 367,486	$ 118,681	$ 4,293,543	$ 3,999,040
Payroll taxes and benefits	1,023,182	116,911	29,426	1,169,519	1,001,373
Total personnel costs	4,830,558	484,397	148,107	5,463,062	5,000,413
Consultants	-	124,118	-	124,118	251,661
Depreciation	698,119	69,614	-	767,733	761,459
Food	439,417	-	-	439,417	417,074
Health care ancillaries	230,593	-	-	230,593	350,811
Insurance	170,431	10,245	-	180,676	173,376
Interest	265,113	15,507	-	280,620	284,692
IT, connection and phone	222,815	11,727	-	234,542	226,388
Laundry services	84,924	-	-	84,924	77,372
Maintenance and repairs	262,754	15,795	-	278,549	221,520
Management service expense	614,217	102,841	-	717,058	732,235
Marketing	-	250,867	-	250,867	193,081
Medical director fees	49,958	-	-	49,958	38,208
Outside labor	73,548	116,808	37,525	227,881	234,938
Professional services	-	117,609	-	117,609	59,841
Professional services non-operating	-	23,447	-	23,447	17,105
Property taxes	111,525	6,704	-	118,229	121,098
Recruiting	-	23,207	-	23,207	40,116
Rental property expenses	-	41,924	-	41,924	42,676
Resident activities	85,474	-	-	85,474	83,302
Supplies expense	276,251	14,540	-	290,791	175,067
Training	11,080	1,955	-	13,035	17,382
Travel	-	9,381	-	9,381	37,933
Utilities	253,196	15,220	-	268,416	280,485
Other operating expenses	214,568	83,606	-	298,174	278,586
	8,894,541	1,539,512	185,632	10,619,685	10,116,818
Less expenses included with revenues on the statement of activities:					
Rental property expenses	-	(69,573)	-	(69,573)	(70,034)
	$ 8,894,541	$ 1,469,939	$ 185,632	$ 10,550,112	$ 10,046,784

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended September 30, 2020
(with comparative totals for the year ended September 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents	$ 9,233,360	$ 9,743,885
Cash received from donors	138,550	293,447
Interest and dividends received net of management fees	400,997	479,654
Cash received from provider relief funds	293,180	-
Cash paid for interest on long-term debt	(295,487)	(297,709)
Government grant - PPP	931,200	-
Cash paid to suppliers and employees	(9,208,543)	(8,882,428)
Net cash provided by operating activities	1,493,257	1,336,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	12,082,778	7,648,168
Purchase of investments	(12,457,223)	(7,657,460)
Proceeds from sales of assets held in trust	-	544,487
Purchase of assets held in trust	(12,730)	(24,015)
Capital expenditures	(1,328,391)	(706,856)
Net cash used in investing activities	(1,715,566)	(195,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond principal payments	(170,000)	(165,000)
Net cash provided (used in) by financing activities	(170,000)	(165,000)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS	(392,309)	976,173
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS - beginning of year	2,149,212	1,173,039
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS - end of year	$ 1,756,903	$ 2,149,212
Reconciliation of end of year totals in the consolidated statement of cash flows related to captions in the consolidated statement of financial position		
Cash and cash equivalents	$ 1,466,118	$ 1,934,194
Assets whose use is limited or restricted - restricted cash equivalents	290,785	215,018
	$ 1,756,903	$ 2,149,212

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

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1921 by Danish immigrants as a not-for-profit retirement community located in San Rafael, California, Aldersly today is a diverse and vibrant mix of residents from many cultural backgrounds. Aldersly is a continuing care retirement community that offers three lifestyle options - Independent Living, Assisted Living, and the Health and Rehabilitation Center. Residents are able to seamlessly transition between care levels, as necessary.

In August 2014, Aldersly formed a wholly-owned subsidiary, an LLC, for the purpose of acquiring property.

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Aldersly and its wholly-owned subsidiary, collectively the “Organization.” Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Net Assets

The net assets of the Organization are reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Donations received and spent in accordance with donor-imposed stipulations in the same reporting period are also included in this classification. A portion of these net assets may be designated by the Board of Directors for specific purposes (refer to Note 12).

With Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time as well as net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. At September 30, 2020, the Organization did not have net assets with donor restrictions to be maintained in perpetuity.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d except as noted for the LLC. Accordingly, it has not provided for income taxes in these consolidated financial statements.

The LLC's net earnings (losses) are reported on the federal exempt organization tax return of its parent company. The LLC files a separate state tax return in California and is subject to an annual minimum franchise tax of $800.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these consolidated financial statements.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash includes amounts held relating to assets whose use is limited or restricted. The Organization classifies cash held in money market funds by investment custodians as short-term investments.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents and restricted cash. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Investments are insured up to the limit set by the Securities Investor Protection Corporation ("SIPC").

Accounts Receivable - Residents

The Organization assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Organization has exhausted all collection efforts and accounts are deemed uncollectible.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable equity and debt securities are presented in the consolidated financial statements at their fair values based on quoted market prices. Investment income, which consists of dividend and interest income and unrealized and realized gains (losses) on investments, is shown in the consolidated statement of activities net of investment management fees.

Rental real estate held for investment is recorded at cost, less accumulated depreciation.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its marketable investment securities using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. exit price) in an orderly transaction between market participants at the measurement date. An investment’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Donated assets are recorded at fair market value at the date of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets, which range from five to forty years. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. The Organization capitalizes assets with a cost or donated value of $1,000 or more and an estimated useful life greater than one year. Gains or losses on dispositions of property and equipment are included in the consolidated statement of activities.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted represent assets held by trustees under indenture agreements. These assets are presented in the consolidated financial statements at their fair value. The underlying investments are held in interest bearing and fixed income accounts.

Financing Costs

Deferred financing costs are amortized over the term of the related financing.

Deferred financing costs are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of long-term debt (refer to Note 10). The amortization of deferred financing costs is included in interest expense. For the year ended September 30, 2020, the amortization of deferred financing costs amounted to $13,879.

Bond Premium

Bond premium net of bond discount is amortized over the term of the related financing.

Net bond premium is presented in the consolidated statement of financial position as a direct increase to the carrying amount of long-term debt (refer to Note 10). The amortization of net bond premium is included in interest expense. For the year ended September 30, 2020, the amortization of net bond premium amounted to $26,896.

Revenue Recognition

Resident Services

Revenues primarily result from fees charged to customers under continuing care retirement community ("CCRC") resident contacts, non-CCRC resident contracts and Health Care Center patient contracts. Revenue recognition is evaluated under Accounting Standards Codification ("ASC") 606 (refer to Note 2) through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Net resident service revenues are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents, patients or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. The performance obligation for resident contracts is to stand ready to provide a residence, resident services and resident care based on their needed level of care. The performance obligation for patient contracts is to stand ready to provide routine nursing care as well as emergency care that may be required.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Resident Services (continued)

Net resident service revenues are primarily comprised of skilled nursing, assisted living, and independent living revenue streams, which are primarily derived from providing housing, skilled nursing, assisted living, and independent living services to residents or patients at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Organization has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Organization considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living, and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

The two types of CCRC contracts that the Organization provides include: Traditional and 50% Return of Capital (“ROC”). Both CCRC contracts allow the resident a right of cancellation at any time during the life of the contract due to either death or move out, including 57 months for traditional and 4 years for ROC contracts. 50% of an ROC resident’s entrance fee is always guaranteed to be refunded upon death or move out. As CCRC residents typically do reside at the Organization’s community for a period that exceeds these limits, the Organization considers 100% of a Traditional CCRC resident’s entrance fee and 50% of an ROC resident’s entrance fee to be non-refundable.

The guaranteed refund component of entrance fees is not amortized to income and is classified as guaranteed refunds liability in the accompanying consolidated statement of financial position.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over the estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion of entrance fees are classified as deferred revenues from unearned entrance fees, a contract liability, in the accompanying consolidated statement of financial position until the performance obligations are satisfied.

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

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Resident Services (continued)

Payment terms and conditions for the Organization's contracts vary by contract type and payor source. Entrance fees for CCRC residents are due on or before the contract date of move in. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly on the first of the month. Resident service revenues for ancillary services are generally billed monthly in arrears. Payment of monthly service fees by CCRC residents are to be made within 15 days from the first of the month. Payment of monthly service fees by non-CCRC residents are to be made within 5 days from the first of the month. Payment of daily service fees by Health Care Center patients are to be made within 10 days from the first of the month.

Contract costs include incremental costs of obtaining contracts that would not have been incurred if the contracts were not obtained and are recorded at cost. For the Organization, contract costs consist of sales commissions paid to sales personnel for obtaining new contracts. Contract costs are amortized over the estimate life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services are expected to be transferred to residents. During the year ended September 30, 2020, contract costs were immaterial and therefore, were not capitalized.

The Organization disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors.

Resident service revenues consist of the following for the year ended September 30, 2020:

	Skilled Nursing	Assisted Living	Independent Living	Total
Self-pay	$ 1,461,271	$ 2,420,924	$ 2,960,821	$ 6,843,016
Medicare and other	702,690	-	-	702,690
Medi-Cal assistance	295,245	-	-	295,245
Amortization of nonrefundable entrance fees	44,076	146,607	703,915	894,598
	$ 2,503,282	$ 2,567,531	$ 3,664,736	$ 8,735,549

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions and Grants

Revenue from contribution and grant income is evaluated under Accounting Standards Update ("ASU") 2018-08, and is accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization elected to record the funds received under the Coronavirus Aid, Relief, and Economic Securities Act Paycheck Protection Program as a refundable advance and recognized revenue as the conditions of the grants were met.

Donated Services

The Organization receives various types of volunteer services. Contributed services are not recognized unless the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased. Donated services received do not meet the two recognition criteria described above. Accordingly, the value is not reflected in the consolidated financial statements.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services benefited. Payroll and benefits costs are allocated based on a percentage of time spent. All other expenses related to more than one function are charged to programs and supporting services pro rata on the basis of square footage or other appropriate usage factors.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include entrance fee amortization, functional allocation of expenses, depreciation expense and fair value of investments. Actual results could differ from those estimates.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain accounts in the prior year were reclassified to conform to the current year presentation.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*. This standard modifies the principles that lessees and lessors apply to report information in their financial statements about the amount, timing, and uncertainty of cash flows arising from leases. The standard requires lessees to recognize most leases on their statements of financial position. The new standard will be effective for the Organization for the year ending September 30, 2021, and early adoption is permitted.

In June 2020, the FASB also issued ASU 2020-05, *Revenue from Contracts with Customers and Leases – Effective Dates for Certain Entities*, to defer the effective dates of ASU 2014-09 and ASU 2016-02 to provide immediate, near-term relief for certain entities for whom these updates are either currently effective or imminently effective. The deferral of the effective date of ASU 2016-02 is reflected in the aforementioned paragraph.

Summarized Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements, as of, and for the year ended September 30, 2019, from which the summarized information was derived.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued, January 28, 2021.

2. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers

In August 2016, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in U.S. GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. ASU 2014-09 and its amendments were included primarily in ASC 606. The Organization has adjusted the presentation of its consolidated financial statements accordingly.

2. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS (continued)

Revenue from Contracts with Customers (continued)

The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Revenue is recognized when control of the promised goods or services is transferred to customers. ASC 606 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments used. The Organization adopted ASC 606 effective October 1, 2019, using the modified retrospective method. The adoption of ASC 606 did not have a material effect on the Organization’s consolidated financial position or results of operations and there was no cumulative effect adjustment to the opening balance of net assets as of October 1, 2019 as a result of ASC 606 implementation.

Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The adoption of ASU 2018-08, under a modified prospective method effective October 1, 2019, did not have a material effect on the Organization’s consolidated financial position or results of operations.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, R*estricted Cash*, which amends ASC 230 to add guidance on the classification and presentation of restricted cash in the statement of cash flows. As a result, restricted cash is now included with cash and cash equivalents in the statement of cash flows. The required changes have been reflected in the Organization's consolidated statement of cash flows using retrospective adoption.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization’s primary source of revenue is revenue received from residents. The Organization considers contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include programmatic expenses, management and general expenses and fundraising expenses that are expected to be paid in the subsequent year. In the event that a need arises to utilize board-designated funds for liquidity purposes, the funds could be drawn upon through a board resolution.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The table below presents financial assets available to fund general operating expenses within one year at September 30, 2020:

Cash and cash equivalents	$ 1,466,118
Investments in marketable securities	14,593,671
Accounts receivable - residents - net	294,271
Accounts receivable - other	50
Interest and dividends receivable	2,313
	16,356,423
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(75,610)
Financial assets available to meet general operating expenses within one year	$ 16,280,813

4. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following are the major categories of assets measured at fair value on a recurring basis at September 30, 2020, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Fair Value	Level 1	Level 2	Level 3
Investments				
Cash investments	$ 3,833,539	$ 3,833,539	$ -	$ -
Corporate stocks	10,487,633	10,487,633	-	-
Corporate bonds	1,849,597	-	1,849,597	-
U.S. government obligations	1,914,786	-	1,914,786	-
Foreign obligations	69,688	-	69,688	-
Fixed income funds	2,080,650	2,080,650	-	-
Equity funds	3,194,871	3,194,871	-	-
	23,430,764	19,596,693	3,834,071	-
Assets whose use is limited (refer to Note 7)				
Restricted cash equivalents	290,785	290,785	-	-
Fixed income securities	505,862	-	505,862	-
	796,647	290,785	505,862	-
Total investments and restricted assets	$ 23,430,764	$ 19,596,693	$ 3,834,071	$ -

4. INVESTMENTS AND FAIR VALUE DISCLOSURES (continued)

At September 30, 2020, investments are reflected in the consolidated statement of financial position as follows:

Current	$ 14,593,671
Long-term - held for endowment	8,837,093
	$ 23,430,764

For the year ended September 30, 2020, net investment income was as follows:

Interest and dividend income	$ 511,980
Net realized and unrealized gains	1,221,588
	1,733,568
Less: Investment management fees	(111,073)
	$ 1,622,495

The investment income for the year ended September 30, 2020 includes $772,928 in earnings from the Board Designated Endowment Fund (refer to Note 12).

5. ACCOUNTS RECEIVABLE - RESIDENTS

At September 30, 2020, accounts receivable - residents consisted of the following:

Private	$ 256,559
Medicare/MediCal	71,379
Other insurance	11,639
	339,577
Less: allowance for doubtful accounts	(45,306)
	$ 294,271

6. PROPERTY AND EQUIPMENT

At September 30, 2020, property and equipment consisted of the following:

Land	$ 232,822
Buildings and building improvements	19,302,775
Land improvements	256,334
Equipment	961,148
Furniture	410,994
Assisted living furniture	149,212
Vehicles	61,457
	21,374,742
Less: accumulated depreciation	(12,518,154)
	8,856,588
Construction in progress:	
Mission Avenue project	641,465
Rosenborg project	629,049
Unit remodels	42,943
Total construction in progress	1,313,457
	$ 10,170,045

7. ASSETS WHOSE USE IS LIMITED OR RESTRICTED

At September 30, 2020, assets with limited or restricted use consisted of the following:

Series 2015A bond funds	
Debt service reserve	$ 522,014
Principal fund	116,234
Interest fund	106,177
Project fund	52,222
	$ 796,647

8. INVESTMENTS IN RESIDENTIAL REAL ESTATE

At September 30, 2020, investments in residential real estate consisted of the following:

Land	$ 990,000
Buildings	716,245
Building improvements	146,136
	1,852,381
Less: accumulated depreciation	(109,424)
	$ 1,742,957

For the year ended September 30, 2020, operating results relating to the investments in residential real estate were as follows:

Rental income	$ 77,563
Depreciation	(27,649)
Taxes and licenses	(24,726)
Management fees	(9,364)
Utilities and maintenance	(7,509)
Bank fees	(325)
Investment property net income	$ 7,990

9. UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS

Changes in unearned entrance fees and guaranteed refunds for the year ended September 30, 2020, were as follows:

	Unearned Entrance Fees	Guaranteed Refunds	Total
Balance at September 30, 2019	$ 4,682,897	$ 2,846,957	$ 7,529,854
Entrance fees received	1,815,241	232,022	2,047,263
	6,498,138	3,078,979	9,577,117
Less: entrance fees amortization	(894,598)	-	(894,598)
Less: entrance fees refunds	(691,184)	(352,146)	(1,043,330)
Balance at September 30, 2020	4,912,356	2,726,833	7,639,189
Less current portion	-	(393,000)	(393,000)
	$ 4,912,356	$ 2,333,833	$ 7,246,189

Continuing care retirement communities are required to report a liability recognizing an obligation to provide future services and the use of the facilities to current residents in excess of related anticipated revenues, when the present value of future net cash outflows plus depreciation to be charged related to the contracts exceeds the unearned entrance fees.

9. UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS (continued)

A calculation of the obligation for future services was done as of September 30, 2020. There was no obligation for future services at September 30, 2020, as the projected revenues exceeded projected expenses by approximately $2,292,000, discounted to approximately $2,139,000. The interest rate used to discount the asset was 3.05%.

10. LONG-TERM DEBT

At September 30, 2020, long-term debt consisted of the following:

In February 2015, the California Statewide Communities Development Authority (CSCDA) issued Revenue Refunding Bonds series 2015A and 2015B on behalf of the Organization at an aggregate purchase price of $7,307,398. The purchase amount reflects $6,635,000 of aggregate par amounts plus an original issue premium of the series 2015A bonds of $765,288 and less an aggregate purchase discount of $92,890 (of which $29,458 relates to the series 2015A bonds and $63,432 relates to the series 2015B bonds). The bond proceeds were used to pay off existing bond debt from the California Health Facilities Financing Authority (CHFFA), pay off a note to a financial institution, establish funding for future capital projects, and a debt service reserve fund. The bonds bear interest rates ranging from 2.5% to 5% with effective interest rates ranging from 2.6% to 4.6% and mature at various dates through May 15, 2040. The series 2015B bonds matured and were repaid in 2017.	$ 5,820,000
Less: unamortized financing costs	(268,330)
Add: unamortized bond premium - net of unamortized bond discount	519,987
	6,071,657
Less: current maturities	(180,000)
	$ 5,891,657

At September 30, 2020, future maturities of long-term debt were as follows:

Year ending September 30,	
2021	$ 180,000
2022	190,000
2023	195,000
2024	205,000
2025	215,000
Thereafter	4,835,000
	$ 5,820,000

The debt is collateralized by a deed of trust on the real property, certain personal property, and a security interest in the gross revenues of the Organization.

11. PAYCHECK PROTECTION PROGRAM (PPP)

On April 21, 2020, the Organization received a note payable in the amount of $931,200 which bears interest at 1%, under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The maturity date is two years from the date of first disbursement (which has been extended to five years with the subsequent passing of the Paycheck Protection Program Flexibility Act of 2020). Monthly payments of principal and interest are deferred until June 2021 or later as determined by the Small Business Administration. Interest accrues during the deferment period. The Organization has elected to classify PPP proceeds as grant revenue (refer to Note 1). As provided for in the CARES Act, the Organization will apply for forgiveness for the full $931,200 proceeds covering certain qualifying costs incurred during the 24 week period. All PPP proceeds were expended during the year ended September 30, 2020. The entire amount was recognized as grant income during the year ended September 30, 2020 as allowable expenses exceeded the amount of the proceeds received and full forgiveness is anticipated.

12. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

Board Designated for Endowment

Certain gifts and realized and unrealized gains or losses on these gifts have been internally appropriated by the Board of Directors to be maintained similar to an endowment fund. Dissolution of this appropriation requires a three quarters vote of the full Board. The Organization does not have any donor restricted endowment funds.

The Board of Directors adopted a spending policy for the board designated endowment fund with an objective of allocating 3% of the fund balance annually (based on the rolling average of the 12 preceding quarters' balances) to fund various projects at the discretion of management.

The investment objective is to provide liquidity for debt service, operations, projects, and capital needs as required. The asset allocations are set up to maintain approximately 35% of the assets in fixed income investments with the remaining assets in equities with large market capitalization and a high level of liquidity.

Board Designated for Care Fund

The Board designated Care Fund was established to provide assistance to residents who have developed a financial need due to unforeseen or uncontrollable circumstances. The Board of Directors has established a set of guidelines to be used in considering applications for hardship assistance each year.

Board Designated for Master Plan

The Board designated Master Plan Fund was established to provide partial funding for various facilities renovations at Aldersly. The Master Plan is part of the Organization's strategic planning for long-term success of the Organization. The Board of Directors has not yet determined the full cost of the project and will be designating additional funds as necessary in the future to cover anticipated costs.

12. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED (continued)

For the year ended September 30, 2020, changes in board designated net assets were as follows:

	Endowment	Care Fund	Master Plan	Total
Balances at September 30, 2019	$ 8,313,572	$ 188,174	$ 765,302	$ 9,267,048
Appropriations	(249,407)	-	-	(249,407)
Designated investment income - net	772,928	-	-	772,928
Balances at September 30, 2020	$ 8,837,093	$ 188,174	$ 765,302	$ 9,790,569

13. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2020, net assets with donor restrictions were held for the following purposes:

Care Fund	$ 65,531
Music Memory	10,079
	$ 75,610

For the year ended September 30, 2020, $126,380 was released from restrictions for the Mission Avenue project – Phase 2 and $38,553 for the Care Fund.

14. RETIREMENT PLAN

The Organization has an Internal Revenue Code section 401(k) retirement plan (the “Plan”). Plan participants may elect to defer a portion of their compensation (up to the maximum allowed by law) and have such salary deferrals contributed to their plan accounts. The Organization matches up to 4% of the employee’s salary. Matching contributions for the year ended September 30, 2020 were $66,572. The Plan also provides for discretionary employer profit sharing contributions to the Plan. There were no discretionary contributions made for the year ended September 30, 2020.

15. CONTINGENCIES

The Organization is a party to certain claims in the normal course of business. At September 30, 2020, the Organization is a party to a wage and hour class action lawsuit. While the result of these proceedings cannot be predicted with certainty, the Organization estimated its likely exposure to be approximately $400,000, which is included in accrued settlement in the Organization’s consolidated statement of financial position.

At September 30, 2020, the Organization has set aside approximately $765,000 for future capital projects (refer to Note 12).

16. RISK AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The COVID-19 outbreak in 2020 has led to severe disruptions and uncertainty in the global supply chain, capital markets and economies, and those disruptions have since intensified and will likely continue for some time. In addition, the California State Governor ordered the closure of the physical location of businesses, except those identified in the “critical infrastructure sectors,” for a limited period of time. The disruption is currently expected to be temporary, however there is uncertainty around the duration. While the Organization expects this matter may negatively impact its results of operations and financial position, the related impacts cannot be reasonably estimated at this time. Management will continue to closely monitor the development of COVID-19 and the effect on the Organization’s operations and financial position and adjust its plans as deemed necessary.

During the year ended September 30, 2020, the Organization obtained a Paycheck Protection Program grant in the amount of $931,200 (refer to Note 11).

ALDERSLY AND SUBSIDIARY

Consolidated Financial Statements

September 30, 2021 with summarized
comparative totals for September 30, 2020

INDEX TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Aldersly and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Aldersly (a California not-for-profit organization) and Subsidiary (collectively the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Aldersly and Subsidiary as of September 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Francisco, California
January 26, 2022

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2021
(with comparative totals for the year ended September 30, 2020)

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,158,200	$ 1,466,118
Investments in marketable securities (Note 4)	8,759,081	14,593,671
Accounts receivable - residents - net (Note 5)	919,566	294,271
Accounts receivable - other	-	50
Interest and dividends receivable	2,997	2,313
Prepaid expenses	705,736	301,987
Total current assets	11,545,580	16,658,410
Property and Equipment - net (Note 6)	15,197,373	10,170,045
Assets Whose Use is Limited or Restricted (Note 7)		
Restricted cash equivalents	251,459	290,785
Fixed income securities	509,279	505,862
	760,738	796,647
Other Noncurrent Assets		
Long-term investments held for endowment (Note 4)	10,890,136	8,837,093
Investments in residential real estate - net (Note 8)	1,715,309	1,742,957
	12,605,445	10,580,050
Total assets	$ 40,109,136	$ 38,205,152
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,352,325	$ 663,548
Accrued salaries and wages	452,536	493,345
Refunds payable	97,480	543,674
Deposit liability	20,934	44,287
Guaranteed refunds (Note 9)	494,070	393,000
Current maturities of long-term debt (Note 10)	190,000	180,000
Accrued settlement	-	400,000
Total current liabilities	2,607,345	2,717,854
Long-Term Liabilities		
Unearned entrance fees (Note 9)	5,084,396	4,989,262
Guaranteed refunds (Note 9)	1,681,219	2,333,833
Long-term debt - net of unamortized financing costs and net bond premium (Note 10)	5,688,640	5,891,657
	12,454,255	13,214,752
Total liabilities	15,061,600	15,932,606
Net Assets		
Without donor restrictions		
Undesignated	13,127,689	12,406,367
Board designated (Note 11)	11,843,612	9,790,569
	24,971,301	22,196,936
With donor restrictions (Note 12)	76,235	75,610
Total net assets	25,047,536	22,272,546
Total liabilities and net assets	$ 40,109,136	$ 38,205,152

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2021
(with comparative totals for the year ended September 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SERVICE REVENUE AND SUPPORT				
Service Revenue				
Independent living fees	$ 2,948,594	$ -	$ 2,948,594	$ 2,960,821
Skilled nursing fees - net	2,118,148	-	2,118,148	2,459,206
Assisted living fees	1,901,544	-	1,901,544	2,420,924
Entrance fees amortization	1,286,110	-	1,286,110	894,598
Total service revenue	8,254,396	-	8,254,396	8,735,549
Support				
Government grant - Paycheck Protection Program	-	-	-	931,200
Donations, gifts and bequests	108,526	625	109,151	138,550
Total revenue and support	8,362,922	625	8,363,547	9,805,299
OPERATING EXPENSES				
Program services	8,330,677	-	8,330,677	8,894,541
Management and general	1,504,550	-	1,504,550	1,469,939
Fundraising	242,329	-	242,329	185,632
Total expenses	10,077,556	-	10,077,556	10,550,112
Change in net assets before other revenues (expenses)	(1,714,634)	625	(1,714,009)	(744,813)
OTHER REVENUES (EXPENSES)				
Rental and other income	51,134	-	51,134	9,480
Investment income - net (Note 4)	4,419,917	-	4,419,917	1,622,495
Net income from investments in residential real estate (Note 8)	17,948	-	17,948	7,990
Provider relief funds	-	-	-	293,180
Loss on disposal of assets	-	-	-	(1,621)
Settlement expense	-	-	-	(400,000)
	4,488,999	-	4,488,999	1,531,524
CHANGE IN NET ASSETS	2,774,365	625	2,774,990	786,711
NET ASSETS - beginning of year	22,196,936	75,610	22,272,546	21,485,835
NET ASSETS - end of year	$ 24,971,301	$ 76,235	$ 25,047,536	$ 22,272,546

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2021
(with comparative totals for the year ended September 30, 2020)

	2021				2020
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 3,342,422	$ 390,585	$ 117,117	$ 3,850,124	$ 4,293,543
Payroll taxes and benefits	905,382	105,741	31,083	1,042,206	1,169,519
Total personnel costs	4,247,804	496,326	148,200	4,892,330	5,463,062
Consultants	78,166	7,328	-	85,494	124,118
Depreciation and amortization	672,200	68,056	-	740,256	767,733
Food	442,518	-	-	442,518	439,417
Health care ancillaries	101,430	-	-	101,430	230,593
Insurance	188,522	11,333	-	199,855	180,676
Interest	255,355	15,350	-	270,705	280,620
IT, connection and phone	232,598	12,242	-	244,840	234,542
Laundry services	83,235	-	-	83,235	84,924
Maintenance and repairs	228,129	13,713	-	241,842	278,549
Management service expense	656,316	115,721	-	772,037	717,058
Marketing	-	215,429	45,751	261,180	250,867
Medical director fees	50,208	-	-	50,208	49,958
Outside labor	72,591	125,907	48,378	246,876	227,881
Professional services	-	182,969	-	182,969	117,609
Professional services non-operating	-	148,127	-	148,127	23,447
Property taxes	102,422	6,157	-	108,579	118,229
Recruiting	40,202	7,094	-	47,296	23,207
Rental property expenses	-	35,864	-	35,864	41,924
Resident activities	9,392	-	-	9,392	85,474
Supplies expense	253,426	13,338	-	266,764	290,791
Training	6,610	1,167	-	7,777	13,035
Travel	-	14,378	-	14,378	9,381
Utilities	266,067	15,994	-	282,061	268,416
Other operating expenses	343,486	61,569	-	405,055	298,174
	8,330,677	1,568,062	242,329	10,141,068	10,619,685
Less expenses included with other revenues on the consolidated statement of activities:					
Expenses related to investments in residential real estate	-	(63,512)	-	(63,512)	(69,573)
	$ 8,330,677	$ 1,504,550	$ 242,329	$ 10,077,556	$ 10,550,112

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended September 30, 2021
(with comparative totals for the year ended September 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents	$ 8,601,905	$ 9,790,607
Cash received from investments in residential real estate	81,460	77,563
Interest and dividends received net of management fees	318,100	400,997
Cash received from donors	109,151	138,550
Cash received from Paycheck Protection Program	-	931,200
Cash received from provider relief funds	-	293,180
Cash paid to suppliers and employees	(8,933,406)	(9,208,543)
Cash paid for interest	(286,759)	(295,487)
Cash paid for entrance fee refunds to residents	(1,797,023)	(634,810)
Cash paid for settlement	(400,000)	-
Net cash (used in) provided by operating activities	(2,306,572)	1,493,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	8,200,000	-
Purchase of investments	(309,660)	(386,717)
Proceeds from sales of assets held in trust	466,075	464,095
Purchase of assets held in trust	(477,152)	(464,553)
Capital expenditures	(5,739,935)	(1,328,391)
Net cash provided by (used in) investing activities	2,139,328	(1,715,566)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond principal payments	(180,000)	(170,000)
Net cash used in financing activities	(180,000)	(170,000)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS	(347,244)	(392,309)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS - beginning of year	1,756,903	2,149,212
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS - end of year	$ 1,409,659	$ 1,756,903
Reconciliation of end of year totals in the consolidated statement of cash flows related to captions in the consolidated statement of financial position		
Cash and cash equivalents	$ 1,158,200	$ 1,466,118
Assets whose use is limited or restricted - restricted cash equivalents	251,459	290,785
	$ 1,409,659	$ 1,756,903

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

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1921 by Danish immigrants as a not-for-profit retirement community located in San Rafael, California, Aldersly today is a diverse and vibrant mix of residents from many cultural backgrounds. Aldersly is a continuing care retirement community that offers three lifestyle options - Independent Living, Assisted Living, and the Health and Rehabilitation Center. Residents are able to seamlessly transition between care levels, as necessary.

In August 2014, Aldersly formed a wholly owned subsidiary, an LLC, for the purpose of acquiring property.

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Aldersly and its wholly owned subsidiary (collectively the “Organization”). Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profit Organizations (“U.S. GAAP”).

Net Assets

The net assets of the Organization are reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Donations received and spent in accordance with donor-imposed stipulations in the same reporting period are also included in this classification. A portion of these net assets may be designated by the Board of Directors for specific purposes (refer to Note 11).

With Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time as well as net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. At September 30, 2021, the Organization did not have net assets with donor restrictions to be maintained in perpetuity.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d except as noted for the LLC. Accordingly, it has not provided for income taxes in these consolidated financial statements.

The LLC's net earnings (losses) are reported on the federal exempt organization tax return of its parent company. The LLC files a separate state tax return in California and is subject to an annual minimum franchise tax of $800.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these consolidated financial statements.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash includes amounts held relating to assets whose use is limited or restricted. The Organization classifies cash held in money market funds by investment custodians as short-term investments.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents and restricted cash. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are insured up to the limit set by the Securities Investor Protection Corporation ("SIPC").

Accounts Receivable - Residents

The Organization assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable and anticipated collection of the consideration. Accounts are written off when the Organization has exhausted all collection efforts and accounts are deemed uncollectible.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable equity and debt securities are presented in the consolidated financial statements at their fair values based on quoted market prices. Investment income, which consists of dividend and interest income and unrealized and realized gains (losses) on investments, is shown in the consolidated statement of activities net of investment management fees.

Rental real estate held for investment is recorded at cost, less accumulated depreciation.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its marketable investment securities using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Donated assets are recorded at fair market value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from five to forty years. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. The Organization capitalizes assets with a cost or donated value of $1,000 or more and an estimated useful life greater than one year. Gains or losses on dispositions of property and equipment are included in the consolidated statement of activities.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted represent assets held by trustees under an indenture agreement. These assets are presented in the consolidated financial statements at their fair value. The underlying investments are held in interest bearing and fixed income accounts.

Financing Costs

Deferred financing costs are amortized over the term of the related financing.

Deferred financing costs are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of long-term debt (refer to Note 10). The amortization of deferred financing costs is included in interest expense on the consolidated statement of functional expenses. For the year ended September 30, 2021, the amortization of deferred financing costs amounted to $13,879.

Bond Premium

Bond premium, net of bond discounts, is amortized over the term of the related financing.

Net bond premium is presented in the consolidated statement of financial position as a direct increase to the carrying amount of long-term debt (refer to Note 10). The amortization of net bond premium is included in interest expense on the consolidated statement of functional expenses. For the year ended September 30, 2021, the amortization of net bond premium amounted to $26,896.

Leases

The Organization leases various equipment and storage space used in the normal course of operations. The Organization accounts for these leases under Accounting Standards Codification ("ASC") 842, *Leases*. For any leases for which the Organization is the lessee, the Organization recognizes the assets and liabilities that arise from lease on the consolidated statement of financial position by recognizing a lease liability equal to net present value of future minimum lease payments and a right-of-use asset representing the Organization's right to use the underlying asset for the lease term. At lease inception, leases are classified as either a finance lease or operating lease with the associated lease liability and right-of-use asset recorded at the estimated present value of future lease payments. Finance lease right-of-use assets are expensed as depreciation expense over term of the lease. Operating lease right-of-use assets are expensed as lease expense over term of the lease. Finance lease liability, adjusted for interest expense over the term of the lease, is amortized in accordance with lease payments over the term of the lease. Operating lease liability is amortized in accordance with lease payments over the term of the lease. At September 30, 2021, the Organization's operating lease liabilities and right-of-use assets were immaterial to the consolidated financial statements.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases *(continued)*

ASC 842 provides for several optional practical expedients. The Organization has elected the package of practical expedients permitted under the transition guidance within ASC 842, which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification, and initial direct lease costs. The Organization has also elected the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease or to purchase the underlying asset). The Organization has also elected the practical expedient to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities instead of using the rate implicit in the lease. The Organization has also elected the practical expedient to account for its leases at a portfolio level for leases that have similar characteristics and for which the resulting accounting at this level would not differ materially from the accounting at the individual lease level. Lastly, the Organization has also elected the practical expedient to exclude accounting for leases on the consolidated statement of financial position which are immaterial on an individual and aggregate basis to its consolidated financial statements.

Revenue Recognition

Resident Services

Revenues primarily result from fees charged to customers under continuing care retirement community ("CCRC") resident contacts, non-CCRC resident contracts and Health Care Center patient contracts. Revenue recognition is evaluated under ASC 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Net resident service revenues are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents, patients or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. The performance obligation for resident contracts is to stand ready to provide a residence, resident services, and resident care based on the needed level of care. The performance obligation for patient contracts is to stand ready to provide routine nursing care as well as emergency care that may be required.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Resident Services (continued)

Net resident service revenues are primarily comprised of skilled nursing, assisted living, and independent living revenue streams, which are primarily derived from providing housing, skilled nursing, assisted living, and independent living services to residents or patients at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Organization has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Organization considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living, and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

The two types of CCRC contracts that the Organization provides include Traditional and 50% Return of Capital (“ROC”). Both CCRC contracts allow the resident a ratable right of refund, as defined in the contracts, when a resident either passes away or moves out prior to 57 months of residency for Traditional contracts and 4 years for ROC contracts. 50% of an ROC resident’s entrance fee is always guaranteed to be refunded upon death or move out. As CCRC residents typically do reside at the Organization’s community for a period that exceeds these limits, the Organization considers 100% of a Traditional CCRC resident’s entrance fee and 50% of an ROC resident’s entrance fee to be non-refundable.

The guaranteed refund component of entrance fees is not amortized to income and is classified as guaranteed refunds liability in the accompanying consolidated statement of financial position.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over the estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion of entrance fees are classified as deferred revenues from unearned entrance fees, a contract liability, in the accompanying consolidated statement of financial position until the performance obligations are satisfied.

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

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Resident Services (continued)

Payment terms and conditions for the Organization's contracts vary by contract type and payor source. Entrance fees for CCRC residents are generally due on or before the contract date of move in. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly on the first of the month. Resident service revenues for ancillary services are generally billed monthly in arrears. Payment of monthly service fees by CCRC residents are to be made within 15 days from the first of the month. Payment of monthly service fees by non-CCRC residents are to be made within 5 days from the first of the month. Payment of daily service fees by Health Care Center patients are to be made within 10 days from the first of the month.

Contract costs include incremental costs of obtaining contracts that would not have been incurred if the contracts were not obtained and are recorded at cost. For the Organization, contract costs consist of sales commissions paid to sales personnel for obtaining new contracts. Contract costs are amortized over the estimate life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services are expected to be transferred to residents. During the year ended September 30, 2021, contract costs were immaterial to the consolidated financial statements and therefore were not capitalized.

The Organization disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors.

Resident service revenues consist of the following for the year ended September 30, 2021:

	Skilled Nursing	Assisted Living	Independent Living	Total
Self-pay	$ 1,539,746	$ 1,901,544	$ 2,948,594	$ 6,389,884
Medicare and other	347,600	-	-	347,600
Medi-Cal assistance	230,802	-	-	230,802
Amortization of nonrefundable entrance fees	197,258	388,807	700,045	1,286,110
	$ 2,315,406	$ 2,290,351	$ 3,648,639	$ 8,254,396

At September 30, 2021 and 2020, contract assets consisted of resident accounts receivable and contract liabilities consisted of unearned entrance fees.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions and Grants

Revenues from contribution and grant income are accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as revenue when promised. Conditional contributions and grants received are recorded as revenue when the underlying conditions have been satisfied by the Organization. Contributions and grants that are not restricted by the donor are reported as an increase in net assets without donor restrictions. Donor restricted contributions and grants are reported as an increase in net assets with donor restrictions. When a donor restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Services

The Organization receives various types of volunteer services. Contributed services are not recognized unless the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased. Donated services received do not meet the two recognition criteria described above. Accordingly, the value is not reflected in the consolidated financial statements.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services benefited. Payroll and employee benefits expense are allocated based on a percentage of time spent. All other expenses related to more than one function are charged to programs and supporting services pro rata on the basis of square footage or other appropriate usage factors.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates in the Organization’s consolidated financial statements include entrance fee amortization, functional allocation of expenses, depreciation expense, and fair value of investments. Actual results could differ from those estimates.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S GAAP. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements, as of, and for the year ended September 30, 2020, from which the summarized information was derived.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued, January 26, 2022.

2. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENT

Effective October 1, 2020, the Organization adopted ASU 2016-02, *Leases*, and all related amendments using the modified retrospective approach. ASU 2016-02 and its amendments are included in ASC 842. Upon adoption, ASC 842 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The adoption of ASC 842 did not have a material effect on the Organization's financial position or results of operations and there was no cumulative effect adjustment to the opening balance of net assets as of October 1, 2020 as a result of ASC 842 implementation.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization’s primary source of revenue is revenue received from residents. The Organization considers contributions without donor restrictions to be available to meet cash needs for general expenditures. General operating expenditures include programmatic expenses, management and general expenses, and fundraising expenses that are expected to be paid in the subsequent year. In the event that a need arises to utilize board-designated net assets for liquidity purposes, the funds could be drawn upon through a board resolution.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The table below presents financial assets available to fund general operating expenditures within one year at September 30, 2021:

Cash and cash equivalents	$ 1,158,200
Investments in marketable securities	8,759,081
Accounts receivable - residents - net	919,566
Interest and dividends receivable	2,997
	10,839,844
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(76,235)
Financial assets available to meet general operating expenditures within one year	$ 10,763,609

4. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following are the major categories of assets measured at fair value on a recurring basis at September 30, 2021, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Fair Value	Level 1	Level 2	Level 3
Investments				
Cash investments	$ 2,519,079	$ 2,519,079	$ -	$ -
U.S. Corporate stocks	9,535,927	9,535,927	-	-
Equity funds	2,582,112	2,582,112	-	-
Fixed income funds	1,726,962	1,726,962	-	-
U.S. government obligations	1,615,017	-	1,615,017	-
Corporate bonds	1,190,160	-	1,190,160	-
Foreign corporate stocks	394,817	394,817	-	-
Foreign obligations	85,143	-	85,143	-
	19,649,217	16,758,897	2,890,320	-
Assets whose use is limited (refer to Note 7)				
Restricted cash equivalents	251,459	251,459	-	-
Fixed income securities	509,279	-	509,279	-
	760,738	251,459	509,279	-
Total investments and restricted assets	$ 20,409,955	$ 17,010,356	$ 3,399,599	$ -

4. INVESTMENTS AND FAIR VALUE DISCLOSURES (continued)

At September 30, 2021, investments are reflected in the consolidated statement of financial position as follows:

Current	$ 8,759,081
Long-term - held for endowment	10,890,136
	$ 19,649,217

For the year ended September 30, 2021, net investment income was as follows:

Interest and dividend income	$ 433,166
Net realized and unrealized gains	4,101,139
	4,534,305
Less: Investment management fees	(114,388)
	$ 4,419,917

The investment income for the year ended September 30, 2021 includes $2,318,156 in earnings from the Board Designated Endowment Fund (refer to Note 11).

5. ACCOUNTS RECEIVABLE - RESIDENTS

At September 30, 2021, accounts receivable - residents consisted of the following:

Private	$ 865,275
Medicare/MediCal	61,162
Other insurance	5,129
	931,566
Less: allowance for doubtful accounts	(12,000)
	$ 919,566

6. PROPERTY AND EQUIPMENT

At September 30, 2021, property and equipment consisted of the following:

Land	$ 232,822
Buildings and building improvements	19,382,336
Land improvements	256,334
Equipment	976,294
Furniture	413,158
Assisted living furniture	149,212
Vehicles	61,457
	21,471,613
Less: accumulated depreciation	(13,230,761)
	8,240,852
Construction in progress:	
Mission Avenue independent living project	1,131,636
Rosenborg project	5,608,016
Unit remodels	216,869
Total construction in progress	6,956,521
	$ 15,197,373

7. ASSETS WHOSE USE IS LIMITED OR RESTRICTED

At September 30, 2021, assets with limited or restricted use consisted of the following:

Series 2015A bond funds	
Debt service reserve	$ 525,010
Principal fund	108,984
Interest fund	74,518
Project fund	52,226
	$ 760,738

8. INVESTMENTS IN RESIDENTIAL REAL ESTATE

At September 30, 2021, investments in residential real estate consisted of the following:

Land	$ 990,000
Buildings	716,245
Building improvements	146,136
	1,852,381
Less: accumulated depreciation	(137,072)
Investments in residential real estate	$ 1,715,309

For the year ended September 30, 2021, operating results relating to the investments in residential real estate were as follows:

Rental income	$ 81,460
Depreciation	(27,649)
Taxes and licenses	(26,477)
Management fees	(7,494)
Utilities and maintenance	(1,592)
Bank fees	(300)
Net income from investments in residential real estate	$ 17,948

9. UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS

Changes in unearned entrance fees and guaranteed refunds for the year ended September 30, 2021, were as follows:

	Unearned Entrance Fees	Guaranteed Refunds	Total
Balance at September 30, 2020	$ 4,989,262	$ 2,726,833	$ 7,716,095
Entrance fees received	1,736,695	443,834	2,180,529
	6,725,957	3,170,667	9,896,624
Less: entrance fees amortization	(1,286,110)	-	(1,286,110)
Less: entrance fees refunds	(355,451)	(995,378)	(1,350,829)
Balance at September 30, 2021	5,084,396	2,175,289	7,259,685
Less: current portion	-	(494,070)	(494,070)
	$ 5,084,396	$ 1,681,219	$ 6,765,615

9. UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS (continued)

Continuing care retirement communities are required to report a liability recognizing an obligation to provide future services and the use of the facilities to current residents in excess of related anticipated revenues, when the present value of future net cash outflows plus depreciation to be charged related to the contracts exceeds unearned entrance fees.

A calculation of the obligation for future services was performed as of September 30, 2021. There was no obligation for future services at September 30, 2021 as the projected revenues exceeded projected expenses by approximately $6,081,000, discounted to approximately $5,325,000. The interest rate used to discount the asset was 3.05%.

10. LONG-TERM DEBT

At September 30, 2021, long-term debt consisted of the following:

In February 2015, the California Statewide Communities Development Authority (CSCDA) issued Revenue Refunding Bonds series 2015A and 2015B on behalf of the Organization at an aggregate purchase price of $7,307,398. The purchase amount reflects $6,635,000 of aggregate par amounts plus an original issue premium of the series 2015A bonds of $765,288 and less an aggregate purchase discount of $92,890 (of which $29,458 relates to the series 2015A bonds and $63,432 relates to the series 2015B bonds). The bond proceeds were used to pay off existing bond debt from the California Health Facilities Financing Authority (CHFFA), pay off a note to a financial institution, establish funding for future capital projects, and a debt service reserve fund. The bonds bear interest rates ranging from 2.5% to 5% with effective interest rates ranging from 2.6% to 4.6% and mature at various dates through May 15, 2040. The bonds are collateralized by a deed of trust on the real property, certain personal property, and a security interest in the gross revenues of the Organization. The series 2015B bonds matured and were repaid in 2017.	$ 5,640,000
Less: unamortized financing costs	(254,451)
Add: unamortized bond premium - net of unamortized bond discount	493,091
	5,878,640
Less: current maturities	(190,000)
	$ 5,688,640

10. LONG-TERM DEBT (continued)

At September 30, 2021, future maturities of long-term debt were as follows:

Year ending September 30,		
2022	$	190,000
2023		195,000
2024		205,000
2025		215,000
2026		225,000
Thereafter		4,610,000
	$	5,640,000

11. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

Board Designated for Endowment

Certain gifts and realized and unrealized gains or losses on these gifts have been internally designated by the Board of Directors to be maintained similar to an endowment fund. Dissolution of this designation requires three quarters vote of the full Board. The Organization does not have any donor restricted endowment funds.

The Board of Directors adopted a spending policy for the board designated endowment fund with an objective of allocating 3% of the fund balance annually (based on the rolling average of the 12 preceding quarters' balances) to fund various projects at the discretion of management.

The investment objective is to provide liquidity for debt service, operations, projects, and capital needs as required. The asset allocations are set up to maintain approximately 35% of the assets in fixed income investments with the remaining assets in equities with large market capitalization and a high level of liquidity.

Board Designated for Care Fund

The Board designated Care Fund was established to provide assistance to residents who have developed a financial need due to unforeseen or uncontrollable circumstances. The Board of Directors has established a set of guidelines to be used in considering applications for hardship assistance each year.

Board Designated for Master Plan

The Board designated Master Plan Fund was established to provide partial funding for various facilities renovations at Aldersly. The Master Plan is part of the Organization's strategic planning for long-term success of the Organization. The Board of Directors has not yet determined the full cost of the project and will be designating additional funds as necessary in the future to cover anticipated costs.

11. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED (continued)

For the year ended September 30, 2021, changes in Board designated net assets were as follows:

	Endowment	Care Fund	Master Plan	Total
Balances at September 30, 2020	$ 8,837,093	$ 188,174	$ 765,302	$ 9,790,569
Designated investment income - net	2,318,156	-	-	2,318,156
Appropriations	(265,113)	-	-	(265,113)
Balances at September 30, 2021	$ 10,890,136	$ 188,174	$ 765,302	$ 11,843,612

12. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2021, net assets with donor restrictions were held for the following purposes:

Care Fund	$ 65,531
Music Memory Fund	10,079
Staff Appreciation Fund	625
	$ 76,235

13. RETIREMENT PLAN

The Organization has an Internal Revenue Code section 401(k) retirement plan (the "Plan"). Plan participants may elect to defer a portion of their compensation (up to the maximum allowed by law) and have such salary deferrals contributed to their plan accounts. The Organization matches up to 4% of the employee's salary. For the year ended September 30, 2021, employer matching contributions to the Plan were $53,289. The Plan also provides for discretionary employer profit sharing contributions to the Plan. There were no discretionary contributions made for the year ended September 30, 2021.

14. CONTINGENCIES AND COMMITMENTS

Contingencies

The Organization is a party to certain claims in the normal course of business. While the result of these proceedings cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect on the consolidated financial statements.

Commitments

At September 30, 2021, the Organization has approximately $765,000 in net assets designated by the Board (refer to Note 12) and approximately $52,000 of assets with limited or restricted use (refer to Note 7) set aside for future capital projects.

15. RISK AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. Although at least three different vaccines have been developed and released, there continues to be uncertainty as to the duration of the disruption and its eventual impact. The COVID-19 pandemic has led to severe disruptions and uncertainty in capital markets and economies, which has led to volatility in the Organization's investment portfolio. While the volatility is currently expected to be temporary; there is uncertainty around its ultimate duration. During the year ended September 30, 2021, while operating revenue declined slightly from the prior year, there was a significant negative impact on cash flows from operating activities primarily related to a decline in cash received from residents (including entrance fees from new residents and service fees from current residents) and an increase in entrance fee refunds paid to residents. While the Organization expects this matter to be temporary, the related financial impact cannot be reasonably estimated at this time. Management will continue to closely monitor the development of COVID-19 and the effect to the Organization's operations and financial position and adjust its plans as deemed necessary.

ALDERSLY AND SUBSIDIARY
Consolidated Financial Statements
September 30, 2022

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Aldersly and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Aldersly (a California not-for-profit organization) and Subsidiary (collectively the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

San Francisco, California
REPORT DATE

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2022

ASSETS		
Current Assets		
Cash and cash equivalents	$	1,121,640
Investments in marketable securities (Note 3)		5,429,829
Accounts receivable - residents - net (Note 4)		422,003
Pledges receivable		7,769,542
Interest and dividends receivable		3,104
Prepaid expenses		787,529
Total current assets		15,533,647
Property and Equipment - net (Note 5)		20,038,030
Assets Whose Use is Limited or Restricted (Note 6)		
Restricted cash equivalents		265,538
Fixed income securities		496,474
		762,012
Other Noncurrent Assets		
Long-term investments held for endowment (Note 3)		7,051,020
Total assets	$	43,384,709
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$	459,831
Accrued salaries and wages		314,576
Refunds payable		287,240
Deposit liability		634,638
Guaranteed refunds (Note 7)		612,300
Current maturities of long-term debt (Note 8)		195,000
Total current liabilities		2,503,585
Long-Term Liabilities		
Unearned entrance fees (Note 7)		4,960,361
Guaranteed refunds (Note 7)		1,556,518
Long-term debt - net of unamortized financing costs and net bond premium (Note 8)		5,464,801
		11,981,680
Total liabilities		14,485,265
Net Assets		
Without donor restrictions		
Undesignated		13,049,171
Board designated (Note 9)		8,004,496
		21,053,667
With donor restrictions (Note 10)		7,845,777
Total net assets		28,899,444
Total liabilities and net assets	$	43,384,709

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SERVICE REVENUE AND SUPPORT			
Service Revenue			
Independent living fees	$ 3,089,865	$ -	$ 3,089,865
Memory care living fees	656,167	-	656,167
Skilled nursing fees - net	1,800,586	-	1,800,586
Assisted living fees	1,493,770	-	1,493,770
Entrance fees amortization	889,014	-	889,014
Total service revenue	7,929,402	-	7,929,402
Support			
Donations, gifts and bequests	59,218	7,769,542	7,828,760
Net assets released from restrictions (Note 10)	-	-	-
Total revenue and support	7,988,620	7,769,542	15,758,162
OPERATING EXPENSES			
Program services	8,333,539	-	8,333,539
Management and general	885,708	-	885,708
Fundraising	317,119	-	317,119
Total expenses	9,536,366	-	9,536,366
Change in net assets before other revenues (expenses)	(1,547,746)	7,769,542	6,221,796
OTHER REVENUES (EXPENSES)			
Rental and other income - net	29,390	-	29,390
Investment income - net (Note 3)	(2,399,278)	-	(2,399,278)
	(2,369,888)	-	(2,369,888)
CHANGE IN NET ASSETS	(3,917,634)	7,769,542	3,851,908
NET ASSETS - beginning of year	24,971,301	76,235	25,047,536
NET ASSETS - end of year	$ 21,053,667	$ 7,845,777	$ 28,899,444

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	$ 3,343,809	$ 336,086	$ 37,669	$ 3,717,564
Payroll taxes and benefits	935,602	93,597	13,007	1,042,206
Total personnel costs	4,279,411	429,683	50,676	4,759,770
Consultants	35,590	5,250	-	40,840
Depreciation and amortization	733,857	66,144	-	800,001
Food	449,978	-	-	449,978
Health care ancillaries	64,902	-	-	64,902
Insurance	216,252	13,803	-	230,055
Interest	238,968	14,365	-	253,333
IT, connection and phone	218,112	12,242	-	230,354
Laundry services	102,134	-	-	102,134
Maintenance and repairs	230,392	13,848	-	244,240
Management service expense	628,805	-	-	628,805
Marketing	-	121,733	160,519	282,252
Medical director fees	7,368	-	-	7,368
Outside labor and Professional services	-	102,782	105,924	208,706
Property taxes	103,424	6,217	-	109,641
Recruiting	28,015	4,944	-	32,959
Rental property expenses	-	35,632	-	35,632
Resident activities	45,493	-	-	45,493
Supplies expense	228,842	12,044	-	240,886
Training	-	552	-	552
Travel	-	35,121	-	35,121
Utilities	217,273	13,060	-	230,333
Other operating expenses	504,723	61,569	-	566,292
	8,333,539	948,989	317,119	9,599,647
Less expenses included with other revenues on the consolidated statement of activities:				
Expenses related to net rental income	-	(63,281)	-	(63,281)
	$ 8,333,539	$ 885,708	$ 317,119	$ 9,536,366

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

ALDERSLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended September 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents	$	9,784,074
Cash received from residential real estate rental		84,000
Interest and dividends received net of management fees		212,583
Cash received from donors		59,218
Cash paid to suppliers and employees		(7,935,036)
Cash paid for interest		(302,213)
Cash paid for entrance fee refunds to residents		(654,761)
Net cash used in operating activities		1,247,865
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sales of investments		4,584,517
Net purchases of assets held in trust		(15,312)
Capital expenditures		(5,613,010)
Net cash provided by investing activities		(1,043,805)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond principal payments		(205,822)
Net cash used in financing activities		(205,822)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS		(1,762)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS - beginning of year		1,409,659
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS - end of year	$	1,407,897
Reconciliation of end of year totals in the consolidated statement of cash flows related to captions in the consolidated statement of financial position		
Cash and cash equivalents	$	1,121,640
Assets whose use is limited or restricted - restricted cash equivalents		265,538
	$	1,387,178

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

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1921 by Danish immigrants as a not-for-profit retirement community located in San Rafael, California, Aldersly today is a diverse and vibrant mix of residents from many cultural backgrounds. Aldersly is a continuing care retirement community that offers three lifestyle options - Independent Living, Assisted Living, and the Health and Rehabilitation Center. Residents are able to seamlessly transition between care levels, as necessary.

In August 2014, Aldersly formed H.C. Andersen Properties, LLC, a wholly owned subsidiary, for the purpose of acquiring property.

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Aldersly and its wholly owned subsidiary (collectively the “Organization”). Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profit Organizations (“U.S. GAAP”).

Net Assets

The net assets of the Organization are reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Donations received and spent in accordance with donor-imposed stipulations in the same reporting period are also included in this classification. A portion of these net assets may be designated by the Board of Directors for specific purposes (refer to Note 10).

With Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time as well as net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. At September 30, 2022, the Organization did not have net assets with donor restrictions to be maintained in perpetuity.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d except as noted for the LLC. Accordingly, it has not provided for income taxes in these consolidated financial statements.

The LLC's net earnings (losses) are reported on the federal exempt organization tax return of its parent company. The LLC files a separate state tax return in California and is subject to an annual minimum franchise tax of $800.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these consolidated financial statements.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash includes amounts held relating to assets whose use is limited or restricted. The Organization classifies cash held in money market funds by investment custodians as short-term investments.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents and restricted cash. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The Organization grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicare and various commercial insurance companies.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are insured up to the limit set by the Securities Investor Protection Corporation ("SIPC").

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable - Residents

The Organization assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable and anticipated collection of the consideration. Accounts are written off when the Organization has exhausted all collection efforts and accounts are deemed uncollectible.

Investments

Investments in marketable equity and debt securities are presented in the consolidated financial statements at their fair values based on quoted market prices. Investment income, which consists of dividend and interest income and unrealized and realized gains (losses) on investments, is shown in the consolidated statement of activities net of investment management fees.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its marketable investment securities using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Donated assets are recorded at fair market value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from five to forty years. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. The Organization capitalizes assets with a cost or donated value of $1,000 or more and an estimated useful life greater than one year. Gains or losses on dispositions of property and equipment are included in the consolidated statement of activities.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted represent assets held by trustees under an indenture agreement. These assets are presented in the consolidated financial statements at their fair value. The underlying investments are held in interest bearing and fixed income accounts.

Financing Costs

Deferred financing costs are amortized over the term of the related financing.

Deferred financing costs are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of long-term debt (refer to Note 9). The amortization of deferred financing costs is included in interest expense on the consolidated statement of functional expenses. For the year ended September 30, 2022, the amortization of deferred financing costs amounted to $13,879.

Bond Premium

Bond premium, net of bond discounts, is amortized over the term of the related financing.

Net bond premium is presented in the consolidated statement of financial position as a direct increase to the carrying amount of long-term debt (refer to Note 9). The amortization of net bond premium is included in interest expense on the consolidated statement of functional expenses. For the year ended September 30, 2022, the amortization of net bond premium amounted to $26,896.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Organization leases various equipment and storage space used in the normal course of operations. The Organization accounts for these leases under Accounting Standards Codification ("ASC") 842, *Leases*. For any leases for which the Organization is the lessee, the Organization recognizes the assets and liabilities that arise from lease on the consolidated statement of financial position by recognizing a lease liability equal to net present value of future minimum lease payments and a right-of-use asset representing the Organization's right to use the underlying asset for the lease term. At lease inception, leases are classified as either a finance lease or operating lease with the associated lease liability and right-of-use asset recorded at the estimated present value of future lease payments. Finance lease right-of-use assets are expensed as depreciation expense over term of the lease. Operating lease right-of-use assets are expensed as lease expense over term of the lease. Finance lease liability, adjusted for interest expense over the term of the lease, is amortized in accordance with lease payments over the term of the lease. Operating lease liability is amortized in accordance with lease payments over the term of the lease. At September 30, 2022, the Organization's operating lease liabilities and right-of-use assets were immaterial to the consolidated financial statements.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term. In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses the Organization's incremental borrowing rate. The Organization's incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Organization's assets. Certain required adjustments, some of which required significant judgement, were then made to this base debt rate to arrive at an estimated incremental borrowing rate.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Organization made significant assumptions and judgements in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contractors contain embedded leases;
- Evaluated leases with similar commencement dates, lengths of terms, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;
- Allocated consideration in the contract between lease and non lease components;
- Determined the discount rate used to measure the lease liability.

The Organization does not have any material leasing transactions with related parties.

Revenue Recognition

Resident Services

Revenues primarily result from fees charged to customers under continuing care retirement community (“CCRC”) resident contacts, non-CCRC resident contracts and Health Care Center patient contracts. Revenue recognition is evaluated under ASC 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Net resident service revenues are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents, patients or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. The performance obligation for resident contracts is to stand ready to provide a residence, resident services, and resident care based on the needed level of care. The performance obligation for patient contracts is to stand ready to provide routine nursing care as well as emergency care that may be required.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Resident Services (continued)

Net resident service revenues are primarily comprised of skilled nursing, assisted living, memory care, and independent living revenue streams, which are primarily derived from providing housing, skilled nursing, assisted living, and independent living services to residents or patients at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Organization has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Organization considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living, and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

The two types of CCRC contracts that the Organization provides include Traditional and 50% Return of Capital (“ROC”). Both CCRC contracts allow the resident a ratable right of refund, as defined in the contracts, when a resident either passes away or moves out prior to 57 months of residency for Traditional contracts and 4 years for ROC contracts. 50% of an ROC resident’s entrance fee is always guaranteed to be refunded upon death or move out. As CCRC residents typically do reside at the Organization’s community for a period that exceeds these limits, the Organization considers 100% of a Traditional CCRC resident’s entrance fee and 50% of an ROC resident’s entrance fee to be non-refundable.

The guaranteed refund component of entrance fees is not amortized to income and is classified as guaranteed refunds liability in the accompanying consolidated statement of financial position.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over the estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion of entrance fees are classified as deferred revenues from unearned entrance fees, a contract liability, in the accompanying consolidated statement of financial position until the performance obligations are satisfied.

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

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Resident Services (continued)

Payment terms and conditions for the Organization's contracts vary by contract type and payor source. Entrance fees for CCRC residents are generally due on or before the contract date of move in. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly on the first of the month. Resident service revenues for ancillary services are generally billed monthly in arrears. Payment of monthly service fees by CCRC residents are to be made within 15 days from the first of the month. Payment of monthly service fees by non-CCRC residents are to be made within 5 days from the first of the month. Payment of daily service fees by Health Care Center patients are to be made within 10 days from the first of the month.

Contract costs include incremental costs of obtaining contracts that would not have been incurred if the contracts were not obtained and are recorded at cost. For the Organization, contract costs consist of sales commissions paid to sales personnel for obtaining new contracts. Contract costs are amortized over the estimate life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services are expected to be transferred to residents. During the year ended September 30, 2022, contract costs were immaterial to the consolidated financial statements and therefore were not capitalized.

The Organization disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors.

Resident service revenues consist of the following for the year ended September 30, 2022:

	Skilled Nursing	Assisted Living	Memory Care	Independent Living	Total
Self-pay	$ 1,538,576	$ 1,493,770	$ 656,167	$ 3,089,865	$ 6,778,378
Medicare and other	62,557	-	-	-	62,557
Medi-Cal assistance	199,453	-	-	-	199,453
	$ 1,800,586	$ 1,493,770	$ 656,167	$ 3,089,865	7,040,388
Amortization of nonrefundable entrance fees					889,014
					$ 7,929,402

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions and Grants

Revenues from contribution and grant income are accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as revenue when promised. Conditional contributions and grants received are recorded as revenue when the underlying conditions have been satisfied by the Organization. Contributions and grants that are not restricted by the donor are reported as an increase in net assets without donor restrictions. Donor restricted contributions and grants are reported as an increase in net assets with donor restrictions. When a donor restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Services

The Organization receives various types of volunteer services. Contributed services are not recognized unless the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased. Donated services received do not meet the two recognition criteria described above. Accordingly, the value is not reflected in the consolidated financial statements.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services benefited. Payroll and employee benefits expense are allocated based on a percentage of time spent. All other expenses related to more than one function are charged to programs and supporting services pro rata on the basis of square footage or other appropriate usage factors.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates in the Organization’s consolidated financial statements include entrance fee amortization, functional allocation of expenses, depreciation expense, and fair value of investments. Actual results could differ from those estimates.

1. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Performance Indicator

The Organization measure of operations is its changes in net assets from operating activities excluding revenues rental income, other income, and investment income.

Obligation to Provide Future Services

The Organization periodically calculates the present value of the net cost of future service and 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 obligation to provide future service and use of facilities (discounted at 3.05%) exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to income. Deferred revenue from entrance fees exceeded the calculation of the present value of the net cost of future services for each organization. Therefore, an additional liability for an obligation to provide future services and use of facilities is not required as of December 31, 2022.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued, REPORT DATE.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's primary source of revenue is revenue received from residents. The Organization considers contributions without donor restrictions to be available to meet cash needs for general expenditures. General operating expenditures include programmatic expenses, management and general expenses, and fundraising expenses that are expected to be paid in the subsequent year. In the event that a need arises to utilize board-designated net assets for liquidity purposes, the funds could be drawn upon through a board resolution.

The table below presents financial assets available to fund general operating expenditures within one year at September 30, 2022:

Cash and cash equivalents	$ 1,121,640
Investments in marketable securities	5,429,829
Accounts receivable - residents - net	422,003
Pledges receivable	7,769,542
Interest and dividends receivable	3,104
	14,746,118
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(7,845,777)
Financial assets available to meet general operating expenditures within one year	$ 6,900,341

3. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following are the major categories of assets measured at fair value on a recurring basis at September 30, 2022, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Fair Value	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents*	$ 514,031	$ -	$ -	$ -
U.S. Corporate stocks	6,348,144	6,348,144	-	-
Equity funds	1,860,777	1,860,777	-	-
Fixed income funds	1,280,978	1,280,978	-	-
U.S. government obligations	1,662,529	-	1,662,529	-
Corporate bonds	685,530	-	685,530	-
Foreign corporate stocks	62,412	62,412	-	-
Foreign obligations	66,448	-	66,448	-
	12,480,849	9,552,311	2,414,507	-
Assets whose use is limited (refer to Note 7)				
Restricted cash equivalents*	265,538	-	-	-
Fixed income securities	496,474	-	496,474	-
	762,012	-	496,474	-
Total investments and restricted assets	$ 13,242,861	$ 9,552,311	$ 2,910,981	$ -

* Cash, cash equivalents, and restricted cash equivalents are not included in Level 1, 2, or 3 of the fair value hierarchy

At September 30, 2022, investments are reflected in the consolidated statement of financial position as follows:

Current	$ 5,429,829
Long-term - held for endowment	7,051,020
	$ 12,480,849

The investment income for the year ended September 30, 2022 includes $3,512,412 in losses from the Board Designated Endowment Fund (refer to Note 9).

4. ACCOUNTS RECEIVABLE - RESIDENTS

At September 30, 2022, accounts receivable - residents consisted of the following:

Private	$ 392,637
Medicare/MediCal	23,443
Other insurance	63,341
	479,421
Less: allowance for doubtful accounts	(57,418)
	$ 422,003

5. PROPERTY AND EQUIPMENT

At September 30, 2022, property and equipment consisted of the following:

Land	$ 232,822
Buildings and improvements	27,087,237
Land improvements	256,334
Equipment	1,001,036
Furniture	413,158
Assisted living furniture	149,212
Vehicles	61,457
Residential real estate	
Land	990,000
Buildings and improvements	862,381
	31,053,637
Less: accumulated depreciation	(14,167,836)
	16,885,801
Construction in progress:	
Mission Avenue independent living project	2,897,482
Unit remodels	254,747
Total construction in progress	3,152,229
	$ 20,038,030

6. ASSETS WHOSE USE IS LIMITED OR RESTRICTED

At September 30, 2022, assets with limited or restricted use consisted of the following:

Series 2015A bond funds	
Debt service reserve	$ 504,200
Principal fund	120,709
Interest fund	84,877
Project fund	52,226
	$ 762,012

7. UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS

Changes in unearned entrance fees and guaranteed refunds for the year ended September 30, 2022, were as follows:

	Unearned Entrance Fees	Guaranteed Refunds	Total
Balance at September 30, 2021	$ 5,084,396	$ 2,175,289	$ 7,259,685
Entrance fees received	1,332,599	270,430	1,603,029
	6,416,995	2,445,719	8,862,714
Less: entrance fees amortization	(889,014)	-	(889,014)
Less: entrance fees refunds	(567,620)	(276,901)	(844,521)
Balance at September 30, 2022	4,960,361	2,168,818	7,129,179
Less: current portion	-	(612,300)	(612,300)
	$ 4,960,361	$ 1,556,518	$ 6,516,879

Continuing care retirement communities are required to report a liability recognizing an obligation to provide future services and the use of the facilities to current residents in excess of related anticipated revenues, when the present value of future net cash outflows plus depreciation to be charged related to the contracts exceeds unearned entrance fees.

8. LONG-TERM DEBT

At September 30, 2022, long-term debt consisted of the following:

In February 2015, the California Statewide Communities Development Authority (CSCDA) issued Revenue Refunding Bonds series 2015A and 2015B on behalf of the Organization at an aggregate purchase price of $7,307,398. The purchase amount reflects $6,635,000 of aggregate par amounts plus an original issue premium of the series 2015A bonds of $765,288 and less an aggregate purchase discount of $92,890 (of which $29,458 relates to the series 2015A bonds and $63,432 relates to the series 2015B bonds). The bond proceeds were used to pay off existing bond debt from the California Health Facilities Financing Authority (CHFFA), pay off a note to a financial institution, establish funding for future capital projects, and a debt service reserve fund. The bonds bear interest rates ranging from 2.5% to 5% with effective interest rates ranging from 2.6% to 4.6% and mature at various dates through May 15, 2040. The bonds are collateralized by a deed of trust on the real property, certain personal property, and a security interest in the gross revenues of the Organization. The series 2015B bonds matured and were repaid in 2017. The Organization is required to comply with certain debt covenants, including the maintenance of certain financial ratios.	$ 5,434,178
Less: unamortized financing costs	(240,572)
Add: unamortized bond premium - net of unamortized bond discount	466,195
	5,659,801
Less: current maturities	(195,000)
	$ 5,464,801

At September 30, 2022, future maturities of long-term debt were as follows:

Year ending September 30,	
2023	$ 195,000
2024	205,000
2025	215,000
2026	225,000
2027	225,000
Thereafter	4,369,178
	$ 5,434,178

9. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

Board Designated for Endowment

Certain gifts and realized and unrealized gains or losses on these gifts have been internally designated by the Board of Directors to be maintained similar to an endowment fund. Dissolution of this designation requires three quarters vote of the full Board. The Organization does not have any donor restricted endowment funds.

The Board of Directors adopted a spending policy for the board designated endowment fund with an objective of allocating 3% of the fund balance annually (based on the rolling average of the 12 preceding quarters' balances) to fund various projects at the discretion of management.

The investment objective is to provide liquidity for debt service, operations, projects, and capital needs as required. The asset allocations are set up to maintain approximately 35% of the assets in fixed income investments with the remaining assets in equities with large market capitalization and a high level of liquidity.

Board Designated for Care Fund

The Board designated Care Fund was established to provide assistance to residents who have developed a financial need due to unforeseen or uncontrollable circumstances. The Board of Directors has established a set of guidelines to be used in considering applications for hardship assistance each year.

Board Designated for Master Plan

The Board designated Master Plan Fund was established to provide partial funding for various facilities renovations at Aldersly. The Master Plan is part of the Organization's strategic planning for long-term success of the Organization. The Board of Directors has not yet determined the full cost of the project and will be designating additional funds as necessary in the future to cover anticipated costs.

For the year ended September 30, 2022, changes in Board designated net assets were as follows:

	Endowment	Care Fund	Master Plan	Total
Balances at September 30, 2021	$ 10,890,136	$ 188,174	$ 765,302	$ 11,843,612
Designated investment loss - net	(3,512,412)	-	-	(3,512,412)
Appropriations	(326,704)	-	-	(326,704)
Balances at September 30, 2022	$ 7,051,020	$ 188,174	$ 765,302	$ 8,004,496

10. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2022, net assets with donor restrictions were held for the following purposes:

Time Restricted	$	7,769,542
Care Fund		65,531
Music Memory Fund		10,079
Staff Appreciation Fund		625
	$	7,845,777

11. RETIREMENT PLAN

The Organization has an Internal Revenue Code section 401(k) retirement plan (the “Plan”). Plan participants may elect to defer a portion of their compensation (up to the maximum allowed by law) and have such salary deferrals contributed to their plan accounts. The Organization matches up to 4% of the employee’s salary. For the year ended September 30, 2022, employer matching contributions to the Plan were $63,684 The Plan also provides for discretionary employer profit sharing contributions to the Plan. There were no discretionary contributions made for the year ended September 30, 2022.

12. CONTINGENCIES AND COMMITMENTS

Contingencies

The Organization is a party to certain claims in the normal course of business. While the result of these proceedings cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect on the consolidated financial statements.

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter, if any, cannot be known with certainty.

Commitments

At September 30, 2022, the Organization has approximately $765,000 in net assets designated by the Board (refer to Note 9) and approximately $52,000 of assets with limited or restricted use (refer to Note 6) set aside for future capital projects.

[OPEN TO DISCLOSE ANY COMMITMENTS RELATED TO FUTURE CONSTRUCTION PROJECTS]

13. CONSULTING SERVICES

Life Care Services (LCS), an unrelated consulting company, provides consulting services to the community in accordance with the terms of a five-year contract effective November 1, 2019. The monthly consulting fee is calculated based upon specific terms per the agreement. There is also an annual bonus incentive calculated based upon any excess of actual annual operating revenue over budgeted operating revenue. The agreement is cancelable by either party upon six months' written notice (60 days' notice with cause). The Organization at times may utilize LCS for services outside the scope of the agreement and is billed extra for these services. During the year ended September 30, 2022, LCS charged the Organization approximately $314,000 for consulting fees.

14. SUBSEQUENT EVENTS

[OPEN TO FINALIZE]

Exhibit E

Interim Financial Statements

YTD January 31, 2023

Comparative Balance Sheet

Aldersly
JAN23-P04-FY-23USD
2/13/2023 17:42

No specific NATURAL ACCOUNT

NATURAL ACCOUNT	Current Month	Prior Yr End	Difference	Prior Month	Difference
---	----------------	----------------	----------------	----------------	----------------
Cash and Cash Equivalents					
1000199 Petty Cash - Other	500	500	0	500	0
1001027 Checking #1 - First Republic	230,000.00	351,316.25	-121,316.25	2,089,770.66	-1,859,770.66
1001127 Checking #2 - First Republic	97,882.25	0	97,882.25	90,251.02	7,631.23
1001827 Outstanding A/P Clearing - First	-227,036.35	-330,757.58	103,721.23	-770,425.16	543,388.81
1002027 Payroll #1 - First Republic	4,961.13	-21,037.35	25,998.48	10,121.12	-5,159.99
1003044 Savings #1 - US	1,061,391.00	0	1,061,391.00	0	1,061,391.00
1004090 Money Market #1-Merrill	15,818.82	10,934.88	4,883.94	10,940.20	4,878.62
1004190 Money Market #2-Merrill	4,346,318.55	3,839,790.16	506,528.39	4,123,676.15	222,642.40
1032004 Investments - Non-Taxable	27,509.94	24,625.37	2,884.57	26,261.99	1,247.95
1032005 Investments - Non-Taxable	1,183,583.59	958,518.65	225,064.94	0	1,183,583.59
1032006 Investments - Non-Taxable	831,845.13	748,893.35	82,951.78	793,227.14	38,617.99
1032007 Investments - Non-Taxable	8,263,976.59	7,377,723.86	886,252.73	7,854,284.81	409,691.78
1032008 Investments - Non-Taxable	523,472.56	478,880.93	44,591.63	523,472.56	0
Total Cash and Cash Equivalents	16,360,223.21	13,439,388.52	2,920,834.69	14,752,080.49	1,608,142.72

Current Assets Whose Use is					
Current Assets Whose Use is Limited					
Accounts/Notes Receivable					
1102001 A/R - Residents - Ind. Living -	36,284.31	48,499.06	-12,214.75	99,727.90	-63,443.59
1102001 A/R - Residents - A/L - Private	8,521.16	26,679.82	-18,158.66	5,335.95	3,185.21
1102001 A/R - A/L Dementia	130,345.27	107,074.13	23,271.14	125,692.68	4,652.59
1102001 A/R - Residents - Health Ctr -	249,214.54	208,080.93	41,133.61	221,361.44	27,853.10
1102001 A/R - Residents - Health Ctr -	0	22,734.00	-22,734.00	0	0
1102001 A/R - Residents - Health Ctr -	272.07	272.07	0	272.07	0
1102001 A/R - Residents - Health Ctr -	486.81	486.81	0	486.81	0
1102001 A/R - Residents - Health Ctr -	234.61	234.61	0	234.61	0
1102001 A/R - Residents - Health Ctr -	437.31	437.31	0	437.31	0
1102098 A/R - Resident	20,233.00	0	20,233.00	20,103.00	130
1102099 A/R - Residents - Allow for	-57,417.71	-57,417.71	0	-57,417.71	0
1108501 A/R - Client	25,000.00	25,000.00	0	25,000.00	0
1109001 A/R - Other #1	6,055,429.00	8,001,684.00	-1,946,255.00	6,055,429.00	0
1141000 A/R - Admission Payments -	0	36,170.00	-36,170.00	0	0
1181000 Accrued Investment	5,199.75	3,103.58	2,096.17	3,999.20	1,200.55
Total Accounts/Notes Receivable	6,474,240.12	8,423,038.61	-1,948,798.49	6,500,662.26	-26,422.14
Inventory					
1202000 Inventory -	26,451.19	26,451.19	0	26,451.19	0
Total Inventory	26,451.19	26,451.19	0	26,451.19	0
Prepaid and Deferred					
1250500 Prepaid - General	116,717.20	210,090.96	-93,373.76	140,060.64	-23,343.44
1251000 Prepaid - Group	29,169.40	0	29,169.40	29,169.40	0
1251500 Prepaid - Worker's	228,366.23	467,540.16	-239,173.93	260,736.58	-32,370.35
1252500 Prepaid - Property	44,546.44	26,727.81	17,818.63	53,455.71	-8,909.27
1254500 Prepaid - Other	33,490.88	37,272.37	-3,781.49	37,507.09	-4,016.21

Total Prepaid and Deferred	452,290.15	741,631.30	-289,341.15	520,929.42	-68,639.27
Total Current Assets	23,313,204.67	22,630,509.62	682,695.05	21,800,123.36	1,513,081.31
L-T Assets Whose Use is Board/Self					
L-T Assets With Limited/Restricted					
1530801 Cost of Issuance	7.85	7.85	0	7.85	0
1531501 Debt Service Reserve	513,967.10	504,191.81	9,775.29	508,782.89	5,184.21
1532001 Interest Fund #1	51,247.67	120,709.01	-69,461.34	51,090.69	156.98
1532002 Interest Fund #2	0.07	0.07	0	0.07	0
1532501 Principal Fund #1	133,500.63	84,876.59	48,624.04	133,063.31	437.32
1533701 Project Fund	52,226.44	52,226.44	0	52,226.44	0
Total L-T Assets With	750,949.76	762,011.77	-11,062.01	745,171.25	5,778.51
Fixed Assets					
1701098 Fixed Assets Clearing	25,390.60	0	25,390.60	25,390.60	0
1701001 Fixed Asset - Buildings Main	14,740,171.00	14,740,171.00	0	14,740,171.00	0
1701101 Fixed Asset - Buildings 2	5,255.65	5,255.65	0	5,255.65	0
1702001 Fixed Asset - Buildings HVAC	437,943.10	437,943.10	0	437,943.10	0
1703001 Fixed Asset - Building Roof	344,564.57	344,564.57	0	344,564.57	0
1704001 Fixed Asset - Buildings	67,916.29	67,916.29	0	67,916.29	0
1705001 Fixed Asset - Buildings	22,172.80	22,172.80	0	22,172.80	0
1706001 Fixed Asset - Buildings Carpet	425,929.62	425,929.62	0	425,929.62	0
1721001 Fixed Asset - Land	256,333.56	256,333.56	0	256,333.56	0
1722001 Fixed Asset - Building	3,440,841.91	3,440,841.91	0	3,440,841.91	0
1751001 Fixed Asset - Beauty Salon	7,451.63	7,451.63	0	7,451.63	0
1753001 Fixed Asset - Kitchen	295,133.74	295,133.74	0	295,133.74	0
1754001 Fixed Asset - Laundry	17,584.49	17,584.49	0	17,584.49	0
1755001 Fixed Asset - Maintenance	18,083.53	18,083.53	0	18,083.53	0
1756001 Fixed Asset - Health Care	24,417.61	24,417.61	0	24,417.61	0
1757001 Fixed Asset - Communications	180,868.39	180,868.39	0	180,868.39	0

1757501 Fixed Asset - IT Equipment &	437,349.47	437,349.47	0	437,349.47	0
1758001 Fixed Asset - Other Office	14,372.97	14,372.97	0	14,372.97	0
1759001 Fixed Asset - Clinic Equipment	5,774.07	5,774.07	0	5,774.07	0
1781001 Fixed Asset - Apt - Commons	129,781.97	129,781.97	0	129,781.97	0
1782001 Fixed Asset - Health Center	266,353.22	266,353.22	0	266,353.22	0
1783001 Fixed Asset - Office Furniture	17,023.47	17,023.47	0	17,023.47	0
1785001 Fixed Asset - Assisted Living	149,211.52	149,211.52	0	149,211.52	0
1790001 Fixed Asset - Vehicles	61,457.21	61,457.21	0	61,457.21	0
Total Fixed Asset Costs	21,391,382.39	21,365,991.79	25,390.60	21,391,382.39	0
1701099 Fixed Asset - Buildings Main	-9,655,052.08	-9,557,672.24	-97,379.84	-9,630,707.12	-24,344.96
1701199 Fixed Asset - Buildings 2	-777.31	-733.59	-43.72	-766.38	-10.93
1702099 Fixed Asset - Buildings HVAC	-149,283.34	-142,720.62	-6,562.72	-147,642.66	-1,640.68
1703099 Fixed Asset - Buildings Roof	-110,743.27	-106,499.95	-4,243.32	-109,682.44	-1,060.83
1704099 Fixed Asset - Buildings	-26,634.15	-25,748.35	-885.8	-26,412.70	-221.45
1705099 Fixed Asset - Buildings	-2,983.47	-2,798.63	-184.84	-2,937.26	-46.21
1706099 Fixed Asset - Buildings Carpet	-363,640.85	-352,296.25	-11,344.60	-360,804.70	-2,836.15
1721099 Fixed Asset - Land	-179,842.33	-177,619.65	-2,222.68	-179,286.66	-555.67
1722099 Fixed Asset - Buildings	-2,343,557.19	-2,281,415.31	-62,141.88	-2,328,021.72	-15,535.47
1751099 Fixed Asset - Beauty Salon	-3,042.59	-2,794.35	-248.24	-2,980.53	-62.06
1753099 Fixed Asset - Kitchen	-200,654.60	-194,880.32	-5,774.28	-199,211.03	-1,443.57
1754099 Fixed Asset - Laundry	-12,955.54	-12,369.22	-586.32	-12,808.96	-146.58
1755099 Fixed Asset - Maintenance	-13,086.41	-12,720.65	-365.76	-12,994.97	-91.44
1756099 Fixed Asset - Health Care	-18,229.94	-17,511.66	-718.28	-18,050.37	-179.57
1757099 Fixed Asset - Communications	-169,917.39	-169,129.67	-787.72	-169,720.46	-196.93
1757599 Fixed Asset - IT Equipment &	-296,800.90	-280,400.50	-16,400.40	-292,700.80	-4,100.10
1758099 Fixed Asset - Other Office	-14,372.97	-14,372.97	0	-14,372.97	0
1759099 Fixed Asset - Clinic Equipment	-2,919.84	-2,727.56	-192.28	-2,871.77	-48.07
1781099 Fixed Asset - Apt - Commons	-103,257.38	-101,022.50	-2,234.88	-102,698.66	-558.72
1782099 Fixed Asset - Health Center	-241,580.10	-239,783.98	-1,796.12	-241,131.07	-449.03
1783099 Fixed Asset - Office Furniture	-13,789.83	-13,426.35	-363.48	-13,698.96	-90.87
1785099 Fixed Asset - Assisted Living	-143,116.91	-141,516.47	-1,600.44	-142,716.80	-400.11
1790099 Fixed Asset - Vehicles Accum	-58,326.82	-57,922.74	-404.08	-58,225.80	-101.02
Total Accumulated Depreciation	-14,124,565.21	-13,908,083.53	-216,481.68	-14,070,444.79	-54,120.42

Net Depreciable Assets	7,266,817.18	7,457,908.26	-191,091.08	7,320,937.60	-54,120.42
Other Assets					
1601000 Projects under	3,598,929.30	2,897,481.58	701,447.72	3,506,912.95	92,016.35
1610100 Remodel Project	46,891.36	46,891.36	0	46,891.36	0
1610200 Remodel Project	7,602,442.49	7,602,442.49	0	7,602,442.49	0
1610500 Remodel Project	19,260.88	0	19,260.88	0	19,260.88
1610600 Remodel Project	2,760.64	2,760.64	0	2,760.64	0
1610800 Remodel Project	4,838.40	4,838.40	0	4,838.40	0
1611000 Remodel Project	153,423.25	153,423.25	0	153,423.25	0
1611100 Remodel Project	2,000.00	2,000.00	0	2,000.00	0
1611300 Remodel Project	44.97	0	44.97	0	44.97
1611400 Remodel Project	13,504.45	13,504.45	0	13,504.45	0
1611500 Remodel Project	30,087.50	30,087.50	0	30,087.50	0
1612000 Remodel Project	1,241.28	1,241.28	0	1,241.28	0
1651000 Land	232,821.87	232,821.87	0	232,821.87	0
1911000 Investments in	1,807,678.17	1,807,678.17	0	1,807,678.17	0
Total Other Assets	13,515,924.56	12,795,170.99	720,753.57	13,404,602.36	111,322.20
Total Assets	44,846,896.17	43,645,600.64	1,201,295.53	43,270,834.57	1,576,061.60
	================	================	================	================	================
Liabilities					
Accounts Payable					
2021000 Accts Payable -	40,222.00	228,480.91	-188,258.91	68,169.10	-27,947.10
2022000 Accts Payable - (Manual	44,723.36	6,957.75	37,765.61	18,786.80	25,936.56
2031500 Accounts Payable - Life Care	26,634.00	12,473.76	14,160.24	34,585.28	-7,951.28
2032000 Accounts Payable - Other	17,544.45	0	17,544.45	19,218.66	-1,674.21
Total Accounts Payable	129,123.81	247,912.42	-118,788.61	140,759.84	-11,636.03

Accrued Payroll Liabilities					
2101000 Accrued Payroll	158,458.62	11,588.95	146,869.67	150,306.52	8,152.10
2109000 Accrued Payroll -	0	18,557.74	-18,557.74	0	0
2113000 Accrued Paid Time Off	212,640.74	203,683.07	8,957.67	214,758.09	-2,117.35
2121010 FICA - Withheld	535.8	0	535.8	535.8	0
2122001 Federal W/H	1,070.28	0	1,070.28	1,070.28	0
2124005 State W/H -	377.71	0	377.71	377.71	0
2125005 State Disability -	77.04	0.02	77.02	77.04	0
2133001 Garnishment -	37.89	37.89	0	37.89	0
2134001 401K/403B Contribution - Plan	93,595.81	80,708.37	12,887.44	92,116.11	1,479.70
2139096 Misc - Other #1	0	114.29	-114.29	0	0
Total Accrued Payroll Liabilities	466,793.89	314,690.33	152,103.56	459,279.44	7,514.45
Accrued Interest and Current Debt					
2011000 Bonds Payable Current	195,000.00	195,000.00	0	216,430.49	-21,430.49
2221000 Accrued Interest -	23,473.69	68,377.83	-44,904.14	1,021.61	22,452.08
Total Accrued Interest and Current	218,473.69	263,377.83	-44,904.14	217,452.10	1,021.59
Accrued Liabilities					
2202000 Accrued - General	0	92,496.00	-92,496.00	0	0
2203000 Accrued - Legal	25,000.00	25,000.00	0	25,000.00	0
Total Accrued Liabilities	25,000.00	117,496.00	-92,496.00	25,000.00	0
Other Current Liabilities					
2401010 Wait List - IL	16,500.00	10,000.00	6,500.00	12,500.00	4,000.00
2401020 Wait List - AL	0	-1,000.00	1,000.00	0	0
2402010 Deposit - IL	36,823.00	545,889.00	-509,066.00	36,823.00	0
2402020 Deposit - AL	0	2,000.00	-2,000.00	0	0
2402030 Deposit - HC	11,310.00	11,310.00	0	11,310.00	0
2403000 Client Deposits	1,061,391.00	0	1,061,391.00	0	1,061,391.00

2404000 Client Petty Cash	-713.11	0	-713.11	-600	-113.11
2408000 Pet Deposits	1,500.00	1,500.00	0	1,500.00	0
2409000 Deposits - Other	61,154.10	61,154.10	0	61,154.10	0
2421000 Deposits-Residents (Operating	0	3,784.70	-3,784.70	0	0
2431000 Refunds in	426,377.58	287,240.00	139,137.58	675,084.00	-248,706.42
Total Other Current Liabilities	1,614,342.57	921,877.80	692,464.77	797,771.10	816,571.47
Total Current Liabilities	2,453,733.96	1,865,354.38	588,379.58	1,640,262.48	813,471.48
Long-Term Liabilities					
2501000 Bonds Payable - LT	5,239,177.80	5,239,177.80	0	5,255,000.00	-15,822.20
2507001 Financing Costs	-346,979.00	-346,979.00	0	-346,979.00	0
2507099 Financing Costs - Accum	111,033.60	106,407.20	4,626.40	109,877.00	1,156.60
2508001 Bond	672,397.60	672,397.60	0	672,397.60	0
2508099 Bond Discount/Premium -	-215,167.68	-206,202.36	-8,965.32	-212,926.35	-2,241.33
2642000 Refundable Fees -	1,912,008.00	2,168,818.00	-256,810.00	1,632,418.00	279,590.00
Total Long-Term Liabilities	7,372,470.32	7,633,619.24	-261,148.92	7,109,787.25	262,683.07
Deferred Revenue - Non Refundable					
2703001 Attrition - Operating	8,058,975.00	8,293,180.00	-234,205.00	8,438,182.00	-379,207.00
2703099 Attrition - Operating - Accum	-3,248,982.12	-3,332,818.63	83,836.51	-3,380,251.25	131,269.13
Total Deferred Revenue - Non	4,809,992.88	4,960,361.37	-150,368.49	5,057,930.75	-247,937.87
Deferred Revenue - Refundable					
Total Liabilities	14,636,197.16	14,459,334.99	176,862.17	13,807,980.48	828,216.68
Equity					
3800000 Retained	29,186,265.65	29,186,265.65	0	29,186,265.65	0
3850000 Retained Earnings - Current	1,024,433.36	0	1,024,433.36	276,588.44	747,844.92

	________________	________________	________________	________________	________________
Total Equity	30,210,699.01	29,186,265.65	1,024,433.36	29,462,854.09	747,844.92
	________________	________________	________________	________________	________________
Total Liabilities and Equity	44,846,896.17	43,645,600.64	1,201,295.53	43,270,834.57	1,576,061.60
	================	================	================	================	================

Aldersly, Inc. Operating Statement -

Aldersly
JAN23-P04-FY-23USD
2/13/2023 17:42

No specific NATURAL ACCOUNT

NATURAL ACCOUNT COST CENTER -------------------------------------- -------------------	JAN23-P04-FY-23 Budget	JAN23-P04-FY-23 Actual	JAN23-P04-FY-23 Variance	YTD Budget	YTD Actual	YTD Variance
	==============	==============	==============	==============	==============	==============
SUMMARY						
Operating Revenue						
Total Independent Living Revenue	261,137.97	256,144.12	-4,993.85	1,053,204.56	1,063,372.18	10,167.62
Total Health Center Revenue	131,314.42	109,584.00	-21,730.42	521,031.39	420,726.51	-100,304.88
Total Assisted Living Revenue	124,523.25	97,737.26	-26,785.99	511,737.26	411,634.01	-100,103.25
Total Assisted Living - Dementia	120,068.76	63,098.59	-56,970.17	378,390.55	303,428.70	-74,961.85
Total Other Operating Revenue	66.95	0	-66.95	267.8	1,359.83	1,092.03
Total Operating Revenue	637,111.35	526,563.97	-110,547.38	2,464,631.56	2,200,521.23	-264,110.33
Operating Expense						
Total General and Administrative	207,944.92	156,128.19	51,816.73	828,417.71	853,245.35	-24,827.64
Total Plant Expenses	107,844.77	84,697.85	23,146.92	417,049.12	362,229.37	54,819.75
Total Environmental Service Expense	50,743.13	38,948.62	11,794.51	198,119.81	170,444.01	27,675.80
Total Food & Beverage Service Expense	147,396.27	139,188.05	8,208.22	577,938.56	580,612.63	-2,674.07
Total Resident Services Expense	15,642.35	13,771.36	1,870.99	60,785.93	66,194.80	-5,408.87
Total Health Center Expense	104,941.21	54,242.79	50,698.42	407,182.94	417,223.98	-10,041.04
Total Assisted Living Expense	62,593.04	107,709.57	-45,116.53	243,113.02	394,632.33	-151,519.31
Total Assisted Living - Dementia	35,793.96	27,526.06	8,267.90	138,804.04	113,112.92	25,691.12
Total Operating Expense	732,899.65	622,212.49	110,687.16	2,871,411.13	2,957,695.39	-86,284.26

Net Operating Income	-95,788.30	-95,648.52	139.78	-406,779.57	-757,174.16	-350,394.59
Total Fund Development Expense	10,257.66	0	10,257.66	41,030.64	81,882.95	-40,852.31
Total Other Income	110,140.00	924,233.50	814,093.50	440,560.00	2,191,845.45	1,751,285.45
Total Other Expenses	32,717.61	79,774.86	-47,057.25	128,732.94	327,389.78	-198,656.84
	_______________	_______________	_______________	_______________	_______________	_______________
Net Income/(Loss)	-28,623.57	748,810.12	777,433.69	-135,983.15	1,025,398.56	1,161,381.71
	==============	==============	==============	==============	==============	==============

Exhibit F

Financial Feasibility Report

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

FINAL REPORT

ALDERSLY AND SUBSIDIARY

FINANCIAL FEASIBILITY REPORT

APRIL 21, 2023

HENDRICKSON CONSULTING

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

April 21, 2023

Shannon Brown
Executive Director
Aldersly
326 Mission Avenue
San Rafael, CA 94901

Dear Ms. Brown:

We are pleased to submit this feasibility study for Aldersly, a 501(c)(3) corporation that owns and operates a multi-level retirement community in San Rafael, California. Aldersly currently consists of 56 independent living (IL) apartments and 50+ assisted living, memory care, and extended care (high acuity assisted living) beds. Aldersly began operations in 1921. The proceeds of the $63.3 million Series 2023 Bonds (par plus premium) will be used to construct a new 35-unit IL building and to refinance existing debt. When completed Aldersly will have approximately 76 IL units, with the number of health units/beds unchanged from current levels.

The 2023 Bonds are anticipated to be issued in June and are expected to have a 2053 term and maximum coupon rates of 5.0%. The 2023 Bonds will be insured through the State of California's Cal Mortgage program. Interest payments to bondholders begin on November 15, 2023. Principal payments begin on May 15, 2025.

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

- the key revenue sources for Aldersly,
- the key expenses for Aldersly,
- the estimated costs and timing of the improvements, and
- the terms and structure of the proposed bond issue.

The information obtained through this process has been used to forecast Aldersly financial statements for the fiscal years ending September 30, 2023 to 2028. Based on our evaluation, the debt coverage ratio is expected to exceed 1.40x maximum annual debt service beginning in FY 2027. 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 Aldersly 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 Aldersly management during the preparation of this study.

Sincerely,

William D. Hendrickson

William D. Hendrickson
Hendrickson Consulting

TABLE OF CONTENTS

SECTION A
ALDERSLY
STATEMENTS OF CHANGES IN NET ASSETS
($000s)

Fiscal Year Ending 9/30	2021	2022	2023	2024	2025	2026	2027	2028
REVENUE								
Independent Living	$2,949	$3,090	$2,988	$2,845	$3,796	$5,680	$6,344	$6,598
Assisted Living	1,902	1,494	1,411	1,468	1,526	1,587	1,651	1,717
Memory Care	-	656	1,082	1,330	1,490	1,660	1,842	1,915
Skilled/Extended Care	2,118	1,801	1,332	1,524	1,729	1,948	2,182	2,269
Rental/Other	132	92	100	104	108	112	117	122
Amortized Entrance Fees	1,286	889	818	767	1,665	2,005	1,868	1,752
Contributions	108	59	8,919	250	260	270	281	292
Investment Earnings	4,420	(2,399)	544	631	576	1,072	765	759
Total Revenue	**$12,915**	**$5,682**	**$17,195**	**$8,919**	**$11,151**	**$14,336**	**$15,049**	**$15,424**
EXPENSES								
Salaries/Benefits	$4,892	$4,760	$5,100	$5,316	$5,838	$6,245	$6,521	$6,782
Other	3,938	3,473	4,000	4,160	4,473	4,729	4,918	5,115
LCS Fees	300	314	318	323	328	333	338	343
Depreciation/Amortization	740	800	809	818	2,020	2,644	2,624	2,605
Net Interest/Fees	271	253	200	0	6	1,604	1,525	1,497
Total Expenses	**$10,141**	**$9,600**	**$10,427**	**$10,617**	**$12,666**	**$15,555**	**$15,926**	**$16,342**
Change in NA - Unrestricted	**$2,774**	**($3,918)**	**$6,768**	**($1,698)**	**($1,515)**	**($1,220)**	**($877)**	**($918)**
Change in NA - Donor Restricted	$1	$7,769	($7,769)	$0	$0	$0	$0	$0
BALANCE (DEFICIT)	**$25,048**	**$28,899**	**$27,898**	**$26,200**	**$24,685**	**$23,466**	**$22,589**	**$21,671**

SECTION A
ALDERSLY
STATEMENTS OF FINANCIAL POSITION
($000s)

Fiscal Year Ending 9/30	2021	2022	2023	2024	2025	2026	2027	2028
ASSETS								
Cash & Investments	$9,917	$6,552	$8,735	$7,349	$17,650	$11,034	$10,896	$11,030
Accounts Receivable	923	425	568	598	711	903	997	1,037
Pledges Receivable	0	7,769	0	0	0	0	0	0
Other Current Assets	706	788	788	788	788	788	788	788
Total Current Assets	$11,546	$15,534	$10,091	$8,735	$19,149	$12,725	$12,682	$12,855
Limited Use Assets	$761	$762	$43,896	$18,696	$2,109	$1,035	$1,035	$1,035
Investments - Long-Term	10,890	7,051	7,051	7,051	7,051	7,051	7,051	7,051
Net Property, Plant, Equip.	16,912	20,038	38,922	63,804	79,096	77,452	75,828	74,223
TOTAL ASSETS	**$40,109**	**$43,385**	**$99,961**	**$98,286**	**$107,405**	**$98,262**	**$96,595**	**$95,164**
LIABILITIES								
Accts. Payable/Accr. Exp.	$1,805	$775	$1,032	$1,074	$1,166	$1,239	$1,291	$1,341
Res. Deposits - Restricted	20	636	636	636	400	100	100	100
Refunds Payable	98	287	287	287	287	287	287	287
Current Portion - Debt	190	195	0	11,945	18,340	560	585	615
Total Current Liabilities	$2,113	$1,893	$1,955	$13,942	$20,193	$2,186	$2,263	$2,343
Unamortized Entrance Fees	$7,259	$7,128	$6,769	$6,751	$29,474	$40,118	$39,837	$39,857
Debt - Principal	5,689	5,465	63,338	51,393	33,053	32,493	31,908	31,293
TOTAL LIABILITIES	**$15,061**	**$14,486**	**$72,063**	**$72,086**	**$82,720**	**$74,797**	**$74,007**	**$73,493**
NET ASSETS	**$25,048**	**$28,899**	**$27,898**	**$26,200**	**$24,685**	**$23,466**	**$22,589**	**$21,671**
TOTAL NET ASSETS/LIAB.	**$40,109**	**$43,385**	**$99,961**	**$98,286**	**$107,405**	**$98,263**	**$96,596**	**$95,164**

SECTION A
ALDERSLY
STATEMENTS OF CASH FLOWS
($000s)

Fiscal Year Ending 9/30	2021	2022	2023	2024	2025	2026	2027	2028
OPERATING ACTIVITIES								
Change in Net Assets	$2,775	$3,851	($1,001)	($1,698)	($1,515)	($1,220)	($877)	($918)
Depreciation and Amortization	740	800	809	818	2,020	2,644	2,624	2,605
Initital Entrance Fees	-	-	-	-	23,589	11,794	-	-
Turnover Net Entrance Fees	830	759	460	748	800	854	1,587	1,772
Amortized Entrance Fees	(1,286)	(889)	(818)	(767)	(1,665)	(2,005)	(1,868)	(1,752)
Changes in Assets/Liabilities	(1,264)	(5,906)	8,045	12	(257)	(419)	(43)	11
Cash From Operating Act.	**$1,795**	**($1,385)**	**$7,494**	**($886)**	**$22,971**	**$11,649**	**$1,423**	**$1,719**
INVESTING ACTIVITIES								
Project Expenditures	($1,240)	($1,657)	($19,197)	($25,200)	($16,312)	$0	$0	$0
Capital Expenditures	(4,500)	(3,956)	(500)	(500)	(1,000)	(1,000)	(1,000)	(1,000)
Cash From Investing Act.	**($5,740)**	**($5,613)**	**($19,697)**	**($25,700)**	**($17,312)**	**($1,000)**	**($1,000)**	**($1,000)**
FINANCING ACTIVITIES								
Debt Proceeds	$0	$0	$63,846	$0	$0	$0	$0	$0
Change in Bond Funds	0	0	(41,512)	25,200	16,312	0	0	0
Refinancing	0	0	(5,369)	0	0	0	0	0
Debt Reserve	0	0	(2,384)	0	275	1,074	0	0
Debt Principal Payments	(180)	(206)	(195)	0	(11,945)	(18,340)	(560)	(585)
Cash From Financing Act.	**($180)**	**($206)**	**$14,386**	**$25,200**	**$4,642**	**($17,266)**	**($560)**	**($585)**
Net Change in Cash/Equiv.	**($4,125)**	**($7,204)**	**$2,183**	**($1,386)**	**$10,301**	**($6,617)**	**($137)**	**$134**
End Of Year Cash & Equiv.	**$20,807**	**$13,603**	**$15,786**	**$14,400**	**$24,701**	**$18,085**	**$17,947**	**$18,081**

B. BACKGROUND

Aldersly and Subsidiary (Aldersly), is a 501(c)(3) non-profit corporation which owns and operates a continuing care retirement community (CCRC) on a 3.5-acre site located in the City of San Rafael. Aldersly opened in 1921, and currently consists of 56 independent living (IL) apartments, 15 assisted living (AL) rooms with 15 beds (all private), 15 memory care (MC) rooms with 20 beds (10 private, 10 semi-private), and 10 extended care (EC) rooms with 16 beds (4 private 6 semi-private). Extended care replaced the former skilled nursing facility (SNF) in February 2022 and the beds are now licensed as residential care facility for the elderly (RCFE) by the State Department of Social Services (DSS). The subsidiary was formed as a limited liability corporation (LLC) in 2014 for the purposes of acquiring property for expansion. Aldersly has been managed by Life Care Services (LCS), a national senior community management and development firm, since 2004.

PROJECT SUMMARY

The proceeds of the $60.8 million par Senior Living Revenue and Refunding Bonds, Series 2023 (the 2023 Bonds) will be used to construct a 35-unit IL building, which will replace 15 existing smaller IL units, and to refund approximately $5.3 million remaining on 2015 Bonds. Demolition and site preparation is expected to begin in June 2023, with construction beginning in July 2023 and ending in January 2025. First move-ins, after licensing, are estimated in February 2025.

ALDERSLY PROGRAM

IL residents who enter into CCRC contracts (a few residents enter into month-to-month lease agreements) pay an entrance fee which is either “traditional” and refundable over a 57-month declining period, or a 50% “return of capital” (ROC) repayable fee contingent on re-sale (the remaining 50% is subject to declining refund over a 49-month period). Aldersly has added a 90% ROC agreement for the 35 new IL units. Residents of existing IL units receive three meals per day, weekly housekeeping, and a range of social and activity services. In addition, IL residents receive a discount of 15% off the direct-admit market rate for AL, MC, and EC monthly/daily fees. Residents of the new IL unit will receive a meal allowance equivalent to approximately one dinner meal per day and bi-weekly housekeeping, as well as the 15% health bed discount. Future entrants to the existing units will continue to receive the three meals and weekly services, in part since they tend to be frailer and their kitchens more limited (Alcoves and Studios have no kitchens and the remaining apartments have partial kitchens).

THE BOARD OF DIRECTORS

Aldersly is currently governed by a 10-member Board of Directors plus two non-voting resident members. 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, Budget, Audit, and Endowment Fund and Investment. The Board also has several advisory committees.

C. PROJECT AND FINANCING ASSUMPTIONS

A summary of the sources and uses of funds for the IL project and the refunding is shown in **Table 1**. Aldersly is being assisted in development by Greenbrier Development, LLC under the terms of a July 2021 amended Development Agreement. The 2023 Bonds are divided into Series A and B for the long and short-term project-related debt, and Series C for the refunding of the 2015 Bonds.

THE PROJECT

The project will consist of 58,000 square foot (sf) on four floors and replace three 1-2 floor buildings containing 12 "200-numbered" apartments. Three additional apartments (two in the "400" building and one in the "500" building) will be converted to other uses. When completed there will be a total of 41 existing IL apartments and the 35 new IL apartments. Other improvements include a new café, activity room and roof terrace. The 35 new apartments will average approximately 1,010 net sf, nearly double the existing 56-apartment 550 sf average.

Demolition of three "200" buildings and site preparation are scheduled to begin in June 2023. Building construction is expected to begin in July 2023 and to end 19 months later in January 2025. Allowing one month for licensing results in an estimated February 2025 opening. Aldersly has or expects to receive all required building permits, conditional use permits from the City of San Rafael and other agencies by May 2023. The project will also require approvals from the City of San Rafael, the County of Marin, and the Department of Social Service (DSS).

Aldersly and Greenbrier have retained Perkins Eastman for architectural services and expect to receive a guaranteed maximum price (GMP) contract for all work by May 2023. The budget also includes an owner's contingency equal to 6.5% of the total project budget (including all soft costs).

The Development Agreement covers Greenbrier's development and marketing efforts. Payments to Greenbrier include a Development Fee ($1.0 million), a Marketing Fee equal to 1.5% of gross entrance fees (approximately $500,000) and up to $200,000 for "occupancy incentives. Greenbrier has received approximately $440,000 through February 2023 in fee payments.

FINANCING ASSUMPTIONS

The Series 2023A-C Bonds financing assumptions reflected in **Tables 1 and 2** have been provided by Ziegler, Aldersly's investment banker. The 2023 bonds are estimated to have a maximum 5.0% coupon rate, with principal payments beginning in 2025 and ending in 2053. Entrance fees from the 35 new IL units (estimated to exceed $35 million) are being used to pay Series B and C Bonds ($30.3 million combined). The Series B Bonds are due June 1, 2026, and the Series C Bonds are due May 1, 2025. All interest payments through August 2025 are funded from 2023 Bond proceeds. As shown in **Table 2**, annual debt on the Series A Bonds averages $2.08 million with principal payments beginning on May 15, 2027.

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

Fiscal Year Ending 9/30	Thru 2022	2023	2024	2025	TOTAL
SOURCES					
Debt - Long-Term	$0	$33,053	$0	$0	$33,053
Debt - Short-Term	0	25,050	0	0	$25,050
Debt - Refinance	0	5,235	0	0	$5,235
Debt Reserve Funds - 2015 Bonds	0	508	0	0	$508
Cash Equity	4,384	4,616	0	0	$9,000
TOTAL SOURCES	**$4,384**	**$68,462**	**$0**	**$0**	**$72,846**
USES					
Land & Related	$844	$0	$0	$0	$844
Construction & Related	-	8,000	24,000	15,610	$47,610
Professional Services/GB Fees	2,590	1,500	500	380	$4,970
Marketing	900	500	300	100	$1,800
Contingencies/Other	50	1,000	400	222	$1,672
Subtotal - Project Costs	**$4,384**	**$11,000**	**$25,200**	**$16,312**	**$56,896**
Net Funded Interest	$0	$3,861	$0	$0	$3,861
Refinancing	0	5,369	0	0	$5,369
Debt Reserve - A	0	1,035	0	0	$1,035
Debt Reserve - B/C	0	1,349	0	0	$1,349
Cal Mortgage Fees	0	3,071	0	0	$3,071
Issuance Costs	0	1,265	0	0	$1,265
Subtotal - Financing Costs	**$0**	**$15,950**	**$0**	**$0**	**$15,950**
TOTAL USES	**$4,384**	**$26,950**	**$25,200**	**$16,312**	**$72,846**
BALANCE	**$0**	**$41,512**	**$16,312**	**$0**	**$0**

TABLE 2
ALDERSLY
ANNUAL 2023 BOND DEBT PAYMENTS
($000s)

Fiscal Year Ending 9/30	2023	2024	2025	2026	2027	2028
Net Interest		$0	$6	$1,604	$1,525	$1,497
Principal		$0	11,945	18,340	560	585
Annual Debt		**$0**	**$11,951**	**$19,944**	**$2,085**	**$2,082**
Balance	**$63,338**	**$63,338**	**$51,393**	**$33,053**	**$32,493**	**$31,908**

D. OPERATING ASSUMPTIONS

The following is a discussion of key utilization, revenue, and expense assumptions. These are based on audited statements from 2021 and 2022, historical occupancy and rate information, and discussions with management. Other sources include March internal financial statements, occupancy reports through March (six months of FY 2023), and the FY 2023 budget.

KEY REVENUE ASSUMPTIONS

Aldersly relies on private payments for all levels of care (the previous SNF also received governmental revenues). A summary of current monthly fees and entrance fees is shown in **Table 3**. Monthly fees were increased by 6% from FY 2022 and entrance fees for existing apartments by 6%. A summary of proposed fees for the 35 new apartments is also shown in **Table 3**.

Monthly Fees and Related Income

Table 3 includes a summary of monthly fees and related income (community fees, guest meals, garage charges) for all levels of care. Monthly fees make up more than 95% of all ongoing charges. Entrance fee contract residents pay a 15% discounted rate from listed monthly fees in AL, MC, and EC care. On average about one-third each of AL, MC, and EC occupants are contract residents, with the other two-thirds paying the listed market rate. The contract share of AL/MC/EC occupants is projected to remain at one-third during the forecast period. Monthly fees and related income for existing apartments are increased by 4.0% per year after FY 2023. Monthly fees for new apartments are increased by 4.0% per year after FY 2025.

Entrance Fees

Aldersly currently offers three contract entrance fee options: traditional “declining refund”, 50% “return of capital” (ROC), and 90% ROC (only offered to entrants of the 35-new IL units). In addition, a limited number of IL apartments (currently two occupied) are under monthly lease contracts. Repayments on both the 50% and 90% options are contingent upon resale of the apartment. The traditional fee declining refund period is 57 months (1.75% per month). The non-repayable portions of the 50% and 90% fees are 49 months and 3 months respectively. About two-thirds of the existing IL units are occupied by entrants who selected the traditional option and one-third who have selected the 50% ROC option. This trend for the 41 post-project existing units is expected to continue during the forecast period. Based on current deposit patterns, move-ins to the 35 new units are expected to include approximately 19 90% ROC (54%), 9 50% ROC (26%) and 7 traditional (20%). The existing apartment entrance fees shown in **Table 3** are estimated to increase annually by 4.0% after move-in. The 35 new apartment entrance fees are shown are for non-Charter “Standard” move-ins. Charter members will receive a 5% discount from the rates shown, and are expected to make up about 60% (21 of 35) of the new move-ins. Standard entrants will pay either the rate shown or a higher rate, depending on when they place their deposit.

TABLE 3
ALDERSLY
KEY EXISTING UNIT/FEE ASSUMPTIONS
FY 2023 DOLLARS EXISTING UNITS/FY 2025 MOVE-IN DOLLARS NEW UNITS (1)

UNIT/BED TYPE	TOTAL UNITS	SQUARE FEET	ENTRY FEE-0%	ENTRY FEE-50%	ENTRY FEE-90%	MONTHLY FEE
EXISTING INDEPENDENT LIVING (2)						
Alcove	7	370	$143,560	$189,400	NA	$4,760
Studio	6	390	$155,290	$204,760	NA	$4,760
One-Bedroom - Standard	6	450	$206,450	$270,920	NA	$5,010
One-Bedroom - Medium	4	630	$259,180	$339,340	NA	$5,510
One-Bedroom - Large	11	680	$266,920	$349,480	NA	$6,830
One-Bedroom - Deluxe Suite	5	720	$281,490	$368,550	NA	$6,830
One-Bedroom - Penthouse	2	600	$295,930	$387,460	NA	$6,830
TOTAL/AVERAGE	**41**	**547**	**$223,110**	**$292,700**		**$5,780**
Double Fee	6		$0	$0		$1,300
NEW INDEPENDENT LIVING (3)						
One-Bedroom - Christian	6	800	$511,000	$682,000	$852,000	$6,295
One-Bedroom/Den - I/J/A/F	8	990	$744,000	$993,000	$1,241,000	$6,795
One-Bedroom/Den - V/M/H	11	1,060	$755,000	$1,007,000	$1,259,000	$6,795
One-Bedroom/Den - M+/V+	4	1,060	$812,000	$1,083,000	$1,354,000	$7,195
Two-Bedroom - Crown	6	1,140	$827,000	$1,102,000	$1,378,000	$7,195
TOTAL/AVERAGE	**35**	**1,013**	**$730,000**	**$973,100**	**$1,216,400**	**$6,824**
Double Fee	15		$15,600	$21,000	$26,000	$1,200
EXISTING HEALTH CARE (4)						
AL - Studio	9					$7,990
AL - One-Bedroom	6					$9,190
Total/Average Units	**15**					**$8,470**
MC - Studio Shared - Beds	10					$7,370
MC - Studio Private	10					$9,310
Total/Average Beds	**20**					**$9,310**
EC - Semi-Private - Beds	4					$12,810
EC - Private	12					$14,330
Total/Average Beds	**16**					**$13,950**

NOTES

(1) New unit entrance fees are in move in dollars for standard residents, charter residents receive 5% discount. Monthly fees are in move-in (FY 2025) dollars.
(2) Currently 56 existing IL units. Table shows post-project unit count
(3) Forecasts assume 54% select 90%, 26% 50%, and 20% 0% refundable entrance fees
(4) Direct Admit rates. CCRC contract resident transfers receive 15% discount

<u>Historical and Projected Existing Occupancy and Revenues</u>

Table 4 shows a summary of Aldersly's monthly/daily revenues by level of care. Prior to FY 2021 IL occupancy generally averaged about 45-50 (80%-90%) of the 56 available apartments. The lower occupancy was primarily due to less demand for the relatively small apartments. Additionally, the studio and alcove units, which account for 13 of the 56 apartments do not have kitchens and are less popular than the larger apartments. In FY 2022 Aldersly began limiting new move-ins into the 15 "200 Building" units to be eliminated by the new 35 IL unit project. As a result, overall IL occupancy has declined to approximately 40-45 apartments. Existing apartment occupancy is expected to average about 93% (38 apartments) during and after the new project is completed. A total of 13 of the 41 remaining IL apartments are Alcoves and Studios with no kitchens and are expected to continue to experience low occupancy levels (currently 10-11 units).

Table 4 also shows a summary of projected occupancy and revenues for the 35 new IL apartments. To date Aldersly has received 24 10% entrance fee deposits (69% of the total) which are currently being held in a trustee-managed escrow account. Fill-up is conservatively estimated to take 18 months (under 2 per month) and stabilize at 33 apartments (94%).

Occupancy of AL units has historically been high, averaging above 95%. In January 2022 Aldersly converted the first floor of the Rosenborg building to MC. Since then, AL has continued to average above 95% occupancy and is expected to remain at this level during the forecast period.

The MC unit monthly occupancy has been stable since opening, generally fluctuating between 9 and 12 units, with a recent surge to 14 units. While management expects occupancy to increase, the forecasts assume that most of this growth will occur after IL construction is completed in early 2025. The estimated 16 occupied beds by FY 2027 represents a 52% increase from the FY 2023 10.5 average to date.

Aldersly converted its SNF to EC in February 2022 and occupancy has been stable at 9-10 beds since then. EC is intended to meet the needs of higher-acuity AL residents and is staffed at or near SNF levels. Aldersly is still in the process of reconfiguring its EC building and expects to take the next 1-2 years to convert it to a primarily private-room program. The eventual resident occupancy is expected to stabilize at about 14 patients by the end of FY 2026, a 47% increase from FY 2023 averages to date (9.5 beds).

A sensitivity analysis showing the impacts of both MC and EC remaining at current levels is shown below in **Section G**.

TABLE 4
ALDERSLY
OPERATING REVENUE FORECASTS
($000s)

Fiscal Year Ending 9/30	2021	2022	2023	2024	2025	2026	2027	2028
INDEPENDENT LIVING								
Available Units	**54.0**	**54.0**	**48.0**	**41.0**	**76.0**	**76.0**	**76.0**	**76.0**
Average Occ. - Existing	43.0	44.7	41.5	38.0	38.0	38.0	38.0	38.0
Average Occ. - Expansion	-	-	-	-	14.3	28.4	33.0	33.0
Average Occ. - Total	**43.0**	**44.7**	**41.5**	**38.0**	**52.3**	**66.4**	**71.0**	**71.0**
% Occupancy	79.6%	82.8%	86.5%	92.7%	68.8%	87.4%	93.4%	93.4%
Average Mo. Rate - Existing	$5,715	$5,761	$6,000	$6,240	$6,490	$6,749	$7,019	$7,300
Average Mo. Rate - New					$7,338	$7,632	$7,937	$8,255
Monthly Fees - Existing	$2,949	$3,090	$2,988	$2,845	$2,959	$3,078	$3,201	$3,329
Monthly Fees - New	$0	$0	$0	$0	$837	$2,602	$3,143	$3,269
MONTHLY REVENUES	**$2,949**	**$3,090**	**$2,988**	**$2,845**	**$3,796**	**$5,680**	**$6,344**	**$6,598**
ASSISTED LIVING								
Available Units/Beds	30.0	22.5	15.0	15.0	15.0	15.0	15.0	15.0
Average Occupancy	**25.0**	**17.0**	**14.7**	**14.7**	**14.7**	**14.7**	**14.7**	**14.7**
% Occupancy	83.3%	75.6%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%
Average Rate	$6,340	$7,324	$8,000	$8,320	$8,653	$8,999	$9,359	$9,733
MONTHLY REVENUES	**$1,902**	**$1,494**	**$1,411**	**$1,468**	**$1,526**	**$1,587**	**$1,651**	**$1,717**
MEMORY CARE								
Available Units/Beds		20.0	20.0	20.0	20.0	20.0	20.0	20.0
Average Occupancy		**10.0**	**11.0**	**13.0**	**14.0**	**15.0**	**16.0**	**16.0**
% Occupancy		50.0%	55.0%	65.0%	70.0%	75.0%	80.0%	80.0%
Average Rate		$7,952	$8,200	$8,528	$8,869	$9,224	$9,593	$9,977
MONTHLY REVENUES		**$656**	**$1,082**	**$1,330**	**$1,490**	**$1,660**	**$1,842**	**$1,915**
EXTENDED CARE								
Available Units/Beds	20.0	18.0	16.0	16.0	16.0	16.0	16.0	16.0
Average Occupancy	**19.0**	**15.5**	**10.0**	**11.0**	**12.0**	**13.0**	**14.0**	**14.0**
% Occupancy	95.0%	86.1%	62.5%	68.8%	75.0%	81.3%	87.5%	87.5%
Average Rate	$9,289	$9,683	$11,100	$11,544	$12,006	$12,486	$12,985	$13,505
MONTHLY REVENUES	**$2,118**	**$1,801**	**$1,332**	**$1,524**	**$1,729**	**$1,948**	**$2,182**	**$2,269**

Historical and Projected Entrance Fees

Table 5 shows a summary of entrance fee move-ins, sales revenues, and refunds. Aldersly averaged about 10 resales per year prior to FY 2023 (and Covid-19). There have been three IL entrance fee move-ins/transfers totaling $650,000 through March 2023 as Aldersly keeps vacant units available for “200 Building” transferees. Management expects low or no move-ins to continue through June 2023. There have been $260,000 in refunds through March resulting from the departure/death of two residents with 50% repayable contracts.

The age of entry is higher at Aldersly than a typical CCRC, and the average length of stay in IL is about 6-7 years (versus 10 years for typical CCRC). Entrance fee resales of existing IL units are estimated at 6 per year in FY 2024 and thereafter. Entrants to the new IL units are expected to be younger and have turnovers more comparable to other CCRCs (average 9 to 11-year length of stay). Minimal turnovers of new units are expected in FY 2027 and FY 2028.

TABLE 5
ALDERSLY
ENTRANCE FEE FORECASTS
(000s)

Fiscal Year Ending 9/30	2021	2022	2023	2024	2025	2026	2027	2028
EXISTING IL UNITS								
Number of Resales	10.0	7.0	5.0	6.0	6.0	6.0	6.0	6.0
Weighted Average Resale Price	$218	$229	$238	$248	$258	$268	$279	$290
Total Resales	**$2,180**	**$1,603**	**$1,191**	**$1,486**	**$1,546**	**$1,607**	**$1,672**	**$1,739**
Number of Repayments	10.0	7.0	6.0	6.0	6.0	6.0	6.0	6.0
Weighted Average Repayment	($135)	($121)	($122)	($123)	($124)	($125)	($127)	($128)
Total Repayments	**($1,350)**	**($844)**	**($731)**	**($738)**	**($746)**	**($753)**	**($761)**	**($768)**
NET E. FEES - EXISTING	**$830**	**$759**	**$460**	**$748**	**$800**	**$854**	**$911**	**$970**
NEW IL UNITS								
Number of First-Time Sales					22.0	11.0		
Average Sale Price					$1,072	$1,072		
Initial Sales Proceeds					**$23,589**	**$11,794**		
Number of Resales							1.5	1.8
Weighted Average Resale Price							$1,115	$1,160
Total Resales							**$1,673**	**$2,087**
Number of Repayments							1.1	1.5
Weighted Average Repayment							($898)	($850)
Total Repayments							**($997)**	**($1,286)**
NET E. FEES - EXPANSION					**$23,589**	**$11,794**	**$675**	**$802**
TOTAL EXISTING/EXPANSION	**$830**	**$759**	**$460**	**$748**	**$24,389**	**$12,649**	**$1,587**	**$1,772**

Net Rental/Other Income

Aldersly receives rental payments for two single-family homes adjacent to its main campus. In FY 2021 rents totaled $82,000 (the audit presents the net income which reflects about $36,000 in maintenance and management fees and $28,000 in depreciation for a net of $18,000). The total rental income was $84,000 in FY 2022. Other miscellaneous revenue brings the estimated FY 2023 total to $100,000 and is estimated to increase by 4.0% per year thereafter. The homes are owned by a limited liability company (LLC) and is not included as security for the 2023 Bonds. As such, the net revenue from the homes is excluded from the debt coverage calculation in **Section F** below.

Donations and Bequests

In the ten years from FY 2012-21 Aldersly received an average of $280,000 per year from donations and bequests, ranging from $21,000 in FY 2017 to $1.1 million in FY 2013. In FY 2022 Aldersly received an $8.0 million pledge from previous resident. This pledge will be converted to cash by the end of FY 2023. Aldersly also expects to receive an additional $1.0 million gift in FY 2023. Aldersly's annual fund-raising budget is approximately $250,000. For forecasting purposes, FY 2024 contributions are estimated at $250,000, and increased by 4.0% per year thereafter.

Investment Earnings

In FY 2021 Aldersly investment earnings totaled $4.4 million, including $3.0 million of realized gains, as investments were sold to fund expansion project costs, $1.1 million in unrealized gains, and $318,000 in interest/dividends net of management fees. In FY 2022 these amounts totaled $1.5 million realized gains, $4.1 million in unrealized losses, and $213,000 net interest/dividends. For forecasting purposes, earnings on reserves and on the 2023 Bond debt reserve are projected to average 4.0% per year in interest, dividends, and realized gains. No unrealized gains and losses are projected after FY 2022.

KEY EXPENSE ASSUMPTIONS

Aldersly's departmental expenses (excluding depreciation and interest) are projected to total $9.2 million in FY 2023; $4.0 million in salaries for approximately 74 full-time equivalent (FTE) employees, $1.1 million in benefits (about 27% of salaries), and $4.2 million of other expenses (e.g. food, utilities, supplies, insurance, LCS management fees). The 74 FTEs include 31 AL/MC/EC, 19 dining, 13 plant and housekeeping, 8 general and administrative, and 3 resident services. FTEs declined in FY 2022 with the closure of the SNF. As with other senior communities, Aldersly has faced significant challenges in staffing its open positions and has had to increase average wages by an average of 6% in FY 2023 to attract employees. Operating expenses for existing operations are forecast to increase by 4.0% per year thereafter. MC and EC caregivers are also increased in future years to reflect the projected increase in MC/EC census (from approximately 20 currently to 29 by FY 2027). LCS management fees are set at an annual fixed amount ($318,000 in FY 2023) rather than a percent of revenue and are increased by 4.0% per year.

The New IL Apartments Operating Expenses

A summary of estimated project operating expenses in FY 2023 dollars at stabilization is shown in **Table 6**. One of the economic benefits of adding IL units is the relatively modest increase in operating expenses. As shown, Aldersly expects to add staff, primarily in dining and environmental services (housekeeping, maintenance), to serve the estimated 50 new IL residents. A sensitivity scenario for higher staffing and operating expenses is included in **Section G**.

TABLE 6
ALDERSLY
DEPARTMENTAL EXPENSE SUMMARY @ FULL OCCUPANCY (1)
FISCAL YEAR 2023 DOLLARS

DEPARTMENT	Paid FTEs	Hr. Rate	Sal/FTE	Salaries	Benefits	Other	TOTAL
Dining Services	4.0	$20.00	$42,000	$168,000	$45,000	$120,000	$333,000
Environmental Services	2.0	$23.00	$48,000	$96,000	$26,000	$40,000	$162,000
Residential Services	1.0	$23.00	$48,000	$48,000	$13,000	$27,000	$88,000
Administration	0.0	$0.00	$0	$0	$0	$17,000	$17,000
TOTAL/AVERAGE	**7.0**	**$21.44**	**$44,600**	**$312,000**	**$84,000**	**$204,000**	**$600,000**

(1) Excludes Management fees, depreciation, and interest payments.

IL Expansion Operating Cash Flows

Table 7 shows a summary of incremental cash flows from the 35 IL unit expansion. As shown, the expansion is projected to cover debt payments) and provide surpluses to offset existing Aldersly operation losses. As shown, the expansion is projected to provide a significant benefit to Aldersly.

TABLE 7
ALDERSLY
CASH FLOW FORECASTS - 35 IL UNIT EXPANSION
($000s)

Fiscal Year Ending 9/30	2025	2026	2027	2028
Monthly Fees/Other Revenue	**$837**	**$2,602**	**$3,143**	**$3,269**
Salaries/Benefits	$286	$446	$464	$482
Other	147	229	239	248
Total Operating Expenses	**$433**	**$675**	**$702**	**$730**
Net Operating Cash Flow	**$404**	**$1,927**	**$2,441**	**$2,539**
Entrance Fees	$23,589	$11,794	$675	$802
Annual Debt	($11,951)	($19,944)	($2,085)	($2,082)
Net Cash Flow	**$12,041**	**($6,222)**	**$1,031**	**$1,258**
Debt Coverage			1.49	1.60

E. FINANCIAL STATEMENT FORECASTS

Section A shows financial forecast statements for Aldersly reflecting all current operations as well as the impact of the proposed expansion. The statements are consolidated and, for information purposes, include the LLC affiliate, which is the owner of two homes. The ratios in **Section F** below exclude the LLC.

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, 35 years for the project, and 15 years for future ongoing capital improvements. Entrance fee amortization reflects existing units and the non-refundable portion of the new unit entrance fees.

STATEMENTS OF FINANCIAL POSITION

Accounts receivable is estimated at 30 days of monthly fees and other income. Accounts payable and accrued expenses are projected at 40 days of annual expenses less depreciation. Net property, plant and equipment includes approximately $1.7 million for the two homes owned by the LLC.

STATEMENTS OF CASH FLOWS

Ongoing maintenance capital expenditures average $500,000 annually during the expansion project period and $1.0 million per year thereafter.

F. KEY FINANCIAL RATIOS

Table 8 shows a summary of key financial ratios for Aldersly. Cash available for debt service is estimated to be negative in FY 2024 and FY 2025 during the construction and ramp-up period before the new IL units begin generating operating surpluses (cash available for debt service in both FY 2021 and FY 2022 was also negative before inclusion of realized gains). Thereafter debt coverage is projected to exceed 1.40x maximum annual debt service (MADS) in FY 2027, the first year of stabilized occupancy. Net operating cash flow from the LLC is backed out of the debt coverage calculation. Aldersly's unrestricted/designated reserves are expected to exceed 500 days in all years. MADS excludes payments for the capitalized interest fund in FY 2023-2025.

TABLE 8
ALDERSLY
DEBT COVERAGE AND OTHER KEY RATIOS
($000s)

Fiscal Year Ending 9/30	2021	2022	2023	2024	2025	2026	2027	2028
CASH AVAILABLE FOR DEBT SERVICE								
Change in Net Assets - Unrestr.	$2,774	($3,918)	$6,768	($1,698)	($1,515)	($1,220)	($877)	($918)
Adjustment for LLC	(46)	(44)	(46)	(48)	(49)	(51)	(54)	(56)
Unrealized Losses (Gains)	(1,105)	4,079	-	-	-	-	-	-
Depreciation and Amortization	740	800	809	818	2,020	2,644	2,624	2,605
Amortized Entrance Fees	(1,286)	(889)	(818)	(767)	(1,665)	(2,005)	(1,868)	(1,752)
Entrance Fees - Resale	830	759	460	748	800	854	1,587	1,772
Interest	271	253	200	-	6	1,604	1,525	1,497
Net Cash for Debt Service	**$2,178**	**$1,040**	**$7,373**	**($946)**	**($404)**	**$1,827**	**$2,937**	**$3,149**
DEBT SERVICE								
Net Interest - All Debt	$271	$253	$200	$0	$6	$1,604	$1,525	$1,497
Principal - Long-term Debt	180	206	195	-	-	-	560	585
Total	**$451**	**$459**	**$395**	**$0**	**$6**	**$1,604**	**$2,085**	**$2,082**
MADS	$480	$480	$480	NA	NA	$1,593	$2,085	$2,085
Unrestricted Reserves	$20,807	$13,603	$15,786	$14,400	$24,701	$18,085	$17,947	$18,081
Operating Expenses	$9,401	$8,800	$9,618	$9,799	$10,646	$12,911	$13,302	$13,737
Long-Term Debt	$5,689	$5,465	$63,338	$51,393	$33,053	$32,493	$31,908	$31,293
KEY RATIOS								
Debt Coverage - MADS	4.54	2.17	15.36	NA	NA	1.15	**1.41**	1.51
Debt Coverage - Actual	4.83	2.27	18.66	NA	NA	1.14	**1.41**	1.51
Days Cash on Hand	808	564	599	536	847	511	**492**	480
Cash to Long-term Debt	248.9%	24.9%	28.7%	32.7%	81.1%	58.8%	**59.5%**	61.1%

G. SENSITIVITY FORECASTS

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

In **Scenario 1** occupancy for MC and EC remains at recent historical/current levels (10.5 beds and 9.5 beds respectively – total 20 beds), versus the base case increase of FY 2026 to 30 beds.

In **Scenario 2** MC/EC occupancy increases to 30 beds as projected in the base case but the new 35 IL unit project occupancy levels at 28 units (80%) versus the 33 (94%) estimated in the base case.

In **Scenario 3** operating expenses for the 35 new IL units are increased by $300,000 (50%) above the estimated $600,000 (2023 dollars) at stabilized occupancy.

In **Scenario 4** interest expense on the 2023 Bonds increases by 1.0% over the 5.0% estimate used in the base case, adding about $280,000 per year in debt payments.

TABLE 9
ALDERSLY
SENSITIVITY ANALYSIS
($000s)

Fiscal Year Ending 9/30	2024	2025	2026	2027	2028
Base Case					
Debt Coverage Ratio- MADS	NA	NA	1.15	1.41	1.51
Days Cash on Hand	536	847	511	492	480
Sensitivity 1 - Reduced MC/EC Occupancy					
Debt Coverage Ratio - MADS	NA	NA	0.62	0.86	0.92
Days Cash on Hand	527	823	468	420	377
Sensitivity 2 - Reduced IL Expansion Occupancy					
Debt Coverage Ratio - MADS	NA	NA	0.99	1.04	1.12
Days Cash on Hand	536	847	349	312	282
Sensitivity 3 - Higher IL Operating Expenses					
Debt Coverage Ratio - MADS	NA	NA	0.92	1.21	1.23
Days Cash on Hand	536	847	484	456	433
Sensitivity 4 - Higher Interest Rates					
Debt Coverage Ratio - MADS	NA	NA	0.98	1.25	1.34
Days Cash on Hand	536	847	513	485	475

Agenda Item 6 – Cal-Mortgage Reports

Project Monitoring

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

As of April 27, 2023

Summary of Monitoring
Financial Statements Received
Project Filing Status

Survey Date:	Feb 28, 2022	June 27, 2022	Aug 1, 2022	Nov 1, 2022	March 1, 2023	April 27, 2023
Current	38	44	56	45	50	42
Behind 1 quarter	20	14	5	16	6	13
Behind 2 quarters	6	3	0	0	2	0
Behind 3 quarters	2	2	2	2	2	2
Total:	**66**	**63**	**63**	**63**	**60**	**57**

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

Survey Date:	Feb 28, 2022	June 27, 2022	Aug 1, 2022	Nov 1, 2022	March 1, 2023	April 27, 2023
DSCR at or greater than required:	47	48	47	42	40	41
DSCR less than required:	17	14	15	20	19	16
Problem Project:	2	1	1	1	1	0
Total:	**66**	**63**	**63**	**63**	**60**	**57**

Summary of Monitoring
Site Visits
Number of Projects that are Current

Survey Date:	Feb 28, 2022	June 27, 2022	Aug 1, 2022	Nov 1, 2022	March 1, 2023	April 27, 2023
Current:	9	8	9	2	4	11
Past Due:	57	55	54	61	56	46
Total:	**66**	**63**	**63**	**63**	**60**	**57**

Agenda Item 6 – Cal-Mortgage Reports

Pending Projects

Department of Health Care Access and Information (HCAI)
Cal-Mortgage Loan Insurance Division
As of April 28, 2023

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	Ripon	Multi-Others	$49,560,000	New	--
			$145,690,000		

Projects Insured - Fiscal 2021-2022

Project Name	Location	Facility Type	Loan Amount	Loan Type	Rating
La Maestra Community Health Centers	San Diego	Clinic-PC	$12,295,000	New	--
Open Door Community Health Centers	Arcata	Clinic-PC	$30,200,000	New	BB+
Valley Health Team	Firebaugh/Kingsburg	Clinic-PC	$15,365,000	Refinance Plus	BB+
Jewish Home of San Francisco	San Francisco	Multi-CCRC	$28,030,000	New	--
The Redwoods	Mill Valley	Multi-Others	$23,550,000	Refinance	--
			$109,440,000		

Projects with Letters of Commitment

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Community Medical Centers, Inc.	Lodi	Clinic- PC	$25,600,000	New	BB-

Applications Before Advisory Loan Insurance Committee

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Aldersly	San Rafael	Multi- CCRC	$63,300,000	New	--

Pending Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating
St. John's Well Child and Family Center	Los Angeles	Clinic-PC	$7,000,000	New/Bank Loan	
Alexander Valley Healthcare	Cloverdale	Clinic-PC	$42,000,000	New	
			$49,000,000		

Pre - Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Odd Fellows Home of California	Stockton	Multi- CCRC	$80,000,000	Refinance Plus	

Discussions

Project Name	Location	Facility Type	Amount	Loan Type	Rating
La Maestra Community Health Centers	San Diego	Clinic-PC	$10,000,000	New	--
Mercy ECA	Alameda	Multi-CCRC	$25,000,000	New	--
SAC Health	San Bernardino	Clinic-PC	$45,000,000	New	--
Olé Health	Fairfield	Clinic-PC	$15,000,000	New	--
			$95,000,000		

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 6 – Cal-Mortgage Reports

Problem Project Report

Department of Health Care Access and Information

Cal-Mortgage Loan Insurance Division

Problem Projects Report

April 2023

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 April 2023

	Facility Name	Location	Type	Risk Rating as of 4/1/23	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	$ 9.8	100% (6-Month)	Current	Liquidity, Ratio Default	Low - March '24	February YTD (8 mo.) profit of $411,595 and 27 DCOH.	1
IV.	**Defaulted Projects: Pending Asset Sales**										
	None										
V.	**Resolved Defaulted Projects**										
	Verdugo Mental Health	Glendale	Clinic-MH							Last payment received on April 5, 2023. Current balance is $3,960,079.53	3
	Lake Merrit - Cal-Nevada/Pacifica	Oakland	CCRC							Last payment received on April 6, 2023. Current balance is $14,816,554.95	4

[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 $11.23M 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 Centers for Medicare and Medicaid Services (CMS) approved its application. The District became a CAH 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.

Current Situation: (As of April 18, 2023) **Risk Rating: C**
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 Fiscal Year End (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 contracted with Eide Bailly, LLC to review the cost reports for FYE 2021 and 2022 and determine whether the reductions are warranted.

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 are delayed due to this payment processing issue with Anthem.

The District anticipated receiving approximately $13M in supplemental funding, however, the majority of the funding is normally not received until mid-2023. The District initiated an aggressive cost savings plan to address its immediate cash-flow needs, while the District explores sources to provide temporary liquidity while it collects on its receivables. In addition, the District indicated a strategic partner is necessary for its long-term viability; the District engaged B Riley Advisory Services to begin the search for a strategic partner. The District has received interest from several potential partners or buyers and the District has provided tours and access to its data room to the potential partners or buyers.

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. 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 negotiated the one-year repayment plan to CMS to a five-year repayment plan. The District reached a new commercial provider agreement with Anthem that covers the 2023 calendar year; the outstanding Anthem Medi-Cal receivables are being processed and paid incrementally. The District has worked with various agencies to receive its supplemental payments in advance, thus improving its liquidity.

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

Statement Date (6/30 FYE)	2/28/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Months Covered	8	12	12	12	12
Audit Method	Internal	Unqualified	Unqualified	Unqualified	Unqualified
Cash & Investments	$11,432,224	$14,442,002	$18,508,626	$21,900,654	$14,572,643
Net Worth	$23,623,320	$23,197,870	$20,527,771	$20,233,144	$25,695,520
Net Revenue	$103,820,544	$149,021,950	$140,543,291	$119,478,898	$117,640,249
EBITDA	$3,523,427	$6,928,468	$4,988,398	$301,838	$4,551,229
Net Income	$411,595	$2,670,099	$294,627	($4,652,596)	($960,957)
Debt Service Coverage Ratio	1.98	3.09	2.11	(0.27)	1.42
Current Ratio	1.47	1.50	1.75	2.02	2.05
Days Cash on Hand	27	37	49	65	46

For the 8-month period ended February 28, 2023, the District had a net income of $411,595 compared to a budgeted net income of $4,835,804. This resulted in a debt service coverage ratio of positive 1.98. The District had $11.4M in cash, equal to 27 days cash on hand.

<u>Assessment</u>:

Profitability:	2/28/2023 (8 mo.): $411,595
Liquidity:	Days Cash on Hand: 27
Debt Service Reserve Fund:	100% funded: $936,400
Debt Service Payments:	Current
HFCLIF:	3/1/2024 (P&I): low probability
CEO:	Mary Casillas, Interim
CFO:	Mark Robinson

Account Manager: Lauren Hadley

Supervisor: Dean O'Brien

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 April 5, 2023) **Risk Rating: None**
The April 2023 amortized payment of $21,080.20 was made on April 5, 2023. The current outstanding balance is $3,960,079.53. The 2022 audited financial statements were received on March 14, 2023.

Assessment:

Profitability: (DiDi Hirsch)	$1,070,602 (6/30/22 Audit)
Liquidity: (DiDi Hirsch)	$3,293,746 cash (6/30/22 Audit)
DSCR: (DiDi Hirsch)	1.42 (6/30/22 Audit)
Loan Balance:	$3,960,079.53
Payments:	Current (4/1/2023)
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

II. 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. IRS rules state that since the Corporation was sold to a for-profit entity, to avoid penalties for improper use of tax-exempt bond proceeds, the bonds must be paid in full 90 days from sale, which was March 6, 2023. 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.

Current Situation: (as of April 24, 2023) **Risk Rating: N/A**
The Department and the Corporation's representatives continue to work on a Debtor's plan of Liquidation (Plan) and the Plan is close to final. It will be reviewed by the bankruptcy court on May 12th. SEIU National Industry Pension Fund (SEIU) filed a motion for leave to file late proof of claim and for allowance of administrative expense. The Corporation's attorney along with the Department filed oppositions to SEIU's motion. On March 27, 2023, the Judge filed an order denying motion for leave to file late proof of claim. On April 11, 2023, the Judge granted SEIU's claim for administrative expenses, and a hearing is set for May 12, 2023, to determine if SEIU's administrative expense is their final estimate and whether the Corporation intends to object to the amount.

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 April 2023. The current outstanding balance is $14,816,554.95.

Assessment:

Debt Service Reserve Fund:	$100,000 4.5% funded
Debt Service Payments:	Not Current
HFCLIF:	$3,014,854.94 drawn 5/14/2021
	$700,451 drawn 6/23/2021
	$739,875 drawn 12/23/2021
	$1,404,875 drawn 6/23/2022`
	$723,250 drawn 12/19/2022
	$29,179,119.44 drawn 3/3/2023
Pacifica CEO:	Deepak Israni
Pacifica Counsel:	Thomas P. Sayer

Account Manager: Consuelo Hernandez