ADVISORY LOAN INSURANCE COMMITTEE

June 12, 2025

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

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

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

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

AGENDA

Thursday, June 12, 2025
10:30 a.m.

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

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

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

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

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

Item No. 3 ALIC Chair and HCAI Executive Staff Remarks
- Jay Harris, Chair, ALIC Committee
- Elizabeth Landsberg, HCAI Director
- Scott Christman, HCAI Chief Deputy Director
- Dean O' Brien, Cal-Mortgage Deputy Director

Item No. 4 Approval of the Minutes of the April 10, 2025, Meeting – Action Item
Jay Harris, Committee Chair (or designee)

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Item No. 5 Loan Insurance Application Review: Sequoia Living, Inc. formally Northern California Presbyterian Homes and Services, Inc. (Corporation) – Action Item
Lauren Hadley, Senior Account Manager

The Corporation was founded in 1958 as a California nonprofit public benefit corporation headquartered in San Francisco, California. It provides services at four continuing care retirement communities (CCRCs) and three affordable housing communities in the Bay Area. The purpose of the proposed insured loan of $156 million (2025 Bonds) is to: (i) refinance the outstanding $49.7 million of the 2015 Bonds currently insured by HCAI, (ii) fund $100 million of capital improvements at its four CCRCs, (iii) fund a debt service reserve, (iv) fund the HCAI insurance premium, and (v) fund the costs of issuance. The 2025 Bonds will have a 30-year term and mature on July 1, 2055.

Item No. 6 Cal-Mortgage Reports – Informational Item

A. Project Monitoring
Consuelo Hernandez, Cal-Mortgage Supervisor

Ms. Hernandez will report on statistics about the existing portfolio of Cal-Mortgage Borrowers.

B. Pending Projects
Consuelo Hernandez, Cal-Mortgage Supervisor

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

C. Problem Project Report
Dean O' Brien, Cal-Mortgage Deputy Director

Mr. O' Brien will report on projects appearing on the Cal-Mortgage Problem Projects Report.

D. Distressed Hospital Loan Program and Small and Rural Hospital Relief Program
Dean O' Brien, Cal-Mortgage Deputy Director

Mr. O' Brien will report on the activities of the Distressed Hospital Loan Program and Small and Rural relief Program.

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Item No. 7 Federal and State Budgets Discussion
Jay Harris, Committee Chair (or designee)
Dean O' Brien, Cal-Mortgage Deputy Director

The ALIC Committee and Mr. O' Brien will discuss the potential impact of the Federal and State Budgets on the Cal-Mortgage Loan Insurance Program.

Item No. 8 Future Agenda Items/Announcements from Committee Members
Jay Harris, Committee Chair (or designee)

Item No. 9 General Public Comment
Jay Harris, Committee Chair (or designee)

Item No. 10 Adjournment
Jay Harris, Committee Chair (or designee)

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

HCAI Staff: Elizabeth Landsberg, Director
Scott Christman, Chief Deputy Director
Dean O' Brien, Cal-Mortgage Deputy Director
Consuelo Hernandez, Cal-Mortgage Supervisor

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

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

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

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

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

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

Spanish/ Español

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

Korean/ 한국어

이 회의 안건을 이해하는 데 도움이 필요하거나, 다른 언어로 번역이 필요하거나, 수화 서비스가 필요한 경우: Please contact Joanna Luce at (916) 319-8828 or Joanna.Luce@hcai.ca.gov. 필요한 서비스를 제공할 수 있도록 회의 개최 7일 전까지 알려주십시오.

Chinese Simplified/簡體中文

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

Tagalog/Tagalog

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

Vietnamese/Tiếng Việt

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

Chinese Cantonese(Traditional)/中文 粵語

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

Agenda Item 4 – Approval of the Minutes of the April 10, 2025 Meeting

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

ADVISORY LOAN INSURANCE COMMITTEE MINUTES

April 10, 2025

1. **CALL TO ORDER**
   Mr. Jay Harris, ALIC Chair, called to order the meeting of the Advisory Loan Insurance Committee (Committee) of the Cal-Mortgage Loan Insurance Program (Cal-Mortgage) of the Department of Health Care Access and information (HCAI) at 10:32 a.m.

   COMMITTEE MEMBERS' PRESENT
   Jay Harris, Chair, via teleconference
   Soyla Reyna-Griffin, Member, via teleconference
   John Woodward, Member, via teleconference
   Richard Tannahill, Member, via teleconference
   Scott Coffin, Member, via teleconference
   Mary Connick, Member, via teleconference

   COMMITTEE MEMBERS ABSENT
   Derik Ghookasian, Vice Chair
   Jonathon Andrus, Member

   ADDITIONAL ATTENDEES
   Elizabeth Landsberg, HCAI, Director
   Scott Christman, HCAI, Chief Deputy Director
   Dean O'Brien, HCAI, Cal-Mortgage, Deputy Director
   Consuelo Hernandez, HCAI, Cal-Mortgage, Supervisor
   Geoff Trautman, HCAI, Staff Attorney
   Dennis Lo, HCAI, Cal-Mortgage, Account Manager
   Lauren Hadley, HCAI, Cal-Mortgage, Account Manager
   Arne Bracchi, HCAI, Cal-Mortgage, Account Manager
   Tom Wenas, HCAI, Cal-Mortgage, Account Manager
   Joanna Luce, HCAI, Cal-Mortgage, Executive Secretary
   Michael Scannell, HCAI, Cal-Mortgage, Office Technician

2. **PUBLIC COMMENT REGARDING ACTION ITEMS ON TODAY'S AGENDA**
   Before Mr. Harris performed a voice-roll call of Committee members,
   Mr. Harris congratulated Dean O'Brien, Cal-Mortgage, Deputy Director, in his new role at HCAI. Mr. Harris then proceeded to perform a voice-roll call of the Committee members present at today's meeting.

Hearing no public comments on today's agenda, Mr. Harris proceeded to the opening remarks.

3. ALIC CHAIR AND HCAI EXECUTIVE STAFF REMARKS

- **ALIC Chair**
  Mr. Harris did not make any opening remarks and then turned over the meeting to Ms. Elizabeth Landsberg, HCAI, Director, for her opening remarks.

- **HCAI Director**
  Ms. Landsberg began her remarks by welcoming everyone to today's meeting and saying HCAI is thrilled to have Mr. Dean O'Brien, HCAI, Deputy Director, after four months as Acting Deputy Director, move into the role officially. Further stating, that Mr. O'Brien has done an incredible job as an Acting Deputy Director and HCAI is thrilled that Mr. O'Brien and his wonderful team continue overseeing the Cal-Mortgage Loan Program (Cal-Mortgage) in addition to the amazing work the team is doing with the Distressed Hospital Loan Program (DHLP) and Small and Rural Hospital Relief Program (SRHRP).

  Ms. Landsberg than gave the Committee highlights of the State Budget (Budget) proposal. This year's Budget was released on January 10, 2025, as it is released on this date each year. Although at the time of release of the Budget the Governor was in Los Angeles because of the Los Angeles fires. Ms. Landsberg said the Budget is a two-year Budget and we are in the second year of the Budget. At the Budget's release in January, it was a balanced Budget in terms of not anticipating cuts or deficits. However, currently there is a lot of Federal uncertainty with both Medicaid and the stock market. HCAI will see what the May Revised Budget does that will affect the department.

  Ms. Lansberg updated the Committee on the components of the Budget that impact HCAI specifically; there is a new waiver that was negotiated with the Centers for Medi-care and Medicaid Services that focuses on behavioral health. The waiver is called the BH-Connect waiver. There is $1.9 billion over the next five years to expand the behavioral health workforce serving Medi-Cal members. HCAI will oversee these dollars.

  An additional large component of the Budget for HCAI is long term funding for a health care payments data program. When the California All-Claims Payer Database (Database) was created the program received a one-time General Fund appropriation. With those funds running out it was time to see out long-term funding to support this Database. The Budget seeks $22 million per year ongoing to continue the work of this data program.

  The Budget includes ten positions for HCAI's facilities team to implement some hospital seismic safety and clinic building standards bills. The Governor signed bills which allow some hospitals to get an extension to comply with seismic safety standards. The bills apply to small rural critical access hospitals as well as Children's Hospital Los Angeles. In order for these hospitals to get an extension for up to three years these hospitals must have an approved compliance plan with milestones. There is an additional bill that changes the building standards for clinics not connected to a hospital. HCAI requested ten staff positions to conduct the work on these bills. HCAI has testified before the Assembly and still needs to testify before the Senate, typically this will happen May 1. The May revised Budget will be released by May 15th. At this time, we will see what the Budget projections are in addition to the concerns about potential federal Medicade cuts and impacts to the industry on tariff and then Medi-Cal cost overruns that were not anticipated. There is a lot of uncertainty about the new Budget.

Ms. Landsberg then briefly discussed the Office of Health Care Affordability's (OHCA) efforts to develop a sector spending target, specifically looking at high-cost hospitals. OCHA has proposed its board set a different spending target that is half of the statewide spending growth target for the subset of high-cost hospitals. If the OCHA board chooses to implement this step, they would vote on proposal at their April or May board meeting.

At the conclusion of Ms. Landsberg's report there was a brief discussion between Ms. Landsberg and the Committee. Mr. Harris asked Ms. Landsberg to keep the Committee updated on the work of OCHA and health care affordability.

- **HCAI Chief Deputy Director**
  Mr. Scott Christman, HCAI, Chief Deputy Director, did not have any opening remarks beyond the Director's Report and shared his congratulations to Mr. O'Brien, assuming the Deputy Director's position.

- **Cal-Mortgage Deputy Director**
  Mr. O'Brien began his remarks with thanking Ms. Landsberg and Mr. Christman for trusting him to step into this new role after being with HCAI for almost 16 years. Mr. O'Brien also recognized Mr. J.P. Marion, the previous Cal-Mortgage Deputy Director, and his appreciation of having the chance to learn and grow under his leadership to make possible this step into his new role at HCAI. It was a sad day when Mr. Marion announced his departure from HCAI. The transition process has not been easy, but the entire Cal-Mortgage team has really stepped up. Additionally, Mr. O'Brien said he is up for the challenge and looks forward to the opportunities ahead and continued collaboration with the Committee.

4. APPROVAL OF THE MINUTES OF THE SEPTEMBER 12, 2024 MEETING

Mr. Harris requested one correction to the previous Committee meeting's minutes. At the top of page 4, Agenda Item 4, first line, change Mr. Jonathon Woodward to Mr. John Woodward.

A motion to approve the minutes with a correction was made by Mr. John Woodward. Mr. Scott Coffin seconded the motion. Before the Committee voted on this agenda item, Mr. Harris called for public comments. Hearing none, Mr. Harris preformed a voice-roll-call vote. The motion passed, 5-0.

5. CAL-MORTGAGE LOAN INSURANCE PROGRAM'S 2022 ACTUARIAL STUDY RESULTS

Mr. O'Brien began his overview of the findings of the 2022 Actuarial Study (Study) results with stating that by statute, the Cal-Mortgage Program (Program) is required to contract with an outside consultant for a Study to be performed for even numbered years to determine the reserves sufficiency held in the Health Facility Construction Insurance Fund (HFCLIF). Oliver Wyman was engaged to perform the 2022 Study, and the Study was finalized in November 2024.

Mr. O'Brien explained to the Committee the metrics used and how the metrics are used to develop assumptions to create a 30-year projection into the future of the HFCLIF balance. The key assumptions that have changed since the prior study are investment yield changed; ultimate default rate; an increase from $155 million in new transactions to gradually increase to $226 million by 2037; and administrative expenses to run the Program.

Mr. O'Brien told the Committee that all of the data for the 2024 Study has been submitted, and we are working to get Oliver Wyman everything they need to complete the 2024 Study with the hopes of obtaining a draft report this Summer and to be able to publish the final 2024 Study this Fall.

There was a brief discussion with Mr. O'Brien and the Committee regarding the 2024 Study.

6. DEPUTY DIRECTOR'S REPORTS

- **Project Monitoring – Consuelo Hernandez, Supervisor**
  Mr. Harris asked Mr. O'Brien to preside over the Cal-Mortgage Reports. Mr. O'Brien said that Consuelo Hernandez, HCAI, Cal-Mortgage Supervisor would present the Project Monitoring Report and Pending Project Report. Then Mr. O'Brien thanked Ms. Hernandez for stepping up and handling all things for Cal-Mortgage running the pipeline and moving those projects forward for the past four months.

  Ms. Hernandez told the Committee that all of our projects are up to date in submitting their quarterly financial statements and meeting the Debt Service Coverage Ratio requirements; the projects that are missing their ratios are being closely monitored by our Account Managers; and there has been a steady decrease of site visits to our projects which is due in large part to the increased workload with the DHLP. Account Managers are having to focus more time with their DHLP projects and that leaves less time for them to go out and visit their projects. However, the Account Managers are being encouraged to visit their projects when they have time available to do so.

At the conclusion of Ms. Hernandez's report, the Committee did not have any questions about this report. Ms. Hernandez then moved on to present the Pending Projects Report.

- **Pending Projects – Consuelo Hernandez**
  Ms. Hernandez informed the Committee that we have a large number of projects coming to Cal-Mortgage for loan insurance. On the report a large number of those projects are currently in discussions. Ms. Hernandez next described the following Applicants and the scope of their projects that are poised to next come before the Committee's review in June and this Summer. Gateway Hospital and Mental Health Center in Los Angeles; and Sequoia Living Inc. (formerly Northern California Presbyterian Homes and Services, Inc.) would likely come before the Committee in June.

  Cal-Mortgage recently received an Application from Sac Health. Their application is under review and Sac Health hopes to come before the Committee in late Summer. The last project Ms. Hernandez spoke of was Oroville Hospital (Corporation) located in Oroville. Cal-Mortgage is waiting for additional financial statements and other documents to evaluate the Corporation's project.

  At the conclusion of Ms. Hernandez's report, there was a brief discussion with Ms. Hernandez and the Committee. At the conclusion of this conversation Mr. O'Brien then began his Problem Projects Report.

- **Problem Project Report – Dean O'Brien, Cal-Mortgage Deputy Director**
  Mr. O'Brien discussed the borrowers that are experiencing financial difficulties, and the action plan devised to address each borrower and their financial struggles. Mr. O'Brien then provided the Committee with additional updates on the following borrowers:

  St. Rose Hospital (St. Rose): Mr. O'Brien told the Committee that St. Rose is with doors open and has a viable path moving forward due to the work of Ms. Hernandez, Mr. Arne Bracchi, HCAI, Account Manager, Mr. J.P. Marion, former Cal-Mortgage Deputy Director before Mr. Marion left HCAI, and Committee members working with St. Rose to put together a debt relief and workout plan.

  Mr. O'Brien then detailed St. Rose's history with HCAI and the details of St. Rose's debt relief plan; stating St. Rose is a recipient of a Distressed Hospital Loan.

At the conclusion of Mr. O'Brien's report on St. Rose, Mr. O'Brien asked the Committee if they had any questions about his report. A discussion then took place between Mr. O'Brien and the Committee regarding St. Rose.

San Benito Health Care District (San Benito): Mr. O'Brien updated the Committee on San Benito's bankruptcy status and said San Benito's appeal of the bankruptcy court's 2024 decision to dismiss their bankruptcy filing was upheld in March 2025. Mr. O'Brien said we are still waiting to see what the appellate court's decision means for Cal-Mortgage and outlined what could happen as a result of the appellate court's decision, also saying that San Benito does have a Distressed Hospital Loan.

Mr. O'Brien said this loan pays off in 2029 and they are currently negotiating a 5-year lease-to-own option with Insight Health (Insight). The Insight proposal was included in the 2024 San Benito County November ballot and passed. The board of directors are in negotiations with Insight and hope to be able to move on to this partnership/affiliation option in the fourth quarter of 2025. We think this is the most viable path forward for San Benito at this time and all indications are this option is still on track even with San Benito not being in bankruptcy.

Hill Country Community Clinic (Hill Country): Mr. O'Brien gave the Committee a detailed background of Hill Country and their financial struggles and then told the Committee how Hill Country turned their finances with the sale of their Center for Hope to Shasta County last year. Hill Country is a success story and will hopefully come off of the Problem Projects Report once their audited financial statements are updated in the next couple of quarters.

Verdugo Mental Health and California-Nevada Methodist Homes: These borrowers are resolved default settlement agreements and Cal-Mortgage is continuing to collect regular payments without issues.

- **Distressed Hospital Loan Program (DHLP) and Small and Rural Hospital Relief Program (SRHRP) – Dean O'Brien, Cal-Mortgage Deputy Director**
  Mr. O'Brien told the Committee he is exceptionally proud of the work the Cal-Mortgage team has done standing up and administering the DHLP. Then showed the Committee the Dashboard used to track all 16 hospitals in the portfolio that received a DHLP loan.

  After giving the Committee a brief overview of the DHLP program, Mr. O'Brien then gave highlights of the DHLP saying to date almost $250 million in funds have been disbursed to the 16 hospitals and noting two loans have remaining funds to be disbursed, Madera Community Hospital (Madera) and Hazil Hawkins Memorial Hospital (Hazil Hawkins). Madera reopened its doors in mid-March 2025 which has been the biggest outcome so far for of DHLP. The next step is to keep Madera's doors open. Madera and Hazil Hawkins were able to exit bankruptcy with the help of their DHLP loan. None of the other hospitals that received a DHLP loan have filed for bankruptcy or closed their doors.

Mr. O'Brien told the Committee that with the latest available financial information Cal-Mortgage continues to see large disparities in the financial performance of California hospitals. Most of the DHLP hospitals are experiencing financial distress. HCAI with the California Health Facilities Financing Authority (CHFFA) released a loan modification program in January 2025. HCAI collaborated with CHFFA, California Health and Human Services Agency, the Governor's Office, and the Department of Finance to develop the Loan Modification Application. The loan modification program allows the hospitals more time to implement their financial turnaround plans and give every opportunity to fully repay their DHLP loans. Currently three hospitals have been approved for a loan modification, and we are currently processing five loan modification applications. The expectation is that most, if not all hospitals that qualify for Step 1 of the Loan Modification program will apply for a loan modification.

Mr. O'Brien and HCAI staff then had a discussion with the Committee about the DHLP's hospitals. At the conclusion of this discussion Mr. O'Brien then reported on the SRHRP program.

Mr. O'Brien thanked Tom Wenas, Account Manager, who has been leading behind the scenes to process the SRHRP grant awards, and thanked Ms. Hernandez, who in addition to taking the lead on Cal-Mortgage, has been with the SRHRP from the beginning and has been working with Mr. Wenas behind the scenes to administer this program. Mr. O'Brien told the Committee that the SRHRP is a program that funds grants to small rural and critical access hospitals to assist them with meeting seismic safety compliance requirements and established by SB395 in 2023. Mr. O'Brien then gave a brief history of the SHRHP program, examples of the grant awards to date, and what is expected to be funded in future grant awards.

At the conclusion of Mr. O'Brien's report on this agenda item the Committee had no questions.

7. FUTURE AGENDA ITEMS/ANNOUNCEMENTS FROM COMMITTEE MEMBERS

Mr. Scott Coffin, Committee member, proposed having an agenda item for the next few meetings to discuss the Federal and State budgets and the impact they will have on the projects the Cal-Mortgage Program insures.

8. GENERAL PUBLIC COMMENT

No public comments were made.

9. ADJOURN

Mr. John Woodward, Committee member, made a motion to adjourn the meeting, and the meeting was adjourned at 12:16 p.m.

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

______________________________ ______________________________

Jay Harris, Chair Joanna Luce, Executive Secretary

Agenda Item 5 – Loan Insurance Application Review

Sequoia Living, Inc. formally Northern California Presbyterian Homes and Services, Inc.

Cal-Mortgage Application
June 12, 2025 ALIC

Sequoia Living, Inc., formerly Northern California

Presbyterian Homes and Services, Inc.

1525 Post Street, San Francisco, CA 94109

Contents

PROJECT SUMMARY & FEASIBILITY ANALYSIS

For the June 12, 2025 Meeting of the Advisory Loan Insurance Committee

Project Summary

Applicant: Sequoia Living, Inc. formerly Northern California Presbyterian Homes and Services, Inc. (Corporation)
1525 Post Street, San Francisco, CA 94109

Loan No.: 1098

Account Manager: Lauren Hadley

Executive Summary:
The Corporation was founded in 1958 as a California nonprofit public benefit corporation headquartered in San Francisco, California. It provides services at four continuing care retirement communities (CCRCs) and three affordable housing communities in the Bay Area.

The Corporation has a 10-year history with the Department of Health Care Access and Information's Cal-Mortgage Loan Insurance Program (Department); the Department currently insures two separate bond series for the Corporation that closed in 2015 and 2018. However, only the 2015 Bonds will be refinanced as part of the proposed financing.

The purpose of the proposed insured loan of $156 million (2025 Bonds) is to: (i) refinance the outstanding $49.7 million of the 2015 Bonds currently insured by the Department, (ii) fund $100 million of capital improvements at its four CCRCs, (iii) fund a debt service reserve, (iv) fund the Department insurance premium, and (v) fund the costs of issuance (Project). The 2025 Bonds will have a 30-year term and mature on July 1, 2055.

No new revenue is anticipated as a result of the Project. The proposed 2025 Bonds will be secured by all assets and revenues of the Corporation with the exception of its Senior Services for Northern California (Foundation), three affordable housing communities, and a small separately incorporated for-profit NCP Senior Ventures entity.

As of April 30, 2025, the occupancy at the four CCRCs equaled 95.0% in Independent Living (IL), 91.6% in Assisted Living (AL), 80.8% in Memory Care (MC), and 77.4% in Skilled Nursing Facility (SNF) beds, which results in an overall total occupancy of 92.3%. For the Year-to-Date (YTD) March 31, 2025, the Corporation had approximately $132.9 million in unrestricted cash and investments, which is equivalent to 376 Days Cash on Hand (DCOH). The cash flow generated by current operations is expected to sufficiently support the debt service of the proposed 2025 Bonds and the 2018 Bonds. The Corporation currently meets or exceeds the requirements of all bond financial covenants.

Insured Total:
The 2025 Bonds shall not exceed a par amount of $156 million to be insured by the Department, which is 91% of the total financing. The equity contribution consists of pre-paid Project expenses and the release of 2015 Bonds trustee held funds equal to

9.32%. The new money portion meets the 10% equity contribution requirement. The refinance portion met the 10% equity contribution requirement in 2015.

Credit Rating and Insurance Premium:
The Corporation applied for an independent credit rating from Fitch Ratings and expects the results prior to the bond pricing. The Corporation anticipates receiving an independent credit rating of BBB from Fitch Ratings, which would lower the Department insurance premium for the new money portion to 1.85% and for the refinance portion to 1.05% of the total principal and interest. In addition, a certification and inspection fee of 0.4% of the principal is required for the new money portion of the financing. The total the Department insurance premium and fee is estimated at $5.3 million. The estimated premium and fee will be adjusted if the actual credit rating differs from the anticipated BBB rating.

Legal Status and Eligibility:
The Corporation is a California nonprofit public benefit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code. The Corporation is eligible for loan insurance as a health facility, as defined in Section 129010(g) of the Health and Safety Code.

Cal-Mortgage Priority:
Cal-Mortgage's 2017, 2019, and 2021 Consolidated State Plan determined that certain types of projects are deemed to have a high priority and will be encouraged for new applications. The Corporation's Project meets two of the criteria: (1) the Project provides services to keep the elderly functioning optimally in a community-based environment and avoiding the need for institutional placement and (2) the Project enhances the actuarial stability of Cal-Mortgage, attributable to the Corporation's independent credit rating.

Corporation Background, Services, and Fee Structure:
The Corporation was founded in 1958 as a California nonprofit public benefit corporation headquartered in San Francisco, California. Its mission is to provide homes and services for healthy and joyful aging for people of all cultures, races, ethnicities, genders, abilities, faiths, identities, backgrounds, and walks of life. The Corporation provides a range of senior housing, health care, food, wellness, and other services to Northern California residents. Housing and health care services are provided at four CCRCs located in San Francisco, Portola Valley, Greenbrae, and Walnut Creek. In addition, the Corporation operates three affordable housing communities in San Francisco and San Jose. The Corporation operates outreach programs that provide nutritional and social service programs for seniors.

The four CCRCs provide a total of 840 IL units, 99 AL units, 47 MC units, and 112 SNF beds and serve over 1,000 residents on the following four campuses:

- The Sequoias Portola Valley (SPV) campus opened in 1961. The 42-acre campus is located west of Stanford University and downtown Palo Alto in the city of Portola Valley in San Mateo County. The campus has 192 IL units, 26 AL units, 18 MC units, and a 41-bed SNF.

- The Sequoias San Francisco (SSF) campus opened in 1969. The campus is located near Japantown in the city of San Francisco in San Francisco County. The campus has 259 IL units, 18 AL units, 19 MC units, and a 45-bed SNF.

- The Tamalpais Marin (TM) campus was originally opened in 1969 by Ross Valley Homes, Inc. (RVH), and the Corporation became the sole corporate member of RVH in 1984. RVH formally merged into the Corporation in 2020. The campus is located near Mount Tamalpais in the city of Greenbrae in Marin County. The campus has 219 IL units, 47 AL units, and a 26-bed SNF.

- The Viamonte at Walnut Creek (VWC) campus opened in December 2020. In 2016, the Corporation formed a new 501(c)(3), Viamonte Senior Living 1 (VSL), to develop, own, and operate VWC. The Corporation was the managing sole member of VSL, until VSL formally merged into the Corporation on May 1, 2025. The campus is located in the city of Walnut Creek in Contra Costa County. The campus has 170 IL units, 8 AL units, and 10 MC units.

The Corporation offers various contracts to appeal to prospective residents and their budget. CCRC contracts include a one-time upfront entrance fee and a monthly fee; the entrance fee varies based on the contract type and on the IL unit selected. For CCRC contracts, the entrance fee is repayable upon termination of contract as follows: (1) amortized entrance fees are prorated over a 66-month period, after the 90-day cancellation period, and are refunded less the number of months occupied and (2) repayable entrance fees are fully repayable up to the contract percentage of the original entrance fee upon resale of the unit. Prospective residents are currently offered type B or C contracts with amortized or 50% repayable plans at SPV, SSF, and TM, and type C contracts with amortized, 50%, or 75% repayable plans at VWC. The monthly fee varies depending on the residents' level of care.

Historically, the Corporation offered life-care CCRC contracts at SPV, SSF, and TM. Type A contracts are a life-care model and provide a continuum of care for the duration of the residents' life, which includes IL, AL, MC, SNF, and non-Medicare reimbursed medical services. Residents pay a one-time upfront entrance fee and a monthly fee, which is based on the IL unit selected. The monthly fee remains unchanged as the residents' level of care changes. The Corporation no longer offers type A contracts for new residents; type A contracts were discontinued at the end of 2022. Approximately 70% of residents at SPV, SSF, and TM are covered under type A contracts; it is anticipated that this will reduce to zero by 2040.

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The following table identifies new resident rates for the most popular contract, type C amortized entrance fee and monthly fee at the Corporation's four CCRCs.

Facility	Square Feet	Entrance Fee - Amortized	Monthly Fee
Sequoias San Francisco	370-1,490	$210,000-$1,170,000	$4,710-$10,550
Sequoias Portola Valey	340-1,450	$170,000-$1,490,000	$4,770-$10,340
The Tamalpais Marin	300-1,670	$150,000-$1,080,000	$4,690-$10,110
Viamonte at Walnut Creek	750-1,530	$470,000-$1,290,000	$4,830 - $7,180

Notes:
1. Rates for Amortized Type C contracts, which is the most popular at SSF, SPV, and TM.
2. Type B contracts have the same monthly fees and 10% higher entrance fees at SSF, SPV, TM.
3. 75% Repayable Type C contracts are the most popular at VWC. Entrance fees are priced 54% above Amortized Type C contracts.
4. Rates shown for single occupancy. Double occupancy results in an additional proportional monthly fee.

Source: Financial Feasibility Report

The entrance fee and monthly fee revenue at its four CCRCs consist entirely of private pay. The Corporation accepts Medicare for its SNF services, which accounted for approximately 2% of its total operating revenue in FYE 2024 (approximately $3.8 million).

All residents are provided with one to three meals a day (depending on contract and level of care), housekeeping, utilities, and a full range of social and recreational activities. Optional services are provided for an additional fee, and include guest meals, private catered events, additional parking, special transportation, and a beauty salon.

The following table illustrates the Corporation's historical occupancy levels for all four CCRC campuses as of the fiscal year ended December 31, 2021, through 2024 and as of the four-months ended April 30, 2025. The Corporation has high occupancy levels at all four CCRC campuses.

Historical Occupancy					
Community	Fiscal Years Ended				Four-Months Ended
Unit Type	12/31/2021	12/31/2022	12/31/2023	12/31/2024	4/30/2025
The Sequoias Portola Valley					
IL - 192 Units	97%	96%	96%	96%	97%
AL - 26 Units	85%	100%	88%	88%	92%
MC - 18 Units	83%	67%	78%	72%	72%
SNF - 41 Beds	60%	53%	63%	61%	73%
The Sequoias San Francisco					
IL - 259 Units	93%	90%	87%	96%	95%
AL - 18 Units	67%	72%	83%	78%	94%
MC - 19 Units	95%	79%	84%	89%	79%
SNF - 45 Beds	68%	80%	80%	82%	84%
The Tamalpais Marin					
IL - 219 Units	86%	90%	86%	90%	90%
AL - 47 Units	48%	75%	100%	89%	91%
SNF - 26 Beds	69%	79%	71%	85%	73%
Viamonte at Walnut Creek*					
IL - 170 Units	55%	78%	95%	99%	99%
AL - 8 Units	29%	43%	86%	88%	88%
MC - 10 Units	40%	50%	70%	80%	100%

*Viamonte opened in December 2020 and reached stabilized occupancy in November 2023.

The Corporation’s three affordable housing communities include the Eastern Park Apartments (201 units) and Western Park Apartments (181 units) in San Francisco, and the Town Park Towers (215 units) in San Jose. These facilities offer 597 apartments to low-income seniors; the monthly rent is subsidized by the U.S. Department of Housing and Urban Development (HUD). In FYE 2024, the three affordable housing communities had total assets equal to 19% of the Corporation’s total assets (approximately $135 million), annual revenue equal to 11% of the Corporation’s total operating revenue (approximately $18.1 million), and annual expenses equal to 13% of the Corporation’s total operating expenses (approximately $19.8 million). The three affordable housing communities’ assets and revenues will not be pledged to support the 2025 Bonds.

The Foundation was incorporated in 1987 for the purpose of obtaining donations and grants that support the Corporation’s operations and capital needs. The Corporation is the sole corporate member of the Foundation. In FYE 2024, the Foundation had total assets of $53.5 million, which includes unrestricted assets of $7.4 million, trusted assets of $6.4 million, and restricted assets of $39.8 million. The restricted assets are donor restricted for various purposes, including financial assistance, meal subsidies, facility improvements, and maintenance of a resident garden. In FYE 2024, the Foundation had annual revenue of $6.4 million, and zero in annual expenses. The Foundation’s annual revenue includes interest earnings and donations; revenue is transferred to the Corporation annually in the form of grants for programs and facilities. The grants have averaged approximately $3 million each year over the last four years. The Foundation’s assets and revenues (other than the grants transferred to the Corporation) will not be pledged to support the 2025 Bonds.

NCP Senior Ventures, LLC (NSV) was formed in 2008 for the purpose of seeking and implementing new development opportunities for the Corporation. The Corporation is the sole corporate member of NSV. In 2009, NSV began managing Kokoro Assisted Living, a 54-unit low-income residential housing facility in San Francisco. In FYE 2024, NSV had no material assets, annual revenue equal to 0.1% of the Corporation’s total operating revenue (approximately $0.14 million), and annual expenses equal to 0.4% of the Corporation’s total operating expenses (approximately $0.6 million). NSV’s assets and revenues will not be pledged to support the 2025 Bonds.

The Corporation offers community services through various programs. It offers a volunteering program in which it matches reading tutors with children in first to third grade at Bay Area schools. It partners with schools and community organizations to offer activities at 14 affordable housing communities to connect older adults with young people to share recipes and learn cooking techniques. It provides resident service coordinators at 19 affordable housing communities in the Bay Area to provide on-site services, crisis management, housing sustainability support, and educational and health related activities. The Corporation is affiliated with San Franciso Senior Center (SFSC), for which it provides support services. SFSC offers classes, workshops, fitness programs, nutritious lunches, and critical social services to older adults at two locations in San Francisco.

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Executive Management:
Sara McVey has served as the Corporation's Chief Executive Officer (CEO) since 2019. Prior to joining the Corporation, Ms. McVey served as the CEO at a CCRC in Seattle, Washington, and in leadership and marketing positions at various senior living firms in the mid-west. Ms. McVey holds a Master of Business Administration from the University of Chicago and a Bachelor of Arts in Marketing/Mass Communications and Health Education from the University of Wisconsin.

Charles (Charlie) Shoemake initially served as the Corporation's interim Controller beginning in January 2020, until he shifted into the interim Chief Financial Officer (CFO) position in July 2020 and has served as its permanent CFO since October 2020. Prior to joining the Corporation, Mr. Shoemake served as CFO for a variety of organizations including a specialty finance company in legal funding, a national event staffing firm, a large privately held receivables management company, and as Senior Vice President and CFO for the Corporate Banking Division of PNC Financial Services, Inc. Mr. Shoemake holds a Master of Business Administration in Finance from Indiana University and a Bachelor of Science in Accounting from Indiana University.

Dave Latina has served as the Corporation's Chief Business Development Officer since 2012. Prior to joining the Corporation, Mr. Latina served as Director for the Marin County Housing Authority where he was responsible for managing Marin's Below Market Rate (BMR) Homeownership program, Community Development Block Grant (CDBG) Home Loan Rehab program and the County's public housing portfolio. He also served as Director of Housing Development for Mercy Housing California. Mr. Latina holds a Master of Science in Real Estate Development from Columbia University and a Bachelor of Arts in Political Science from the University of Wisconsin.

Succession Plan:
The Corporation's succession plan includes directives in the event of an emergency, temporary, or permanent vacancy of the CEO position. In the event of an emergency or permanent vacancy, the Board Chair will appoint a successor with Board approval, in the event of temporary incapacitation the CEO will designate their temporary replacement,

Board of Directors:
The Corporation's Board of Directors shall be comprised of at least nine, but not more than 15 directors, and must include one resident of the Corporation's CCRCs. Directors serve three-year terms with approximately one-third of the Directors elected annually, with a maximum of three full three-year terms. The resident Director serves only one three-year term. The current Board of Directors consists of the following members:

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Board of Directors	Profession	Term Ends
Dianne J. Spaulding, Chair	Retired CEO of Non-Profit Housing Association of Northern California	2025
Steve Herman, Vice Chair	Attorney	2026
Val Agostino	Senior VP of Community Impact and Healthcare Partnerships	2027
Richard Corriea	Retired Police Commander, Attorney, Adjunct Professor	2027
Gordon Howie	Retired Investment Banker	2025
Cory Sanderson	Global Operations Manager at Flexport	2027
David Jamison	Retired Executive of Brandfusion, LLC, a Communications Agency	2025
Patricia Lynn	Principal of Lynnk, Real Estate Consulting Company	2025
Marianne Lim	Director of Portfolio Finance & Policy of EAH Housing	2026
Holly Ito	Resident Representative & Retired CPA	2027
Nancy Hiroko Mayeda	Retired Graduate School Professor at UC Berkeley	2025
Marilyn Suey	Founder and CEO of The Diamond Group Wealth Advisors	2026
Anthony Witte	Founder of Witte's End Consulting, LLC, a DEIB firm	2028

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

Licensing and Certification:
The Corporation's four CCRC campuses are each licensed by the California Department of Social Services (CDSS) to operate the IL, AL, and MC units (licensed as Residential Care for the Elderly Continuing Care Retirement Community). Facility reports are available on the CDSS website covering the last five years. Over the last five years, SPV received two type B citations, SSF received one type A citation, TM received six type A citations and three type B citations, and VWC received seven type A citations. The Corporation has resolved all the citations by submitting corrective action plans to CDSS and having them approved.

The Corporation's SPV, SSF, and TM campuses are each licensed by the California Department of Public Health (CDPH) to operate their SNFs. Facility reports are available on the CDPH website covering 2022 through 2025. Over the last four years, SSF and TM have had zero enforcement actions and SPV had one enforcement action for not meeting the minimum staffing requirement; it was 0.03 below the minimum staffing requirement for one day.

Centers for Medicare and Medicaid Services (CMS) Nursing Home Compare provides information for consumers about nursing homes. Ratings are provided for health inspections, staffing, and quality measures; additionally, these three ratings are combined to calculate an overall rating. Ratings range from one-to-five stars with one being the lowest and five being the highest. Overall ratings for the Corporation's campuses with SNFs are as follows: SPV as five-stars, SSF as five-stars, and TM as five-stars.

Financing History with the Department:
In April 2015, the Department insured a $63.21 million bond issue to refinance existing debt and to finance capital improvements at two of the Corporation's properties (2015 Bonds). The 2015 Bonds have an outstanding principal balance of $51.32 million with a final maturity date of July 1, 2044. The 2015 Bonds are to be refinanced with the proposed 2025 Bonds.

In May 2018, the Department insured a $187.2 million bond issue to construct the new VWC campus in Walnut Creek, featuring 174 IL units and 17 AL/MC units (2018 Bonds). Construction began in the summer of 2018, the project was completed and move-ins began in December 2020. In November 2023, stabilized occupancy was achieved when 165 of 174 (95%) IL units were occupied. All entrance fee bonds have been fully redeemed. The 2018 Bonds have an outstanding principal balance of $44.16 million with a final maturity date of July 1, 2047.

Project Description:
The purpose of the proposed 2025 Bonds is to: (i) refinance the outstanding $49.7 million of the 2015 Bonds currently insured by the Department, (ii) fund $100 million of capital improvements at four CCRCs, (iii) fund a debt service reserve, (iv) fund the Department insurance premium, and (v) fund the costs of issuance.

Refinance: The 2025 Bond proceeds will be used to refinance the outstanding $49.7 million of the 2015 Bonds. The 2015 Bonds are callable without a redemption premium on or after July 1, 2025. The amortization of the refinance will be weighted over the first 19 years of the 2025 Bonds, thus effectively providing a matched maturity to the 2015 Bonds. The refinance would produce a net present value (NPV) savings of 2.17% or approximately $1.08 million. Moving forward with the refinance is dependent on the market conditions at the time of the bond pricing. The bond market has been volatile, and current interest rates are not in favor of a full refinancing. The closing conditions will allow the Corporation to refinance the 2015 Bonds as a whole, or in part with a minimum 4% NPV savings, which gives them the flexibility to do what is financially beneficial for the Corporation.

Capital Improvements: The 2025 Bond proceeds will be used to fund $100 million for capital improvements at the Corporation's four CCRCs. SPV, SSF, and TM were originally constructed more than 55 years ago and need continuous upgrades to maintain physical integrity and market competitiveness. The Corporation developed a $216 million Future Proofing Plan (Plan) that includes an extensive list of routine capital improvements, replacement of critical infrastructure, and a fire mitigation plan needed between 2025 and 2028 at the CCRCs. This four-year Plan ensures the CCRCs are sustained well into the future. The Plan is in addition to the Corporation's routine capital improvement budget of approximately $15-20 million annually.

The capital improvements funded by the 2025 Bonds will cover approximately half of the Corporation's $216 million Plan; the remainder will be funded by the annual cash flow generated from entrance fees and a portion of its cash reserves. Financing half of the Plan will allow the Corporation to preserve adequate cash reserves. No new operations or service lines will be created by the Project.

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The 2025 Bond proceeds for capital improvements will be allocated for each CCRC as outlined in the following table.

Capital Improvement Budget	Amount
The Sequoias Portola Valley (SPV)	$33,150,000
The Sequoias San Francisco (SSF)	$29,550,000
The Tamalpais Marin (TM)	$40,075,000
Viamonte at Walnut Creek (VWC)	$250,000
Total Budget	**$103,025,000**

The capital improvements at SPV include the following fire mitigation projects: replacement of windows, roofing, insulation, building hardening, roofing project, fence and patio replacement, emergency response radio communication system, fire alarm – speaker strobe installation, fire sprinkler system expansion, and Hanson Hall. Other capital improvements include the expansion of electrical infrastructure, an update at its SNF, replacement of HVAC, hydrogen fuel cells, and campus walkways. The majority of the allocated funds will go toward the fire mitigation projects with budgets equal to $26.0 million.

The capital improvements at SSF include an update of the common corridors; atrium; library; and lounge; an inspection and repair of the building façade; the expansion of electrical infrastructure; the replacement of hydrogen fuel cells; boilers; elevator; fire panel; and kitchen AC and hood vent. The majority of the allocated funds will go toward the revitalization of the common corridors, and the replacement of a fire panel and kitchen AC and hood vent with budgets of $5.6 million, $8.5 million, and $6.5 million, respectively.

The capital improvements at TM include common corridor updates, kitchen remodel, garage entry project, waterproofing of a terrace, the replacement of hydrogen fuel cells, boilers, fire panel, the expansion of fire sprinkler system and electrical infrastructure. The majority of the allocated funds will go toward the revitalization of the common corridors, and the replacement of a fire panel and the expansion of the fire sprinkler system with budgets of $7.0 million, $12.0 million, and $10.0 million, respectively.

The capital improvement at VWC will only include the purchase of a passenger bus budgeted at $250,000.

The capital improvement projects are all in various states of readiness. Certain projects are already well underway, while other projects are still in the early planning stage. Some of the projects are awaiting required permits, construction contracts, builders risk insurance, and performance and payment bonds to be in place prior to the beginning of construction and any disbursement of project funds. The project funds allocated to those projects will not be disbursed until all necessary permits, construction contracts, builders risk insurance, and performance and payment bonds are in place.

Future Projects:
Currently, the Corporation is focused on its four-year Plan described in the previous Project Description section.

Financing Timeline:
The following table identifies the tentative key dates of the financing timeline.

Event	Date
ALIC	6/12/2025
Bond Pricing	7/7/2025
Bond Closing	7/21/2025
Capital Improvements	2025-2028

Financing Team:
The following table identifies the key members of the financing team.

Role	Organization
Bond Counsel	Orrick, Herrington & Sutcliffe, LLP
Bond Trustee	BNY Mellon
Borrower Counsel	Hanson Bridgett LLP
Feasibility Consultant	Hendrickson Consulting
Issuer	California Statewide Communities Development Authority
Title Company	Chicago Title Insurance Company
Underwriter	Ziegler
Underwriter Counsel	Chapman and Cutler LLP

Sources and Uses of Funds:
The following table identifies the estimated Sources and Uses of Funds related to the proposed 2025 Bonds.

Sources of Funds	2015 Bonds Refinancing	New Money	Total	Percentage
Bond Proceeds:				
Par Amount	$44,990,000	$105,545,000	$150,535,000	87.51%
Premium	$2,992,128	$2,454,091	$5,446,218	3.17%
	$47,982,128	$107,999,091	$155,981,218	90.68%
Equity Contribution:				
Prepaids	-	$11,999,899	$11,999,899	6.98%
Release of 2015 Trustee Funds	$4,039,775	-	$4,039,775	2.35%
	$4,039,775	$11,999,899	$16,039,674	9.32%
Total Source of Funds	**$52,021,903**	**$119,998,990**	**$172,020,892**	**100.00%**

Uses of Funds	2015 Bonds Refinancing	New Money	Total	Percentage
Project Fund	-	$100,000,000	$100,000,000	58.13%
Project - Prepaids	-	$11,999,899	$11,999,899	6.98%
Refunding Escrow Deposit	$49,803,834	-	$49,803,834	28.95%
Debt Service Reserve Fund	$732,543	$1,718,520	$2,451,063	1.42%
Cost of Issuance	$739,174	$1,734,077	$2,473,251	1.44%
Cal-Mortgage Premium (1.05% + 1.85%)	$741,943	$4,122,988	$4,864,931	2.83%
Cal-Mortgage Inspection Fee (0.4%)	-	$422,180	$422,180	0.25%
Rounding	$4,408	$1,326	$5,734	0.00%
Total Uses of Funds	**$52,021,903**	**$119,998,990**	**$172,020,892**	**100.00%**

Financing:
The proposed 2025 Bonds will be issued in an amount not to exceed $156.0 million and are projected to be issued with a par amount of $150.5 million and a premium of $5.4 million with the following terms:

1. The 2025 Bonds will have a 30-year term and mature on July 1, 2055. The refunding portion will be amortized over the first 19 years and the new money portion will be amortized over the entire 30-years with a larger proportion over the last 11 years.
2. The 2025 Bonds are to be issued at fixed rates. The average coupon rate is projected at 5% with an all-in true interest cost of 4.46%.
3. The maximum annual debt service (MADS) is projected at $9.80 million with an average annual debt service of $9.79 million.
4. The debt service reserve fund is projected at $2.45 million, which is 25% of the maximum annual debt service.
5. Interest payments are due semiannually every January and July, beginning 2026 through maturity.
6. Principal payments are due annually every July, beginning 2026 through maturity.
7. The 2025 Bonds are anticipated to be priced with a six year no call period, thereafter the redemption price shall be 103% at year seven, 102% at year eight, 101% at year nine, after which there shall be no prepayment penalty.

The proposed bond model, dated April 30, 2025, is available to review under Exhibit A.

Security:
the Department shall receive a security interest on the Corporation's real and 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 covering said property of the Corporation, except for the assets of the Foundation and the three affordable housing communities. Such real property shall include the following:
1. The Sequoias Portola Valley, 501 Portola Rd., Portola Valley, CA 94028;
2. The Sequoias San Francisco, 1400 Geary Blvd., San Francisco, CA 94109;
3. The Tamalpais Marin, 501 Via Casitas, Greenbrae, CA 94904; and
4. Viamonte at Walnut Creek, 2801 Shadelands Drive, Walnut Creek, CA 94598.

Appraisal and Loan-to-Value (LTV):
Senior Living Valuation Services, Inc. (SLVS) prepared an appraisal report for SPV dated May 31, 2025, which determined the market value on April 23, 2025, of $65.08 million. SLVS prepared an appraisal report for SSF dated May 28, 2025, which determined the market value on April 22, 2025, of $31.03 million. SLVS prepared an appraisal report for TM dated May 26, 2025, which determined the market value on April 22, 2025, of $60.43 million. SLVS prepared an appraisal report for VWC dated May 23,2025, which determined the market value on April 22, 2025, of $84.85 million. SLVS determined the as-is market value for all four campuses using the income approach; the cost approach and sales comparison approach were not utilized in the appraisal reports. The income approach does not factor in the capital improvement projects that will be funded with the proposed 2025 Bonds, which the Department assumes will increase the value of the

campuses. The campus valuations and the estimated LTV are outlined in the following table.

SPV Valuation	$65,075,000
SSF Valuation	$31,025,000
TM Valuation	$60,425,000
VWC Valuation	$84,850,000
Total Valuation	**$241,375,000**
2025 Bonds - Proposed	$156,000,000
2018 Bonds (as of 7/1/25)	$43,035,000
Total Liability	**$199,035,000**
LTV	**82%**

The appraisals estimated a 40-year economic useful life for SPV, SSF, and TM, and a 45-year economic useful life for VWC.

Environmental:
On December 23, 2014, and March 6, 2018, the California Department of Toxic Substances Control (DTSC) completed its Environmental Review of the Phase I Environmental Assessment on the Corporation's real properties. DTSC did not detect any environmental conditions that would warrant further investigation.

Financial Performance:
The following table summarizes the historical results for several key ratios and financial statistics from the Corporation's consolidated audited financial statements, excluding the Foundation, for the FYE 2021 to 2024, and the internally prepared financial statements for the year-to-date (YTD) March 31, 2025. It should be noted that the following table may include category variances compared to the actual financial statements and the Financial Feasibility Report due to the financial spread software utilized by the Account Manager. A detailed financial spread is provided under Exhibit B, and the audited financial statements and internally prepared financial statements are provided under Exhibits C and D, respectively.

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Statement Date (12/31 FYE) Months Covered Audit Method	12/31/2021 12 Unqualified	12/31/2022 12 Unqualified	12/31/2023 12 Unqualified	12/31/2024 12 Unqualified	3/31/2025 3 Internal
Cash & Investments	$108,904	$75,122	$110,860	$136,227	$132,874
Net Assets	$53,511	$49,698	$95,955	$125,293	$126,964
Operating Revenue	$115,705	$123,463	$135,336	$143,003	$37,084
Operating Expenses	$117,962	$118,195	$129,316	$139,608	$35,806
Operating Profit (Loss)	($2,257)	$5,268	$6,020	$3,395	$1,278
Non-Operating Income (Loss)	$22,653	($9,081)	$40,237	$25,943	$387
Net Income	$20,396	($3,813)	$46,257	$29,338	$1,665
EBITDA	$50,402	$24,458	$78,471	$60,059	$9,390
Debt Service Coverage Ratio (DSCR)	4.07	5.05	4.24	4.43	4.17
Current Ratio (CR)	4.34	1.95	5.13	6.13	5.03
Days Cash on Hand (DCOH)	349	243	329	396	376
Notes: Amount in Thousands. Consolidated Financial Statements of Sequoia Living and Viamonte, and excludes the Foundation. DSCR calculated using MADS, and excludes the Affordable Housing Communities.					

Between FYE December 31, 2021, and YTD March 31, 2025, the Corporation met the DSCR, CR, and DCOH covenant requirements of 1.25, 1.50, and 150, respectively. The YTD March 31, 2025, shows a cash and investments balance equal to $132.8 million or 376 DCOH. During this period, a positive net income of $1.6 million was achieved. Operating revenue remains on budget and is estimated to meet or exceed FYE 2024 levels.

Between FYE 2021 and 2024, the cash and investments balance increased from $108.9 million to $136.2 million, an increase of $27.3 million. In FYE 2024, the cash and investments balance equaled 396 DCOH. Between FYE 2021 and 2024, net assets increased from $53.5 million to $125.3 million, an increase of $71.8 million. Between FYE 2021 and 2024, operating revenue steadily increased and reached $143.0 million in FYE 2024. Between FYE 2021 and 2024, net income was positive in FYE 2021, 2023, and 2024. A net loss of $3.8 million occurred in FYE 2022 due to a $18.2 million unrealized loss from investments. Between FYE 2021 and 2024, DSCR exceeded the 1.25x covenant requirement. DSCR is based on MADS and includes the net cash flow from entrance fees and excludes unrealized gains/losses from investments.

Portfolio Comparison:
The Corporation's financial covenant ratios were compared to other CCRC multi-level facilities within the Department portfolio. The financial covenant ratios are from the most recent audit for each organization. The following table illustrates that the Corporation's DSCR, CR, and DCOH exceeded the average and median tier when compared to similar organizations in the Department portfolio.

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CCRC Multi-Level Facility Comparisons in the Department Portfolio					
Organization	**City**	**DSCR**	**CR**	**DCOH**	**Revenue (in thousands)**
Sequoia Living, Inc.	***San Francisco***	***4.43***	***6.13***	***396***	***$143,003***
Aldersly	San Rafael	1.14	1.12	585	$9,816
Atherton Baptist Homes	Alhambra	2.80	4.69	326	$25,907
Carmel Valley Manor	Carmel	2.05	5.72	567	$26,923
Channing House	Palo Alto	1.29	4.32	398	$27,066
Inland Christian Home, Inc.	Ontario	2.19	5.57	172	$13,940
Los Angeles Jewish Home for the Aging	Reseda	1.46	1.09	92	$169,488
Moldaw Residences	Palo Alto	2.72	5.27	554	$17,988
Odd Fellows Home of California	Napa/Saratoga	2.14	4.53	294	$83,321
Paradise Valley	Fairfield	0.74	4.64	186	$43,870
Pilgrim Place	Claremont	2.03	4.37	192	$20,844
Solvang Lutheran Home	Solvang	5.16	9.34	308	$16,605
Town and Country Manor	Santa Ana	0.96	5.41	206	$30,171
	Average	**2.24**	**4.78**	**329**	**$40,495**
	Median	**2.05**	**4.69**	**308**	**$26,415**

<u>Market Analysis:</u>

The following table includes the competitors within the primary service area for each of the Corporation's four CCRCs. The Corporation's four CCRCs obtain approximately 80% of their residents from their respective primary service areas. SPV's primary service area includes cities within eight miles of the facility, such as Portola Valley, Palo Alto, Redwood City, and Los Altos. SSF's primary service area includes San Francisco neighborhoods within five miles of the facility, such as Pacific Heights, Presidio, Richmond, and Noe Valley. TM's primary service area includes cities within five miles of the facility, such as Greenbrae, San Rafael, Larkspur, Greenbrae, and San Anselmo. VWC's primary service area includes cities within ten miles of the facility, such as Walnut Creek, Pleasant Hill, Lafayette, Alamo, and Moraga.

Primary Service Area Competition				
Facility	**City**	**Miles from Corporation's Facility**	**# of IL Units**	**Fee Type**
<u>The Sequoias Portola Valley</u>				
The Vi	Palo Alto	7	388	Entrance Fee
Channing House*	Palo Alto	8	175	Entrance Fee
The Forum at Rancho San Antonio	Cupertino	13	379	Membership Equity
Saratoga Retirement Community*	Saratoga	19	143	Entrance Fee
Moldaw Residences*	Palo Alto	9	170	Entrance Fee
<u>The Sequoias San Francisco</u>				
The Carlisle	San Francisco	0.1	92	Condo
San Francisco Towers	San Francisco	0.5	245	Entrance Fee
The Heritage	San Francisco	2	79	Entrance Fee
<u>The Tamalpais Marin</u>				
The Aldersly*	San Rafael	6	58	Entrance Fee
Villa Marin	San Rafael	7	224	Condo
<u>Viamonte at Walnut Creek</u>				
Kensington	Walnut Creek	3	75	Rental
Atria Montego Heights	Walnut Creek	2	85	Rental
Atria Valley View	Walnut Creek	6	60	Rental
Byron Park	Walnut Creek	5	80	Rental
Merrill Gardens at Lafayette	Lafayette	6	40	Rental
*Competitors within the Department portfolio.				

Community Needs/Benefit:
The Corporation offers a continuum of care to the elderly at its four CCRC campuses and three affordable housing communities in the Bay Area. Its services include HUD subsidized rental apartments, IL, AL, MC, rehabilitation, and SNF services. The CCRC campuses allow the residents to age in place and have services provided in their homes. The Foundation provides subsidies for residents' monthly fees if they experience financial hardship.

It offers its services primarily in English; select staff are fluent in Spanish, Tagalog, and Cantonese for those who need bilingual services. The Corporation trains its staff to provide culturally competent care and recruits staff with a diverse background to create a safe, trusting environment for residents. The Corporation provides outreach to the local communities with support and space to host regional programs, including, but not limited to, lectures, excursions, and concerts.

Feasibility Analysis

Feasibility Summary:
The Financial Feasibility Report (Feasibility Report), dated May 5, 2025, was prepared by Bill Hendrickson of Hendrickson Consulting (Hendrickson) for the proposed 2025 Bonds and is provided under Exhibit E. The Feasibility Report assumes the following:

1. A $150.5 million bond issuance will be used to refinance the 2015 Bonds and to finance $100 million in capital improvements.
2. The 2025 Bond payments will be secured by all assets and revenues of the Corporation with the exception of the Foundation, the three affordable housing communities, and NSV.
3. The forecasts are based on a 30-year amortization schedule provided by Ziegler with a maximum annual debt service (MADS) of $9.8 million throughout the projection period and a maximum coupon rate of 5%.
4. The forecasts are based on historical financial information, historical occupancy and rate information, and discussions with management.

The Feasibility Report concludes the following for the FYE 2025 through 2030 projection period:

1. The DSCR will be greater than 3.0x MADS throughout the projection period.
2. The DCOH will be greater than 300 days throughout the projection period.

Revenue Assumptions:
The total revenue is projected to increase from $160.8 million in FYE 2025 to $194.4 million in FYE 2030; an average annual increase of 4%. Monthly fees at the four CCRCs account for approximately 66% of total revenue. The forecast assumptions for entrance fees and move-ins; monthly fees and rates; occupancy; other programs; contributions and net assets released from restrictions; and interest earnings are explained in more detail below.

Entrance Fees and Move-ins: The entrance fees at the four CCRCs are forecast to increase by 4% each year beginning in FYE 2026 and thereafter. The entrance fee assumption is more conservative than historical increases. Move-ins at the four CCRCs are forecast at 79 units in FYE 2025, 70 in FYE 2026, and then increasing by one unit per year until it reaches 74 units in FYE 2030. The move-in assumptions are more conservative than historical turnover.

Monthly Fees and Rates: The monthly fees at the four CCRCs for IL, AL, MC, and SNF are forecast to increase by 4% each year beginning in FYE 2026 and thereafter. The monthly fee assumption is more conservative than historical increases. The medical related fees-for-service at the SNFs are forecast to increase by 3% each year, beginning in FYE 2026 and thereafter. The medical related fees-for-service assumption is consistent with historical increases.

Occupancy: The IL average annual occupancy is forecast at 94.8% in FYE 2025 and thereafter. The AL/MC average annual occupancy is forecast at 84.1% in FYE 2025 and thereafter. The SNF average annual occupancy is forecast at 76.8% in FYE 2025 and thereafter. The IL, AL/MC, and SNF occupancy assumptions are all on par with the FYE 2024 occupancy levels.

Other Programs: Other Programs include the affordable housing communities, the Foundation, and NSV. These Other Programs are included in the Feasibility Report for reference, but their assets, liabilities, revenues, and expenses are excluded from support for the 2025 Bonds. The Other Programs revenue are forecast at budgeted amounts in FYE 2025 and forecast to increase by 4% each year thereafter.

Contributions and Net Assets Released From Restrictions: Contributions and net assets released from restrictions are forecast at $3.4 million in FYE 2025 and thereafter. The $3.4 million forecast is attributable to $0.4 million from contributions and $3 million net asset released from restriction (grant transferred from the Foundation to the Corporation for operations). The contributions and net assets released from restrictions assumption is consistent with historical amounts.

Interest Earnings: Interest earnings are forecast to earn 4% in interest, dividends, and realized gains on the unrestricted cash and investment reserves beginning in FYE 2025 and each year thereafter. The interest earnings assumption is consistent with historical amounts.

<u>Expense Assumptions</u>:
The total expenses are forecast to increase from $157.02 million in FYE 2025 to $194.86 million in FYE 2030; an average annual increase of 4.7%. Total expenses consist of operational expenses at the four CCRCs, three affordable housing communities, Foundation, NSV, depreciation, and interest expenses.

The operational expenses consist of personnel expenses, purchased service, supplies, utilities, repairs and maintenance, and other operating expenses (excluding depreciation and interest expense) and are forecast to increase by 4% each year beginning FYE 2025 and thereafter. The operational expense assumption is lower than the historical increases, which is discussed in the Staff Analysis section below. The depreciation and interest expense assumption are based on the depreciation schedules for various capital expenditures and current and proposed interest schedules.

<u>Financial Covenant Ratio</u>:
The following summarizes the financial covenant ratio projection included in the Feasibility Report, which excludes the net operating cash flow, annual debt payments, and cash reserves for the Foundation, the three affordable housing communities, and NSV. The DSCR will be greater than 3.0x MADS and the DCOH will be greater than 316 days throughout the projection period.

Base Case - Financial Covenant Ratio Projection					
Fiscal Year Ending December 31	**2026**	**2027**	**2028**	**2029**	**2030**
Debt Service Coverage Ratio - MADS	3.04	3.20	3.37	3.56	3.72
Days Cash on Hand	346	344	347	316	367

<u>Sensitivity Analysis</u>:
The Feasibility Report included four sensitivity scenarios to stress test the projected financial performance between FYE 2026 and 2030.

Scenario 1 – Interest Rates Increase by 1.0%
Under this scenario, the annual debt service payments would increase by approximately $1.06 million per year from $12.81 million to $13.87 million (2025 Bonds and 2018 Bonds), due to a 1% increase over the base case 5% coupon rates on the 2025 Bonds.

Scenario 1 - Interest Rates Increase by 1.0%					
Fiscal Year Ending December 31	**2026**	**2027**	**2028**	**2029**	**2030**
Debt Service Coverage Ratio - MADS	2.80	2.95	3.11	3.28	3.43
Days Cash on Hand	340	336	337	303	351

Scenario 2 – Higher Project Costs
Under this scenario, the total project costs increase by $34.0 million due to potential cost inflation or scope increases. There are no changes to the revenue or expense assumptions which remain at the base case forecast levels.

Scenario 2 - Higher Project Costs					
Fiscal Year Ending December 31	**2026**	**2027**	**2028**	**2029**	**2030**
Debt Service Coverage Ratio - MADS	3.01	3.15	3.30	3.47	3.61
Days Cash on Hand	302	280	265	220	271

Scenario 3 – Lower Sales/Occupancy
Under this scenario, the annual IL move-ins at SSF, SPV, and TM are reduced by 10 units (from 60 to 50) between FYE 2026 and 2028, resulting in the average IL occupancy declining to 91.2% by FYE 2028, a reduction from the base case forecast of 94.8% IL occupancy. There are no changes to operating expense assumption which remain at the base case forecast levels.

Scenario 3 - Lower Sales/Occupancy					
Fiscal Year Ending December 31	**2026**	**2027**	**2028**	**2029**	**2030**
Debt Service Coverage Ratio - MADS	2.56	2.61	2.65	3.24	3.38
Days Cash on Hand	328	306	287	247	289

Scenario 4 – Higher Operating Expenses
Under this scenario, the operating expenses increase by 5% per year over the base case assumption of 4%. There are no changes to the revenue assumptions which remain at the base case forecast levels.

Scenario 4 - Higher Operating Expenses					
Fiscal Year Ending December 31	**2026**	**2027**	**2028**	**2029**	**2030**
Debt Service Coverage Ratio - MADS	2.92	2.96	3.00	3.04	3.01
Days Cash on Hand	295	265	238	156	186

Staff Analysis:
As identified in the Feasibility Report, the base case DSCR and DCOH are forecast to exceed the 1.25x DSCR and the 150 DCOH covenant requirements. The revenue assumptions are more conservative than historical increases or amounts, unless otherwise noted, and seem reasonable. The expense assumptions are lower than historical increases; Scenario 4 illustrates an expense assumption based on historical increases with no offsetting increases to the revenue assumption.

Scenario 1 demonstrates that higher interest rates would cause the DSCR and DCOH to decline slightly but has no material effect on the feasibility of the proposed financing. There is a probability that this scenario could occur as the market has been volatile in the past year. As discussed previously, if the interest rates were to increase, the Corporation would not refinance the 2015 Bonds if the NPV savings are below 4%.

Scenario 2 demonstrates that higher project costs would cause the DSCR to decline slightly and the DCOH to decline significantly. DCOH would decline to its lowest point in FYE 2029 to 220 days. There is a probability that this scenario could occur as cost inflation is common in1 the current economic environment. If project cost were to increase significantly, the Corporation would need to consider postponing or changing the scope for certain projects to preserve its cash reserves.

Scenario 3 demonstrates that lower sales and occupancy would cause the DSCR and DCOH to decline moderately. DCOH would decline to its lowest point in FYE 2029 to 247 days. There is a probability that this scenario could occur as the occupancy levels dropped to these levels during COVID-19 pandemic. Current occupancy levels have improved, and occupancy is high at all four CCRCs. If occupancy levels dropped the Corporation would create marketing initiatives aimed at increasing sales.

Scenario 4 demonstrates that higher operating expenses would cause the DSCR to decline moderately and the DCOH to decline significantly. DSCR would decline to its lowest point in FYE 2027 to 2.96. DCOH would decline to its lowest point in FYE 2029 to 156 days. There is a probability that this scenario could occur as this scenario is closer to historical increases than the base case assumptions. The Corporation would need to raise its entrance fees and monthly fees to offset the increase in operating expenses.

In all four sensitivity scenarios, the Corporation will exceed the DSCR and DCOH covenant requirements. The four sensitivity scenarios are considered reasonable and demonstrate the Corporation’s financial strength to weather unfavorable business environment.

Recommendation

<u>Strengths</u>:

1. Reputation: The Corporation is well respected by Bay Area residents. The Corporation has over 60 years’ experience operating a retirement community and is an established Corporation in the Bay Area.
2. Services: The Corporation offers a full continuum of care to the elderly by providing IL, AL, MC, and SNF services.
3. Department History: The Corporation has had an insured loan in the Department portfolio since 2015. The Cal-Mortgage Loan Insurance Program has enabled the Corporation to complete various campus renovations and the development of the VWC campus. The Corporation has a solid history of making its debt service payments and its financial performance history supports the proposed new loan.
4. Historical Financial Performance: The Corporation has historically had strong financial performance. It received an investment grade credit rating of BBB+ when the 2015 Bonds were issued and anticipates receiving an investment grade credit rating of BBB prior to the pricing of the 2025 Bonds. In addition, the Corporation has exceeded the DSCR, DCOH and CR covenants since being in the Department portfolio.
5. Diversified facility locations and unit types: The Corporation is well prepared to leverage its competitive advantages including diversified geographic locations in the greater San Francisco Bay area, San Jose, and Walnut Creek. All of these locations are considered some of the most desirable real estate markets in Northern California. In addition, the site plans and unit types vary from high-rise urban living to more suburban and rural settings with more open space and single-story construction.

<u>Weaknesses</u>:

1. 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: The Corporation’s four CCRCs are located in Contra Costa County, Marin County, San Francisco County, and San Mateo County. Overall, the real estate market in these four counties have increased over the last decade; there have been periods of downward market fluctuations which have rebounded. Per the California Association of Realtors, the March 2025 median home price in Contra Costa County was $0.9 million, Marin County was $1.7 million, San Francisco County was $1.80 million, and the San Mateo County was $2.26 million. The median home prices in these four counties are higher than the California median home price.
2. Aging Infrastructure: SSF, SPV, and TM were originally constructed in the 1960s and the building’s underlying infrastructure is reaching the end of its useful life.
   Mitigation: The Corporation is aware of its aging infrastructure and is continuously updating its aging infrastructure as needed each year. The proposed Project will fund several major infrastructure projects to ensure that the CCRCs are operational well into the future.

Recommendation:
I recommend that the Department issue a commitment for six months to insure a loan to the Corporation, not to exceed $156 million, for the previously described financing with the following conditions:

A. the Department shall receive a security interest on all the Corporation’s real and 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 covering said property of the Corporation, except for the assets of the Foundation and the three affordable housing communities. Such real property shall include the following:
    1. The Sequoias Portola Valley, 501 Portola Rd., Portola Valley, CA 94028;
    2. The Sequoias San Francisco, 1400 Geary Blvd., San Francisco, CA 94109;
    3. The Tamalpais Marin, 501 Via Casitas, Greenbrae, CA 94904; and
    4. Viamonte at Walnut Creek, 2801 Shadelands Drive, Walnut Creek, CA 94598.

B. the Department 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 the Department.

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 May 5, 2025, the Application for Loan Insurance, the Project Description and Scope as agreed to by the Department.

D. The 2015 Bonds may be refinanced, as a whole, or in part, with a minimum of 4% net present value savings on an effective matched maturity basis at the time that the bonds are priced, unless otherwise agreed by the Department.

E. The bonds shall have a term not to exceed the lesser of 30 years from the date of the loan or 75% of the estimate economic useful life of the Corporation’s real property. Principal shall be amortized beginning on or before July 1, 2026. The no-call period, if any, shall not extend beyond the first eight years of the loan, thereafter the redemption price for the following two years shall not exceed 102% for the first year and 101% for the second year, after which there shall be no prepayment penalty, unless otherwise agreed to by the Department.

F. Within 90 days from the date of the Department’s commitment letter, the Corporation shall obtain approval from a lender or issuer.

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

H. The Regulatory Agreement shall contain provisions that the Corporation shall maintain the following:
    1. A current ratio of at least 1.50 to 1, beginning Fiscal Year End (FYE) 2025 and thereafter, as determined by the annual audited financial statements.

2. A debt service coverage ratio of at least 1.25 to 1, beginning FYE 2025 and thereafter, as determined by the annual audited financial statements.
3. A non-restricted cash balance of at least 150 days cash, beginning FYE 2025 and thereafter, as determined by the annual audited financial statements.

I. The Debt Service Reserve Fund shall be established at loan closing in the amount equal to the lesser of (i) 25% of the maximum annual debt service of the bonds, (ii) 125% of the average annual debt service of the bonds, or (iii) 10% of the outstanding principal amount of the bonds, or other amount to be determined by the Department.

J. Prior to the sale or pricing of the insured loan transaction, the Department 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 the Department.

   3. Proforma title report for issuance of ALTA Lender's title policy (6-17-06), or other form acceptable to the Department, with exceptions to title acceptable to the Department and with the Department 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)
      h. ALTA 9.6-06 (Private Rights Loan) - Viamonte's 2018 Bonds
      i. CLTA 103.7-06 (Land Abuts Street) – Sequoia 2015 Bonds
      j. CLTA 116-06 (Designation of Improvements, Address) – Sequoia 2015 Bonds
      k. ALTA 12-06 (Aggregation) – Sequoia 2015 Bonds

      The Department may require additional endorsements and forms.

   4. Evidence that the following insurance coverage is in effect:
      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 the Department.

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

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

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

8. The Department shall receive a corporate resolution authorizing the transaction and the execution of the Regulatory Agreement, Contract of Insurance, and Deed of Trust.

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

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

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

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

Lauren Hadley, Account Manager

Date: 6/3/2025

I approve the above recommendation.

Consuelo Hernandez, Supervisor

Date: 6/3/2025

I approve the above recommendation.

Dean O'Brien, Deputy Director

Date: 6/3/2025

Exhibit A

Proposed Bond Model

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CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
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Refinancing 2015 Bonds + $100mm New Money

SOURCES AND USES OF FUNDS

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
===== ===== ===== ===== ===== ===== ===== ===== ===== =====
Refinancing 2015 Bonds + $100mm New Money

Dated Date	07/17/2025
Delivery Date	07/17/2025

Sources:	2025A1 (Refinancing)	Series 2025A2 (New Money)	Total
Bond Proceeds:			
Par Amount	44,990,000.00	105,545,000.00	150,535,000.00
Premium	2,992,127.55	2,454,090.90	5,446,218.45
	47,982,127.55	107,999,090.90	155,981,218.45
Other Sources of Funds:			
2015 DSRF	4,039,775.00	-	4,039,775.00
Cal-M Equity	-	11,999,898.99	11,999,898.99
	4,039,775.00	11,999,898.99	16,039,673.99
	52,021,902.55	119,998,989.89	172,020,892.44

Uses:	2025A1 (Refinancing)	Series 2025A2 (New Money)	Total
Project Fund Deposits:			
Future Proofing Projects	-	100,000,000.00	100,000,000.00
Future Proofing Projects (Already Spent)	-	11,999,898.99	11,999,898.99
	-	111,999,898.99	111,999,898.99
Refunding Escrow Deposits:			
Cash Deposit	49,803,834.44	-	49,803,834.44
Other Fund Deposits:			
Debt Service Reserve Fund	732,542.61	1,718,519.89	2,451,062.50
Delivery Date Expenses:			
Cost of Issuance	739,174.10	1,734,077.15	2,473,251.25
Cal-Mortgage Insurance Premium (1.05%)	741,943.36	-	741,943.36
Cal-Mortgage Insurance Premium (1.85%)	-	4,122,987.80	4,122,987.80
Cal-Mortgage Inspection Fee (0.40%)	-	422,180.00	422,180.00
	1,481,117.46	6,279,244.95	7,760,362.41
Other Uses of Funds:			
Additional Proceeds	4,408.04	1,326.06	5,734.10
	52,021,902.55	119,998,989.89	172,020,892.44

BOND MATURITY TABLE

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
===== ===== ===== ===== ===== ===== ===== ===== ===== =====
Refinancing 2015 Bonds + $100mm New Money

Maturity Date	2025A1 (Refinancing)	Series 2025A2 (New Money)	Total
07/01/2026	1,415,000	755,000	2,170,000
07/01/2027	1,550,000	830,000	2,380,000
07/01/2028	1,625,000	875,000	2,500,000
07/01/2029	1,710,000	920,000	2,630,000
07/01/2030	1,795,000	960,000	2,755,000
07/01/2031	1,880,000	1,010,000	2,890,000
07/01/2032	1,975,000	1,065,000	3,040,000
07/01/2033	2,075,000	1,115,000	3,190,000
07/01/2034	2,180,000	1,170,000	3,350,000
07/01/2035	2,290,000	1,225,000	3,515,000
07/01/2036	2,405,000	1,290,000	3,695,000
07/01/2037	2,525,000	1,355,000	3,880,000
07/01/2038	2,650,000	1,420,000	4,070,000
07/01/2039	2,780,000	1,495,000	4,275,000
07/01/2040	2,920,000	1,570,000	4,490,000
07/01/2041	3,065,000	1,650,000	4,715,000
07/01/2042	3,220,000	1,730,000	4,950,000
07/01/2043	3,380,000	1,815,000	5,195,000
07/01/2044	3,550,000	1,905,000	5,455,000
07/01/2045	-	5,730,000	5,730,000
07/01/2046	-	6,015,000	6,015,000
07/01/2047	-	6,315,000	6,315,000
07/01/2048	-	6,630,000	6,630,000
07/01/2049	-	6,965,000	6,965,000
07/01/2050	-	7,310,000	7,310,000
07/01/2051	-	7,680,000	7,680,000
07/01/2052	-	8,060,000	8,060,000
07/01/2053	-	8,465,000	8,465,000
07/01/2054	-	8,890,000	8,890,000
07/01/2055	-	9,330,000	9,330,000
	44,990,000	105,545,000	150,535,000

BOND PRICING

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
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Refinancing 2015 Bonds + $100mm New Money

Bond Component	Maturity Date	Amount	Rate	Yield	Price		Yield to Maturity	Call Date	Call Price	Call Date for Arb Yield	Call Price for Arb Yield	Premium (-Discount)
Serial 2044:												
	07/01/2026	2,170,000	5.000%	3.140%	101.735		-	-	-	-	-	37,649.50
	07/01/2027	2,380,000	5.000%	3.180%	103.422		-	-	-	-	-	81,443.60
	07/01/2028	2,500,000	5.000%	3.220%	104.978		-	-	-	-	-	124,450.00
	07/01/2029	2,630,000	5.000%	3.290%	106.292		-	-	-	-	-	165,479.60
	07/01/2030	2,755,000	5.000%	3.370%	107.380		-	-	-	-	-	203,319.00
	07/01/2031	2,890,000	5.000%	3.410%	108.502		-	-	-	-	-	245,707.80
	07/01/2032	3,040,000	5.000%	3.490%	109.252		-	-	-	-	-	281,260.80
	07/01/2033	3,190,000	5.000%	3.570%	109.826		-	-	-	-	-	313,449.40
	07/01/2034	3,350,000	5.000%	3.680%	109.991		-	-	-	-	-	334,698.50
	07/01/2035	3,515,000	5.000%	3.770%	109.775	C	3.811%	07/01/2032	103.000	07/01/2032	103.000	343,591.25
	07/01/2036	3,695,000	5.000%	3.860%	109.193	C	3.958%	07/01/2032	103.000	07/01/2032	103.000	339,681.35
	07/01/2037	3,880,000	5.000%	3.930%	108.715	C	4.072%	07/01/2033	102.000	07/01/2033	102.000	338,142.00
	07/01/2038	4,070,000	5.000%	4.000%	108.144	C	4.179%	07/01/2035	100.000	07/01/2035	100.000	331,460.80
	07/01/2039	4,275,000	5.000%	4.090%	107.378	C	4.292%	07/01/2035	100.000	07/01/2035	100.000	315,409.50
	07/01/2040	4,490,000	5.000%	4.210%	106.368	C	4.414%	07/01/2035	100.000	07/01/2035	100.000	285,923.20
	07/01/2041	4,715,000	5.000%	4.320%	105.452	C	4.517%	07/01/2035	100.000	07/01/2035	100.000	257,061.80
	07/01/2042	4,950,000	5.000%	4.430%	104.546	C	4.610%	07/01/2035	100.000	07/01/2035	100.000	225,027.00
	07/01/2043	5,195,000	5.000%	4.520%	103.811	C	4.684%	07/01/2035	100.000	07/01/2035	100.000	197,981.45
	07/01/2044	5,455,000	5.000%	4.590%	103.244	C	4.739%	07/01/2035	100.000	07/01/2035	100.000	176,960.20
		69,145,000										4,598,696.75
Term 2050:												
	07/01/2050	38,965,000	5.000%	4.830%	101.328	C	4.907%	07/01/2035	100.000	-	-	517,455.20
Term 2055:												
	07/01/2055	42,425,000	5.000%	4.900%	100.778	C	4.950%	07/01/2035	100.000	-	-	330,066.50
		150,535,000										5,446,218.45

Dated Date	07/17/2025	
Delivery Date	07/17/2025	
First Coupon	01/01/2026	
Par Amount	150,535,000.00	
Premium	5,446,218.45	
Production	155,981,218.45	103.617908%
Underwriter's Discount	-	-
Purchase Price	155,981,218.45	103.617908%
Accrued Interest	-	
Net Proceeds	155,981,218.45	

BOND SUMMARY STATISTICS

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
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Refinancing 2015 Bonds + $100mm New Money

Dated Date	07/17/2025
Delivery Date	07/17/2025
First Coupon	01/01/2026
Last Maturity	07/01/2055
Arbitrage Yield	4.998695%
True Interest Cost (TIC)	4.693130%
Net Interest Cost (NIC)	4.809560%
All-In TIC	4.465171%
Average Coupon	5.000000%
Average Life (years)	18.998
Weighted Average Maturity (years)	18.790
Duration of Issue (years)	11.956
Par Amount	150,535,000.00
Bond Proceeds	155,981,218.45
Total Interest	142,990,477.78
Net Interest	137,544,259.33
Bond Years from Dated Date	2,859,809,555.56
Bond Years from Delivery Date	2,859,809,555.56
Total Debt Service	293,525,477.78
Maximum Annual Debt Service	9,804,250.00
Average Annual Debt Service	9,798,699.18
Underwriter's Fees (per $1000)	
Average Takedown	-
Other Fee	-
Total Underwriter's Discount	-
Bid Price	103.617908

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial 2044	69,145,000.00	106.651	5.000%	11.413	46,993.00
Term 2050	38,965,000.00	101.328	5.000%	22.598	30,782.35
Term 2055	42,425,000.00	100.778	5.000%	28.053	33,515.75
	150,535,000.00			18.998	111,291.10

	TIC	All-In TIC	Arbitrage Yield
Par Value	150,535,000.00	150,535,000.00	150,535,000.00
+ Accrued Interest	-	-	-
+ Premium (Discount)	5,446,218.45	5,446,218.45	5,446,218.45
- Underwriter's Discount	-	-	
- Cost of Issuance Expense		-2,473,251.25	
- Other Amounts	-	6,712,787.83	-5,287,111.16
Target Value	155,981,218.45	160,220,755.03	150,694,107.29
Target Date	07/17/2025	07/17/2025	07/17/2025
Yield	4.693130%	4.465171%	4.998695%

AGGREGATE DEBT SERVICE

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
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Refinancing 2015 Bonds + $100mm New Money

Period Ending	2025A1 (Refinancing)	Series 2025A2 (New Money)	Series 2018 (Viamonte)	Aggregate Debt Service
07/01/2026	3,564,522.22	5,797,705.56	3,005,375	12,367,602.78
07/01/2027	3,728,750.00	6,069,500.00	3,006,375	12,804,625.00
07/01/2028	3,726,250.00	6,073,000.00	3,004,375	12,803,625.00
07/01/2029	3,730,000.00	6,074,250.00	3,004,375	12,808,625.00
07/01/2030	3,729,500.00	6,068,250.00	3,006,125	12,803,875.00
07/01/2031	3,724,750.00	6,070,250.00	3,004,375	12,799,375.00
07/01/2032	3,725,750.00	6,074,750.00	3,009,125	12,809,625.00
07/01/2033	3,727,000.00	6,071,500.00	3,004,875	12,803,375.00
07/01/2034	3,728,250.00	6,070,750.00	3,006,875	12,805,875.00
07/01/2035	3,729,250.00	6,067,250.00	3,005,800	12,802,300.00
07/01/2036	3,729,750.00	6,071,000.00	3,008,600	12,809,350.00
07/01/2037	3,729,500.00	6,071,500.00	3,008,400	12,809,400.00
07/01/2038	3,728,250.00	6,068,750.00	3,005,200	12,802,200.00
07/01/2039	3,725,750.00	6,072,750.00	3,004,000	12,802,500.00
07/01/2040	3,726,750.00	6,073,000.00	3,004,600	12,804,350.00
07/01/2041	3,725,750.00	6,074,500.00	3,006,800	12,807,050.00
07/01/2042	3,727,500.00	6,072,000.00	3,005,400	12,804,900.00
07/01/2043	3,726,500.00	6,070,500.00	3,005,400	12,802,400.00
07/01/2044	3,727,500.00	6,069,750.00	3,006,600	12,803,850.00
07/01/2045	-	9,799,500.00	3,008,800	12,808,300.00
07/01/2046	-	9,798,000.00	3,006,800	12,804,800.00
07/01/2047	-	9,797,250.00	3,005,600	12,802,850.00
07/01/2048	-	9,796,500.00	-	9,796,500.00
07/01/2049	-	9,800,000.00	-	9,800,000.00
07/01/2050	-	9,796,750.00	-	9,796,750.00
07/01/2051	-	9,801,250.00	-	9,801,250.00
07/01/2052	-	9,797,250.00	-	9,797,250.00
07/01/2053	-	9,799,250.00	-	9,799,250.00
07/01/2054	-	9,801,000.00	-	9,801,000.00
07/01/2055	-	9,796,500.00	-	9,796,500.00
	70,661,272.22	222,864,205.56	66,133,875	359,659,352.78

SUMMARY OF BONDS REFUNDED

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
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Refinancing 2015 Bonds + $100mm New Money

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Series 2015, 2015, S31:					
	07/01/2026	5.000%	1,700,000	07/17/2025	100.000
	07/01/2027	3.000%	1,785,000	07/17/2025	100.000
	07/01/2028	5.000%	1,840,000	07/17/2025	100.000
	07/01/2029	5.000%	1,930,000	07/17/2025	100.000
	07/01/2030	3.250%	2,030,000	07/17/2025	100.000
	07/01/2031	5.000%	2,095,000	07/17/2025	100.000
			11,380,000		
Series 2015, 2015, T34_1:					
	07/01/2034	3.500%	2,500,000	07/17/2025	100.000
Series 2015, 2015, T34_2:					
	07/01/2034	5.000%	4,395,000	07/17/2025	100.000
Series 2015, 2015, T39:					
	07/01/2039	5.000%	13,840,000	07/17/2025	100.000
Series 2015, 2015, T44_1:					
	07/01/2044	4.000%	4,000,000	07/17/2025	100.000
Series 2015, 2015, T44_2:					
	07/01/2044	5.000%	13,585,000	07/17/2025	100.000
			49,700,000		

SAVINGS

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
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Refinancing 2015 Bonds + $100mm New Money

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 07/17/2025 @ 4.9986953%
07/01/2026	4,036,275.00	-154,409.18	3,881,865.82	3,564,522.22	317,343.60	304,382.59
07/01/2027	4,036,275.00	-161,591.00	3,874,684.00	3,728,750.00	145,934.00	131,492.21
07/01/2028	4,037,725.00	-161,591.00	3,876,134.00	3,726,250.00	149,884.00	128,830.11
07/01/2029	4,035,725.00	-161,591.00	3,874,134.00	3,730,000.00	144,134.00	117,783.51
07/01/2030	4,039,225.00	-161,591.00	3,877,634.00	3,729,500.00	148,134.00	115,133.70
07/01/2031	4,038,250.00	-161,591.00	3,876,659.00	3,724,750.00	151,909.00	112,622.03
07/01/2032	4,038,500.00	-161,591.00	3,876,909.00	3,725,750.00	151,159.00	106,569.33
07/01/2033	4,035,500.00	-161,591.00	3,873,909.00	3,727,000.00	146,909.00	98,572.36
07/01/2034	4,037,750.00	-161,591.00	3,876,159.00	3,728,250.00	147,909.00	94,474.46
07/01/2035	4,036,250.00	-161,591.00	3,874,659.00	3,729,250.00	145,409.00	88,413.18
07/01/2036	4,036,000.00	-161,591.00	3,874,409.00	3,729,750.00	144,659.00	83,639.13
07/01/2037	4,034,500.00	-161,591.00	3,872,909.00	3,729,500.00	143,409.00	78,839.31
07/01/2038	4,036,500.00	-161,591.00	3,874,909.00	3,728,250.00	146,659.00	76,678.20
07/01/2039	4,036,500.00	-161,591.00	3,874,909.00	3,725,750.00	149,159.00	74,161.08
07/01/2040	4,039,250.00	-161,591.00	3,877,659.00	3,726,750.00	150,909.00	71,345.65
07/01/2041	4,037,250.00	-161,591.00	3,875,659.00	3,725,750.00	149,909.00	67,419.71
07/01/2042	4,037,750.00	-161,591.00	3,876,159.00	3,727,500.00	148,659.00	63,596.87
07/01/2043	4,035,250.00	-161,591.00	3,873,659.00	3,726,500.00	147,159.00	59,881.58
07/01/2044	4,034,500.00	-4,201,366.00	-166,866.00	3,727,500.00	-3,894,366.00	-1,528,281.26
	76,698,975.00	-7,102,822.18	69,596,152.82	70,661,272.22	-1,065,119.40	345,553.75

Savings Summary

PV of savings from cash flow	345,553.75
Plus: Refunding funds on hand	736,950.65
Net PV Savings	1,082,504.40

SUMMARY OF REFUNDING RESULTS

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
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Refinancing 2015 Bonds + $100mm New Money

Dated Date	07/17/2025
Delivery Date	07/17/2025
Arbitrage yield	4.998695%
Escrow yield	0.000000%
Value of Negative Arbitrage	-
Bond Par Amount	44,990,000.00
True Interest Cost	4.226931%
Net Interest Cost	4.417223%
Average Coupon	5.000000%
Average Life	11.412
Par amount of refunded bonds	49,700,000.00
Average coupon of refunded bonds	4.782369%
Average life of refunded bonds	11.316
PV of prior debt to 07/17/2025 @ 4.998695%	48,890,795.89
Net PV Savings	1,082,504.40
Percentage savings of refunded bonds	2.178077%
Percentage savings of refunding bonds	2.406100%

BOND DEBT SERVICE

[CA ISSUER]
Insured Revenue Refunding Bonds, Series 2025
(Sequoia Living OG Project)
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Cal-Mortgage 'BBB' Underlying
Refinance Series 2015 Bonds

Period Ending	Principal	Coupon	Interest	Debt Service
07/01/2026	1,415,000	5.000%	2,149,522.22	3,564,522.22
07/01/2027	1,550,000	5.000%	2,178,750.00	3,728,750.00
07/01/2028	1,625,000	5.000%	2,101,250.00	3,726,250.00
07/01/2029	1,710,000	5.000%	2,020,000.00	3,730,000.00
07/01/2030	1,795,000	5.000%	1,934,500.00	3,729,500.00
07/01/2031	1,880,000	5.000%	1,844,750.00	3,724,750.00
07/01/2032	1,975,000	5.000%	1,750,750.00	3,725,750.00
07/01/2033	2,075,000	5.000%	1,652,000.00	3,727,000.00
07/01/2034	2,180,000	5.000%	1,548,250.00	3,728,250.00
07/01/2035	2,290,000	5.000%	1,439,250.00	3,729,250.00
07/01/2036	2,405,000	5.000%	1,324,750.00	3,729,750.00
07/01/2037	2,525,000	5.000%	1,204,500.00	3,729,500.00
07/01/2038	2,650,000	5.000%	1,078,250.00	3,728,250.00
07/01/2039	2,780,000	5.000%	945,750.00	3,725,750.00
07/01/2040	2,920,000	5.000%	806,750.00	3,726,750.00
07/01/2041	3,065,000	5.000%	660,750.00	3,725,750.00
07/01/2042	3,220,000	5.000%	507,500.00	3,727,500.00
07/01/2043	3,380,000	5.000%	346,500.00	3,726,500.00
07/01/2044	3,550,000	5.000%	177,500.00	3,727,500.00
	44,990,000		25,671,272.22	70,661,272.22

BOND DEBT SERVICE

2025 Refinancing
Series 2025A2 (New Money)

Period Ending	Principal	Coupon	Interest	Debt Service
07/01/2026	755,000	5.000%	5,042,705.56	5,797,705.56
07/01/2027	830,000	5.000%	5,239,500.00	6,069,500.00
07/01/2028	875,000	5.000%	5,198,000.00	6,073,000.00
07/01/2029	920,000	5.000%	5,154,250.00	6,074,250.00
07/01/2030	960,000	5.000%	5,108,250.00	6,068,250.00
07/01/2031	1,010,000	5.000%	5,060,250.00	6,070,250.00
07/01/2032	1,065,000	5.000%	5,009,750.00	6,074,750.00
07/01/2033	1,115,000	5.000%	4,956,500.00	6,071,500.00
07/01/2034	1,170,000	5.000%	4,900,750.00	6,070,750.00
07/01/2035	1,225,000	5.000%	4,842,250.00	6,067,250.00
07/01/2036	1,290,000	5.000%	4,781,000.00	6,071,000.00
07/01/2037	1,355,000	5.000%	4,716,500.00	6,071,500.00
07/01/2038	1,420,000	5.000%	4,648,750.00	6,068,750.00
07/01/2039	1,495,000	5.000%	4,577,750.00	6,072,750.00
07/01/2040	1,570,000	5.000%	4,503,000.00	6,073,000.00
07/01/2041	1,650,000	5.000%	4,424,500.00	6,074,500.00
07/01/2042	1,730,000	5.000%	4,342,000.00	6,072,000.00
07/01/2043	1,815,000	5.000%	4,255,500.00	6,070,500.00
07/01/2044	1,905,000	5.000%	4,164,750.00	6,069,750.00
07/01/2045	5,730,000	5.000%	4,069,500.00	9,799,500.00
07/01/2046	6,015,000	5.000%	3,783,000.00	9,798,000.00
07/01/2047	6,315,000	5.000%	3,482,250.00	9,797,250.00
07/01/2048	6,630,000	5.000%	3,166,500.00	9,796,500.00
07/01/2049	6,965,000	5.000%	2,835,000.00	9,800,000.00
07/01/2050	7,310,000	5.000%	2,486,750.00	9,796,750.00
07/01/2051	7,680,000	5.000%	2,121,250.00	9,801,250.00
07/01/2052	8,060,000	5.000%	1,737,250.00	9,797,250.00
07/01/2053	8,465,000	5.000%	1,334,250.00	9,799,250.00
07/01/2054	8,890,000	5.000%	911,000.00	9,801,000.00
07/01/2055	9,330,000	5.000%	466,500.00	9,796,500.00
	105,545,000		117,319,205.56	222,864,205.56

YIELD TO MATURITY

CSCDA
Insured Revenue & Refunding Bonds, Series 2025
(Northern California Presbyterian Homes and Services, Inc.) Series 2025
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Refinancing 2015 Bonds + $100mm New Money

YTM

YTM	4.6931%

Exhibit B

Detailed Financial Spread

Sequoia Living (NCPHS #1014)
Sequoia Living 1014 (Excluding Foundation)
CCRC Template (GEN)
Statement in Thousands (U.S. Dollar)
May 9, 2025 1:36 PM

	12/31/2021 Historical 12M Unqualified		12/31/2022 Historical 12M Unqualified		12/31/2023 Historical 12M Unqualified		12/31/2024 Historical 12M Unqualified		3/31/2025 Historical 3M Company Prepared	
Assets Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Cash	20,564	3.3	16,696	2.6	42,820	6.8	44,576	6.7	48,078	7.1
Marketable Securities	88,340	14.0	58,426	9.1	68,040	10.9	91,651	13.8	84,796	12.6
Cash and Cash Equivalents	108,904	17.2	75,122	11.7	110,860	17.7	136,227	20.5	132,874	19.7
Trustee Held	28,364	4.5	19,876	3.1	4,142	0.7	4,511	0.7	7,399	1.1
Assets Held in Remainer Trusts	3,220	0.5	2,712	0.4	761	0.1	0	0.0	0	0.0
Assets Limited To Use	31,584	5.0	22,588	3.5	4,903	0.8	4,511	0.7	7,399	1.1
Accounts Receivable	3,969	0.6	6,034	0.9	6,583	1.1	15,139	2.3	18,005	2.7
Accts. Rec. from Affiliates	0	0.0	0	0.0	0	0.0	0	0.0	1,360	0.2
Net Accounts Receivable	3,969	0.6	6,034	0.9	6,583	1.1	15,139	2.3	19,365	2.9
Prepaid Expenses and Deferreds	2,299	0.4	2,636	0.4	3,703	0.6	4,374	0.7	5,223	0.8
Total Current Assets	**146,756**	**23.2**	**106,380**	**16.6**	**126,049**	**20.2**	**160,251**	**24.1**	**164,861**	**24.5**
Trustee Held	46,587	7.4	52,336	8.2	10,395	1.7	10,319	1.6	6,296	0.9
Capital Replacement	27,834	4.4	29,293	4.6	23,155	3.7	16,972	2.6	16,830	2.5
Asset Limited to Use	74,421	0.0	81,629	0.0	33,550	0.0	27,291	0.0	23,126	0.0
Land and Improvements	96,899	15.3	124,339	19.4	126,348	20.2	134,876	20.3	0	0.0
Buildings and Improvements	397,344	62.8	465,698	72.7	467,780	74.8	483,168	72.6	455,867	67.7
Machinery & Equipment	49,811	7.9	53,807	8.4	55,135	8.8	56,806	8.5	0	0.0
Construction in Progress	61,311	9.7	10,620	1.7	34,821	5.6	33,159	5.0	0	0.0
Gross Fixed Assets	605,365	95.7	654,464	102.2	684,084	109.4	708,009	106.4	455,867	67.7
Accumulated Depreciation (-)	(201,348)	(31.8)	(218,149)	(34.1)	(237,398)	(38.0)	(259,405)	(39.0)	0	0.0
Accumulated Depreciation (-)	(201,348)	(31.8)	(218,149)	(34.1)	(237,398)	(38.0)	(259,405)	(39.0)	0	0.0
Net Fixed Assets	404,017	63.9	436,315	68.1	446,686	71.4	448,604	67.4	455,867	67.7
Investments	7,436	1.2	8,613	1.3	6,432	1.0	7,494	1.1	7,621	1.1
Pension Assets	0	0.0	7,545	1.2	12,495	2.0	21,870	3.3	21,870	3.2
TOTAL ASSETS	**632,630**	**100.0**	**640,482**	**100.0**	**625,212**	**100.0**	**665,510**	**100.0**	**673,345**	**100.0**

Sequoia Living (NCPHS #1014)
Sequoia Living 1014 (Excluding Foundation)
CCRC Template (GEN)
Statement in Thousands (U.S. Dollar)
May 9, 2025 1:36 PM

	12/31/2021 Historical 12M Unqualified		12/31/2022 Historical 12M Unqualified		12/31/2023 Historical 12M Unqualified		12/31/2024 Historical 12M Unqualified		3/31/2025 Historical 3M Company Prepared	
Liabilities Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Current Portion Long Term Debt Bank/Bonds	2,496	0.4	27,446	4.3	4,743	0.8	5,658	0.9	5,645	0.8
Short Term Debt LOC	2,000	0.3	2,000	0.3	0	0.0	0	0.0	0	0.0
Total Short Term Debt	4,496	0.7	29,446	4.6	4,743	0.8	5,658	0.9	5,645	0.8
Trade Accounts Payable	10,332	1.6	8,466	1.3	7,105	1.1	7,685	1.2	12,371	1.8
Accrued Wages/Salaries	6,911	1.1	6,147	1.0	5,297	0.8	5,403	0.8	5,214	0.8
Interest Payable	3,962	0.6	3,427	0.5	2,560	0.4	2,490	0.4	1,390	0.2
Total Accruals	10,873	1.7	9,574	1.5	7,857	1.3	7,893	1.2	6,604	1.0
Refundable Deposits	4,269	0.7	3,769	0.6	3,704	0.6	4,508	0.7	5,788	0.9
Entrance Fees Paid in Advance	4,058	0.6	3,699	0.6	722	0.1	690	0.1	2,351	0.3
Due to (from) related party	(240)	0.0	(381)	(0.1)	(765)	(0.1)	(1,055)	(0.2)	0	0.0
Unamortized Entrance Fees	0	0.0	0	0.0	1,222	0.2	0	0.0	0	0.0
Other Current Liabilities	0	0.0	0	0.0	0	0.0	758	0.1	0	0.0
Total Current Liabilities	**33,788**	**5.3**	**54,573**	**8.5**	**24,588**	**3.9**	**26,137**	**3.9**	**32,759**	**4.9**
Long Term Debt Bank/Bond	301,530	47.7	252,389	39.4	188,434	30.1	183,402	27.6	182,667	27.1
Pension and Trust Obligations	6,460	1.0	0	0.0	0	0.0	0	0.0	0	0.0
Deferred Revenue from Entrance Fees	155,506	24.6	173,838	27.1	177,757	28.4	192,440	28.9	192,354	28.6
Other Liabilities	3,897	0.6	4,021	0.6	3,636	0.6	3,606	0.5	3,606	0.5
Refundable Deposits/Entrance Fees(CCRC)	77,938	12.3	105,963	16.5	134,842	21.6	134,632	20.2	134,995	20.0
Total Liabilities	**579,119**	**91.5**	**590,784**	**92.2**	**529,257**	**84.7**	**540,217**	**81.2**	**546,381**	**81.1**
Net Worth Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Unrestricted	53,511	8.5	29,925	4.7	95,955	15.3	125,293	18.8	126,964	18.9
Temporarily Restricted	0	0.0	19,773	3.1	0	0.0	0	0.0	0	0.0
Net Assets	53,511	8.5	49,698	7.8	95,955	15.3	125,293	18.8	126,964	18.9
TOTAL LIABILITIES & NET WORTH	**632,630**	**100.0**	**640,482**	**100.0**	**625,212**	**100.0**	**665,510**	**100.0**	**673,345**	**100.0**

Sequoia Living (NCPHS #1014)
Sequoia Living 1014 (Excluding Foundation)
CCRC Template (GEN)
Statement in Thousands (U.S. Dollar)
May 9, 2025 1:36 PM

	12/31/2021 Historical 12M Unqualified		12/31/2022 Historical 12M Unqualified		12/31/2023 Historical 12M Unqualified		12/31/2024 Historical 12M Unqualified		3/31/2025 Historical 3M Company Prepared	
Revenue Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Resident Revnue	78,448	67.8	81,984	66.4	91,839	67.9	99,079	69.3	25,150	67.8
Other	16,102	13.9	17,002	13.8	16,507	12.2	17,942	12.5	4,461	12.0
Resident Revenue	94,550	0.0	98,986	0.0	108,346	0.0	117,021	0.0	29,611	0.0
Amortization of Entrance Fees Earned	21,063	18.2	22,555	18.3	26,990	19.9	25,982	18.2	7,473	20.2
Unrestricted Donations/Contributions	92	0.1	0	0.0	0	0.0	0	0.0	0	0.0
Other Revenue	0	0.0	1,922	1.6	0	0.0	0	0.0	0	0.0
Other Revenue	0	0.0	1,922	0.0	0	0.0	0	0.0	0	0.0
Total Operating Revenue	115,705	100.0	123,463	100.0	135,336	100.0	143,003	100.0	37,084	100.0
Operating Expenses Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Salaries	49,387	42.7	49,339	40.0	52,978	39.1	55,663	38.9	14,500	39.1
Personnel Expense	49,387	0.0	49,339	0.0	52,978	0.0	55,663	0.0	14,500	0.0
Purchased Services	24,117	20.8	28,643	23.2	31,531	23.3	33,208	23.2	8,368	22.6
Professional Fees	4,563	3.9	2,689	2.2	2,813	2.1	2,818	2.0	706	1.9
Medical Services	2,685	2.3	2,510	2.0	2,222	1.6	2,178	1.5	609	1.6
Purchased Services	31,365	0.0	33,842	0.0	36,566	0.0	38,204	0.0	9,683	0.0
Medical Supplies	3,364	2.9	2,366	1.9	2,292	1.7	2,484	1.7	655	1.8
Repairs & Maintenance	5,499	4.8	4,548	3.7	5,242	3.9	5,611	3.9	1,590	4.3
Utilities	6,802	5.9	7,211	5.8	7,747	5.7	8,893	6.2	2,330	6.3
Operating Expenses	4,526	3.9	4,130	3.3	5,164	3.8	6,381	4.5	1,420	3.8
Depreciation	17,019	14.7	16,759	13.6	19,327	14.3	22,372	15.6	5,628	15.2
Operating Expenses	117,962	102.0	118,195	95.7	129,316	95.6	139,608	97.6	35,806	96.6
Operating Profit	(2,257)	(2.0)	5,268	4.3	6,020	4.4	3,395	2.4	1,278	3.4
Other R. & E. (Net Income) Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Investment Income	9,743	8.4	7,018	5.7	8,344	6.2	7,171	5.0	1,651	4.5
Gain/(Loss) on Sale of Assets	8,636	7.5	0	0.0	2,275	1.7	24	0.0	0	0.0
Other Income/Operational Grants	1,388	1.2	3,120	2.5	2,574	1.9	6,922	4.8	833	2.2
In Kind / Non Cash Income (Excluded from NIADS)	15,805	13.7	10,605	8.6	35,976	26.6	17,177	12.0	0	0.0
In Kind and Non Cash Income (Excluded from NIADS)	15,805	13.7	10,605	8.6	35,976	26.6	17,177	12.0	0	0.0
Total Other Income	35,572	30.7	20,743	16.8	49,169	36.3	31,294	21.9	2,484	6.7
Interest Expense	12,987	11.2	11,512	9.3	12,887	9.5	8,349	5.8	2,097	5.7

Sequoia Living (NCPHS #1014) Sequoia Living 1014 (Excluding Foundation) CCRC Template (GEN) Statement in Thousands (U.S. Dollar) May 9, 2025 1:36 PM	12/31/2021 Historical 12M Unqualified		12/31/2022 Historical 12M Unqualified		12/31/2023 Historical 12M Unqualified		12/31/2024 Historical 12M Unqualified		3/31/2025 Historical 3M Company Prepared	
Other Expense	357	0.3	108	0.1	0	0.0	604	0.4	0	0.0
Total Other Expenses	13,344	11.5	11,620	9.4	12,887	9.5	8,953	6.3	2,097	5.7
Profit Before Tax	19,971	17.3	14,391	11.7	42,302	31.3	25,736	18.0	1,665	4.5
Unrealized Gain/(Loss) (excluded from NIADS)	425	0.4	(18,204)	(14.7)	3,955	2.9	3,602	2.5	0	0.0
NET INCOME	**20,396**	**17.6**	**(3,813)**	**(3.1)**	**46,257**	**34.2**	**29,338**	**20.5**	**1,665**	**4.5**

Sequoia Living (NCPHS #1014) Sequoia Living 1014 (Excluding Foundation) CCRC Template (GEN) Statement in Thousands (U.S. Dollar) May 9, 2025 1:36 PM	12/31/2021 Historical 12M Unqualified		12/31/2022 Historical 12M Unqualified		12/31/2023 Historical 12M Unqualified		12/31/2024 Historical 12M Unqualified		3/31/2025 Historical 3M Company Prepared	
Changes in Retained Earnings Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Beginning Net Worth	33,115	61.9	53,511	107.7	49,698	51.8	95,955	76.6	125,293	98.7
Changes in Retained Earnings:										
Net Income (Loss)	20,396	38.1	(3,813)	(7.7)	46,257	48.2	29,338	23.4	1,665	1.3
Other Incr(Decr) to RE	0	0.0	0	0.0	0	0.0	0	0.0	6	0.0
Total Change in RE	**20,396**	**38.1**	**(3,813)**	**(7.7)**	**46,257**	**48.2**	**29,338**	**23.4**	**1,671**	**1.3**
Changes in Net Worth Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Changes in Other NW										
Change in Net Worth	**20,396**	**38.1**	**(3,813)**	**(7.7)**	**46,257**	**48.2**	**29,338**	**23.4**	**1,671**	**1.3**
Ending Total Net Worth	**53,511**	**100.0**	**49,698**	**100.0**	**95,955**	**100.0**	**125,293**	**100.0**	**126,964**	**100.0**
Other Lines Common Size	USD	%	USD	%	USD	%	USD	%	USD	%
Principal Payments on ST and LTD	1,852	0.0	1,919	0.0	1,919	0.0	4,009	0.0	748	0.0
Number of Months	12	0.0	12	0.0	12	0.0	12	0.0	3	0.0
Cash Flows from Entrance Fees	24,646	0.0	29,710	0.0	22,967	0.0	39,528	0.0	1,662	0.0
Cash Refund of Entrance Fees	822	0.0	2,820	0.0	4,535	0.0	11,525	0.0	0	0.0

Short Description:

Exhibit C

Audited Financial Statements

FYE 2024 – 2022

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Sequoia Living, Inc.

December 31, 2024 and 2023

Table of Contents

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Sequoia Living, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Sequoia Living, Inc. and its subsidiaries (Sequoia Living), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sequoia Living, Inc. and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Western Park Apartments, L.P., a controlled partnership, which statements reflect total assets of $25,500,796 and $25,716,529, respectively, as of December 31, 2024 and 2023, and total revenues of $5,664,021 and $5,303,052, respectively, for the years then ended. We also did not audit the financial statements of Town Park Towers, L.P., another controlled partnership, which statements reflect total assets of $31,020,573 and $31,152,964, respectively, as of December 31, 2024 and 2023, and total revenues of $4,907,725 and $4,508,824, respectively, for the years then ended. We also did not audit the financial statements of Eastern Park Apartments, L.P., another controlled partnership, which statements reflect total assets of $78,749,088 and $80,839,359, respectively, as of December 31, 2024 and 2023, and total revenues of $7,513,482 and $7,932,802, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P., Town Park Towers, L.P. and Eastern Park Apartments, L.P., is based solely on the report of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Sequoia Living, Inc. and its subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 Sequoia Living, Inc. and its subsidiaries' 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 Sequoia Living, Inc. and its subsidiaries' 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial statement information beginning on page 44 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
April 29, 2025

Consolidated Financial Statements

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2024 and 2023
(In Thousands)

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 44,941	$ 44,557
Marketable securities	129,381	104,381
Accounts, notes, and interest receivable	15,139	6,583
Pledges receivable – net of allowance, current portion	95	640
Limited use assets, current portion	4,511	4,142
Investments designated for refundable deposits	-	761
Prepaid expenses and other assets	4,374	3,703
Total current assets	198,441	164,767
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD	16,972	23,155
INVESTMENTS HELD IN TRUST	10,947	10,851
INVESTMENTS, OTHER	10,675	9,569
TRUST CONTRIBUTIONS RECEIVABLE	1,119	1,143
PLEDGES RECEIVABLE, noncurrent portion	111	128
BENEFICIAL INTEREST IN NET INCOME TRUST	-	626
PENSION ASSET	21,870	12,495
LIMITED USE ASSETS, noncurrent portion	10,319	10,395
PROPERTY AND EQUIPMENT, net	448,604	446,686
Total assets	$ 719,058	$ 679,815

See accompanying notes.

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2024 and 2023
(In Thousands)

LIABILITIES AND NET ASSETS

	2024	2023
CURRENT LIABILITIES		
Accounts payable	$ 7,747	$ 7,169
Payroll and related taxes payable	5,403	5,297
Long-term debt, current portion	5,658	4,743
Accrued interest payable	2,490	2,560
Refundable deposits	4,508	3,704
Unamortized entrance fees, current portion	-	1,222
Entrance fees paid in advance	690	722
Refunds due residents	758	-
Total current liabilities	27,254	25,417
Long-term debt, net of current portion	183,402	188,434
Liability on refundable contracts	134,632	134,842
Liability for payments to trust beneficiaries	4,721	4,908
Unamortized entrance fees, net of current portion	192,440	177,757
Other long-term liabilities	4,162	4,246
Total liabilities	546,611	535,604
NET ASSETS		
Net assets without donor restrictions		
Controlling interest	57,798	37,116
Noncontrolling interest	74,882	66,729
Total net assets without donor restrictions	132,680	103,845
Net assets with donor restrictions	39,767	40,366
Total net assets	172,447	144,211
Total liabilities and net assets	$ 719,058	$ 679,815

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET		
Operating revenues, income, and gains, net		
Resident fees	$ 99,079	$ 91,839
Amortization of entrance fees	25,982	26,990
Fees for services and other income	17,942	16,507
Investment income, including realized and unrealized gains and losses on investments	12,318	13,900
Gain on sale of property and equipment	24	2,275
Administrative service fees	107	104
Total operating revenues, income, and gains	155,452	151,615
Support		
Contributions	352	263
Net assets released from restrictions	4,415	1,325
Total support	4,767	1,588
Total operating revenues, income, gains, and support, net	160,219	153,203
EXPENSES		
Compensation and benefits	55,663	52,978
Purchased services	33,208	31,531
Medical services	2,178	2,222
Supplies	2,484	2,292
Repairs and maintenance	5,611	5,242
Utilities	8,893	7,747
Professional fees	2,818	2,813
Depreciation	22,372	19,327
Interest	8,349	12,887
Other operating	6,381	5,164
Total expenses	147,957	142,203
EXCESS OF OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	$ 12,262	$ 11,000

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of operating revenues, income, gains, and support, net, over expenses	$ 12,262	$ 11,000
Changes in additional minimum pension liability	7,347	3,923
Contributed capital	9,830	32,053
Other (loss) income	(604)	627
Changes in net assets without donor restrictions	28,835	47,603
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	562	1,185
Investment income including net realized gains on investments	1,931	987
Changes in value of split-interest agreements	485	688
Unrealized gain from investments	838	2,362
Net assets released from restrictions	(4,415)	(1,325)
Changes in net assets with donor restrictions	(599)	3,897
CHANGES IN NET ASSETS	28,236	51,500
NET ASSETS, beginning of year	144,211	92,711
NET ASSETS, end of year	$ 172,447	$ 144,211

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from entrance fees	$ 33,402	$ 35,476
Cash received from resident fees	101,502	91,270
Cash received from services and other income	18,633	16,372
Cash received from contributions	1,347	6,410
Investment income received	11,124	8,980
Interest paid, net of amount capitalized	(8,544)	(11,144)
Refunds of entrance fees paid	(2,612)	(3,345)
Cash paid to employees and suppliers	(114,140)	(108,442)
Net cash provided by operating activities	40,712	35,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	4,005	15,385
Proceeds from sale of property and equipment	5,692	3,021
Purchase of investments	(32,064)	(30,460)
Purchase of property and equipment	(29,905)	(29,983)
Net cash used in investing activities	(52,272)	(42,037)

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt and notes payable	(4,009)	(149,452)
Payment on line of credit	-	(2,000)
Proceeds from issuance of debt	-	60,006
Proceeds from endowment contributions	25	165
Proceeds from contributions held in trust	1,038	678
Payments to trust beneficiaries	(734)	(678)
Proceeds from refundable deposits	2,087	1,837
Proceeds from refundable entrance fees	6,126	30,339
Proceeds from limited partner equity	9,830	32,053
Refunds of refundable deposits	(776)	(2,735)
Refunds of refundable entrance fees	(8,913)	(3,631)
Payment of loan financing costs	-	(1,107)
Investment income received from marketable securities held in trust	619	552
Net cash provided by (used in) financing activities	5,293	(33,973)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(6,267)	(40,433)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	83,010	123,443
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 76,743	$ 83,010
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Promissory notes entered into in exchange for long term care contracts - nonrefundable contracts	$ 8,653	$ -
Promissory notes entered into in exchange for long term care contracts - refundable contracts	$ 2,924	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Changes in fixed asset additions included in accounts payable	$ -	$ 100
Noncash investment contribution	$ 591	$ 138

See accompanying notes.

Note 1 – Corporate Purpose and Structure

Corporate purpose – Sequoia Living, Inc. (Sequoia Living), based on its historic mission, provides for the wellbeing of older persons who are in need of housing, health care, food, wellness, and other related programs and services through the following communities and programs:

- Four continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.

- Three residential housing communities which receive federal support and provide affordable housing to approximately 600 residents with low and moderate income.

- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

Corporate structure – Sequoia Living is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of Sequoia Living.

The consolidated financial statements of Sequoia Living also include the activities and balances of the following affiliates and subsidiaries discussed below.

Sequoia Living presently operates continuing care facilities for the care of elderly persons at four locations: The Sequoias-San Francisco (Sequoias-SF), the Sequoias-Portola Valley (Sequoias-PV), the Sequoias-Tamalpais (TAM), which was previously known as Tamalpais-Ross Valley Homes, and Viamonte Senior Living 1 (VSL), which is described below. It also operates residential housing facilities for elderly persons at three locations: Western Park Apartments (WPA), Eastern Park Apartments (EPA), and Town Park Towers (TPT). All facilities are located in Northern California.

Sequoia Living solely owned and operated EPA as a low-to-moderate income rental housing facility in accordance with the provisions of Section 202 of the National Housing Act, until December 19, 2019, at which point, Eastern Park Apartments, L.P. (EPA L.P.) was formed as a limited partnership to acquire, rehabilitate, own, and operate EPA. EPA L.P. is controlled by the partnership general partner, Sequoia Living EPA LLC. Sequoia Living is the sole member of Sequoia Living EPA LLC. During 2024 and 2023, the facility received approximately 83% and 87%, respectively, of its rental revenue from the U.S. Department of Housing and Urban Development (HUD).

In 2019, EPA began undergoing a significant rehabilitation which was completed in October 2022. The financing was funded by a construction disbursement loan (see Note 9). EPA L.P. participates in the low-income housing tax credit (LIHTC) program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 202 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2076. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of EPA L.P. for 15 years (which also marks the end of the compliance period). On March 1, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of $60.0 million. After the compliance period, Sequoia Living will have an option (expiring one year thereafter) to purchase the rehabilitated building, which if exercised, will cause EPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of EPA L.P. or the then fair market value of EPA L.P.

Sequoia Living solely owned and operated WPA and TPT as low-to-moderate income rental housing facilities operated in accordance with the provisions of Section 236 of the National Housing Act. Western Park Apartments, L.P. (WPA L.P.) and Town Park Apartments, L.P. (TPT L.P.) were formed in 2013 and 2015, respectively, as limited partnerships to acquire, rehabilitate, own, and operate WPA and TPT. WPA L.P. and TPT L.P. are controlled by the respective partnerships' general partners, Sequoia Living WPA LLC and Sequoia Living TPT LLC. Sequoia Living is the sole member of Sequoia Living WPA LLC and Sequoia Living TPT LLC.

WPA underwent a significant rehabilitation in 2014. The permanent financing was funded by a Citibank loan (see Note 9). WPA L.P. participates in the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 236 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners were required to provide capital contributions of $15.1 million that were used to repay a portion of the $28.8 million construction loan. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause WPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA L.P.

TPT underwent a significant rehabilitation in 2016–2017. The permanent financing was funded by a Citibank loan (see Note 9). TPT L.P. participates in the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Sections 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of $23.0 million that will be used to repay a portion of the $40.0 million construction loan. In 2017, the limited partners made $23.0 million in capital contributions. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause TPT L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT L.P.

For financial reporting purposes, the balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows of EPA L.P., WPA L.P., and TPT L.P. are consolidated with Sequoia Living. The limited partner interests in EPA L.P., WPA L.P., and TPT L.P. are reported as noncontrolling interests in the net assets section of the accompanying consolidated balance sheets.

Sequoia Living is the sole corporate member of Senior Services for Northern California (SSNC). SSNC is a supporting organization of Sequoia Living. Trustees of SSNC are charged with receiving, disbursing, and accounting for all current gifts, deferred gift investments, and bequests of money and property given for the benefit of Sequoia Living and its programs, facilities, managed properties, and community outreach.

Sequoia Living and SSNC are exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

Sequoia Living formed a for-profit company, NCP Senior Ventures, LLC, a California limited liability company (NSV), in 2008. Sequoia Living, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation, and sale of real estate. For financial reporting purposes, NSV's balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows are consolidated with Sequoia Living.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009. The management fee received for this service is included in fees for services and other income in the accompanying consolidated statements of operations.

Sequoia Living formed VSL to develop, construct, own, and operate a continuing care retirement community in Walnut Creek, California, on a nonprofit, nondenominational basis. Under a consulting agreement, Sequoia Living provides development and management services to VSL. The land for the project was purchased by VSL in 2017. VSL's total contributed capital from Sequoia Living for the continuing care retirement community is $25.2 million. The permanent financing closed on May 24, 2018, with revenue bonds insured by the State of California through its Cal Mortgage Loan Program (see Note 9). The bonds are designated as (a) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (VSL Project)" for $45.2 million; (b) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (VSL Project – Entrance Fee Redemption)" for $80.0 million; (c) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2 (VSL Project – Entrance Fee Redemption)" for $39.0 million; and (d) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (VSL Project – Entrance Fee Redemption)" for $23.0 million. VSL has paid off the Series 2018B-1 bonds during the year ended December 31, 2022 and paid off the Series 2018B-2 and Series 2018B-3 bonds during the year ended December 31, 2023 with limited-use assets and entrance fee proceeds. The Series 2018A bonds will mature on July 1, 2047. VSL anticipates redeeming the Series 2018A (which is subject to optional redemption on or after January 1, 2021) in full from initial entrance fees prior to the stated maturities. The actual timing of the extraordinary redemption of the bonds may differ from the assumed timing because of timing differences in the receipt of initial entrance fees. VSL opened in November 2020 and consists of 174 independent living units, with an additional 7 assisted living units and 10 memory care units that opened in June 2021. The facility was constructed to allow the delivery of assisted living services to independent living units. Occupancy of 97% and 93% has been achieved during the years ended December 31, 2024 and 2023, respectively.

Sequoia Living is affiliated with San Francisco Senior Center (SFSC), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include Sequoia Living, EPA L.P., WPA L.P., TPT L.P., NSV, VSL, and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC, VSL, EPA L.P., WPA L.P., and TPT L.P. prepare separate stand-alone financial statements in conformity with U.S. GAAP.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions are classified as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. Net assets without donor restrictions also include net assets contributed by Sequoia Living to its subsidiaries, which are eliminated upon consolidation. There are no board-designated net assets without donor restrictions.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions represent contributions that are limited in use by Sequoia Living in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions for which restrictions are satisfied in the same period as received are recorded as contributions revenue without donor restrictions.

Performance indicator – “Excess of operating revenues, income, gains and support, net, over expenses” as reflected in the accompanying consolidated statements of operations is the performance indicator. The performance indicator excludes receipt of contributions with donor restrictions, changes in additional minimum pension liability, changes in values of investments for debt securities, contributed capital, change in the value of split-interest agreements, and transfer of net assets.

Fair value measurements – The Financial Accounting Standards Board (FASB) statement on fair value measurements establishes a framework for measuring fair value in conformity with U.S. GAAP and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

(In Thousands)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The carrying values reported on the accompanying consolidated balance sheets for current financial assets and liabilities approximate fair value. Investments, investments held in trust, liability for trust beneficiaries, beneficial interest in net income trust, and trust contributions receivable are carried at fair value. See Note 10 for discussion of the fair value of Sequoia Living's financial assets and liabilities.

Cash and cash equivalents – Cash and cash equivalents, which consist of deposits and money market funds, include money market funds purchased with a maturity at purchase date of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances within the accompanying consolidated balance sheets that sums to the total of the same amounts shown in the accompanying consolidated statements of cash flows:

	2024	2023
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	$ 44,941	$ 44,557
Investments designated for refundable deposits	-	761
Investments contractually limited for replacement reserves on properties financed by HUD	16,972	23,155
Cash and cash equivalents in limited use assets	14,830	14,537
Total cash, cash equivalents, and restricted cash on the consolidated statements of cash flows	$ 76,743	$ 83,010

Limited use assets – Limited use assets as of December 31, 2024 and 2023, consist of cash, money market funds, and other investments whose use is held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. Amounts required to pay current liabilities or otherwise support current operations are classified as current. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects. For limited use assets, net carrying value approximates fair value at period end.

(In Thousands)

Investments designated for refundable deposits – Investments designated for refundable deposits are subject to repayment based the executed continuing care contract or deposit agreement. These funds are held in cash and cash equivalents.

Marketable securities and investments held in trust – Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the accompanying consolidated statements of operations and consolidated statements of changes in net assets. Realized gains or losses on the sale of investments represent the difference between cost on a first-in first-out basis and the related market price at the sale date. A decline in the fair value of an investment in debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds, are carried at cost, which approximates fair value because of the short-term nature of these investments.

Property and equipment, net – Property and equipment, net are recorded at cost. Depreciation is based on straight-line method at rates based on the estimated useful lives of the various classes of property using the following schedule:

Buildings	60 years
Building equipment	20 years
Building and land improvement	10 years
Equipment, furniture, and furnishings	4–10 years

Interest costs incurred on borrowed funds, less investment income earned on certain unspent borrowed proceeds during the period of construction of long-lived assets, are capitalized and amortized over the related assets' estimated useful lives. Repairs and maintenance expenditures are expensed as incurred.

Sequoia Living periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, asset impairment is recognized. No asset impairment was recognized for the years ended December 31, 2024 and 2023.

Investments held in trust and liability for payments to trust beneficiaries – Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis. The related liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 2.2 to 13.8 years and discount rates ranging from 1.63% to 6.75%. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 14.4 years and discount rates ranging from 1.63% to 6.75%.

Beneficial interest in net income trust – SSNC recognizes an asset when it becomes aware of the agreements and has sufficient information to measure the beneficial interest. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in change in value of split-interest agreements. As the net income trust beneficiary, SSNC recognizes revenue for the beneficial interest as stipulated in the agreements.

Pledges receivable – Pledges receivable are recorded initially at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.0 years and discount rates ranging from 1.6% to 9.4%. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.2 years and discount rates ranging from 1.6% to 9.4%. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

Trust contributions receivable – Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets. The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for net assets with donor restrictions in the statements of activities and changes in net assets. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 3.1 to 6.7 years and a discount rate of 1.3%. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 3.3 to 7.2 years and a discount rate of 1.1%.

Continuing care contracts – Sequoia Living has entered continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. Sequoia Living is obligated to provide long-term care.

Sequoia Living provides three types of continuing care contracts to its residents: fully amortizable, fee-for-service continuing care, and fee-for-service continuing care—repayment option. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

(In Thousands)

Under the fully amortizable and fee-for-service continuing care contracts, Sequoia Living is contractually obligated to refund to a vacating resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after five and a half years of occupancy. In the event of death or involuntary termination, Sequoia Living is obligated to refund a portion of the entrance fee determined as follows (based on the time transpired since the initial date of resident occupancy):

Fewer than 90 days	90%
More than 90, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%
More than three years	0%

Under the fee-for-service continuing care - repayment options of 90% or 75%, residents pay a higher entrance fee, 90% or 75% of which will be refunded when the unit is resold. The “refundable deposit” portion of the entrance fee subject to repayment is recorded as a liability and the remaining 10% or 25% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

Future service obligation – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. Sequoia Living has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required as of December 31, 2024 and 2023. The discount rate used to calculate the obligation to provide future services is 5.0% and 4.5% in 2024 and 2023, respectively.

Revenue recognition – Sequoia Living accounts for a majority of its revenue recognition under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606).

Sequoia Living has elected the lessor practical expedient Accounting Standards Update (ASU) 2018-11, *Leases (Topic 842): Targeted Improvements* (ASU 2018-11), within ASC 842, *Leases* (ASC 842), and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. Sequoia Living has determined that the services included under their independent living, assisted living, memory care, and skilled nursing residency agreements have the same timing and pattern of transfer. Sequoia Living has estimated that the nonlease component of such residency agreements are the predominant component of the contract and therefore recognizes resident fees revenue under ASC 606. Sequoia Living recognizes resident fees for its three residential housing facilities as operating leases under ASC 842.

Those activities that are accounted for outside the scope of ASC 606 include funds received by Sequoia Living which are voluntary and unconditional un-reciprocal transfers as well as investment income including realized gains and losses on investments.

(In Thousands)

Resident fees – Under the provision of continuing care contracts, residents are required to pay periodic monthly fees (resident fees) for services and the use of facilities. Resident fee revenue is reported at the amount that reflects the consideration Sequoia Living expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized monthly as services are provided and performance obligations are satisfied.

The following table shows resident fees revenue by line of service:

	2024	2023
Resident fees by line of service		
Independent living	$ 55,889	$ 52,152
Assisted living	5,144	4,429
Memory care	2,043	1,940
Skilling nursing	4,550	3,874
Affordable housing rents	31,453	29,444
	$ 99,079	$ 91,839

Amortization of entrance fees revenue – Under the provision of continuing care contracts, residents are required to pay an entrance fee, which are one-time payments made by residents of the continuing care facilities that, in addition to resident fees, provide for living accommodations. The performance obligation for nonrefundable entrance fees is that Sequoia Living is standing ready to provide a service such that the resident can continue to live in the CCRC and access the appropriate level of care based on his or her needs. This decision is at the discretion of the resident and is dependent on the resident's health and life span, along with his or her decision to continue to reside at the respective facility. Management has determined that these are a series of distinct services that are considered one performance obligation which is satisfied over time. Therefore, the nonrefundable portion of the entrance fee is recorded as an unamortized entrance fee when received and amortized using the straight-line method over the estimated remaining life expectancy of the resident. As of December 31, 2024 and 2023, Sequoia Living had $192.4 million and $179.0 million, respectively, in unamortized entrance fees to be recognized as the performance obligations are satisfied. See Note 15 for changes in the unamortized entrance fees for the years ended December 31, 2024 and 2023. The performance obligation is satisfied upon termination of the residency agreement.

Fees for services and other income – Under the provision of fee-for-service continuing care contracts, residents are required to pay an entrance fee, as well as additional fees for some services that are not covered by fee-for-service continuing care contracts. Additionally, Sequoia Living enters into separate contracts to provide outpatient services. Each service provided under these contracts is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized over time as services are provided.

Sequoia Living determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments, or explicit price concessions, provided to a third party. Sequoia Living determines its estimates of contractual adjustments based on contractual agreements, historical experience, and expected future credit losses.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodology subject to certain limits. Physical services are paid based upon established fee schedules.

Secondary Insurance – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Sequoia Living’s compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Sequoia Living.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Sequoia Living’s historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2024 or 2023.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. Sequoia Living estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident-by-resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident’s ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2024 and 2023, was not significant.

Contributions – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Donated securities, real property, and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California. Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Charity care – Sequoia Living provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because Sequoia Living does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Donated services – Significant amounts of time from a number of people have been donated to Sequoia Living. The accompanying consolidated financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

Investment income – Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other-than-temporary realized losses on available-for-sale securities, unrealized gains and losses on trading securities, and related investment counseling fees. Investment counseling fees were $0.2 million for both years ended December 31, 2024 and 2023.

Marketing and advertising expenses – The cost of advertising, promotion, and marketing programs are charged to expense in the year incurred. For the years ended December 31, 2024 and 2023, Sequoia Living incurred marketing and advertising costs of $0.9 million and $1.0 million, respectively.

Administrative service fees – SSNC manages its split-interest agreements internally and assesses a fee of 1% of trust assets per year.

Change in value of split-interest agreements – Changes in the value of split-interest agreements are the result of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

Workers' compensation plan – Sequoia Living is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred-but-not-reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with Sequoia Living's past experience. The workers' compensation reserve liability is $2.8 million and $2.9 million as of December 31, 2024 and 2023, respectively, and is included in payroll and related taxes payable in the accompanying consolidated balance sheets. The discount rate used to calculate the reserve liability is 2.0% for both 2024 and 2023.

Concentration of credit risk – Financial instruments potentially subjecting Sequoia Living to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions. If any of the financial institutions with whom Sequoia Living does business were to be placed into receivership with the FDIC, Sequoia Living may be unable to access the cash they have on deposit with such institutions. If Sequoia Living was unable to access its cash and cash equivalents as needed, Sequoia Living's financial position and ability to operate its business could be adversely affected. Sequoia Living has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Concentration of credit risk results from Sequoia Living granting credit without collateral to its residents and patients, most of whom are local residents and insured under third-party payor agreements.

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 estimates include unamortized entrance fees, estimated future service obligations, pension asset, fair values of investments, useful lives of fixed assets, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

(In Thousands)

Note 3 – Investment Securities

The composition of investment securities is set forth in the following table. The majority of these securities are held with four investment firms:

	2024	2023
Money market funds	$ 8,069	$ 4,445
Common stock	11,830	9,299
Corporate fixed income securities	336	299
Equity mutual funds	65,856	54,973
Fixed income mutual funds	43,290	35,365
Total marketable securities	129,381	104,381
Investment in real estate fund	10,675	9,569
Total investment securities	$ 140,056	$ 113,950

Operating investment income is comprised of the following for the years ended December 31:

	2024	2023
Interest income	$ 6,807	$ 6,365
Net realized gains on sales of investments	2,205	2,281
Unrealized gains on equity securities	3,602	5,556
Investment expenses	(296)	(302)
	$ 12,318	$ 13,900

(In Thousands)

Note 4 – Property and Equipment, Net

Property and equipment, net as of December 31 consist of the following:

	2024	2023
Land	$ 23,097	$ 28,767
Land and building improvements	111,779	97,581
Building and building equipment	483,168	467,780
Equipment and furniture	56,806	55,135
Property, plant, and equipment	674,850	649,263
Less accumulated depreciation	(259,405)	(237,398)
	415,445	411,865
Construction in progress	33,159	34,821
Property, plant, and equipment, net	$ 448,604	$ 446,686

Total depreciation expense for the years ended December 31, 2024 and 2023, is $22.4 million and $19.3 million, respectively.

Note 5 – Investments Held in Trust

Investments held in trust as of December 31 are summarized below. The majority of these investments are held with one investment firm:

	2024	2023
Money market funds	$ 110	$ 103
Fixed income mutual funds	3,881	4,257
Equity mutual funds	6,169	6,491
Promissory note	787	-
	$ 10,947	$ 10,851

(In Thousands)

Note 6 – Pledges Receivable, Net

Pledges receivable, net was due as follows as of December 31:

	2024	2023
Current portion	$ 100	$ 674
Less allowance	(5)	(34)
Total current portion	$ 95	$ 640
Greater than one year to five years	$ 127	$ 150
Greater than five years to twenty years	-	-
	127	150
Less allowance	(6)	(7)
Less unamortized discount	(10)	(15)
Total noncurrent portion	$ 111	$ 128

Note 7 – Investments Contractually Limited for Replacement, Development Deposit, and Net Operating Income Reserve

Investments contractually limited for replacement – In connection with long-term debt agreements for Sequoia Living's residential housing facilities, HUD requires monthly deposits to a replacement account. Replacement accounts are held by Sequoia Living for TPT L.P., EPA L.P., and WPA L.P.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from HUD.

Equity reserves – EPA L.P. was required to establish a deposit account for an initial amount of $2.0 million for cash reserves. In addition, a deposit account was established for capital contribution of $12.0 million upon occurrence of the loan conversion. On March 1, 2023, the construction loan was converted to a permanent loan financing for $60.0 million and the $12.0 million capital contribution was made to EPA L.P.

Outside reserves – Sequoia Living was required to set aside funds in the amount of $6 million for so long as the partnership continues in existence or based on the account terms of the reserve pledge agreement.

Earnings attributable to these investment categories accrue to the facility. As of December 31, 2024 and 2023, the investments consist of cash and certificates of deposit in the amounts of $17.0 million and $23.2 million, respectively.

(In Thousands)

Note 8 – Limited Use Assets

Limited use assets as of December 31 are held for two entities, Sequoia Living and VSL. The composition of limited use assets as of December 31, 2024 and 2023, for Sequoia Living and VSL consisted solely of cash and cash equivalents. All limited use assets are classified as Level 1 securities.

	2024	2023
California Health Facilities Financing Authority		
Revenue Bond Series 2015		
Project fund	$ 1,229	$ 798
Principal and interest fund	677	2
Debt service reserve fund	4,040	4,040
Revenue fund	1,416	2,143
	7,362	6,983
Revenue Bond Series 2018		
Project fund	139	420
Revenue fund	214	-
Principal and interest fund	1,119	968
Debt service reserve fund	5,924	5,924
	7,396	7,312
Investments held by trustee for development	-	177
Investments held by trustee for working capital	69	54
Investments held by trustee for repayment of revenue bonds	3	11
	14,830	14,537
Less current portion	(4,511)	(4,142)
Limited use assets, noncurrent portion	$ 10,319	$ 10,395

(In Thousands)

Note 9 – Long-Term Debt, Net and Line of Credit

Long-term debt, net for Sequoia Living comprises the following as of December 31:

	2024	2023
Sequoia Living		
California Health Facilities Financing Authority Revenue Bond Series 2015, Serial Bonds Payable through 2031 to 2044 in annual principal installments with interest ranging from 2–5%, collateralized by a first deed of trust on the gross revenues of Sequoia Living.	$ 51,320	$ 52,865
VSL		
California Health Facilities Financing Authority Revenue Bond Series 2018, Series Bonds Payable, collateralized by a first deed of trust on the gross revenues of VSL, Series 2018A interest at 3.5–5%, maturing in 2047	44,160	45,230
Eastern Park Apartments L.P.		
Bellwether Enterprise Mortgage Investments, Inc. loan, payable through 2039 in monthly installments of $262 including interest at 3.91%, with a balloon payment of $42,999 due at maturity.	58,627	59,429
Western Park Apartments L.P.		
Citibank permanent loan, in monthly installments of $86 payable through 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate.	13,787	14,011
Town Park Towers L.P.		
Payable through 2051 in monthly installments including interest at 4.41% collateralized by first deed of trust.	20,706	21,074
	188,600	192,609
Plus unamortized bond premium	6,541	7,041
Less unamortized deferred financing costs	(6,081)	(6,473)
	189,060	193,177
Less current portion	(5,658)	(4,743)
Long-term debt, net of current portion	$ 183,402	$ 188,434

(In Thousands)

Scheduled principal payments on long-term debt are as follows:

Years Ending December 31,		
2025	$	5,658
2026		4,409
2027		4,622
2028		4,802
2029		5,038
Thereafter		164,071
	$	188,600

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. Both agreements with Cal Mortgage includes a number of covenants, including the following:

- Punctual payment
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Certain financial covenants
- Continuing disclosure

Sequoia Living's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans are associated with compliance with the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California and the provisions of Section 202 of the National Housing Act. As of December 31, 2024, management believes Sequoia Living was in compliance with these debt covenants.

EPA L.P. was formed to rehabilitate and operate the EPA property in compliance with the LIHTC program under the provisions of Section 42 of the Internal Revenue Code. The City of San Francisco tax-exempt bonds of $60.0 million Series J and $24.8 million Series K are collateral to the qualifying financing under the LIHTC program to then finance the acquisition and renovation of EPA L.P. J.P. Morgan Chase Bank funded a loan on behalf of the City of San Francisco (tax-exempt bond issuer and governmental lender). EPA L.P. entered into an agreement with J.P. Morgan Chase Bank to borrow up to $84.8 million to acquire EPA and fund renovations.

Funds are released periodically as renovations proceed and paid invoices are submitted to J.P. Morgan Chase Bank for reimbursement. Renovations were completed in 2022. During the year ended December 31, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of $60.0 million. Deferred loan costs of $2.5 million were written off in 2023 related to the construction loan payoff.

Lines of credit – Sequoia Living has a standby line of credit in the amount of $4.0 million as of December 31, 2024 and 2023, with a bank, of which the whole facility was collateralized by a gross revenue pledge. Sequoia Living had a line of credit in the amount of $2.0 million during the year ended December 31, 2023, which was closed during the year ended December 31, 2024. As of both December 31, 2024 and 2023, Sequoia Living had no outstanding balance on these lines of credit. Subsequent to December 31, 2024, Sequoia Living entered into a new standby line of credit with a maximum borrowing amount of $4.0 million with a different bank and closed the existing standby line of credit.

Sequoia Living has stand-by letters of credit totaling approximately $3.0 million to collateralize its obligations under a high deductible workers' compensation program as of both December 31, 2024 and 2023, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2024 and 2023. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed $4.0 million as of December 31, 2024.

Sequoia Living is required to provide written notification to the bank of any material adverse change in its financial condition or operation. Management believes there were no such changes in 2024 or 2023.

(In Thousands)

Note 10 – Fair Value Measurements

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2024 and 2023:

	2024				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value on a recurring basis [1]					
Marketable securities [2]					
Money market funds	$ 8,069	$ 8,069	$ -	$ -	$ -
Common stock	11,830	11,830	-	-	-
Corporate fixed income securities	336	336	-	-	-
Equity mutual funds	65,856	65,856	-	-	-
Fixed income mutual funds	43,290	43,290	-	-	-
Trust contributions receivable [3]	1,119	-	-	1,119	-
Investment in real estate fund [4]	10,675	-	-	-	10,675
Promissory note in charitable remainder trust [7]	787	-	-	787	-
Investment held in trust [2]					
Money market funds	110	110	-	-	-
Equity mutual funds	6,169	6,169	-	-	-
Fixed income mutual funds	3,881	3,881	-	-	-
	$ 152,122	$ 139,541	$ -	$ 1,906	$ 10,675
Liabilities measured at fair value on a recurring basis [5]					
Liability for payments to trust beneficiaries	$ 4,721	$ -	$ -	$ 4,721	$ -

	2023				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value on a recurring basis [1]					
Marketable securities [2]					
Money market funds	$ 4,445	$ 4,445	$ -	$ -	$ -
Common stock	9,299	9,299	-	-	-
Corporate fixed income securities	299	299	-	-	-
Equity mutual funds	54,973	54,973	-	-	-
Fixed income mutual funds	35,365	35,365	-	-	-
Trust contributions receivable [3]	1,143	-	-	1,143	-
Investment in real estate fund [4]	9,569	-	-	-	9,569
Beneficial interest in net income trust [6]	626	-	-	626	-
Investment held in trust [2]					
Money market funds	103	103	-	-	-
Equity mutual funds	6,491	6,491	-	-	-
Fixed income mutual funds	4,257	4,257	-	-	-
	$ 126,570	$ 115,232	$ -	$ 1,769	$ 9,569
Liabilities measured at fair value on a recurring basis [5]					
Liability for payments to trust beneficiaries	$ 4,908	$ -	$ -	$ 4,908	$ -

(1) For cash and cash equivalents, limited use assets and investments designated for refundable deposits, the net carrying value approximates fair value at period end.

(2) The fair values of marketable securities and investments held in trust which are included in the accompanying consolidated balance sheets are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, common stocks, corporate fixed income securities, equity mutual funds, and fixed income mutual funds as detailed in Note 3. The investments held in trust consist of cash equivalents, corporate fixed income securities, equity mutual funds, and fixed income mutual funds at fair value with realized and unrealized gains and losses included in the consolidated statements of operations and changes in net assets.

(3) The fair value of trust contributions receivable, which is included in the accompanying consolidated balance sheets, is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

(4) This investment includes securities held in a limited partnership in which net asset value (NAV) as a practical expedient has been used. This investment has not been classified in the fair value hierarchy, and the amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets. The NAV is based on the total value of the securities held in the limited partnership per the December 31 fund statement. The NAV of the limited partnership equals the total assets of the fund, less total liabilities of the fund. Total assets of the fund primarily include real estate assets and real estate owned in joint ventures. The value of real estate assets is established by independent appraisals as of December 31. Real estate assets owned in joint ventures are carried at the fund's ownership share before the impact of promote structures. Total liabilities of the fund primarily include mortgage notes payable and senior notes payable, both of which are carried by the fund at fair value. Disclosure to and consent by the general partner is required for redemption, transfer or assignment of any of the investment.

(5) The fair value of the liability for payments to trust beneficiaries that is included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

(6) The fair value of beneficial interest in net income trust included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows from trusts.

(7) The carrying value of the promissory note in charitable remainder trust included in the consolidated statements of financial position approximates the fair value of the note, using a present value calculation of expected future cash flow from interest income with assumptions for the risk-adjusted interest rate.

There were no transfers of assets or liabilities between Levels 1 and 2 during the years ended December 31, 2024 and 2023.

(In Thousands)

Note 11 – Pension Plan

Sequoia Living sponsors a noncontributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. Sequoia Living funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA. The defined benefit pension plan was frozen in March 2022.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amount recognized in the consolidated balance sheets is as follows as of December 31:

	2024	2023
Changes in benefit obligation		
Benefit obligation, beginning of year	$ 55,119	$ 52,179
Interest cost	2,588	2,648
Actuarial (gain) loss	(3,523)	3,019
Benefits paid	(2,944)	(2,727)
Benefit obligation at measurement date	51,240	55,119
Changes in plan assets		
Fair value of plan assets, beginning of year	67,614	59,724
Actual return on plan assets	8,440	10,617
Benefits paid	(2,944)	(2,727)
Fair value of plan assets at measurement date	73,110	67,614
Funded status at measurement date	$ 21,870	$ 12,495

	2024	2023
Amounts recognized in the consolidated balance sheets consist of		
Noncurrent assets	$ 21,870	$ 12,495
Amounts recognized in net assets without donor restrictions consist of		
Unrecognized net actuarial (gain) loss	$ (6,735)	$ 612
Amounts recognized in net assets without donor restrictions, measurement date	$ (6,735)	$ 612
Accumulated benefit obligation	$ 51,240	$ 55,119

(In Thousands)

For the year ended December 31, 2024, there was a $3.5 million gain related to changes in the benefit obligation, which mainly consisted of gains due to interest rate changes and due to demographic experience that was different from expected. For the year ended December 31, 2023, there was a $3.0 million loss related to changes in the benefit obligation, which mainly consisted of losses due to assumption changes due to discount rate changes and due to demographic experience that was different from expected.

Net periodic pension cost for 2024 and 2023 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. Sequoia Living uses a December 31 measurement date for the above defined benefit plan.

The components of net periodic benefit cost included as part of compensation and benefits in the accompanying consolidated statements of operations and are as follows for the years ended December 31:

	2024	2023
Interest cost	$ 2,589	$ 2,647
Expected return on plan assets	(4,617)	(4,068)
Amortization of net loss	-	8
Net periodic benefit cost	(2,028)	(1,413)
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions		
Net actuarial gain	(7,347)	(3,915)
Amortization of net loss	-	(8)
Amounts recognized in net assets without donor restrictions, measurement date	(7,347)	(3,923)
Total recognized in net periodic benefit cost and net assets without donor restrictions, measurement date	$ (9,375)	$ (5,336)

Estimated future benefit payments are as follows:

Years Ending December 31,	
2025	$ 3,496
2026	3,607
2027	3,690
2028	3,775
2029	3,778
2030–2034	18,716
	$ 37,062

(In Thousands)

Sequoia Living expects to contribute the minimum required amount under Internal Revenue Service Regulations to its pension plan in 2025.

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund, and real estate investments. Under the direction of Sequoia Living plan, assets are invested with the objective of achieving a long-term rate of return of 7.00%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.00%, while fixed income investments are expected to return 4.67%. This produces an expected composite long-term return on investment of 7.00%.

Plan assets as of December 31 were invested as follows:

	2024	2023
Cash and cash equivalents	$ 19,891	$ 2,468
Common stocks	2,266	8,861
Equity mutual funds	12,315	37,012
Fixed income mutual funds	38,638	19,273
	$ 73,110	$ 67,614

Equity mutual funds held in the plan assets invest in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective is to provide growth of capital. Fixed income mutual funds held in the plan assets primarily invest in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

For 2024 and 2023, plan assets are stated at fair value using Level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the plan year, as quoted on a recognized exchange or an industry standard pricing service.

Effective July 1, 2012, Sequoia Living changed the formula used to calculate Defined Benefit Pension Plan benefits in order to allow for more stable expenses while maintaining a competitive retirement benefits program for its employees. Sequoia Living also started contributing 2.5% of compensation to eligible employees each pay period as part of its 403(b) plan.

Effective January 1, 2016, Sequoia Living adopted a spot rate approach for determining plan obligations and net pension cost. Under this approach, the individual spot rates on the yield curve are applied to each year’s cash flow in measuring the obligations, service cost, and interest cost.

(In Thousands)

Weighted average discount rate assumptions are as follows:

	2024	2023
Discount rate - benefit obligation	5.59%	5.01%
Discount rate - service cost	N/A	N/A
Discount rate - interest cost	4.70%	5.07%

Sequoia Living also sponsors a defined contribution tax-sheltered annuity plan for substantially all its full-time employees. The Tax-Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the plan, which provided that a complete discontinuance of contributions under the plan would constitute termination of the plan. Consistent with Internal Revenue Service guidance, the plan is considered a frozen plan, and all provisions remain in effect until Sequoia Living determines to take further action, except that new contributions will not be made to the plan. Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the plan, contributions to the plan were discontinued and contributions began being made to a new 403(b) plan. The new 403(b) plan permits contributions which can be matched at the discretion of Sequoia Living. Total employer contributions were $1.4 million and $1.2 million for the years ended December 31, 2024 and 2023, respectively.

Note 12 – Endowments

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain Sequoia Living facilities and maintenance of a resident garden. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of SSNC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, Sequoia Living classifies as donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) all investment income on the endowment funds less the appropriation of investment income for expenditure.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

	2024	2023
Tomorrow Fund	$ 13,403	$ 13,462
Other	509	441
	$ 13,912	$ 13,903

(In Thousands)

Changes in endowment net assets for the years ended December 31 are as follows:

	2024	2023
Endowment net assets with donor restrictions, January 1	$ 13,903	$ 13,013
Investment return		
Investment income	544	280
Net appreciation (realized and unrealized)	225	706
Total investment return	769	986
Contributions	25	165
Appropriation of endowment assets for expenditure	(785)	(261)
Endowment net assets with donor restrictions, December 31	$ 13,912	$ 13,903

The amounts contributed to SSNC endowment funds have been retained permanently by explicit donor stipulation, and the fair values of the original gifts have been preserved in accordance with UPMIFA. SSNC does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SSNC to retain as a fund of perpetual duration. SSNC had no deficiencies of this nature in its endowment funds as of December 31, 2024 and 2023.

Return objectives and risk parameters – SSNC has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSNC must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. SSNC expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

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

Spending policy and how the investment objectives relate to spending policy – SSNC has a policy of appropriating the endowment fund's investment income for expenditure as the income is earned. In establishing this policy, SSNC considered the long-term expected return on its endowment. This is consistent with SSNC's objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

(In Thousands)

Note 13 – Net Assets

Sequoia Living's net assets with donor restrictions include endowments and other donor-restricted funds established for a variety of purposes. The composition for net assets with donor restrictions is as follows:

	2024	2023
Tomorrow fund	$ 19,827	$ 18,843
Other funds	14,285	15,743
Planned gifts	5,655	5,780
Total net assets with donor restrictions	$ 39,767	$ 40,366

There are no board-designated net assets without donor restrictions.

(In Thousands)

Note 14 – Functional Expense

The following reflects the expenditures made by Sequoia Living, net of amounts funded by grants and other donation support for the years ended December 31, 2024 and 2023:

	Functional Expense 2024				
	Program Services			Supporting Services	
	Housing	Health Care	Other Program Services	Management and General	Total
Compensation and benefits	$ 21,455	$ 21,673	$ 4,347	$ 8,188	$ 55,663
Purchased services	31,495	445	399	869	33,208
Medical services	866	1,312	-	-	2,178
Supplies	1,235	879	306	64	2,484
Repairs and maintenance	4,969	98	175	369	5,611
Utilities	8,750	-	143	-	8,893
Professional fees	2,023	7	-	788	2,818
Depreciation	19,973	1,602	-	797	22,372
Interest	8,349	-	-	-	8,349
Other operating	5,599	383	311	88	6,381
	$ 104,714	$ 26,399	$ 5,681	$ 11,163	$ 147,957

	Functional Expense 2023				
	Program Services			Supporting Services	
	Housing	Health Care	Other Program Services	Management and General	Total
Compensation and benefits	$ 19,856	$ 20,887	$ 3,817	$ 8,418	$ 52,978
Purchased services	30,136	407	748	240	31,531
Medical services	707	1,515	-	-	2,222
Supplies	1,198	845	166	83	2,292
Repairs and maintenance	4,666	61	202	313	5,242
Utilities	7,604	-	143	-	7,747
Professional fees	1,988	9	-	816	2,813
Depreciation	16,915	1,621	286	505	19,327
Interest	12,887	-	-	-	12,887
Other operating	4,707	243	-	214	5,164
	$ 100,664	$ 25,588	$ 5,362	$ 10,589	$ 142,203

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or support services. Programs include areas such as activities, transportation, and wellness. The expenses are allocated based on location and related overhead costs while other expenses such as compensation and benefits are based on actual department categories.

(In Thousands)

Note 15 – Unamortized Entrance Fees

	2024	2023
Balance, beginning of year	$ 178,979	$ 173,838
New fees received	42,055	35,476
Entrance fees refunded	(2,612)	(3,345)
Amortization	(25,982)	(26,990)
Balance, end of year	$ 192,440	$ 178,979

Entrance fees still within a potentially refundable declining period as of December 31, 2024 and 2023, were $84.3 million and $71.7 million, respectively. Based on the past five years, actual refunds have averaged $6.3 million per year for the potentially refundable declining period for the Sequoias-SF, Sequoias-PV, and TAM. VSL has achieved stabilized occupancy and management expects to pay refunds in the future years of $1.0 million per year.

Note 16 – Liquidity and Availability of Financial Assets

Sequoia Living financial assets available within one year of the consolidated balance sheet dates for general expenditures are as follows:

	2024	2023
Cash and cash equivalents	$ 44,941	$ 44,557
Marketable securities	129,381	104,381
Accounts, notes, and interest receivable	15,139	6,583
Pledges receivable - net of allowance, current portion	95	640
	$ 189,556	$ 156,161

Sequoia Living's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(In Thousands)

Note 17 – Noncontrolling Interest

The change in noncontrolling interest in WPA L.P., TPT L.P., and EPA L.P. is shown below:

	WPA L.P.	TPT L.P.	EPA L.P.	Total
Noncontrolling interest, January 1, 2023	$ 9,421	$ 22,303	$ 5,106	$ 36,830
Capital contributions	-	-	32,053	32,053
Net income (loss)	275	1,587	(4,016)	(2,154)
Attributed net income	275	1,587	28,037	29,899
Noncontrolling interest, December 31, 2023	9,696	23,890	33,143	66,729
Capital contributions	-	-	9,830	9,830
Net income (loss)	597	(323)	(1,951)	(1,677)
Attributed net income	597	(323)	7,879	8,153
Noncontrolling interest, December 31, 2024	$ 10,293	$ 23,567	$ 41,022	$ 74,882

Note 18 – Commitments and Contingencies

Sequoia Living is involved in certain routine matters of litigation related to its operations. Management does not expect any material impact on the consolidated financial position from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

Sequoia Living is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although Sequoia Living expects such amounts, if any, to be immaterial.

Sequoia Living is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud, and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Sequoia Living has implemented a voluntary corporate compliance program which includes guidance for all Sequoia Living employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions as December 31, 2024 and 2023.

Note 19 – Subsequent Events

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

Sequoia Living has evaluated subsequent events through April 29, 2025, which is the date the consolidated financial statements were issued.

Supplementary Information (Unaudited)

Sequoia Living, Inc.
Consolidating Balance Sheet (Unaudited)
December 31, 2024
(In Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 14,790	$ 29,786	$ 365	$ -	$ 44,941
Marketable securities	91,651	-	37,730	-	129,381
Accounts, notes, and interest receivable	13,977	2,940	-	(1,778)	15,139
Pledges receivable, net of allowance	-	-	95	-	95
Limited use assets, current portion	3,323	1,188	-	-	4,511
Prepaid expenses and other assets	4,365	9	-	-	4,374
Total current assets	128,106	33,923	38,190	(1,778)	198,441
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD	16,972	-	-	-	16,972
INVESTMENTS HELD IN TRUST	-	-	10,947	-	10,947
INVESTMENTS, OTHER	7,494	-	3,181	-	10,675
TRUST CONTRIBUTIONS RECEIVABLE	-	-	1,119	-	1,119
PLEDGES RECEIVABLE, noncurrent portion	-	-	111	-	111
PENSION ASSET	21,870	-	-	-	21,870
LIMITED USE ASSETS, noncurrent portion	4,040	6,279	-	-	10,319
PROPERTY AND EQUIPMENT, net	275,010	173,594	-	-	448,604
Total assets	$ 453,492	$ 213,796	$ 53,548	$ (1,778)	$ 719,058
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 6,754	$ 931	$ 62	$ -	$ 7,747
Payroll and related taxes payable	5,403	-	-	-	5,403
Long-term debt, current portion	4,533	1,125	-	-	5,658
Accrued interest payable	1,549	941	-	-	2,490
Refundable deposits	3,031	1,477	-	-	4,508
Entrance fees paid in advance	690	-	-	-	690
Refunds due residents	-	758	-	-	758
Due to (from) related party	-	723	1,055	(1,778)	-
Total current liabilities	21,960	5,955	1,117	(1,778)	27,254
Long-term debt, net of current portion	140,399	43,003	-	-	183,402
Liability on refundable contracts	10,028	124,604	-	-	134,632
Liability for payments to trust beneficiaries	-	-	4,721	-	4,721
Unamortized entrance fees, net of current portion	149,963	42,477	-	-	192,440
Other long-term liabilities	3,606	-	556	-	4,162
Total liabilities	325,956	216,039	6,394	(1,778)	546,611
NET ASSETS					
Net assets without donor restrictions					
Controlling interest	77,854	(27,443)	7,387	-	57,798
Noncontrolling interest	74,882	-	-	-	74,882
Contributed capital	(25,200)	25,200		-	-
Total net assets without donor restriction	127,536	(2,243)	7,387	-	132,680
Net assets with donor restrictions	-	-	39,767	-	39,767
Total net assets	127,536	(2,243)	47,154	-	172,447
Total liabilities and net assets	$ 453,492	$ 213,796	$ 53,548	$ (1,778)	$ 719,058

Sequoia Living, Inc.
Consolidating Statement of Operations (Unaudited)
Year Ended December 31, 2024
(In Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET					
Operating revenues, income, and gains, net					
Resident fees	$ 85,071	$ 14,008	$ -	$ -	$ 99,079
Amortization of entrance fees	20,268	5,714	-	-	25,982
Fees for services and other income	17,082	860	-	-	17,942
Administrative service fees			107		107
Gain on sale of assets	24	-	-	-	24
Investment income, including realized and unrealized gains and losses on investments	8,998	1,775	1,545	-	12,318
Total operating revenues, income, and gains	131,443	22,357	1,652	-	155,452
Support					
Contributions	-	-	352	-	352
Net assets released from restrictions	-	-	4,415	-	4,415
Total support	-	-	4,767	-	4,767
Total operating revenues, income, gains, and support, net	131,443	22,357	6,419	-	160,219
EXPENSES					
Compensation and benefits	49,739	5,924	-	-	55,663
Purchased services	29,034	4,174	-	-	33,208
Medical services	2,178	-	-	-	2,178
Supplies	2,216	268	-	-	2,484
Repairs and maintenance	4,720	891	-	-	5,611
Utilities	7,525	1,368	-	-	8,893
Professional fees	2,490	328	-	-	2,818
Depreciation	19,008	3,364	-	-	22,372
Interest	6,481	1,868	-	-	8,349
Other operating	4,058	2,323	-	-	6,381
Total expenses	127,449	20,508	-	-	147,957
EXCESS OF OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	$ 3,994	$ 1,849	$ 6,419	$ -	$ 12,262

Sequoia Living, Inc.
Consolidating Statement of Changes in Net Assets (Unaudited)
Year Ended December 31, 2024
(In Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess operating revenues, income, gains, and support, net, over expenses	$ 3,994	$ 1,849	$ 6,419	$ -	$ 12,262
Grants transferred for programs and facilities	6,751	171	(6,922)	-	-
Change in additional minimum pension liability	7,347	-	-	-	7,347
Contributed capital	9,830	-	-	-	9,830
Other	(863)	259	-	-	(604)
Change in net assets without donor restrictions	27,059	2,279	(503)	-	28,835
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	-	562	-	562
Investment income including net realized gains on investments	-	-	1,931	-	1,931
Change in value of split-interest agreements	-	-	485	-	485
Unrealized gains from investments held in trust	-	-	838	-	838
Net assets released from restrictions	-	-	(4,415)	-	(4,415)
Change in net assets with donor restrictions	-	-	(599)	-	(599)
CHANGE IN NET ASSETS	27,059	2,279	(1,102)	-	28,236
NET ASSETS, beginning of year	100,477	(4,522)	48,256	-	144,211
NET ASSETS, end of year	$ 127,536	$ (2,243)	$ 47,154	$ -	$ 172,447

Sequoia Living, Inc.
Consolidating Statement of Cash Flows (Unaudited)
Year Ended December 31, 2024
(In Thousands)

	Sequoia Living	VSL	SSNC	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from entrance fees	$ 30,414	$ 2,988	$ -	$ 33,402
Cash received from resident fees	86,929	14,573	-	101,502
Cash received from services and other income	17,773	860	-	18,633
Cash received from contributions	-	-	1,347	1,347
Cash received (paid) for grants and support	6,751	171	(6,922)	-
Investment income received	6,210	1,775	3,139	11,124
Interest paid, net of amount capitalized	(6,609)	(1,935)	-	(8,544)
Refunds of entrance fees paid	(1,998)	(614)	-	(2,612)
Cash paid to employees and suppliers	(99,468)	(14,672)	-	(114,140)
Payments to (from) related party	3,717	(3,717)	-	-
Net cash provided by (used in) operating activities	43,719	(571)	(2,436)	40,712
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investments	-	-	4,005	4,005
Proceeds from sale of property and equipment	5,692	-	-	5,692
Purchase of investments	(28,175)	-	(3,889)	(32,064)
Purchase of property and equipment	(29,072)	(833)	-	(29,905)
Net cash (used in) provided by investing activities	(51,555)	(833)	116	(52,272)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term debt and notes payable	(2,939)	(1,070)	-	(4,009)
Proceeds from endowment contributions	-	-	25	25
Proceeds from contributions held in trust	-	-	1,038	1,038
Payments to trust beneficiaries	-	-	(734)	(734)
Proceeds from refundable deposits	488	1,599	-	2,087
Proceeds from refundable entrance fees	634	5,492	-	6,126
Proceeds from limited partner equity	9,830	-	-	9,830
Refunds of refundable deposits	-	(776)	-	(776)
Refunds of refundable entrance fees	(3,504)	(5,409)	-	(8,913)
Investment income received from marketable securities held in trust	-	-	619	619
Net cash provided by (used in) financing activities	4,509	(164)	948	5,293
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,327)	(1,568)	(1,372)	(6,267)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	42,452	38,821	1,737	83,010
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 39,125	$ 37,253	$ 365	$ 76,743
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES				
Promissory notes entered into in exchange for long term care contracts - nonrefundable contracts	$ 8,653	$ -	$ -	$ 8,653
Promissory notes entered into in exchange for long term care contracts - refundable contracts	$ -	$ 2,924	$ -	$ 2,924
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES				
Noncash investment contribution	$ -	$ -	$ 591	$ 591

Basis of presentation – The consolidating information is not a required part of the consolidated financial statements. The accompanying consolidating information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The first column, Sequoia Living alone represents the parent entity without consolidation of its direct or indirect subsidiaries listed in the next columns. VSL and SSNC are described in Note 1 of the consolidated financial statements under Corporate Structure.

The consolidating information is prepared to clarify continuing disclosure as required by Municipal Securities Rulemaking Board (MSRB) through Electronic Municipal Market Access (EMMA) in connection with the issuance of revenue bonds described in Note 9 for Sequoia Living and VSL.

SEQUOIA LIVING, INC.

2023 ANNUAL REPORT

ANNUAL REPORT CERTIFICATION

SEQUOIA LIVING, INC.

Annual Report Certification
December 31, 2023

I hereby certify that the annual report for December 31, 2023 constitutes the annual report required to be furnished by Sequoia Living, Inc.

Signature

Charlie Shoemake

Name

Chief Financial Officer

Title

4/30/2024

Date

P: 415-202-7800 F: 415-922-2338 1525 Post Street, San Francisco, CA 94109
SequoiaLiving.org

SEQUOIA LIVING, INC.

Annual Report Certification
December 31, 2023

I hereby certify that no event which constitutes a Loan Default Event (as that term is defined in the Indenture) or which with the giving of notice or the passage of time or both would constitute a Loan Default Event has occurred and is continuing as of the end of December 31, 2023.

Signature

Charlie Shoemake
Name

Chief Financial Officer
Title

4/30/2024
Date

AUDITED FINANCIAL STATEMENTS

Report of Independent Auditors and
Consolidated Financial Statements
with Supplementary Information

Sequoia Living, Inc.

December 31, 2023 and 2022

MOSSADAMS

Table of Contents

Report of Independent Auditors

The Board of Directors
Sequoia Living, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Sequoia Living, Inc. and its subsidiaries (the Organization), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sequoia Living, Inc. and its subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Western Park Apartments, L.P., a controlled partnership, which statements reflect total assets of $25,716,529 and $26,584,369, respectively, as of December 31, 2023 and 2022, and total revenues of $5,303,052 and $5,106,494, respectively, for the years then ended. We also did not audit the financial statements of Town Park Towers, L.P., another controlled partnership, which statements reflect total assets of $31,152,964 and $29,312,999, respectively, as of December 31, 2023 and 2022, and total revenues of $4,508,824 and $4,317,629, respectively, for the years then ended. We also did not audit the financial statements of Eastern Park Apartments, L.P., another controlled partnership, which statements reflect total assets of $80,839,359 and $81,144,730, respectively, as of December 31, 2023 and 2022, and total revenues of $7,932,802 and $6,644,781, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P., Town Park Towers, L.P. and Eastern Park Apartments, L.P., is based solely on the report of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sequoia Living, Inc. and its subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sequoia Living, Inc. and its subsidiaries' 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial statement information beginning on page 44 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Information

Management is responsible for the other information included in the California Department of Social Services Annual Report. The other information comprises the Forms 1-1, 1-2, and 7-1, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Moss Adams LLP

San Francisco, California
April 30, 2024

Consolidated Financial Statements

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2023 and 2022
(in Thousands)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 44,557	$ 19,226
Marketable securities	104,381	84,266
Accounts, notes, and interest receivable	6,583	6,034
Pledges receivable - net of allowance, current portion	640	5,534
Limited use assets, current portion	4,142	19,876
Investments designated for refundable deposits	761	2,712
Prepaid expenses and other assets	3,703	2,636
Total current assets	164,767	140,284
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD	23,155	29,293
INVESTMENTS HELD IN TRUST	10,851	10,834
INVESTMENTS, OTHER	9,569	11,726
TRUST CONTRIBUTIONS RECEIVABLE	1,143	1,047
PLEDGES RECEIVABLE, noncurrent portion	128	58
BENEFICIAL INTEREST IN NET INCOME TRUST	626	-
PENSION ASSET	12,495	7,545
LIMITED USE ASSETS, noncurrent portion	10,395	52,336
PROPERTY AND EQUIPMENT, net	446,686	436,315
Total assets	$ 679,815	$ 689,438

See accompanying notes.

Sequoia Living, Inc.
Consolidated Balance Sheets (Continued)
December 31, 2023 and 2022
(in Thousands)

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 7,169	$ 8,534
Payroll and related taxes payable	5,297	6,147
Line of credit - unsecured	-	2,000
Long-term debt - net, current portion	4,743	27,446
Accrued interest payable	2,560	3,427
Refundable deposits	3,704	3,769
Unamortized entrance fees, current portion	1,222	-
Entrance fees paid in advance	722	3,699
Total current liabilities	25,417	55,022
LONG-TERM DEBT - net, less current portion	188,434	252,389
LIABILITY ON REFUNDABLE CONTRACTS	134,842	105,963
LIABILITY FOR PAYMENTS TO TRUST BENEFICIARIES	4,908	4,924
UNAMORTIZED ENTRANCE FEES, less current portion	177,757	173,838
OTHER LONG-TERM LIABILITIES	4,246	4,591
Total liabilities	535,604	596,727
NET ASSETS		
Net assets without donor restrictions:		
Controlling interest	37,116	19,412
Noncontrolling interest	66,729	36,830
Total net assets without donor restrictions	103,845	56,242
Net assets with donor restrictions	40,366	36,469
Total net assets	144,211	92,711
Total liabilities and net assets	$ 679,815	$ 689,438

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022
(in Thousands)

	2023	2022
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET		
Operating revenues, income, and gains, net:		
Resident fees	$ 91,839	$ 81,984
Amortization of entrance fees	26,990	22,555
Fees for services and other income	16,507	17,002
Investment income (loss), including realized and unrealized gains and losses on investments	13,900	(11,911)
Gain on sale of property and equipment	2,275	-
Gain on forgiveness of Paycheck Protection Program loan	-	1,922
Administrative service fees	104	122
Total operating revenues, income, and gains	151,615	111,674
Support:		
Contributions	263	557
Net assets released from restrictions	1,325	2,359
Total support	1,588	2,916
Total operating revenues, income, gains, and support, net	153,203	114,590
EXPENSES		
Compensation and benefits	52,978	49,339
Purchased services	31,531	28,643
Medical services	2,222	2,510
Supplies	2,292	2,366
Repairs and maintenance	5,242	4,548
Utilities	7,747	7,211
Professional fees	2,813	2,689
Depreciation	19,327	16,759
Interest	12,887	11,512
Other operating	5,164	4,130
Total expenses	142,203	129,707
EXCESS (DEFICIT) OF OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	$ 11,000	$ (15,117)

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022
(in Thousands)

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (deficit) of operating revenues, income, gains, and support, net, over expenses	$ 11,000	$ (15,117)
Changes in additional minimum pension liability	3,923	9,795
Contributed capital	32,053	810
Other	627	(108)
Changes in net assets without donor restrictions	47,603	(4,620)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,185	5,428
Investment income including net realized gains on investments	987	1,389
Changes in value of split-interest agreements	688	(2,189)
Unrealized gain (loss) from investments	2,362	(4,898)
Net assets released from restrictions	(1,325)	(2,359)
Changes in net assets with donor restrictions	3,897	(2,629)
CHANGES IN NET ASSETS	51,500	(7,249)
NET ASSETS, beginning of year	92,711	99,960
NET ASSETS, end of year	$ 144,211	$ 92,711

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(in Thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from entrance fees	$ 35,476	$ 40,315
Cash received from resident fees	91,270	81,077
Cash received from services and other income	16,372	16,150
Cash received from contributions	6,410	1,784
Investment income received	8,980	8,107
Interest paid, net of amount capitalized	(11,144)	(11,693)
Refunds of entrance fees paid	(3,345)	(758)
Cash paid to employees and suppliers	(108,442)	(97,851)
Cash contribution to defined benefit plan	-	(3,300)
Net cash provided by operating activities	35,577	33,831
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	15,385	19,830
Proceeds from sale of property and equipment	3,021	-
Purchase of investments	(30,460)	(15,594)
Purchase of property and equipment	(29,983)	(49,984)
Net cash used in investing activities	(42,037)	(45,748)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt and notes payable	(149,452)	(26,919)
Payment on line of credit	(2,000)	-
Proceeds from issuance of debt	60,006	6,966
Proceeds from endowment contributions	165	5
Proceeds from contributions held in trust	678	789
Payments to trust beneficiaries	(678)	(918)
Proceeds from refundable deposits	1,837	2,459
Proceeds from refundable entrance fees	30,339	30,710
Proceeds from limited partner equity	32,053	533
Refunds of refundable deposits	(2,735)	(548)
Refunds of refundable entrance fees	(3,631)	(4,156)
Payment of syndication fees	-	(135)
Payment of loan financing costs	(1,107)	(3,892)
Investment income received from marketable securities held in trust	552	723
Net cash (used in) provided by financing activities	(33,973)	5,617
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(40,433)	(6,300)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	123,443	129,743
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 83,010	$ 123,443

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022
(in Thousands)

	2023	2022
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Changes in fixed asset additions included in accounts payable	$ 100	$ 144
Noncash investment contribution	$ 138	$ 37
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY		
Forgiveness of Paycheck Protection Program loan	$ -	$ 1,922

See accompanying notes.

Note 1 – Corporate Purpose and Structure

Corporate purpose – Sequoia Living, Inc. (Sequoia Living), based on its historic mission, provides for the wellbeing of older persons who are in need of housing, health care, food, wellness, and other related programs and services through the following communities and programs:

- Four continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.

- Three residential housing communities which receive federal support and provide affordable housing to approximately 600 residents with low and moderate income.

- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

Corporate structure – Sequoia Living is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of Sequoia Living.

The consolidated financial statements of Sequoia Living also include the activities and balances of the following affiliates and subsidiaries discussed below.

Sequoia Living presently operates continuing care facilities for the care of elderly persons at four locations: The Sequoias-San Francisco (Sequoias-SF), the Sequoias-Portola Valley (Sequoias-PV), the Sequoias-Tamalpais (TAM), which was previously known as Tamalpais-Ross Valley Homes, and Viamonte Senior Living 1 (VSL), which is described below. It also operates residential housing facilities for elderly persons at three locations: Western Park Apartments (WPA), Eastern Park Apartments (EPA), and Town Park Towers (TPT). All facilities are located in Northern California.

Sequoia Living solely owned and operated EPA as a low-to-moderate income rental housing facility in accordance with the provisions of Section 202 of the National Housing Act, until December 19, 2019, at which point, Eastern Park Apartments, L.P. (EPA L.P.) was formed as a limited partnership to acquire, rehabilitate, own, and operate EPA. EPA L.P. is controlled by the partnership general partner, Sequoia Living EPA LLC. Sequoia Living is the sole member of Sequoia Living EPA LLC. During 2023 and 2022, the facility received approximately 87% and 78%, respectively, of its rental revenue from the U.S. Department of Housing and Urban Development (HUD).

In 2019, EPA began undergoing a significant rehabilitation which was completed in October 2022. The financing was funded by a construction disbursement loan (see Note 9). EPA L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 202 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2076. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of EPA L.P. for 15 years (which also marks the end of the compliance period). On March 1, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of $60.0 million. After the compliance period, Sequoia Living will have an option (expiring one year thereafter) to purchase the rehabilitated building, which if exercised, will cause EPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of EPA L.P. or the then fair market value of EPA L.P.

Sequoia Living solely owned and operated WPA and TPT as low-to-moderate income rental housing facilities operated in accordance with the provisions of Section 236 of the National Housing Act. Western Park Apartments, L.P. (WPA L.P.) and Town Park Apartments, L.P. (TPT L.P.) were formed in 2013 and 2015, respectively, as limited partnerships to acquire, rehabilitate, own, and operate WPA and TPT. WPA L.P. and TPT L.P. are controlled by the respective partnerships' general partners, Sequoia Living WPA LLC and Sequoia Living TPT LLC. Sequoia Living is the sole member of Sequoia Living WPA LLC and Sequoia Living TPT LLC.

WPA underwent a significant rehabilitation in 2014. The permanent financing was funded by a Citibank loan (see Note 9). WPA L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 236 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners were required to provide capital contributions of $15.1 million that were used to repay a portion of the $28.8 million construction loan. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause WPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA L.P.

TPT underwent a significant rehabilitation in 2016–2017. The permanent financing was funded by a Citibank loan (see Note 9). TPT L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Sections 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of $23.0 million that will be used to repay a portion of the $40.0 million construction loan. In 2017, the limited partners made $23.0 million in capital contributions. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause TPT L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT L.P.

For financial reporting purposes, the balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows of EPA L.P., WPA L.P., and TPT L.P. are consolidated with Sequoia Living. The limited partner interests in EPA L.P., WPA L.P., and TPT L.P. are reported as noncontrolling interests in the net assets section of the accompanying consolidated balance sheets.

Sequoia Living is the sole corporate member of Senior Services for Northern California (SSNC). SSNC is a supporting organization of Sequoia Living. Trustees of SSNC are charged with receiving, disbursing, and accounting for all current gifts, deferred gift investments, and bequests of money and property given for the benefit of Sequoia Living and its programs, facilities, managed properties, and community outreach.

Sequoia Living and SSNC are exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

Sequoia Living formed a for-profit company, NCP Senior Ventures, LLC, a California limited liability company (NSV), in 2008. Sequoia Living, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation, and sale of real estate. For financial reporting purposes, NSV's balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows are consolidated with Sequoia Living.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009. The management fee received for this service is included in fees for services and other income in the accompanying consolidated statements of operations.

Sequoia Living formed Viamonte Senior Living 1 (VSL) to develop, construct, own, and operate a continuing care retirement community in Walnut Creek, California, on a nonprofit, nondenominational basis. Under a consulting agreement, Sequoia Living provides development and management services to VSL. The land for the project was purchased by VSL in 2017. VSL's total contributed capital from Sequoia Living for the continuing care retirement community is $25.2 million. The permanent financing closed on May 24, 2018, with revenue bonds insured by the State of California through its Cal Mortgage Loan Program (see Note 9). The bonds are designated as (a) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (VSL Project)" for $45.2 million; (b) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (VSL Project – Entrance Fee Redemption)" for $80.0 million; (c) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2 (VSL Project – Entrance Fee Redemption)" for $39.0 million; and (d) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (VSL Project – Entrance Fee Redemption)" for $23.0 million. VSL has paid off the Series 2018B-1 bonds during the year ended December 31, 2022 and paid off the Series 2018B-2 and Series 2018B-3 bonds during the year ended December 31, 2023 with limited-use assets and entrance fee proceeds. The Series 2018A bonds will mature on July 1, 2047. VSL anticipates redeeming the Series 2018A (which is subject to optional redemption on or after January 1, 2021) in full from initial entrance fees prior to the stated maturities. The actual timing of the extraordinary redemption of the bonds may differ from the assumed timing because of timing differences in the receipt of initial entrance fees. VSL opened in November 2020 and consists of 174 independent living units, with an additional 7 assisted living units and 10 memory care units that opened in June 2021. The facility was constructed to allow the delivery of assisted living services to independent living units. Stabilized occupancy of 93% has been achieved during the year ended December 31, 2023.

Sequoia Living is affiliated with San Francisco Senior Center (SFSC), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include Sequoia Living, EPA L.P., WPA L.P., TPT L.P., NSV, VSL, and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC, VSL, EPA L.P., WPA L.P., and TPT L.P. prepare separate stand-alone financial statements in conformity with U.S. GAAP.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions are classified as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. Net assets without donor restrictions also include net assets contributed by Sequoia Living to its subsidiaries, which are eliminated upon consolidation. There are no board-designated net assets without donor restrictions.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions represent contributions that are limited in use by Sequoia Living in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions for which restrictions are satisfied in the same period as received are recorded as contributions revenue without donor restrictions.

Performance indicator – "Excess (deficit) of operating revenues, income, gains and support, net, over expenses" as reflected in the accompanying consolidated statements of operations is the performance indicator. The performance indicator excludes receipt of contributions with donor restrictions, changes in additional minimum pension liability, unrealized change in values of investments for debt securities, contributed capital, change in the value of split-interest agreements, and transfer of net assets.

Fair value measurements – The Financial Accounting Standards Board (FASB) statement on fair value measurements establishes a framework for measuring fair value in conformity with U.S. GAAP and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

(in Thousands)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The carrying values reported on the accompanying consolidated balance sheets for current financial assets and liabilities approximate fair value. Investments, investments held in trust, liability for trust beneficiaries, and trust contributions receivable are carried at fair value. See Note 10 for discussion of the fair value of Sequoia Living's financial assets and liabilities.

Cash and cash equivalents – Cash and cash equivalents, which consist of deposits and money market funds, include money market funds purchased with a maturity at purchase date of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances within the accompanying consolidated balance sheets that sums to the total of the same amounts shown in the accompanying consolidated statements of cash flows:

	2023	2022
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 44,557	$ 19,226
Investments designated for refundable deposits	761	2,712
Investments contractually limited for replacement reserves on properties financed by HUD	23,155	29,293
Cash and cash equivalents in limited use assets	14,537	72,212
Total cash, cash equivalents, and restricted cash on the consolidated statements of cash flows	$ 83,010	$ 123,443

Limited use assets – Limited use assets as of December 31, 2023 and 2022, consist of cash, money market funds, and other investments whose use is held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. Amounts required to pay current liabilities or otherwise support current operations are classified as current. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects. For limited use assets, net carrying value approximates fair value at period end.

(in Thousands)

Investments designated for refundable deposits – Investments designated for refundable deposits are subject to repayment based the executed continuing care contract or deposit agreement. These funds are held in cash and cash equivalents.

Marketable securities and investments held in trust – Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the accompanying consolidated statements of operations and consolidated statements of changes in net assets. Realized gains or losses on the sale of investments represent the difference between cost on a first-in first-out basis and the related market price at the sale date. A decline in the fair value of an investment in debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds, are carried at cost, which approximates fair value because of the short-term nature of these investments.

Property and equipment, net – Property and equipment, net are recorded at cost. Depreciation is based on straight-line method at rates based on the estimated useful lives of the various classes of property using the following schedule:

Buildings	60 years
Building equipment	20 years
Building and land improvement	10 years
Equipment, furniture, and furnishings	4–10 years

Interest costs incurred on borrowed funds, less investment income earned on certain unspent borrowed proceeds during the period of construction of long-lived assets, are capitalized and amortized over the related assets' estimated useful lives. Repairs and maintenance expenditures are expensed as incurred.

Sequoia Living periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, asset impairment is recognized. No asset impairment was recognized for the years ended December 31, 2023 and 2022.

Investments held in trust and liability for payments to trust beneficiaries – Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis. The related liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 14.4 years and discount rates ranging from 1.63% to 6.75%. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 2.4 to 15.0 years and discount rates ranging from 1.63% to 6.75%.

Beneficial interest in net income trust – SSNC recognizes an asset when it becomes aware of the agreements and has sufficient information to measure the beneficial interest. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in change in value of split-interest agreements. As the net income trust beneficiary, SSNC recognizes revenue for the beneficial interest as stipulated in the agreements.

Pledges receivable – Pledges receivable are recorded initially at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2023, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.2 years and discount rates ranging from 1.6% to 9.4% As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.5 years, and discount rates ranging from 1.6% to 9.4%. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

Trust contributions receivable – Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets. The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for net assets with donor restrictions in the statements of activities and changes in net assets. As of December 31, 2023 and 2022, the valuation technique utilizes published actuarial life expectancies ranging from 3.3 to 7.2 years and a discount rate of 1.1%. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 4.8 to 7.7 years and discount rates ranging from 2.1% to 3.8%.

Continuing care contracts – Sequoia Living has entered continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. Sequoia Living is obligated to provide long-term care.

Sequoia Living provides three types of continuing care contracts to its residents: fully amortizable, fee-for-service continuing care, and fee-for-service continuing care—repayment option. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

(in Thousands)

Under the fully amortizable and fee for service continuing care contracts, Sequoia Living is contractually obligated to refund to a vacating resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after five and a half years of occupancy. In the event of death or involuntary termination, Sequoia Living is obligated to refund a portion of the entrance fee determined as follows (based on the time transpired since the initial date of resident occupancy):

Fewer than 90 days	90%
More than 90, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%
More than three years	0%

Under the fee for service continuing care - repayment options of 90% or 75%, residents pay a higher entrance fee, 90% or 75% of which will be refunded when the unit is resold. The “refundable deposit” portion of the entrance fee subject to repayment is recorded as a liability and the remaining 10% or 25% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

Future service obligation – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. Sequoia Living has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required as of December 31, 2023 and 2022. The discount rate used to calculate the obligation to provide future services is 4.5% for both 2023 and 2022.

Revenue recognition – Sequoia Living accounts for a majority of its revenue recognition under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606).

Sequoia Living has elected the lessor practical expedient Accounting Standards Update (ASU) 2018-11, *Leases (Topic 842): Targeted Improvements* (ASU 2018-11), within ASC 842, *Leases* (ASC 842), and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. Sequoia Living has determined that the services included under their independent living, assisted living, memory care, and skilled nursing residency agreements have the same timing and pattern of transfer. Sequoia Living has estimated that the nonlease component of such residency agreements are the predominant component of the contract and therefore recognizes resident fees revenue under ASC 606. Sequoia Living recognizes resident fees for its three residential housing facilities as operating leases under ASC 842.

Those activities that are accounted for outside the scope of ASC 606 include funds received by Sequoia Living which are voluntary and unconditional un-reciprocal transfers as well as investment income including realized gains and losses on investments.

(in Thousands)

Resident fees – Under the provision of continuing care contracts, residents are required to pay periodic monthly fees (resident fees) for services and the use of facilities. Resident fee revenue is reported at the amount that reflects the consideration Sequoia Living expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized monthly as services are provided and performance obligations are satisfied.

The following table shows resident fees revenue by line of service:

	2023	2022
Resident fees by line of service:		
Independent living	$ 52,152	$ 48,968
Assisted living	4,429	3,730
Memory care	1,940	1,790
Skilling nursing	3,874	3,664
Affordable housing rents	29,444	23,832
	$ 91,839	$ 81,984

Amortization of entrance fees revenue – Under the provision of continuing care contracts, residents are required to pay an entrance fee, which are one-time payments made by residents of the continuing care facilities that, in addition to resident fees, provide for living accommodations. The performance obligation for nonrefundable entrance fees is that Sequoia Living is standing ready to provide a service such that the resident can continue to live in the CCRC and access the appropriate level of care based on his or her needs. This decision is at the discretion of the resident and is dependent on the resident's health and life span, along with his or her decision to continue to reside at the respective facility. Management has determined that these are a series of distinct services that are considered one performance obligation which is satisfied over time. Therefore, the nonrefundable portion of the entrance fee is recorded as an unamortized entrance fee when received and amortized using the straight-line method over the estimated remaining life expectancy of the resident. As of December 31, 2023 and 2022, Sequoia Living had $179.0 million and $173.8 million, respectively, in unamortized entrance fees to be recognized as the performance obligations are satisfied. See Note 15 for changes in the unamortized entrance fees for the years ended December 31, 2023 and 2022. The performance obligation is satisfied upon termination of the residency agreement.

Fees for services and other income – Under the provision of fee for service continuing care contracts, residents are required to pay an entrance fee, as well as additional fees for some services that are not covered by fee for service continuing care contracts. Additionally, Sequoia Living enters into separate contracts to provide outpatient services. Each service provided under these contracts is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized over time as services are provided.

Sequoia Living determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments, or explicit price concessions, provided to a third party. Sequoia Living determines its estimates of contractual adjustments based on contractual agreements, historical experience, and expected future credit losses.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodology subject to certain limits. Physical services are paid based upon established fee schedules.

Secondary Insurance – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Sequoia Living's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Sequoia Living.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Sequoia Living's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. Sequoia Living estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident-by-resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2023 and 2022, was not significant.

Contributions – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Donated securities, real property, and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California. Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Charity care – Sequoia Living provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because Sequoia Living does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Donated services – Significant amounts of time from a number of people have been donated to Sequoia Living. The accompanying consolidated financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

Investment income – Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other-than-temporary realized losses on available-for-sale securities, unrealized gains and losses on trading securities, and related investment counseling fees. Investment counseling fees were $0.2 million and $0.3 million for years ended December 31, 2023 and 2022, respectively.

Marketing and advertising expenses – The cost of advertising, promotion, and marketing programs are charged to expense in the year incurred. For the years ended December 31, 2023 and 2022, Sequoia Living incurred marketing and advertising costs of $1.0 million and $0.9 million, respectively.

Administrative service fees – SSNC manages its split-interest agreements internally and assesses a fee of 1% of trust assets per year.

Change in value of split-interest agreements – Changes in the value of split-interest agreements are the result of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

Workers' compensation plan – Sequoia Living is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred-but-not-reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with Sequoia Living's past experience. The workers' compensation reserve liability is $2.9 million and $3.1 million as of December 31, 2023 and 2022, respectively, and is included in payroll and related taxes payable in the accompanying consolidated balance sheets. The discount rate used to calculate the reserve liability is 2.0% for both 2023 and 2022.

Concentration of credit risk – Financial instruments potentially subjecting Sequoia Living to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions. If any of the financial institutions with whom Sequoia Living does business were to be placed into receivership with the FDIC, Sequoia Living may be unable to access the cash they have on deposit with such institutions. If Sequoia Living was unable to access its cash and cash equivalents as needed, Sequoia Living's financial position and ability to operate its business could be adversely affected. Sequoia Living has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Concentration of credit risk results from Sequoia Living granting credit without collateral to its residents and patients, most of whom are local residents and insured under third-party payor agreements.

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 estimates include unamortized entrance fees, estimated future service obligations, pension asset, fair values of investments, useful lives of fixed assets, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

Recent pronouncements – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 replaces the current incurred loss impairment methodology for credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Sequoia Living will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments. The adoption of ASU 2016-13 is effective for Sequoia Living beginning January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on Sequoia Living's consolidated financial statements, and resulted in enhanced disclosures.

(in Thousands)

Note 3 – Investment Securities

The composition of investment securities is set forth in the following table. The majority of these securities are held with four investment firms:

	2023	2022
Money market funds	$ 4,445	$ 6,953
Common stock	9,299	8,255
Corporate fixed income securities	299	759
Equity mutual funds	54,973	41,979
Fixed income mutual funds	35,365	26,320
Total marketable securities	104,381	84,266
Investment in real estate fund	9,569	11,726
Total investment securities	$ 113,950	$ 95,992

Operating investment gains (loss) is comprised of the following for the years ended December 31:

	2023	2022
Interest income	$ 6,365	$ 3,532
Net realized gains on sales of investments	2,281	3,773
Unrealized gains (loss) on equity securities	5,556	(18,929)
Investment expenses	(302)	(287)
	$ 13,900	$ (11,911)

(in Thousands)

Note 4 – Property and Equipment, Net

Property and equipment, net as of December 31 consist of the following:

	2023	2022
Land	$ 28,767	$ 29,211
Land and building improvements	97,581	95,128
Building and building equipment	467,780	465,698
Equipment and furniture	55,135	53,807
	649,263	643,844
Less: accumulated depreciation	(237,398)	(218,149)
	411,865	425,695
Construction in progress	34,821	10,620
Total property, plant, and equipment, net	$ 446,686	$ 436,315

Total depreciation expense for the years ended December 31, 2023 and 2022, is $19.3 million and $16.8 million, respectively.

Note 5 – Investments Held in Trust

Investments held in trust as of December 31 are summarized below. The majority of these investments are held with one investment firm:

	2023	2022
Money market funds	$ 103	$ 257
Fixed income mutual funds	4,257	6,531
Equity mutual funds	6,491	4,046
	$ 10,851	$ 10,834

(in Thousands)

Note 6 – Pledges Receivable, Net

Pledges receivable, net was due as follows as of December 31:

	2023	2022
Current portion	$ 674	$ 5,773
Less: allowance	(34)	(239)
Total current portion	$ 640	$ 5,534
Greater than one year to five years	$ 150	$ 171
Greater than five years to twenty years	-	-
	150	171
Less: allowance	(7)	(58)
Less: unamortized discount	(15)	(55)
Total noncurrent portion	$ 128	$ 58

Note 7 – Investments Contractually Limited for Replacement, Development Deposit, and Net Operating Income Reserve

Investments contractually limited for replacement – In connection with long-term debt agreements for Sequoia Living's residential housing facilities, HUD requires monthly deposits to a replacement account. Replacement accounts are held by Sequoia Living for TPT L.P., EPA L.P., and WPA L.P.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from HUD.

Equity reserves – EPA L.P. was required to establish a deposit account for an initial amount of $2.0 million for cash reserves. In addition, a deposit account was established for capital contribution of $12.0 million upon occurrence of the loan conversion. On March 1, 2023, the construction loan was converted to a permanent loan financing for $60.0 million and the $12.0 million capital contribution was made to EPA L.P.

Outside reserves – Sequoia Living was required to set aside funds in the amount of $6 million for so long as the partnership continues in existence or based on the account terms of the reserve pledge agreement.

Earnings attributable to these investment categories accrue to the facility. As of December 31, 2023 and 2022, the investments consist of cash and certificates of deposit in the amounts of $23.2 million and $29.3 million, respectively.

(in Thousands)

Note 8 – Limited Use Assets

Limited use assets as of December 31 are held for two entities, Sequoia Living and VSL. The composition of limited use assets as of December 31, 2023 and 2022, for Sequoia Living and VSL consisted solely of cash and cash equivalents. All limited use assets are classified as Level 1 securities.

	2023	2022
California Health Facilities Financing Authority		
Revenue Bond Series 2015:		
Project fund	$ 798	$ 514
Principal and interest fund	2	-
Debt service reserve fund	4,040	4,040
Revenue fund	2,143	1,684
	6,983	6,238
Revenue Bond Series 2018:		
Project fund	420	99
Revenue fund	-	36
Principal and interest fund	968	1,862
Debt service reserve fund	5,924	5,924
	7,312	7,921
Investments held by trustee in accordance with construction loan agreement	-	600
Investments held by trustee for development	177	1,164
Investments held by trustee for working capital	54	15,721
Investments held by trustee for repayment of revenue bonds	11	40,568
	14,537	72,212
Less: current portion	(4,142)	(19,876)
Limited use assets, noncurrent portion	$ 10,395	$ 52,336

(in Thousands)

Note 9 – Long-Term Debt, Net and Line of Credit

Long-term debt, net for Sequoia Living comprises the following as of December 31:

	2023	2022
Sequoia Living		
California Health Facilities Financing Authority:		
Revenue Bond Series 2015, Serial Bonds Payable through 2031 to 2044 in annual principal installments with interest ranging from 2–5%, collateralized by a first deed of trust on the gross revenues of Sequoia Living.	$ 52,865	$ 54,335
VSL		
California Health Facilities Financing Authority		
Revenue Bond Series 2018, Series Bonds Payable, collateralized by a first deed of trust on the gross revenues of VSL:		
Series 2018A interest at 3.5–5% maturing in 2047	45,230	45,230
Series 2018B-2 interest 3% paid off in 2023	-	39,000
Series 2018B-3 interest 3% paid off in 2023	-	23,000
Eastern Park Apartments L.P.		
Construction disbursement loan, paid in full in 2023 including interest at 3.17%, collateralized by a first deed of trust on EPA L.P. real estate.	-	84,840
Bellwether Enterprise Mortgage Investments, Inc. loan, payable through 2039 in monthly installments of $262 including interest at 3.91%, with a balloon payment of $42,999 due at maturity	59,429	-
Western Park Apartments L.P.		
Citibank permanent loan, in monthly installments of $86 payable through 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate.	14,011	14,223
Town Park Towers L.P.		
Payable through 2051 in monthly installments including interest at 4.41% collateralized by first deed of trust.	21,074	21,427
	192,609	282,055
Plus: unamortized bond premium	7,041	7,565
Less: unamortized deferred financing costs	(6,473)	(9,785)
	193,177	279,835
Less: current portion	(4,743)	(27,446)
Total long-term debt - net, less current portion	$ 188,434	$ 252,389

(in Thousands)

Scheduled principal payments on long-term debt are as follows:

Years Ending December 31,		
2024	$	4,743
2025		4,208
2026		4,409
2027		4,622
2028		4,802
Thereafter		169,825
	$	192,609

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. Both agreements with Cal Mortgage includes a number of covenants, including the following:

- Punctual payment
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Continuing disclosure

Management believes Sequoia Living and VSL were in compliance with all debt covenants as of December 31, 2023. Sequoia Living's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans are associated with compliance with the low-income housing tax credit (LIHTC) program under Section 42 of the Internal Revenue Code as modified by the State of California and the provisions of Section 202 of the National Housing Act. As of December 31, 2023, management believes Sequoia Living was in compliance with these debt covenants.

EPA L.P. was formed to rehabilitate and operate the EPA property in compliance with the LIHTC program under the provisions of Section 42 of the Internal Revenue Code. The City of San Francisco tax-exempt bonds of $60.0 million Series J and $24.8 million Series K are collateral to the qualifying financing under the LIHTC program to then finance the acquisition and renovation of EPA L.P. J.P. Morgan Chase Bank funded a loan on behalf of the City of San Francisco (tax-exempt bond issuer and governmental lender) with the outstanding amounts of $0 million and $84.8 million as of December 31, 2023 and 2022, respectively. EPA L.P. entered into an agreement with J.P. Morgan Chase Bank to borrow up to $84.8 million to acquire EPA and fund renovations.

Funds are released periodically as renovations proceed and paid invoices are submitted to J.P. Morgan Chase Bank for reimbursement. Renovations were completed in 2022. During the year ended December 31, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of $60.0 million. Deferred loan costs of $2.5 million were written off in 2023 related to the construction loan payoff.

Lines of credit – Sequoia Living has lines of credit in the amount of $4.0 million as of December 31, 2023 and $6.0 million as of December 31, 2022, with a bank, of which $4.0 million is collateralized by a gross revenue pledge. The lines of credit renew annually each July. As of both December 31, 2023 and 2022, Sequoia Living had an outstanding balance on these lines of credit of $0.0 million and $2.0 million, respectively.

Sequoia Living has stand-by letters of credit totaling approximately $3.0 million to collateralize its obligations under a high deductible workers' compensation program as of both December 31, 2023 and 2022, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2023 and 2022. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed $6.0 million.

Sequoia Living is required to provide written notification to the bank of any material adverse change in its financial condition or operation. Management believes there were no such changes in 2023 or 2022.

(in Thousands)

Note 10 – Fair Value Measurements

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2023 and 2022:

	2023				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value on a recurring basis: (1)					
Marketable securities: (2)					
Money market funds	$ 4,445	$ 4,445	$ -	$ -	$ -
Common stock	9,299	9,299	-	-	-
Corporate fixed income securities	299	299	-	-	-
Equity mutual funds	54,973	54,973	-	-	-
Fixed income mutual funds	35,365	35,365	-	-	-
Trust contributions receivable (3)	1,143	-	-	1,143	-
Investment in real estate fund (4)	9,569	-	-	-	9,569
Beneficial interest in net income trust (6)	626	-	-	626	-
Investment held in trust: (2)					
Money market funds	103	103	-	-	-
Equity mutual funds	6,491	6,491	-	-	-
Fixed income mutual funds	4,257	4,257	-	-	-
	$ 126,570	$ 115,232	$ -	$ 1,769	$ 9,569
Liabilities measured at fair value on a recurring basis: (5)					
Liability for payments to trust beneficiaries	$ 4,908	$ -	$ -	$ 4,908	$ -

	2022				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value on a recurring basis: (1)					
Marketable securities: (2)					
Money market funds	$ 6,953	$ 6,953	$ -	$ -	$ -
Common stock	8,255	8,255	-	-	-
Corporate fixed income securities	759	759	-	-	-
Equity mutual funds	41,979	41,979	-	-	-
Fixed income mutual funds	26,320	26,320	-	-	-
Trust contributions receivable (3)	1,047	-	-	1,047	-
Investment in real estate fund (4)	11,726	-	-	-	11,726
Investment held in trust: (2)					
Money market funds	257	257	-	-	-
Equity mutual funds	4,046	4,046	-	-	-
Fixed income mutual funds	6,531	6,531	-	-	-
	$ 107,873	$ 95,100	$ -	$ 1,047	$ 11,726
Liabilities measured at fair value on a recurring basis: (5)					
Liability for payments to trust beneficiaries	$ 4,924	$ -	$ -	$ 4,924	$ -

[1] For cash and cash equivalents, limited use assets and investments designated for refundable deposits, the net carrying value approximates fair value at period end.

[2] The fair values of marketable securities and investments held in trust which are included in the accompanying consolidated balance sheets are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, common stocks, corporate fixed income securities, equity mutual funds, and fixed income mutual funds as detailed in Note 3. The investments held in trust consist of cash equivalents, corporate fixed income securities, equity mutual funds, and fixed income mutual funds at fair value with realized and unrealized gains and losses included in the consolidated statements of operations and changes in net assets.

[3] The fair value of trust contributions receivable, which is included in the accompanying consolidated balance sheets, is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

[4] This investment includes securities held in a limited partnership in which Net Asset Value (NAV) as a practical expedient has been used. This investment has not been classified in the fair value hierarchy, and the amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets. The NAV is based on the total value of the securities held in the limited partnership per the December 31 fund statement. The NAV of the limited partnership equals the total assets of the fund, less total liabilities of the fund. Total assets of the fund primarily include real estate assets and real estate owned in joint ventures. The value of real estate assets is established by independent appraisals as of December 31. Real estate assets owned in joint ventures are carried at the fund’s ownership share before the impact of promote structures. Total liabilities of the fund primarily include mortgage notes payable and senior notes payable, both of which are carried by the fund at fair value. Disclosure to and consent by the general partner is required for redemption, transfer or assignment of any of the investment.

[5] The fair value of the liability for payments to trust beneficiaries that is included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

[6] The fair value of beneficial interest in net income trust included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows from trusts.

There were no transfers of assets or liabilities between Levels 1 and 2 during the years ended December 31, 2023 and 2022.

(in Thousands)

Note 11 – Pension Plan

Sequoia Living sponsors a noncontributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. Sequoia Living funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA.

In February 2021, due to the expansion of a vendor contract that reduced the number of active participants in the noncontributory defined benefit pension plan, a plan curtailment occurred, and the plan was frozen in March 2022. Plan assets and obligations were remeasured as of both February 28, 2021 and March 31, 2022. The curtailments resulted in a liability gain of $5.4 million for the year ended December 31, 2022, due to a reduction in the planned benefit obligation for the affected participants. The gain was offset against existing unrecognized losses as of the measurement dates. Net pension costs were determined separately for 2022 before and after the curtailments.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amount recognized in the consolidated balance sheets is as follows as of December 31:

	2023	2022
Changes in benefit obligation:		
Benefit obligation, beginning of year	$ 52,179	$ 103,612
Service cost	-	787
Interest cost	2,648	2,762
Actuarial loss (gain)	3,019	(24,982)
Curtailments	-	(5,396)
Settlements	-	(21,128)
Benefits paid	(2,727)	(3,476)
Benefit obligation at measurement date	55,119	52,179
Changes in plan assets:		
Fair value of plan assets, beginning of year	59,724	97,152
Actual return on plan assets	10,617	(16,124)
Employer contribution	-	3,300
Settlements	-	(21,128)
Benefits paid	(2,727)	(3,476)
Fair value of plan assets at measurement date	67,614	59,724
Funded status at measurement date	$ 12,495	$ 7,545

(in Thousands)

	2023	2022
Amounts recognized in the consolidated balance sheets consist of:		
Noncurrent assets	$ 12,495	$ 7,545
Amounts recognized in net assets without donor restrictions consist of:		
Unrecognized net actuarial loss	$ 612	$ 4,535
Amounts recognized in net assets without donor restrictions, measurement date	$ 612	$ 4,535
Accumulated benefit obligation	$ 55,119	$ 52,179

For the year ended December 31, 2023, there was a $3.0 million loss related to changes in the benefit obligation, which mainly consisted of losses due to assumption changes due to discount rate changes and due to demographic experience that was different from expected. For the year ended December 31, 2022, there was a $30.3 million gain related to changes in the benefit obligation, primarily due to the curtailment and plan freeze and an increase in the discount rate.

Net periodic pension cost for 2023 and 2022 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. Sequoia Living uses a December 31 measurement date for the above defined benefit plan.

(in Thousands)

The components of net periodic benefit cost included as part of compensation and benefits in the accompanying consolidated statements of operations and are as follows for the years ended December 31:

	2023	2022
Service cost	$ -	$ 787
Interest cost	2,647	2,762
Expected return on plan assets	(4,068)	(6,421)
Amortization of net loss	8	125
Recognized loss due to settlements	-	1,837
Net periodic benefit cost	(1,413)	(910)
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net actuarial gain	(3,915)	(2,437)
Amortization of net loss	(8)	(125)
Effect of settlement	-	(1,837)
Effect of curtailment	-	(5,396)
Amounts recognized in net assets without donor restrictions, measurement date	(3,923)	(9,795)
Total recognized in net periodic benefit cost and net assets without donor restrictions, measurement date	$ (5,336)	$ (10,705)

Estimated future benefit payments are as follows:

Years Ending December 31,	
2024	$ 3,356
2025	3,517
2026	3,621
2027	3,699
2028	3,776
2029–2031	18,804
	$ 36,773

Sequoia Living expects to contribute the minimum required amount under IRS Regulations to its pension plan in 2024.

(in Thousands)

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund, and real estate investments. Under the direction of Sequoia Living plan, assets are invested with the objective of achieving a long-term rate of return of 7.00%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.00%, while fixed income investments are expected to return 4.67%. This produces an expected composite long-term return on investment of 7.00%.

Plan assets as of December 31 were invested as follows:

	2023	2022
Cash and cash equivalents	$ 2,468	$ 2,082
Common stocks	8,861	6,205
Equity mutual funds	37,012	33,977
Fixed income mutual funds	19,273	17,460
	$ 67,614	$ 59,724

Equity mutual funds held in the plan assets invest in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective is to provide growth of capital. Fixed income mutual funds held in the plan assets primarily invest in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

For 2023 and 2022, plan assets are stated at fair value using Level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the plan year, as quoted on a recognized exchange or an industry standard pricing service.

Effective July 1, 2012, Sequoia Living changed the formula used to calculate Defined Benefit Pension Plan benefits in order to allow for more stable expenses while maintaining a competitive retirement benefits program for its employees. Sequoia Living also started contributing 2.5% of compensation to eligible employees each pay period as part of its 403(b) plan.

Effective January 1, 2016, Sequoia Living adopted a spot rate approach for determining plan obligations and net pension cost. Under this approach, the individual spot rates on the yield curve are applied to each year’s cash flow in measuring the obligations, service cost, and interest cost.

Weighted average discount rate assumptions are as follows:

	2023	2022
Discount rate - benefit obligation	5.01%	5.23%
Discount rate - service cost	N/A	2.98% / N/A
Discount rate - interest cost	5.07%	2.67%

(in Thousands)

Sequoia Living also sponsors a defined contribution tax-sheltered annuity plan for substantially all its full-time employees. The Tax-Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the plan, which provided that a complete discontinuance of contributions under the plan would constitute termination of the plan. Consistent with Internal Revenue Service guidance, the plan is considered a frozen plan, and all provisions remain in effect until Sequoia Living determines to take further action, except that new contributions will not be made to the plan. Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the plan, contributions to the plan were discontinued and contributions began being made to a new 403(b) plan. The new 403(b) plan permits contributions which can be matched at the discretion of Sequoia Living. Total employer contributions were $1.2 million and $1.1 million for the years ended December 31, 2023 and 2022, respectively.

Note 12 – Endowments

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain Sequoia Living facilities and maintenance of a resident garden. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of SSNC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, Sequoia Living classifies as donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) all investment income on the endowment funds less the appropriation of investment income for expenditure.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

	2023	2022
Tomorrow Fund	$ 13,462	$ 12,688
Other	441	325
	$ 13,903	$ 13,013

(in Thousands)

Changes in endowment net assets for the years ended December 31 are as follows:

	2023	2022
Endowment net assets with donor restrictions, January 1	$ 13,013	$ 14,259
Investment return:		
Investment income	280	401
Net appreciation (realized and unrealized)	706	(1,239)
Total investment return	986	(838)
Contributions	165	5
Appropriation of endowment assets for expenditure	(261)	(413)
Endowment net assets with donor restrictions, December 31	$ 13,903	$ 13,013

The amounts contributed to SSNC endowment funds have been retained permanently by explicit donor stipulation, and the fair values of the original gifts have been preserved in accordance with UPMIFA. SSNC does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SSNC to retain as a fund of perpetual duration. SSNC had no deficiencies of this nature in its endowment funds as of December 31, 2023 and 2022.

Return objectives and risk parameters – SSNC has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSNC must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. SSNC expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

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

(in Thousands)

Spending policy and how the investment objectives relate to spending policy – SSNC has a policy of appropriating the endowment fund's investment income for expenditure as the income is earned. In establishing this policy, SSNC considered the long-term expected return on its endowment. This is consistent with SSNC's objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

Note 13 – Net Assets

Sequoia Living's net assets with donor restrictions include endowments and other donor-restricted funds established for a variety of purposes as described under endowments. The composition for net assets with donor restrictions is as follows:

	2023	2022
Tomorrow fund	$ 18,843	$ 16,904
Other funds	15,743	9,556
Planned gifts	5,780	10,009
Total net assets with donor restrictions	$ 40,366	$ 36,469

There are no board-designated net assets without donor restrictions.

Note 14 – Functional Expense

The following reflects the expenditures made by Sequoia Living, net of amounts funded by grants and other donation support for the years ended December 31, 2023 and 2022:

	Functional Expense 2023				
	Program Services			Supporting Services	
	Housing	Health Care	Other Program Services	Management and General	Total
Compensation and benefits	$ 19,856	$ 20,887	$ 3,817	$ 8,418	$ 52,978
Purchased services	30,136	407	748	240	31,531
Medical services	707	1,515	-	-	2,222
Supplies	1,198	845	166	83	2,292
Repairs and maintenance	4,666	61	202	313	5,242
Utilities	7,604	-	143	-	7,747
Professional fees	1,988	9	-	816	2,813
Depreciation	16,915	1,621	286	505	19,327
Interest	12,887	-	-	-	12,887
Other operating	4,707	243	-	214	5,164
	$ 100,664	$ 25,588	$ 5,362	$ 10,589	$ 142,203

(in Thousands)

	Functional Expense 2022				
	Program Services			Supporting Services	
	Housing	Health Care	Other Program Services	Management and General	Total
Compensation and benefits	$ 17,984	$ 19,437	$ 3,747	$ 8,171	$ 49,339
Purchased services	27,478	479	342	344	28,643
Medical services	653	1,857	-	-	2,510
Supplies	1,257	759	254	96	2,366
Repairs and maintenance	3,916	70	169	393	4,548
Utilities	7,045	-	166	-	7,211
Professional fees	1,846	-	-	843	2,689
Depreciation	14,591	1,638	30	500	16,759
Interest	11,512	-	-	-	11,512
Other operating	3,540	190	224	176	4,130
	$ 89,822	$ 24,430	$ 4,932	$ 10,523	$ 129,707

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or support services. Programs include areas such as activities, transportation and wellness. The expenses are allocated based on location and related overhead costs while other expenses such as compensation and benefits are based on actual department categories.

Note 15 – Unamortized Entrance Fees

	2023	2022
Balance, beginning of year	$ 173,838	$ 155,506
New fees received	35,476	40,315
Entrance fees received in advance	-	1,330
Entrance fees refunded	(3,345)	(758)
Amortization	(26,990)	(22,555)
Balance, end of year	$ 178,979	$ 173,838

Entrance fees still within a potentially refundable declining period as of December 31, 2023 and 2022, were $71.7 million and $71.7 million, respectively. Based on the past five years, actual refunds have averaged $4.8 million per year for the potentially refundable declining period for the Sequoias-SF, Sequoias-PV, and TAM. Upon achieving stabilized occupancy, VSL management expects to pay refunds in future years of approximately $2.1 million per year.

(in Thousands)

Note 16 – Liquidity and Availability of Financial Assets

Sequoia Living financial assets available within one year of the consolidated balance sheet dates for general expenditures are as follows:

	2023	2022
Cash and cash equivalents	$ 44,557	$ 19,226
Marketable securities	104,381	84,266
Accounts, notes, and interest receivable	6,583	6,034
Pledges receivable - net of allowance, current portion	640	5,534
	$ 156,161	$ 115,060

Sequoia Living's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 17 – Noncontrolling Interest

The change in noncontrolling interest in WPA L.P., TPT L.P., and EPA L.P. is shown below:

	WPA L.P.	TPT L.P.	EPA L.P.	Total
Noncontrolling interest, January 1, 2022	$ 9,061	$ 22,907	$ 6,527	$ 38,495
Capital contributions	-	-	810	810
Net income (loss)	360	(604)	(2,231)	(2,475)
Attributed net income	360	(604)	(1,421)	(1,665)
Noncontrolling interest, December 31, 2022	9,421	22,303	5,106	36,830
Capital contributions	-	-	32,053	32,053
Net income (loss)	275	1,587	(4,016)	(2,154)
Attributed net income	275	1,587	28,037	29,899
Noncontrolling interest, December 31, 2023	$ 9,696	$ 23,890	$ 33,143	$ 66,729

Note 18 – Commitments and Contingencies

Sequoia Living is involved in certain routine matters of litigation related to its operations. Management does not expect any material impact on the consolidated financial position from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

Sequoia Living is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although Sequoia Living expects such amounts, if any, to be immaterial.

Sequoia Living is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud, and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Sequoia Living has implemented a voluntary corporate compliance program which includes guidance for all Sequoia Living employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions as December 31, 2023 and 2022.

Note 19 – Subsequent Events

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

Sequoia Living has evaluated subsequent events through April 30, 2024, which is the date the consolidated financial statements were issued.

Supplementary Information (Unaudited)

Sequoia Living, Inc.
Consolidating Balance Sheet (Unaudited)
December 31, 2023
(in Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 12,137	$ 30,683	$ 1,737	$ -	$ 44,557
Marketable securities	68,040	-	36,341	-	104,381
Accounts, notes, and interest receivable	11,207	581	-	(5,205)	6,583
Pledges receivable, net of allowance	-	-	640	-	640
Limited use assets, current portion	3,120	1,022	-	-	4,142
Investments designated for refundable deposits, current portion	-	761	-	-	761
Prepaid expenses and other assets	3,696	7	-	-	3,703
Total current assets	98,200	33,054	38,718	(5,205)	164,767
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD	23,155	-	-	-	23,155
INVESTMENTS HELD IN TRUST	-	-	10,851	-	10,851
INVESTMENTS, OTHER	6,432	-	3,137	-	9,569
TRUST CONTRIBUTIONS RECEIVABLE	-	-	1,143	-	1,143
PLEDGES RECEIVABLE, noncurrent portion	-	-	128	-	128
BENEFICIAL INTEREST IN NET INCOME TRUST	-	-	626	-	626
PENSION ASSET	12,495	-	-	-	12,495
LIMITED USE ASSETS, noncurrent portion	4,040	6,355	-	-	10,395
PROPERTY AND EQUIPMENT, net	270,560	176,126	-	-	446,686
Total assets	$ 414,882	$ 215,535	$ 54,603	$ (5,205)	$ 679,815
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 6,656	$ 449	$ 64	$ -	$ 7,169
Payroll and related taxes payable	5,297	-	-	-	5,297
Long-term debt, current portion	3,673	1,070	-	-	4,743
Accrued interest payable	1,592	968	-	-	2,560
Refundable deposits	2,504	1,200	-	-	3,704
Unamortized entrance fees, current portion	-	1,222	-	-	1,222
Entrance fees paid in advance	722	-	-	-	722
Due to (from) related party	-	4,440	765	(5,205)	-
Total current liabilities	20,444	9,349	829	(5,205)	25,417
LONG-TERM DEBT - net, less current portion	144,266	44,168	-	-	188,434
LIABILITY ON REFUNDABLE CONTRACTS	12,898	121,944	-	-	134,842
LIABILITY FOR PAYMENTS TO TRUST BENEFICIARIES	-	-	4,908	-	4,908
UNAMORTIZED ENTRANCE FEES, less current portion	133,161	44,596	-	-	177,757
OTHER LONG-TERM LIABILITIES	3,636	-	610	-	4,246
Total liabilities	314,405	220,057	6,347	(5,205)	535,604
NET ASSETS					
Net assets without donor restrictions:					
Controlling interest	58,948	(29,722)	7,890	-	37,116
Noncontrolling interest	66,729	-	-	-	66,729
Contributed capital	(25,200)	25,200	-	-	-
Total net assets without donor restriction	100,477	(4,522)	7,890	-	103,845
Net assets with donor restrictions	-	-	40,366	-	40,366
Total net assets	100,477	(4,522)	48,256	-	144,211
Total liabilities and net assets	$ 414,882	$ 215,535	$ 54,603	$ (5,205)	$ 679,815

Sequoia Living, Inc.
Consolidating Statement of Operations (Unaudited)
Year Ended December 31, 2023
(in Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET					
Operating revenues, income, and gains, net:					
Resident fees	$ 80,195	$ 11,644	$ -	$ -	$ 91,839
Amortization of entrance fees	21,709	5,281	-	-	26,990
Fees for services and other income	15,474	1,033	104	-	16,611
Gain on sale of assets	2,275	-	-	-	2,275
Investment income, including realized and				-	
unrealized gains and losses on investments	9,499	2,800	1,601	-	13,900
Total operating revenues, income, and gains	129,152	20,758	1,705	-	151,615
Support:					
Contributions	-	-	263	-	263
Net assets released from restrictions	-	-	1,325	-	1,325
Total support	-	-	1,588	-	1,588
Total operating revenues, income, gains, and support, net	129,152	20,758	3,293	-	153,203
EXPENSES					
Compensation and benefits	47,925	5,053	-	-	52,978
Purchased services	27,010	4,521	-	-	31,531
Medical services	2,222	-	-	-	2,222
Supplies	2,026	266	-	-	2,292
Repairs and maintenance	4,457	785	-	-	5,242
Utilities	6,578	1,169	-	-	7,747
Professional fees	2,521	292	-	-	2,813
Depreciation	15,981	3,346	-	-	19,327
Interest	9,565	3,322	-	-	12,887
Other operating	3,462	1,702	-	-	5,164
Total expenses	121,747	20,456	-	-	142,203
EXCESS OF OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	$ 7,405	$ 302	$ 3,293	$ -	$ 11,000

Sequoia Living, Inc.
Consolidating Statement of Changes in Net Assets (Unaudited)
Year Ended December 31, 2023
(in Thousands)

	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess operating revenues, income, gains, and support, net, over expenses	$ 7,405	$ 302	$ 3,293	$ -	$ 11,000
Grants transferred for programs and facilities	1,945	2	(1,947)	-	-
Change in additional minimum pension liability	3,923	-	-	-	3,923
Contributed capital	32,053	-	-	-	32,053
Other	582	45	-	-	627
Change in net assets without donor restrictions	45,908	349	1,346	-	47,603
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	-	1,185	-	1,185
Investment income including net realized gains on investments	-	-	987	-	987
Change in value of split-interest agreements	-	-	688	-	688
Unrealized gains from investments held in trust	-	-	2,362	-	2,362
Net assets released from restrictions	-	-	(1,325)	-	(1,325)
Change in net assets with donor restrictions	-	-	3,897	-	3,897
CHANGE IN NET ASSETS	45,908	349	5,243	-	51,500
NET ASSETS, beginning of year	54,569	(4,871)	43,013	-	92,711
NET ASSETS, end of year	$ 100,477	$ (4,522)	$ 48,256	$ -	$ 144,211

Sequoia Living, Inc.
Consolidating Statement of Cash Flows (Unaudited)
Year Ended December 31, 2023
(in Thousands)

	Sequoia Living	VSL	SSNC	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from entrance fees	$ 22,967	$ 12,509	$ -	$ 35,476
Cash received from resident fees	80,206	11,064	-	91,270
Cash received from services and other income	15,339	1,033	-	16,372
Cash received from contributions	-	-	6,410	6,410
Cash received (paid) for grants and support	1,945	2	(1,947)	-
Investment income received	4,653	2,800	1,527	8,980
Interest paid, net of amount capitalized	(7,323)	(3,821)	-	(11,144)
Refunds of entrance fees paid	(2,978)	(367)	-	(3,345)
Cash paid to employees and suppliers	(94,719)	(13,723)	-	(108,442)
Payments to (from) related party	2,778	(2,778)	-	-
Net cash provided by operating activities	22,868	6,719	5,990	35,577
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investments	-	-	15,385	15,385
Proceeds from sale of property and equipment	2,925	96	-	3,021
Purchase of investments	(7,575)	-	(22,885)	(30,460)
Purchase of property and equipment	(29,983)	-	-	(29,983)
Net cash (used in) provided by investing activities	(34,633)	96	(7,500)	(42,037)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term debt and notes payable	(87,452)	(62,000)	-	(149,452)
Payment on line of credit	(2,000)	-	-	(2,000)
Proceeds from issuance of debt	60,006	-	-	60,006
Proceeds from endowment contributions	-	-	165	165
Proceeds from contributions held in trust	-	-	678	678
Payments to trust beneficiaries	-	-	(678)	(678)
Proceeds from refundable deposits	746	1,091	-	1,837
Proceeds from refundable entrance fees	-	30,339	-	30,339
Proceeds from limited partner equity	32,053	-	-	32,053
Refunds of refundable deposits	(1,557)	(1,178)	-	(2,735)
Refunds of refundable entrance fees	(360)	(3,271)	-	(3,631)
Payment of loan financing costs	(1,107)	-	-	(1,107)
Investment income received from marketable securities held in trust	-	-	552	552
Net cash provided by (used in) financing activities	329	(35,019)	717	(33,973)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(11,436)	(28,204)	(793)	(40,433)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	53,888	67,025	2,530	123,443
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 42,452	$ 38,821	$ 1,737	$ 83,010
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES				
Change in fixed asset additions included in accounts payable	$ 100	$ -	$ -	$ 100
Noncash investment contribution	$ -	$ -	$ 138	$ 138

Basis of presentation – The consolidating information is not a required part of the consolidated financial statements. The accompanying consolidating information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The first column, Sequoia Living alone represents the parent entity without consolidation of its direct or indirect subsidiaries listed in the next columns. VSL and SSNC are described in Note 1 of the consolidated financial statements under Corporate Structure.

The consolidating information is prepared to clarify continuing disclosure as required by Municipal Securities Rulemaking Board (MSRB) through Electronic Municipal Market Access (EMMA) in connection with the issuance of revenue bonds described in Note 9 for Sequoia Living and VSL.

SUPPLEMENTAL DISCLOSURES

Sequoia Living, Inc.
Continuing Disclosure
Liquidity ('000s omitted)

	Fiscal Years Ended December 31		
	2021	2022	2023
Cash available			
Cash	$20,564	$16,696	$44,426
Marketable securities	95,776	67,039	110,848
Total Cash	116,340	83,735	155,274
Cash operating expenses per day			
Total expenses	130,949	129,707	137,358
Less Affordable Properties			
Operating Expenses	(17,260)	(18,411)	(19,841)
Less Affordable Properties			
Interest expense	(7,466)	(8,742)	(8,432)
Less depreciation	(17,019)	(16,759)	(19,451)
Cash operating expenses	89,204	85,795	89,634
Number of days	366	365	365
Cash operating expenses per day	$244	$235	$246
Days cash on hand	477	356	632

Sequoia Living, Inc.
Continuing Disclosure
Cash Detail ('000s omitted)

	2021	2022	2023
Total cash	20,564	16,696	44,426
Cash from affordable housing	9,342	14,099	6,377
Cash available	11,222	2,597	38,049
Total marketable securities	95,776	67,039	110,848
Marketable securities from affordable housing	0	0	0
Marketable securities available	95,776	67,039	110,848
Operating expenses - Affordable properties:			
Western Park Apartments	2,404,962	2,216,915	2,544,511
Eastern Park Apartments	2,852,051	2,728,907	2,604,777
Town Park Towers	2,453,255	2,235,210	2,513,627
	7,710,268	7,181,032	7,662,915

Sequoia Living, Inc.
Continuing Disclosure
Debt Service Coverage ('000s omitted)

	Fiscal years ended December 31		
	2021	2022	2023
Change in net assets	20,396	(3,813)	51,500
Adjustments:			
Depreciation expense	17,019	16,759	19,327
Interest expense	12,987	11,512	12,887
Amortization of entrance fees	(21,063)	(22,555)	(26,990)
Entrance fees received, net	39,572	40,315	35,476
Accretion of asset retirement obligation	0	0	0
Grants designated for capital improvements	0	0	0
Contributions	92	0	0
Investment (income) loss including unrealized gains and losses	(10,168)	11,911	(13,900)
Interest and dividend income	0	0	0
Realized gains(losses) on investments historical cost basis	0	0	0
(Gain) Loss on interest rate swap	0	0	0
Write off of bond issuance costs	111	111	111
Amortization of bond premium	(332)	(327)	(524)
Change in pension liability	(10,903)	(9,795)	(3,923)
Capital contribution non controlling interest	0	0	0
	47,711	44,118	73,964
Income available for debt service from Affordable Properties	(1,807)	(2,339)	(2,155)
	45,904	41,779	71,809
Debt Service	10,242	8,118	6,941
Debt service coverage ratio	4.48	5.15	10.35

2019 - Debt service based on annual debt service of 2015
2020 & 2021 - includes 2018 bond

Sequoia Living, Inc.
Affordable Housing Locations
('000s omitted)

	Eastern Park Apartments	Town Park Towers	Western Park Apartments	Total
Operating revenue	7,933	4,509	5,303	17,745
Operating expenses	(11,950)	(2,922)	(5,028)	(19,900)
	(4,017)	1,587	275	(2,155)

Sequoia Living, Inc.
Continuing Disclosure
Historical Occupancy

	Fiscal Years Ended December 31		
	2021	2022	2023
The Sequoias - San Francisco			
Independent living	93%	90%	88%
Health Center	68%	80%	82%
Assisted Living	67%	72%	83%
Memory Care	95%	79%	84%
The Sequoias - Portola Valley			
Independent living	97%	96%	97%
Health Center	60%	47%	55%
Assisted Living	85%	100%	88%
Memory Care	83%	67%	78%
The Tamalpais			
Independent living	86%	89%	76%
Health Center	69%	71%	71%
Assisted Living	48%	75%	90%

Sequoia Living, Inc.
Continuing Disclosure
Long Term Debt ('000s omitted)

	Fiscal Years Ended December 31		
	2021	2022	2023
	$	$	$
Long Term Debt			
2015 Bond issue (SEQ)	57,635	54,335	52,865
2018 Bond Issue (Viamonte)	132,230	107,230	45,230
Other long term debt	0	0	0
Affordable housing long term debt	114,043	120,490	94,514
Long term debt	303,908	282,055	192,609
Less current portion	2,496	27,446	4,743
Net long term debt	301,412	254,609	187,866

Sequoia Living, Inc.
Continuing Disclosure
Source of Revenues

	Fiscal Years Ended December 31,		
	2021	2022	2022
Revenue source			
Medicare	10.8%	8.1%	7.8%
Private pay	89.2%	91.9%	92.2%
Total	100.0%	100.0%	100.0%

SEQUOIA LIVING, INC.

2022 **ANNUAL REPORT**

ANNUAL REPORT CERTIFICATION

SEQUOIA LIVING, INC.

Annual Report Certification
December 31, 2022

I hereby certify that the annual report for December 31, 2022 constitutes the annual report required to be furnished by Sequoia Living, Inc.

Signature

Charlie Shoemake

Name

Chief Financial Officer

Title

5/31/2023

Date

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SequoiaLiving.org

AUDITED FINANCIAL STATEMENTS

SUPPLEMENTAL DISCLOSURES

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Sequoia Living, Inc.

December 31, 2022 and 2021

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Report of Independent Auditors

The Board of Directors
Sequoia Living, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Sequoia Living, Inc. and its subsidiaries (the "Organization"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sequoia Living, Inc. and its subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Western Park Apartments, L.P., a controlled partnership, which statements reflect total assets of $26,584,369 and $28,483,532, respectively, as of December 31, 2022 and 2021, and total revenues of $5,108,032 and $5,092,820, respectively, for the years then ended. We also did not audit the financial statements of Town Park Towers, L.P., another controlled partnership, which statements reflect total assets of $29,312,999 and $29,563,155, respectively, as of December 31, 2022 and 2021, and total revenues of $4,317,629 and $4,187,104, respectively, for the years then ended. We also did not audit the financial statements of Eastern Park Apartments, L.P., another controlled partnership, which statements reflect total assets of $81,144,730 and $74,796,635, respectively, as of December 31, 2022 and 2021, and total revenues of $6,645,724 and $6,172,798, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P., Town Park Towers, L.P. and Eastern Park Apartments, L.P., is based solely on the report of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sequoia Living, Inc. and its subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sequoia Living, Inc. and its subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sequoia Living, Inc. and its subsidiaries' 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial statement information beginning on page 43 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
May 10, 2023

Consolidated Financial Statements

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2022 and 2021
(in Thousands)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 19,226	$ 23,738
Marketable securities	84,266	118,706
Accounts, notes, and interest receivable	6,034	3,969
Pledges receivable - net of allowance, current portion	5,534	669
Limited use assets, current portion	19,876	28,364
Investments designated for refundable deposits	2,712	3,220
Prepaid expenses and other assets	2,636	2,299
Total current assets	140,284	180,965
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD	29,293	27,834
INVESTMENTS HELD IN TRUST	10,834	15,335
INVESTMENTS, OTHER	11,726	10,249
TRUST CONTRIBUTIONS RECEIVABLE	1,047	1,281
PLEDGES RECEIVABLE, noncurrent portion	58	584
PENSION ASSET	7,545	-
LIMITED USE ASSETS, noncurrent portion	52,336	46,587
PROPERTY AND EQUIPMENT, net	436,315	404,017
Total assets	$ 689,438	$ 686,852

See accompanying notes.

Sequoia Living, Inc.
Consolidated Balance Sheets (Continued)
December 31, 2022 and 2021
(in Thousands)

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 8,534	$ 10,422
Payroll and related taxes payable	6,147	6,911
Line of credit - unsecured	2,000	2,000
Long-term debt - net, current portion	27,446	2,496
Accrued interest payable	3,427	3,962
Refundable deposits	3,769	4,269
Entrance fees paid in advance	3,699	4,058
Total current liabilities	55,022	34,118
LONG-TERM DEBT - net, less current portion	252,389	301,530
LIABILITY ON REFUNDABLE CONTRACTS	105,963	77,938
LIABILITY FOR PAYMENTS TO TRUST BENEFICIARIES	4,924	6,607
PENSION LIABILITY	-	6,460
UNAMORTIZED ENTRANCE FEES	173,838	155,506
OTHER LONG-TERM LIABILITIES	4,591	4,733
Total liabilities	596,727	586,892
NET ASSETS		
Net assets without donor restrictions:		
Controlling interest	19,412	22,367
Noncontrolling interest	36,830	38,495
Total net assets without donor restrictions	56,242	60,862
Net assets with donor restrictions	36,469	39,098
Total net assets	92,711	99,960
Total liabilities and net assets	$ 689,438	$ 686,852

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2022 and 2021
(in Thousands)

	2022	2021
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET		
Operating revenues, income, and gains, net:		
Resident fees	$ 81,984	$ 78,448
Amortization of entrance fees	22,555	21,063
Fees for services and other income	17,002	16,102
Investment (loss) income, including realized and unrealized gains and losses on investments	(11,911)	10,697
Gain on sale of the Woods	-	8,636
Gain on forgiveness of Paycheck Protection Program loan	1,922	-
Administrative service fees	122	145
Total operating revenues, income, and gains	111,674	135,091
Support:		
Contributions	557	1,082
Net assets released from restrictions	2,359	1,521
Total support	2,916	2,603
Total operating revenues, income, gains, and support, net	114,590	137,694
EXPENSES		
Compensation and benefits	49,339	49,387
Purchased services	28,643	24,117
Medical services	2,510	2,685
Supplies	2,366	3,364
Repairs and maintenance	4,548	5,499
Utilities	7,211	6,802
Professional fees	2,689	4,563
Depreciation	16,759	17,019
Interest	11,512	12,987
Other operating	4,130	4,526
Total expenses	129,707	130,949
(Deficit) excess of operating revenues, income, gains and support, net, over expenses	$ (15,117)	$ 6,745

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2022 and 2021
(in Thousands)

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
(Deficit) excess of operating revenues, income, gains and support, net, over expenses	$ (15,117)	$ 6,745
Change in additional minimum pension liability	9,795	10,903
Contributed capital	810	4,902
Other	(108)	(357)
Changes in net assets without donor restrictions	(4,620)	22,193
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	5,428	2,988
Investment income including net realized gains on investments	1,389	6,330
Change in value of split-interest agreements	(2,189)	(3,544)
Unrealized (losses) gains from investments	(4,898)	259
Net assets released from restrictions	(2,359)	(1,521)
Changes in net assets with donor restrictions	(2,629)	4,512
CHANGES IN NET ASSETS	(7,249)	26,705
NET ASSETS, beginning of year	99,960	73,255
NET ASSETS, end of year	$ 92,711	$ 99,960

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(in Thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from entrance fees	$ 40,315	$ 39,572
Cash received from resident fees	81,077	78,193
Cash received from services and other income	16,150	17,755
Cash received from contributions	1,784	2,660
Investment income received	8,107	12,309
Interest paid, net of amount capitalized	(11,693)	(13,109)
Refunds of entrance fees paid	(758)	(2,430)
Cash paid to employees and suppliers	(97,851)	(91,286)
Cash contribution to defined benefit plan	(3,300)	(3,530)
Net cash provided by operating activities	33,831	40,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	19,830	33,201
Proceeds from sale of the Woods	-	12,560
Purchase of investments	(15,594)	(44,311)
Purchase of property and equipment	(49,984)	(45,046)
Net cash used in investing activities	(45,748)	(43,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt and notes payable	(26,919)	(56,852)
Issuance of debt	6,966	24,569
Proceeds from endowment contributions	5	360
Proceeds from contributions held in trust	789	857
Payments on the Woods settlement	-	(500)
Payments to trust beneficiaries	(918)	(960)
Proceeds from refundable deposits	2,459	3,970
Proceeds from refundable entrance fees	30,710	27,198
Proceeds from limited partner equity	533	4,902
Refunds of refundable deposits	(548)	(3,686)
Refunds of refundable entrance fees	(4,156)	(3,052)
Payment of syndication fees	(135)	-
Payment of loan financing costs	(3,892)	-
Investment income received from marketable securities held in trust	723	1,051
Net cash provided by (used in) financing activities	5,617	(2,143)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(6,300)	(5,605)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	129,743	135,348
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 123,443	$ 129,743

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021
(in Thousands)

	2022	2021
SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Changes in fixed asset additions included in accounts payable	$ 144	$ (12,868)
Noncash investment contribution	$ -	$ 1,106
SUPPLEMENTARY DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Forgiveness of Paycheck Protection Program loan	$ 1,922	$ -

See accompanying notes.

Note 1 – Corporate Purpose and Structure

Corporate purpose – Sequoia Living, Inc. ("Sequoia Living"), based on its historic mission, provides for the well-being of older persons who are in need of housing, healthcare, food, wellness, and other related programs and services through the following communities and programs:

- Four continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.

- Three residential housing communities which receive federal support, provide affordable housing to approximately 600 residents with low and moderate income.

- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

Corporate structure – Sequoia Living is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of Sequoia Living.

The consolidated financial statements of Sequoia Living also include the activities and balances of the following affiliates and subsidiaries discussed below.

Sequoia Living presently operates continuing care facilities for the care of elderly persons at four locations: The Sequoias-San Francisco ("Sequoias-SF"), the Sequoias-Portola Valley ("Sequoias-PV"), the Sequoias-Tamalpais ("TAM"), which was previously known as Tamalpais-Ross Valley Homes, and Viamonte Senior Living 1 ("VSL"), which is described below. It also operates residential housing facilities for elderly persons at three locations: Western Park Apartments ("WPA"), Eastern Park Apartments ("EPA"), Town Park Towers ("TPT"). Sequoia Living previously operated the Woods, until it was sold in December 2021. All facilities are located in Northern California.

Sequoia Living owns and operates Sequoias-SF and Sequoias-PV. Sequoia Living was affiliated with Tamalpais-Ross Valley Homes in Greenbrae, Marin County, California, and was the sole corporate member of Ross Valley Homes until May 19, 2020, when Ross Valley Homes was merged into Sequoia Living.

Sequoia Living solely owned and operated EPA as a low-to-moderate income rental housing facility in accordance with the provisions of Section 202 of the National Housing Act, until December 19, 2019, at which point, Eastern Park Apartments, L.P. ("EPA L.P.") was formed as a limited partnership to acquire, rehabilitate, own, and operate EPA. EPA L.P. is controlled by the partnership general partner, Sequoia Living EPA LLC. Sequoia Living is the sole member of Sequoia Living EPA LLC. During 2022 and 2021, the facility received approximately 78% and 75%, respectively, of its rental revenue from the U.S. Department of Housing and Urban Development ("HUD").

In 2019, EPA began undergoing a significant rehabilitation which was completed in October 2022. The financing was funded by a construction disbursement loan (see Note 9). EPA L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 202 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2076. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of EPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners will be required to provide capital contributions totaling $51.3 million that will be used to repay a portion of the construction loan, which has a maximum drawdown amount of $84.8 million. After the compliance period, Sequoia Living will have an option (expiring one year thereafter) to purchase the rehabilitated building, which if exercised, will cause EPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of EPA L.P. or the then fair market value of EPA L.P.

Sequoia Living solely owned and operated WPA and TPT as low-to-moderate income rental housing facilities operated in accordance with the provisions of Section 236 of the National Housing Act. Western Park Apartments, L.P. (“WPA L.P.”) and Town Park Apartments, L.P. (“TPT L.P.”) were formed in 2013 and 2015, respectively, as limited partnerships to acquire, rehabilitate, own, and operate WPA and TPT. WPA L.P. and TPT L.P. are controlled by the respective partnerships’ general partners, Sequoia Living WPA LLC and Sequoia Living TPT LLC. Sequoia Living is the sole member of Sequoia Living WPA LLC and Sequoia Living TPT LLC.

WPA underwent a significant rehabilitation in 2014. The permanent financing was funded by a Citibank loan (see Note 9). WPA L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 236 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners were required to provide capital contributions of $15.1 million that were used to repay a portion of the $28.8 million construction loan. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause WPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA L.P.

TPT underwent a significant rehabilitation in 2016–2017. The permanent financing was funded by a Citibank loan (see Note 9). TPT L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Sections 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of $23.0 million that will be used to repay a portion of the $40.0 million construction loan. In 2017, the limited partners made $23.0 million in capital contributions. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause TPT L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT L.P.

For financial reporting purposes, the balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows of EPA L.P., WPA L.P., and TPT L.P. are consolidated with Sequoia Living. The limited partner interests in EPA L.P., WPA L.P., and TPT L.P. are reported as noncontrolling interests in the net assets section of the accompanying consolidated balance sheets.

Sequoia Living also owned the Woods, a manufactured home park for seniors located on 37 acres near Mendocino, California, with 109 home sites. On December 1, 2021, Sequoia Living completed the disposition of the Woods for cash proceeds of $12.6 million. The disposition of the Woods resulted in a gain of $8.6 million, included in the accompanying consolidated statements of operations for the year ended December 31, 2021.

Sequoia Living is the sole corporate member of Senior Services for Northern California ("SSNC"). SSNC is a supporting organization of Sequoia Living. Trustees of SSNC are charged with receiving, disbursing, and accounting for all current gifts, deferred gift-investments, and bequests of money and property given for the benefit of Sequoia Living, its programs, facilities, managed properties, and community outreach.

Sequoia Living and SSNC are exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

Sequoia Living formed a for-profit company, NCP Senior Ventures, LLC, a California limited liability company ("NSV"), in 2008. Sequoia Living, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation and sale of real estate. For financial reporting purposes, NSV's balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows are consolidated with Sequoia Living.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009. The management fee received for this service is included in fees for services and other income in the accompanying consolidated statements of operations.

Sequoia Living formed Viamonte Senior Living 1 (“VSL”) to develop, construct, own, and operate a continuing care retirement community in Walnut Creek, California on a nonprofit, nondenominational basis. Under a consulting agreement, Sequoia Living provides development and management services to VSL. The land for the project was purchased by VSL in 2017. VSL’s total contributed capital from Sequoia Living for the continuing care retirement community is $25.2 million. The permanent financing closed on May 24, 2018 with revenue bonds insured by the State of California, through its Cal Mortgage Loan Program (see Note 9). The bonds are designated as (a) “California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (VSL Project)” for $45.2 million; (b) “California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (VSL Project – Entrance Fee Redemption)” for $80.0 million; (c) “California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2 (VSL Project – Entrance Fee Redemption)” for $39.0 million; and (d) “California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (VSL Project – Entrance Fee Redemption)” for $23.0 million. The Series 2018B-1, Series 2018B-2, and Series 2018B-3 bonds will mature on July 1, 2025, 2026, and 2027, respectively. VSL anticipates redeeming the Series 2018B-1, Series 2018B-2, and Series B-3 bonds (which are subject to optional redemption on or after January 1, 2021) in full from initial entrance fees prior to the stated maturities. The actual timing of the extraordinary redemption of the Series 2018B bonds may differ from the assumed timing because of timing differences in the receipt of initial entrance fees. VSL opened in November 2020 and consists of 174 independent living units, with an additional 7 assisted living units and 10 memory care units that opened in June 2021. The facility was constructed to allow the delivery of assisted living services to independent living units. Management anticipates that stabilized occupancy will be achieved in 2023.

Sequoia Living is affiliated with San Francisco Senior Center (“SFSC”), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include Sequoia Living, EPA L.P., WPA L.P., TPT L.P., NSV, VSL, and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC and VSL prepare separate stand-alone financial statements in conformity with U.S. GAAP.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions are classified as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. Net assets without donor restrictions also include net assets contributed by Sequoia Living, which are eliminated upon consolidation. There are no Board-designated net assets without donor restrictions.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions represent contributions that are limited in use by Sequoia Living in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions for which restrictions are satisfied in the same period as received are recorded as contributions revenue without donor restrictions.

Performance indicator – "(Deficit) excess of operating revenues, income, gains and support, net, over expenses" as reflected in the accompanying consolidated statements of operations is the performance indicator. The performance indicator excludes receipt of contributions with donor restrictions, unrealized change in values of investments for debt securities, changes in additional minimum pension liability, contributed capital, change in the value of split-interest agreements and transfer of net assets.

Fair value measurements – The Financial Accounting Standards Board ("FASB") statement on fair value measurements establishes a framework for measuring fair value in conformity with U.S. GAAP and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

(in Thousands)

The carrying values reported on the accompanying consolidated balance sheets for current financial assets and liabilities approximate fair value. Investments, investments held in trust, liability for trust beneficiaries, and trust contributions receivable are carried at fair value. See Note 10 for discussion of fair value of Sequoia Living's financial assets and liabilities.

Cash and cash equivalents – Cash and cash equivalents, which consist of deposits and money market funds, include money market funds purchased with a maturity, at purchase date, of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances within the accompanying consolidated balance sheets that sums to the total of the same amounts shown in the accompanying consolidated statements of cash flows:

	2022	2021
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 19,226	$ 23,738
Investments designated for refundable deposits	2,712	3,220
Investments contractually limited for replacement reserves on properties financed by HUD	29,293	27,834
Cash and cash equivalents in assets limited as to use	72,212	74,951
Total cash, cash equivalents, and restricted cash on the consolidated statements of cash flows	$ 123,443	$ 129,743

Limited use assets – Limited use assets as of December 31, 2022 and 2021, consist of cash, money market funds, and other investments whose use is held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. Amounts required to pay current liabilities or otherwise support current operations are classified as current. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects. For limited use assets, net carrying value approximates fair value at period end.

Investments designated for refundable deposits – Investments designated for refundable deposits are subject to repayment based the executed continuing care contract or deposit agreement. These funds are held in cash and cash equivalents.

Marketable securities and investments held in trust – Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the accompanying consolidated statements of operations and consolidated statements of changes in net assets. Realized gains or losses on the sale of investments represent the difference between cost, on a first-in first-out basis, and the related market price at the sale date. A decline in the fair value of an investment in debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds, are carried at cost, which approximates fair value because of the short-term nature of these investments.

(in Thousands)

Property and equipment, net – Property and equipment, net are recorded at cost. Depreciation is based on straight-line method at rates based on the estimated useful lives of the various classes of property using the following schedule:

Buildings	60 years
Building equipment	20 years
Building and land improvement	10 years
Equipment, furniture, and furnishings	4–10 years

Interest costs incurred on borrowed funds, less investment income earned on certain unspent borrowed proceeds during the period of construction of long-lived assets, are capitalized and amortized over the related assets' estimated useful lives. Repairs and maintenance expenditures are expensed as incurred.

Investments held in trust and liability for payments to trust beneficiaries – Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis. The related liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 2.4 to 15.0 years, and discount rates ranging from 1.6% to 6.7%. As of December 31, 2021, the valuation technique utilizes published actuarial life expectancies ranging from 2.6 to 15.6 years, and discount rates ranging from 1.6% to 6.8%.

Pledges receivable – Pledges receivable are recorded initially at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.5 years, and discount rates ranging from 1.6% to 9.4%. As of December 31, 2021, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.8 years, and discount rates ranging from 1.6% to 9.4%. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

(in Thousands)

Trust contributions receivable – Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets. The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for net assets with donor restrictions in the consolidated statements of changes in net assets. As of December 31, 2022, the valuation technique utilizes published actuarial life expectancies ranging from 4.8 to 7.7 years, and discount rates ranging from 2.1% to 3.8%. As of December 31, 2021, the valuation technique utilizes published actuarial life expectancies ranging from 3.7 to 9.6 years, and discount rates ranging from 3.8% to 4.0%.

Continuing care contracts – Sequoia Living has entered continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. Sequoia Living is obligated to provide long-term care.

Sequoia Living provides three types of continuing care contracts to its residents: fully amortizable, fee for service continuing care, and fee for service continuing care - repayment option. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

Under the fully amortizable and fee for service continuing care contracts, Sequoia Living is contractually obligated to refund to a vacating resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after five and a half years of occupancy. In the event of death or involuntary termination, Sequoia Living is obligated to refund a portion of the entrance fee determined as follows (based on the time transpired since the initial date of resident occupancy):

Fewer than 90 days	90%
More than 90 days, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%
More than three years	0%

Under the fee for service continuing care - repayment options of 90% or 75%, residents pay a higher entrance fee, 90% or 75% of which will be refunded when the unit is resold. The "refundable deposit" portion of the entrance fee subject to repayment is recorded as a liability and the remaining 10% or 25% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

Future service obligation – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. Sequoia Living has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required as of December 31, 2022 and 2021. The discount rate used to calculate the obligation to provide future services is 4.5% for both 2022 and 2021.

Revenue recognition – Sequoia Living accounts for a majority of its revenue recognition under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606").

Sequoia Living has elected the lessor practical expedient Accounting Standards Update ("ASU") 2018-11, *Leases (Topic 842): Targeted Improvements* ("ASU 2018-11") within ASC 842, *Leases* ("ASC 842"), and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. Sequoia Living has determined that the services included under their independent living, assisted living, memory care and skilled nursing residency agreements have the same timing and pattern of transfer. Sequoia Living has estimated that the nonlease component of such residency agreements are the predominant component of the contract and therefore recognizes resident fees revenue under ASC 606. Sequoia Living recognizes resident fees for its three residential housing facilities as operating leases under ASC 842.

Those activities that are accounted for outside the scope of ASC 606 include funds received by Sequoia Living which are voluntary and unconditional un-reciprocal transfers as well as investment (loss) income including realized and unrealized gains and losses on investments.

Resident fees – Under the provision of continuing care contracts, residents are required to pay periodic monthly fees (resident fees) for services and the use of facilities. Resident fee revenue is reported at the amount that reflects the consideration Sequoia Living expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized monthly as services are provided and performance obligations are satisfied.

(in Thousands)

The following table shows resident fees revenue by line of service:

	2022	2021
Resident fees by line of service:		
Independent living	$ 48,968	$ 48,577
Assisted living	3,730	3,425
Memory care	1,790	1,772
Skilling nursing	3,664	3,396
Affordable housing rents	23,832	20,313
Residential facility rents	-	965
	$ 81,984	$ 78,448

Amortization of entrance fees revenue – Under the provision of continuing care contracts, residents are required to pay an entrance fee which are one-time payments made by residents of the continuing care facilities that, in addition to resident fees, provide for living accommodations. The performance obligation for nonrefundable entrance fees is that Sequoia Living is standing ready to provide a service such that the resident can continue to live in the continuing care retirement community and access the appropriate level of care based on his or her needs. This decision is at the discretion of the resident and is dependent on the resident's health and life span, along with his or her decision to continue to reside at the respective facility. Management has determined that these are a series of distinct services that are considered one performance obligation which is satisfied over time. Therefore, the nonrefundable portion of the entrance fee is recorded as an unamortized entrance fee when received and amortized using the straight-line method over the estimated remaining life expectancy of the resident. As of December 31, 2022 and 2021, Sequoia Living had $173.8 million and $155.5 million, respectively, in unamortized entrance fees to be recognized as the performance obligations are satisfied. See Note 15 for changes in the unamortized entrance fees for the years ended December 31, 2022 and 2021. The performance obligation is satisfied upon termination of the residency agreement.

Fees for services and other income – Under the provision of fee for service continuing care contracts, residents are required to pay an entrance fee, as well as additional fees for some services that are not covered by fee for service continuing care contracts. Additionally, Sequoia Living enters into separate contracts to provide outpatient services. Each service provided under these contracts is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized as services are provided.

Sequoia Living determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments, or explicit price concessions, provided to a third party. Sequoia Living determines its estimates of contractual adjustments based on contractual agreements and historical experience.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodology subject to certain limits. Physical services are paid based upon established fee schedules.

Secondary Insurance – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Sequoia Living's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon Sequoia Living.

Settlements with third-party payors for retroactive adjustments due to audits, review or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Sequoia Living's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2022 or 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. Sequoia Living estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident-by-resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2022 and 2021 was not significant.

Contributions – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Donated securities, real property, and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California. Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Charity care – Sequoia Living provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because Sequoia Living does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Donated services – Significant amounts of time from a number of people have been donated to Sequoia Living. The accompanying consolidated financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

Investment income – Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other than temporary realized losses on available for sale securities, unrealized gains and losses on trading securities and related investment counseling fees. Investment counseling fees were $0.3 million for both years ended December 31, 2022 and 2021.

Marketing and advertising expenses – The cost of advertising, promotion, and marketing programs are charged to expense in the year incurred. For the years ended December 31, 2022 and 2021, Sequoia Living incurred marketing and advertising costs of $0.9 million and $1.3 million, respectively.

Administrative service fees – SSNC manages its split-interest agreements internally and assesses a fee of 1% of trust assets per year.

Change in value of split-interest agreements – Changes in the value of split-interest agreements are the result of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

Workers' compensation plan – Sequoia Living is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred but not reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with Sequoia Living's past experience. The workers' compensation reserve liability is $3.1 million as of both December 31, 2022 and 2021, and included in payroll and related taxes payable in the accompanying consolidated balance sheets. The discount rate used to calculate the reserve liability is 2.0% for both 2022 and 2021.

Concentration of credit risk – Financial instruments potentially subjecting Sequoia Living to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions. If any of the financial institutions with whom Sequoia Living does business were to be placed into receivership with the Federal Deposit Insurance Corporation, Sequoia Living may be unable to access the cash they have on deposit with such institutions. If Sequoia Living was unable to access its cash and cash equivalents as needed, Sequoia Living's financial position and ability to operate its business could be adversely affected. Sequoia Living has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Concentration of credit risk results from Sequoia Living granting credit without collateral to its residents and patients, most of whom are local residents and insured under third-party payor agreements.

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include unamortized entrance fees, estimated future service obligations, pension liability, fair values of investments, useful lives of fixed assets, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

Recent pronouncements – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss impairment methodology for credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Sequoia Living will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments. The adoption of ASU 2016-13 is effective for Sequoia Living beginning January 1, 2023. The adoption of ASU 2016-13 is not expected to have a material impact on Sequoia Living's consolidated financial statements.

(in Thousands)

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which amends the accounting guidance to provide guidance concerning presentation and disclosure by not-for-profit entities of contributed non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item in the statement of activities of contributed non-financial assets, and (2) disclosure of information about each category (i.e., type) of non-financial asset received. Non-financial assets include fixed assets (e.g., land, buildings, and equipment), the use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. Sequoia Living retrospectively adopted ASU 2020-07 beginning January 1, 2022. The adoption of ASU 2020-07 did not have a material impact on Sequoia Living's consolidated financial statements.

Note 3 – Investment Securities

The composition of investment securities is set forth in the following table. The majority of these securities are held with four investment firms:

	2022	2021
Money market funds	$ 6,953	$ 7,983
Common stock	8,255	12,301
Corporate fixed income securities	759	553
Equity mutual funds	41,979	62,830
Fixed income mutual funds	26,320	35,039
Total marketable securities	84,266	118,706
Investment in real estate fund	11,726	10,249
Total investment securities	$ 95,992	$ 128,955

Operating investment (loss) income is comprised of the following for the years ended December 31:

	2022	2021
Interest income	$ 3,532	$ 4,246
Net realized gains on sales of investments	3,773	5,765
Unrealized (losses) gains on equity securities	(18,929)	954
Investment expenses	(287)	(268)
	$ (11,911)	$ 10,697

(in Thousands)

Note 4 – Property and Equipment, Net

Property and equipment, net as of December 31 consist of the following:

	2022	2021
Land	$ 29,211	$ 15,503
Land and building improvements	95,128	81,396
Building and building equipment	465,698	397,344
Equipment and furniture	53,807	49,811
	643,844	544,054
Less: accumulated depreciation	(218,149)	(201,348)
	425,695	342,706
Construction in progress	10,620	61,311
Total property, plant, and equipment, net	$ 436,315	$ 404,017

Total depreciation expense for the years ended December 31, 2022 and 2021 is $16.8 million and $17.0 million, respectively.

Note 5 – Investments Held in Trust

Investments held in trust as of December 31 are summarized below. The majority of these investments are held with one investment firm:

	2022	2021
Money market funds	$ 257	$ 85
Fixed income mutual funds	6,531	7,929
Equity mutual funds	4,046	7,321
	$ 10,834	$ 15,335

(in Thousands)

Note 6 – Pledges Receivable, Net

Pledges receivable, net was due as follows as of December 31:

	2022	2021
Current portion	$ 5,773	$ 704
Less: allowance	(239)	(35)
Total current portion	$ 5,534	$ 669
Greater than one year to five years	$ 171	$ 705
Greater than five years to twenty years	-	-
	171	705
Less: allowance	(58)	(35)
Less: unamortized discount	(55)	(86)
Total noncurrent portion	$ 58	$ 584

Note 7 – Investments Contractually Limited for Replacement, Development Deposit, and Net Operating Income Reserve

Investments contractually limited for replacement – In connection with long-term debt agreements for Sequoia Living's residential housing facilities, HUD requires monthly deposits to a replacement account. Replacement accounts are held by Sequoia Living for TPT L.P., EPA L.P., and WPA L.P.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from HUD.

Equity reserves – EPA L.P. was required to establish a deposit account for an initial amount of $2.0 million for cash reserves. In addition, a deposit account was established for capital contribution of $12.0 million upon occurrence of the loan conversion.

Outside reserves – Sequoia Living was required to set aside funds in the amount of $6.0 million for so long as the partnership continues in existence or based on the account terms of the reserve pledge agreement.

Earnings attributable to these investment categories accrue to the facility. As of December 31, 2022 and 2021, the investments consist of cash and certificates of deposit in the amounts of $29.3 million and $27.8 million, respectively.

(in Thousands)

Note 8 – Limited Use Assets

Limited use assets as of December 31 are held for two entities, Sequoia Living and VSL. The composition of limited use assets as of December 31, 2022 and 2021, for Sequoia Living and VSL, consisted solely of cash and cash equivalents, with the exception of $0 and $5.9 million in U.S. government securities held at the end of December 31, 2022 and 2021, respectively, at VSL. All limited use assets are classified as Level 1 securities.

	2022	2021
California Health Facilities Financing Authority		
Revenue Bond Series 2015:		
Project fund	$ 514	$ 448
Principal and interest fund	-	1,855
Debt service reserve fund	4,040	4,041
Revenue fund	1,684	337
	6,238	6,681
Revenue Bond Series 2018:		
Project fund	99	-
Revenue fund	36	-
Principal and interest fund	1,862	6,032
Debt service reserve fund	5,924	5,924
	7,921	11,956
Investments held by trustee in accordance with construction loan agreement	600	600
Investments held by trustee for development	1,164	12,829
Investments held by trustee for working capital	15,721	18,001
Investments held by trustee for repayment of revenue bonds	40,568	24,884
	72,212	74,951
Less: current portion	(19,876)	(28,364)
Total revenue bonds, noncurrent portion	$ 52,336	$ 46,587

(in Thousands)

Note 9 – Long-term Debt, Net and Line of Credit

Long-term debt, net for Sequoia Living comprises the following as of December 31:

	2022	2021
Sequoia Living		
California Health Facilities Financing Authority:		
Revenue Bond Series 2015, Serial Bonds Payable through 2031 to 2044 in annual principal installments with interest ranging from 2–5%, collateralized by a first deed of trust on the gross revenues of Sequoia Living.	$ 54,335	$ 55,735
Paycheck Protection Program Loan:		
Promissory note through the Paycheck Protection Program of the U.S. Small Business Administration (“SBA”). The note was issued on July 8, 2021, with Newark Small Business Finance, LLC in the amount of $1,900,000. Principal and interest on the note is payable commencing May 2022 and will be amortized over a 5-year period. The loan bears interest at 1.0% per annum. It is Sequoia Living's policy to account for this loan in accordance with FASB ASC 470, *Debt* , with interest accrued and expensed over the term of the loan, or until forgiveness is granted, releasing Sequoia Living from being the primary obligor. The outstanding principal amount and related accrued interest was forgiven in the year ended December 31, 2022 and recognized as gain on forgiveness of Paycheck Protection Program loan in the consolidated statements of operations.	-	1,900
VSL		
California Health Facilities Financing Authority		
Revenue Bond Series 2018, Series Bonds Payable, collateralized by a first deed of trust on the gross revenues of VSL:		
Series 2018A interest at 3.5–5% maturing in 2047	45,230	45,230
Series 2018B-1 interest at 3% maturing in 2025	-	25,000
Series 2018B-2 interest 3% maturing in 2026	39,000	39,000
Series 2018B-3 interest 3% maturing in 2027	23,000	23,000
Eastern Park Apartments L.P.		
Construction disbursement loan, due in full in 2023 including interest at 3.17%, collateralized by a first deed of trust on EPA L.P. real estate.	84,840	77,874
Western Park Apartments L.P.		
Citibank permanent loan, in monthly installments of $86 payable through 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate.	14,223	14,404

(in Thousands)

	2022	2021
Town Park Towers L.P.		
Payable through 2051 in monthly installments including interest at 4.41% collateralized by first deed of trust.	$ 21,427	$ 21,765
	282,055	303,908
Plus: unamortized bond premium	7,565	8,133
Less: unamortized deferred financing costs	(9,785)	(8,015)
	279,835	304,026
Less: current portion	(27,446)	(2,496)
Total long-term debt - net, less current portion	$ 252,389	$ 301,530

As of December 31, 2022, all VSL debt is long term. The first principal payments on VSL long-term debt are scheduled to occur in 2024.

Scheduled principal payments on long-term debt are as follows:

Years Ending December 31,	
2023	$ 27,446
2024	4,009
2025	4,208
2026	43,409
2027	27,622
Thereafter	175,361
	$ 282,055

California Health Facilities Financing Authority requires a project fund for major capital improvements at Sequoia Living facilities. The remaining total project fund for use from the Revenue Bond Series 2015 has a balance of $0.5 million as of December 31, 2022. The remaining total project fund for use from the Revenue Bond Series 2018 has a balance of $0.1 million as of December 31, 2022.

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. Both agreement with Cal Mortgage includes a number of covenants including the following:

- Punctual payment
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Continuing disclosure

As of December 31, 2022, management believes Sequoia Living and VSL were in compliance with all debt covenants as of December 31, 2022. Sequoia Living's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans are associated with compliance with the low-income housing tax credit ("LIHTC") program under section 42 of the Internal Revenue Code as modified by the State of California and the provisions of section 202 of the National Housing Act. December 31, 2022, management believes Sequoia Living was in compliance with these debt covenants.

EPA L.P. was formed to rehabilitate and operate the EPA property in compliance with the LIHTC program under the provisions of Section 42 of the Internal Revenue Code. The City of San Francisco tax-exempt bonds of $60.0 million Series J and $24.8 million Series K are collateral to the qualifying financing under the LIHTC program to then finance the acquisition and renovation of EPA L.P. J.P. Morgan Chase Bank funded a loan on behalf of the City of San Francisco (tax exempt bond issuer and governmental lender) in the amounts of $84.8 million and $77.9 million as of December 31, 2022 and 2021, respectively. EPA L.P. entered into an agreement with J.P. Morgan Chase Bank to borrow up to the $84.8 million to acquire EPA and fund renovations.

Funds are released periodically as renovations proceed and paid invoices are submitted to J.P. Morgan Chase Bank for reimbursement. As of December 31, 2022, EPA L.P. has borrowed $84.8 million against the loan agreement. Renovations were completed in 2022. Interest on the construction loan is based on a fixed rate of 3.17% until June 19, 2023. The Series J Bond matures in July 1, 2039 sponsored by Fannie Mae as collateral intended for the permanent financing of EPA L.P, to occur in 2023. The Series K Bond matures in July 1, 2023, at which point the bonds must be redeemed.

Lines of credit – Sequoia Living has lines of credit in the amount of $6.0 million in both 2022 and 2021 with a bank, of which $4.0 million is collateralized by a gross revenue pledge and $2.0 million is unsecured. The lines of credit renew annually each July. As of both December 31, 2022 and 2021, Sequoia Living had an outstanding balance on these lines of credit of $2.0 million.

Sequoia Living has stand-by letters of credit totaling approximately $3.0 million to collateralize its obligations under a high deductible workers' compensation program as of both December 31, 2022 and 2021 from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2022 and 2021. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed $6.0 million.

Sequoia Living is required to provide written notification to the bank of any material adverse change in its financial condition or operation. Management believes there were no such changes in 2022 or 2021.

(in Thousands)

Note 10 – Fair Value Measurements

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2022 and 2021:

2022	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value on a recurring basis: (1)					
Marketable securities: (2)					
Money market funds	$ 6,953	$ 6,953	$ -	$ -	$ -
Common stock	8,255	8,255	-	-	-
Corporate fixed income securities	759	759	-	-	-
Equity mutual funds	41,979	41,979	-	-	-
Fixed income mutual funds	26,320	26,320	-	-	-
Trust contributions receivable (3)	1,047	-	-	1,047	-
Investment in real estate fund (4)	11,726	-	-	-	11,726
Investment held in trust: (2)					
Money market funds	257	257	-	-	-
Equity mutual funds	4,046	4,046	-	-	-
Fixed income mutual funds	6,531	6,531	-	-	-
Corporate fixed income securities	-	-	-	-	-
	$ 107,873	$ 95,100	$ -	$ 1,047	$ 11,726
Liabilities measured at fair value on a recurring basis: (5)					
Liability for payments to trust beneficiaries	$ 4,924	$ -	$ -	$ 4,924	$ -

2021	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient
Assets measured at fair value on a recurring basis: (1)					
Marketable securities: (2)					
Money market funds	$ 7,983	$ 7,983	$ -	$ -	$ -
Common stock	12,301	12,301	-	-	-
Corporate fixed income securities	553	553	-	-	-
Equity mutual funds	62,830	62,830	-	-	-
Fixed income mutual funds	35,039	35,039	-	-	-
Trust contributions receivable (3)	1,281	-	-	1,281	-
Investment in real estate fund (4)	10,249	-	-	-	10,249
Investment held in trust: (2)					
Money market funds	85	85	-	-	-
Equity mutual funds	7,321	7,321	-	-	-
Fixed income mutual funds	2,842	2,842	-	-	-
Corporate fixed income securities	5,087	5,087	-	-	-
	$ 145,571	$ 134,041	$ -	$ 1,281	$ 10,249
Liabilities measured at fair value on a recurring basis: (5)					
Liability for payments to trust beneficiaries	$ 6,607	$ -	$ -	$ 6,607	$ -

(1) For cash and cash equivalents, limited use assets and investments designated for refundable deposits, the net carrying value approximates fair value at period end.

(2) The fair values of marketable securities and investments held in trust which are included in the accompanying consolidated balance sheets are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, common stocks, corporate fixed income securities, equity mutual funds, and fixed income mutual funds as detailed in Note 3. The investments held in trust consist of cash equivalents, corporate fixed income securities, equity mutual funds, and fixed income mutual funds at fair value with realized and unrealized gains and losses included in the consolidated statements of operations and changes in net assets.

(3) The fair value of trust contributions receivable which is included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

(4) This investment includes securities held in a limited partnership in which Net Asset Value ("NAV") as a practical expedient has been used. This investment has not been classified in the fair value hierarchy, and the amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets. The NAV is based on the total value of the securities held in the limited partnership per the December 31 fund statement. The NAV of the limited partnership equals the total assets of the fund less total liabilities of the fund. Total assets of the fund primarily include real estate assets and real estate owned in joint ventures. The value of real estate assets is established by independent appraisals as of December 31. Real estate assets owned in joint ventures are carried at the fund's ownership share before the impact of promote structures. Total liabilities of the fund primarily include mortgage notes payable and senior notes payable, both of which are carried by the fund at fair value. Disclosure to and consent by the general partner is required for redemption, transfer or assignment of any of the investment.

(5) The fair value of the liability for payments to trust beneficiaries that is included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

There were no transfers of assets or liabilities between Levels 1 and 2 during the years ended December 31, 2022 and 2021.

Note 11 – Pension Plan

Sequoia Living sponsors a noncontributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. Sequoia Living funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Contributions to the plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA.

(in Thousands)

In February 2021, due to the expansion of a vendor contract that reduced the number of active participants in the noncontributory defined benefit pension plan, a plan curtailment occurred, and the plan was frozen in March 2022. Plan assets and obligations were remeasured as of both February 28, 2021 and March 31, 2022. The curtailments resulted in a liability gain of $5.4 million and $1.7 million for the years ended December 31, 2022 and 2021, respectively, due to a reduction in the planned benefit obligation for the affected participants. The gains were offset against existing unrecognized losses as of the measurement dates. Net pension costs were determined separately for 2022 and 2021 before and after the curtailments. A partial settlement also occurred during the year ended December 31, 2022.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amount recognized in the consolidated balance sheets is as follows as of December 31, 2022 and 2021:

	2022	2021
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 103,612	$ 106,434
Service cost	787	3,273
Interest cost	2,762	2,238
Actuarial gain	(24,982)	(3,451)
Curtailments	(5,396)	(1,663)
Settlements	(21,128)	-
Benefits paid	(3,476)	(3,219)
Benefit obligation at measurement date	52,179	103,612
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 97,152	$ 85,986
Actual (loss) return on plan assets	(16,124)	10,855
Employer contribution	3,300	3,530
Settlements	(21,128)	-
Benefits paid	(3,476)	(3,219)
Fair value of plan assets at measurement date	59,724	97,152
Funded status at measurement date	$ 7,545	$ (6,460)
Amounts recognized in the consolidated balance sheets consist of:		
Noncurrent (asset) liability	$ (7,545)	$ 6,460
Amounts recognized in net assets without donor restrictions consist of:		
Unrecognized net actuarial loss	$ 4,535	$ 14,330
Amounts recognized in net assets without donor restrictions, measurement date	$ 4,535	$ 14,330
Accumulated benefit obligation	$ 52,179	$ 96,971

(in Thousands)

For the year ended December 31, 2022, there was a $30.3 million gain related to changes in the benefit obligation, primarily due to the curtailment and plan freeze and an increase in the discount rate. For the year ended December 31, 2021, there was a $5.1 million gain related to changes in the benefit obligation, primarily due to the curtailment and an increase in the discount rate.

Net periodic pension cost for 2022 and 2021 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. Sequoia Living uses a December 31 measurement date for the above defined benefit plan.

The components of net periodic benefit cost included as part of compensation and benefits in the accompanying consolidated statements of operations and are as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Service cost	$ 787	$ 3,273
Interest cost	2,762	2,238
Expected return on plan assets	(6,421)	(6,101)
Amortization of net loss	125	1,036
Recognized loss due to settlements	1,837	-
Net periodic benefit cost	(910)	446
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net actuarial gain	(2,437)	(8,204)
Amortization of net loss	(125)	(1,036)
Effect of settlement	(1,837)	-
Effect of curtailment	(5,396)	(1,663)
Amounts recognized in net assets without donor restrictions, measurement date	(9,795)	(10,903)
Total recognized in net periodic benefit cost and net assets without donor restrictions, measurement date	$ (10,705)	$ (10,457)

Estimated future benefit payments are as follows:

Years Ending December 31,	
2023	$ 3,086
2024	3,173
2025	3,351
2026	3,456
2027	3,538
2028–2031	18,166

(in Thousands)

Sequoia Living expects to contribute the minimum required amount under IRS Regulations to its pension plan in 2023.

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund, and real estate investments. Under the direction of Sequoia Living plan, assets are invested with the objective of achieving a long-term rate of return of 7.00%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.00%, while fixed income investments are expected to return 4.67%. This produces an expected composite long-term return on investment of 7.00%.

Plan assets as of December 31, 2022 and 2021 were invested as follows:

	2022	2021
Cash and cash equivalents	$ 2,082	$ 407
Common stocks	6,205	14,229
Equity mutual funds	33,977	54,393
Fixed income mutual funds	17,460	28,123
	$ 59,724	$ 97,152

Equity mutual funds held in the plan assets invest in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective is to provide growth of capital. Fixed income mutual funds held in the plan assets primarily invest in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

For 2022 and 2021, plan assets are stated at fair value using Level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the plan year, as quoted on a recognized exchange or an industry standard pricing service.

Effective July 1, 2012, Sequoia Living changed the formula used to calculate Defined Benefit Pension Plan benefits in order to allow for more stable expenses while maintaining a competitive retirement benefits program for its employees. Sequoia Living also started contributing 2.5% of compensation to eligible employees each pay period, as part of its 403(b) plan.

Effective January 1, 2016, Sequoia Living adopted a spot rate approach for determining plan obligations and net pension cost. Under this approach, the individual spot rates on the yield curve are applied to each year's cash flow in measuring the obligations, service cost, and interest cost.

Weighted average discount rate assumptions are as follows:

	2022	2021
Discount rate - benefit obligation	5.23%	2.84%
Discount rate - service cost	2.98% / N/A	2.75% / 3.19%
Discount rate - interest cost	2.67%	2.10%

(in Thousands)

Sequoia Living also sponsors a defined contribution tax-sheltered annuity plan for substantially all its full-time employees. The Tax-Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the plan, which provided that a complete discontinuance of contributions under the plan would constitute termination of the plan. Consistent with Internal Revenue Service guidance, the plan is considered a frozen plan, and all provisions remain in effect until Sequoia Living determines to take further action, except that new contributions will not be made to the plan. Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the plan, contributions to the plan were discontinued and contributions began being made to a new 403(b) plan. The new 403(b) plan permits contributions which can be matched at the discretion of Sequoia Living. Total employer contributions were $1.1 million and $0.8 million for the years ended December 31, 2022 and 2021, respectively.

Note 12 – Endowments

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain Sequoia Living facilities and maintenance of a resident garden. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of SSNC has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, Sequoia Living classifies as donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and the appropriation of all investment income on the endowment funds for expenditure.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

	2022	2021
Tomorrow fund	$ 12,688	$ 13,521
Other	325	738
	$ 13,013	$ 14,259

(in Thousands)

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Endowment net assets with donor restrictions, January 1	$ 14,259	$ 12,694
Investment return:		
Investment income	401	1,706
Net appreciation (realized and unrealized)	(1,239)	(478)
Total investment return	(838)	1,228
Contributions	5	360
Appropriation of endowment assets for expenditure	(413)	(23)
Endowment net assets with donor restrictions, December 31	$ 13,013	$ 14,259

The amounts contributed to SSNC endowment funds have been retained permanently by explicit donor stipulation and the fair values of the original gifts have been preserved in accordance with UPMIFA. SSNC does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SSNC to retain as a fund of perpetual duration. SSNC had no deficiencies of this nature in its endowment funds as of December 31, 2022 and 2021.

Return objectives and risk parameters – SSNC has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSNC must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. SSNC expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

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

(in Thousands)

Spending policy and how the investment objectives relate to spending policy – SSNC has a policy of appropriating the endowment fund's investment income for expenditure as the income is earned. In establishing this policy, SSNC considered the long-term expected return on its endowment. This is consistent with SSNC's objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

Note 13 – Net Assets

Sequoia Living's net assets with donor restrictions include endowments and other donor-restricted funds established for a variety of purposes as described under endowments. The composition for net assets with donor restrictions is as follows:

	2022	2021
Tomorrow fund	$ 16,904	$ 19,886
Other funds	9,556	11,289
Planned gifts	10,009	7,923
Total net assets with donor restrictions	$ 36,469	$ 39,098

There are no Board-designated net assets without donor restrictions.

Note 14 – Functional Expense

The following reflects the expenditures made by Sequoia Living net of amounts funded by grants and other donation support for the years ended December 31, 2022 and 2021:

	Functional Expense 2022				
	Program Services			Supporting Services	
	Housing	Health Care	Other Program Services	Management and General	Total
Compensation and benefits	$ 17,984	$ 19,437	$ 3,747	$ 8,171	$ 49,339
Purchased services	27,478	479	342	344	28,643
Medical services	653	1,857	-	-	2,510
Supplies	1,257	759	254	96	2,366
Repairs and maintenance	3,916	70	169	393	4,548
Utilities	7,045	-	166	-	7,211
Professional fees	1,846	-	-	843	2,689
Depreciation	14,591	1,638	30	500	16,759
Interest	11,512	-	-	-	11,512
Other operating	3,540	190	224	176	4,130
	$ 89,822	$ 24,430	$ 4,932	$ 10,523	$ 129,707

(in Thousands)

	Functional Expense 2021				
	Program Services			Supporting Services	
	Housing	Health Care	Other Program Services	Management and General	Total
Compensation and benefits	$ 17,868	$ 18,185	$ 4,442	$ 8,892	$ 49,387
Purchased services	22,176	704	1,020	217	24,117
Medical services	731	1,953	1	-	2,685
Supplies	1,873	908	237	346	3,364
Repairs and maintenance	4,806	78	210	405	5,499
Utilities	6,378	-	388	36	6,802
Professional fees	3,441	27	307	788	4,563
Depreciation	14,496	1,659	240	624	17,019
Interest	12,987	-	-	-	12,987
Other operating	3,162	348	973	43	4,526
	$ 87,918	$ 23,862	$ 7,818	$ 11,351	$ 130,949

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or support services. Programs include areas such as activities, transportation and wellness. The expenses are allocated based on location and related overhead costs while other expenses such as salaries and benefits are based on actual department categories.

Note 15 – Unamortized Entrance Fees

	2022	2021
Balance, beginning of year	$ 155,506	$ 139,427
New fees received	40,315	39,572
Entrance fees received in advance	1,330	-
Entrance fees refunded	(758)	(2,430)
Amortization	(22,555)	(21,063)
Balance, end of year	$ 173,838	$ 155,506

Entrance fees still within a potentially refundable declining period as of December 31, 2022 and 2021 were $71.7 million and $80.1 million, respectively. Based on the past five years, actual refunds have averaged $3.9 million per year for the potentially refundable declining period. Upon achieving stabilized occupancy, VSL management expects to pay refunds in future years of approximately $2.1 million per year.

(in Thousands)

Note 16 – Liquidity and Availability of Financial Assets

Sequoia Living financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

	2022	2021
Cash and cash equivalents	$ 19,226	$ 23,738
Marketable securities	84,266	118,706
Accounts, notes, and interest receivable	6,034	3,969
Pledges receivable - net of allowance, current portion	5,534	669
	$ 115,060	$ 147,082

Sequoia Living's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, Sequoia Living has a line of credit of $2.0 million. See Note 9 for more information on the line of credit as of December 31. Additionally, limited use assets, current of $19.9 million and $28.4 million as of December 31, 2022 and 2021, respectively, are managed for operating needs, project expenditures and working capital needs, as described in Note 8.

Note 17 – Noncontrolling Interest

The change in noncontrolling interest in WPA L.P., TPT L.P., and EPA L.P. is shown below:

	WPA L.P.	TPT L.P.	EPA L.P.	Total
Noncontrolling interest, January 1, 2021	$ 8,914	$ 21,384	$ 5,102	$ 35,400
Capital contributions	-	2,435	2,467	4,902
Net income (loss)	147	(912)	(1,042)	(1,807)
Attributed net income	147	1,523	1,425	3,095
Noncontrolling interest, December 31, 2021	9,061	22,907	6,527	38,495
Capital contributions	-	-	810	810
Net income (loss)	360	(604)	(2,231)	(2,475)
Attributed net income (loss)	360	(604)	(1,421)	(1,665)
Noncontrolling interest, December 31, 2022	$ 9,421	$ 22,303	$ 5,106	$ 36,830

Note 18 – Commitments and Contingencies

Sequoia Living is involved in certain routine matters of litigation related to its operations. Management does not expect any material impact on the consolidated financial position from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

Sequoia Living is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although Sequoia Living expects such amounts, if any, to be immaterial.

Sequoia Living is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud, and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Sequoia Living has implemented a voluntary corporate compliance program which includes guidance for all Sequoia Living employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions as of December 31, 2022 and 2021.

Novel coronavirus ("COVID-19") pandemic – In March 2020, the World Health Organization declared the COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their patients and customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including Sequoia Living's operations.

Sequoia Living's management has been closely monitoring the impact of COVID-19 on Sequoia Living's operations, including the impact on its patients and employees. The duration and intensity of the pandemic is uncertain but may influence patient decisions, donor decisions, and may also negatively impact collections of the Sequoia Living's receivables.

Note 19 – Subsequent Events

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

On March 1, 2023, EPA L.P. paid off the J.P. Morgan Chase Bank construction loan in full and entered into a permanent loan in the amount of $60.0 million with a new lender as part of the payoff. The new loan matures in March 2039.

Sequoia Living has evaluated subsequent events through May 10, 2023, which is the date the consolidated financial statements were issued.

Supplementary Information (Unaudited)

Sequoia Living, Inc.
Consolidating Balance Sheet (Unaudited)
December 31, 2022
(in Thousands)

	2022				
	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 16,592	$ 104	$ 2,530	$ -	$ 19,226
Marketable securities	58,426	-	25,840	-	84,266
Accounts, notes, and interest receivable	13,633	-	-	(7,599)	6,034
Pledges receivable - net of allowance, current portion	-	-	5,534	-	5,534
Limited use assets, current portion	2,293	17,583	-	-	19,876
Investments designated for refundable deposits	-	2,712	-	-	2,712
Prepaid expenses and other assets	2,590	46	-	-	2,636
Total current assets	93,534	20,445	33,904	(7,599)	140,284
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD	29,293	-	-	-	29,293
INVESTMENTS HELD IN TRUST	-	-	10,834	-	10,834
INVESTMENTS, OTHER	8,613	-	3,113	-	11,726
TRUST CONTRIBUTIONS RECEIVABLE	-	-	1,047	-	1,047
PLEDGES RECEIVABLE, noncurrent portion	-	-	58	-	58
PENSION ASSET	7,545	-	-	-	7,545
LIMITED USE ASSETS, noncurrent portion	5,710	46,626	-	-	52,336
PROPERTY AND EQUIPMENT, net	256,748	179,567	-	-	436,315
Total assets	$ 401,443	$ 246,638	$ 48,956	$ (7,599)	$ 689,438
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 7,999	$ 467	$ 68	$ -	$ 8,534
Payroll and related taxes payable	6,147	-	-	-	6,147
Line of credit - unsecured	2,000	-	-	-	2,000
Long-term debt - net, current portion	27,446	-	-	-	27,446
Accrued interest payable	1,904	1,523	-	-	3,427
Refundable deposits	1,058	2,711	-	-	3,769
Entrance fees paid in advance	3,699	-	-	-	3,699
Due to (from) related party	-	7,218	381	(7,599)	-
Total current liabilities	50,253	11,919	449	(7,599)	55,022
LONG-TERM DEBT - net, less current portion	145,206	107,183	-	-	252,389
LIABILITY ON REFUNDABLE CONTRACTS	12,512	93,451	-	-	105,963
LIABILITY FOR PAYMENTS TO TRUST BENEFICIARIES	-	-	4,924	-	4,924
UNAMORTIZED ENTRANCE FEES	134,882	38,956	-	-	173,838
OTHER LONG-TERM LIABILITIES	4,021	-	570	-	4,591
Total liabilities	346,874	251,509	5,943	(7,599)	596,727
NET ASSETS					
Net assets without donor restrictions:					
Controlling interest	42,939	(30,071)	6,544	-	19,412
Noncontrolling interest	36,830	-	-	-	36,830
Contributed capital	(25,200)	25,200	-	-	-
Total net assets without donor restriction	54,569	(4,871)	6,544	-	56,242
Net assets with donor restrictions	-	-	36,469	-	36,469
Total net assets	54,569	(4,871)	43,013	-	92,711
Total liabilities and net assets	$ 401,443	$ 246,638	$ 48,956	$ (7,599)	$ 689,438

Sequoia Living, Inc.
Consolidating Statement of Operations (Unaudited)
Year Ended December 31, 2022
(in Thousands)

	2022				
	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET					
Operating revenues, income, and gains, net:					
Resident fees	$ 74,083	$ 7,901	$ -	$ -	$ 81,984
Amortization of entrance fees	18,693	3,862	-	-	22,555
Fees for services and other income	16,287	715	122	-	17,124
Gain on forgiveness of Paycheck Protection Program loan	1,922	-	-	-	1,922
Investment (loss) income, including realized and unrealized gains and losses on investments	(11,856)	670	(725)	-	(11,911)
Total operating revenues, income, and gains	99,129	13,148	(603)	-	111,674
Support:					
Contributions	-	-	557	-	557
Net assets released from restrictions	-	-	2,359	-	2,359
Total support	-	-	2,916	-	2,916
Total operating revenues, income, gains, and support, net	99,129	13,148	2,313	-	114,590
EXPENSES					
Compensation and benefits	44,920	4,419	-	-	49,339
Purchased services	25,038	3,605	-	-	28,643
Medical services	2,510	-	-	-	2,510
Supplies	2,055	311	-	-	2,366
Repairs and maintenance	3,896	652	-	-	4,548
Utilities	6,272	939	-	-	7,211
Professional fees	2,370	319	-	-	2,689
Depreciation	13,422	3,337	-	-	16,759
Interest	7,280	4,232	-	-	11,512
Other operating	2,794	1,336	-	-	4,130
Total expenses	110,557	19,150	-	-	129,707
Excess (deficit) of operating revenues, income, gains, and support, net, over expenses	$ (11,428)	$ (6,002)	$ 2,313	$ -	$ (15,117)

Sequoia Living, Inc.
Consolidating Statement of Changes in Net Assets (Unaudited)
Year Ended December 31, 2022
(in Thousands)

	2022				
	Sequoia Living	VSL	SSNC	Eliminations	Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess (deficit) operating revenues, income, gains, and support, net, over expenses	$ (11,428)	$ (6,002)	$ 2,313	$ -	$ (15,117)
Grants transferred for programs and facilities	3,073	47	(3,120)	-	-
Change in additional minimum pension liability	9,795	-	-	-	9,795
Contributed capital	810	-	-	-	810
Other	(114)	6	-	-	(108)
Change in net assets without donor restrictions	2,136	(5,949)	(807)	-	(4,620)
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	-	5,428	-	5,428
Investment income including net realized gains on investments	-	-	1,389	-	1,389
Change in value of split-interest agreements	-	-	(2,189)	-	(2,189)
Unrealized losses from investments held in trust	-	-	(4,898)	-	(4,898)
Net assets released from restrictions	-	-	(2,359)	-	(2,359)
Change in net assets with donor restrictions	-	-	(2,629)	-	(2,629)
CHANGE IN NET ASSETS	2,136	(5,949)	(3,436)	-	(7,249)
NET ASSETS, beginning of year	52,433	1,078	46,449	-	99,960
NET ASSETS, end of year	$ 54,569	$ (4,871)	$ 43,013	$ -	$ 92,711

Sequoia Living, Inc.
Consolidating Statement of Cash Flows (Unaudited)
Year Ended December 31, 2022
(in Thousands)

	2022			
	Sequoia Living	VSL	SSNC	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from entrance fees	$ 28,347	$ 11,968	$ -	$ 40,315
Cash received from resident fees	73,176	7,901	-	81,077
Cash received from services and other income	15,435	715	-	16,150
Cash received from contributions	11	-	1,773	1,784
Cash received (paid) for grants and support	3,073	47	(3,120)	-
Investment income received	5,352	675	2,080	8,107
Interest paid, net of amount capitalized	(7,112)	(4,581)	-	(11,693)
Refunds of entrance fees paid	(758)	-	-	(758)
Cash paid to employees and suppliers	(86,335)	(11,516)	-	(97,851)
Cash contribution to defined benefit plan	(3,300)	-	-	(3,300)
Payments to (from) related party	605	(605)	-	-
Net cash provided by operating activities	28,494	4,604	733	33,831
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investments	14,163	-	5,667	19,830
Purchase of investments	(7,951)	-	(7,643)	(15,594)
Purchase of property and equipment	(49,840)	(144)	-	(49,984)
Net cash used in investing activities	(43,628)	(144)	(1,976)	(45,748)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term debt and notes payable	(1,919)	(25,000)	-	(26,919)
Issuance of debt	6,966	-	-	6,966
Proceeds from endowment contributions	-	-	5	5
Proceeds from contributions held in trust	-	-	789	789
Payments to trust beneficiaries	-	-	(918)	(918)
Proceeds from refundable deposits	948	1,511	-	2,459
Proceeds from refundable entrance fees	1,363	29,347	-	30,710
Proceeds from limited partner equity	533	-	-	533
Refunds of refundable deposits	-	(548)	-	(548)
Refunds of refundable entrance fees	(2,062)	(2,094)	-	(4,156)
Payment of syndication fees	(135)	-	-	(135)
Payment of loan financing costs	(3,892)	-	-	(3,892)
Investment income received from marketable securities held in trust	-	-	723	723
Net cash provided by financing activities	1,802	3,216	599	5,617
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(13,332)	7,676	(644)	(6,300)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	67,220	59,349	3,174	129,743
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 53,888	$ 67,025	$ 2,530	$ 123,443
SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING ACTIVITIES				
Changes in fixed asset additions included in accounts payable	$ 144	$ -	$ -	$ 144
SUPPLEMENTARY DISCLOSURE OF NONCASH FINANCING ACTIVITIES				
Forgiveness of Paycheck Protection Program loan	$ 1,922	$ -	$ -	$ 1,922

Basis of presentation – The consolidating information is not a required part of the consolidated financial statements. The accompanying consolidating information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The first column, Sequoia Living alone represents the parent entity without consolidation of its direct or indirect subsidiaries listed in the next columns. VSL and SSNC are described in Note 1 of the consolidated financial statements under Corporate Structure.

The consolidating information is prepared to clarify continuing disclosure as required by Municipal Securities Rulemaking Board ("MSRB") through Electronic Municipal Market Access ("EMMA") in connection with the issuance of revenue bonds described in Note 9 for Sequoia Living and VSL.

SUPPLEMENTAL DISCLOSURES

Sequoia Living, Inc.

Continuing Disclosure

Liquidity ('000s omitted)

	Fiscal Years Ended December 31		
	2020	2021	2022
Cash available			
Cash	$3,988	$20,564	$16,696
Marketable securities	91,406	95,776	67,039
Total Cash	95,394	116,340	83,735
Cash operating expenses per day			
Total expenses	119,811	130,949	129,707
Less Affordable Properties			
Operating Expenses	(16,454)	(17,260)	(18,411)
Less Affordable Properties			
Interest expense	(7,073)	(7,466)	(8,742)
Less depreciation	(13,863)	(17,019)	(16,759)
Cash operating expenses	82,421	89,204	85,795
Number of days	366	365	365
Cash operating expenses per day	$225	$244	$235
Days cash on hand	424	476	356

Sequoia Living, Inc.
Continuing Disclosure
Cash Detail ('000s omitted)

	2020	2021	2022
Total cash	3,988	20,564	16,696
Cash from affordable housing	1,992	9,342	14,099
Cash available	1,996	11,222	2,597
Total marketable securities	91,406	95,776	67,039
Marketable securities from affordable housing	0	0	0
Marketable securities available	91,406	95,776	67,039
Operating expenses - Affordable properties:			
Western Park Apartments	2,235,172	2,404,962	2,216,915
Eastern Park Apartments	2,683,438	2,852,051	2,728,907
Town Park Towers	2,669,656	2,453,255	2,235,210
	7,588,266	7,710,268	7,181,032

Sequoia Living, Inc.

Continuing Disclosure

Debt Service Coverage ('000s omitted)

	Fiscal years ended December 31		
	2020	2021	2022
Change in net assets	(2,620)	20,396	(3,813)
Adjustments:			
Depreciation expense	13,864	17,019	16,759
Interest expense	6,878	12,987	11,512
Amortization of entrance fees	(17,984)	(21,063)	(22,555)
Entrance fees received, net	32,449	39,572	40,315
Accretion of asset retirement obligation	0	0	0
Grants designated for capital improvements	0	0	0
Contributions	2,644	92	0
Investment (income) loss including unrealized gains and losses	(13,304)	(10,168)	11,911
Interest and dividend income	0	0	0
Realized gains(losses) on investments historical cost basis	0	0	0
(Gain) Loss on interest rate swap	0	0	0
Write off of bond issuance costs	111	111	111
Amortization of bond premium	(329)	(332)	(327)
Change in pension liability	8,383	(10,903)	(9,795)
Capital contribution non controlling interest	0	0	0
	30,092	47,711	44,118
Income available for debt service from Affordable Properties	(1,005)	(1,807)	(2,339)
	29,087	45,904	41,779
Debt Service	10,233	10,242	8,118
Debt service coverage ratio	2.84	4.48	5.15

2019 - Debt service based on annual debt service of 2015

2020 & 2021 - includes 2018 bond

Sequoia Living, Inc.

Affordable Housing Locations

('000s omitted)

	Eastern Park Apartments	Town Park Towers	Western Park Apartments	Total
Operating revenue	6,646	4,318	5,108	16,072
Operating expenses	(8,741)	(4,922)	(4,748)	(18,411)
	(2,095)	(604)	360	(2,339)

Sequoia Living, Inc.
Continuing Disclosure
Historical Occupancy

	Fiscal Years Ended December 31			Three Months Ended March 31	
	2020	2021	2022	2022	2023
The Sequoias - San Francisco					
Independent living	96%	93%	90%	92%	91%
Health Center	80%	68%	80%	82%	78%
Assisted Living	92%	67%	72%	67%	83%
Memory Care	82%	95%	79%	100%	71%
The Sequoias - Portola Valley					
Independent living	96%	97%	96%	98%	97%
Health Center	54%	60%	47%	58%	48%
Assisted Living	92%	85%	100%	96%	96%
Memory Care	82%	83%	67%	72%	78%
The Tamalpais					
Independent living	93%	86%	89%	87%	89%
Health Center	86%	69%	71%	75%	73%
Assisted Living	69%	48%	75%	90%	75%

Sequoia Living, Inc.

Continuing Disclosure

Long Term Debt ('000s omitted)

	Fiscal Years Ended December 31		
	2020	2021	2022
	$	$	$
Long Term Debt			
2015 Bond issue (SEQ)	58,898	57,635	54,335
2018 Bond Issue (Viamonte)	185,619	132,230	107,230
Other long term debt	0	0	0
Affordable housing long term debt	88,180	114,043	120,490
Long term debt	332,697	303,908	282,055
Less current portion	1,849	2,496	27,446
Net long term debt	330,848	301,412	254,609

Sequoia Living, Inc.
Continuing Disclosure
Source of Revenues

	Fiscal Years Ended December 31,		
	2020	2021	2022
Revenue source			
Medicare	8.9%	10.8%	8.1%
Private pay	91.1%	89.2%	91.9%
Total	100.0%	100.0%	100.0%

Exhibit D

Internally Prepared Financial Statements

YTD Q1 3/31/2025

SEQUOIA LIVING INC
Sequoia Living Income Statement (Unaudited)
For YTD ending March 31, 2025
(in 000's)

	SEQ	VSL	SSNC	Consolidated
OPERATING REVENUES, INCOME, GAINS AND SUPPORT, NET				
Resident Fees	$ 21,525	$ 3,625	$ -	$ 25,150
Amortization of Entrance Fees	5,932	1,541	0	7,473
Fees for service and other income	4,191	269	0	4,461
Investment Income, including realized and unrealized gains and losses on investments	1,302	349	(117)	1,533
	32,950	5,784	(117)	38,617
Support				
Contributions	0	0	145	145
Net assets released from restrictions	0	0	434	434
Total Operating revenues, income, gains, support, net	**32,950**	**5,784**	**461**	**39,196**
OPERATING EXPENSES				
Compesation and benefits	13,026	1,474	0	14,500
Purchased Services	7,292	1,075	0	8,368
Medical Services	609	0	0	609
Supplies	606	49	0	655
Repairs and Maintenance	1,371	219	0	1,590
Utilities	2,005	325	0	2,330
Professional Fees	624	82	0	706
Other Operating Expense	807	612	0	1,419
Total Operating expenses	**26,339**	**3,837**	**0**	**30,176**
Other income/(expenses)				
Depreciation	(4,784)	(844)	0	(5,628)
Interest Expenses	(1,630)	(467)	0	(2,097)
Other income/(expenses)	10	0	0	10
Total other income/(expenses)	**(6,404)**	**(1,311)**	**0**	**(7,715)**
Excess (deficiency) of operating revenues, gains and support, net, over expenses	**207**	**636**	**461**	**1,304**
Net assets without donor restrictions				
Grants transferred for programs and facilities	800	23	(816)	7
Changes in additional minimum pension liability	0	0	0	0
Contributed Capital	0	0	0	0
Other	0	0	0	0
Changes in net assets without donor restrictions	**1,006**	**659**	**(354)**	**1,311**
Net assets with donor restrictions				
Contributions	0	0	138	138
Investment income	0	0	13	13
Change in value of split-interest agreements	0	0	(116)	(116)
Unrealized gains from investments in trust	0	0	0	0
Net assets released from restrictions	0	0	(434)	(434)
Change in net assets with donor restrictions	**0**	**0**	**(399)**	**(399)**
Change in net assets	**1,006**	**659**	**(753)**	**912**
NET ASSETS				
Beginning of year	127,536	(2,243)	47,154	172,447
End of Period	**$ 128,542**	**$ (1,584)**	**$ 46,401**	**$ 173,359**

SEQUOIA LIVING INC
Consolidated Balance Sheet (Unaudited)
For the period ending March 31, 2025
(in 000's)

	SEQ	VSL	SSNC	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 15,200	$ 32,877	$ 143	$ 48,221
Marketable securities	84,796	0	37,667	122,463
Accounts, notes and interest receivable	16,067	1,938	0	18,005
Due From/(To) related party	1,978	(618)	(1,360)	0
Pledges Receivable, net of allowance, current	0	0	76	76
Limited use assets, current	2,968	4,431	0	7,399
Investments designated for refundable deposits, current	0	0	0	0
Prepaid expenses and other assets	5,267	(44)	0	5,223
Total Current Assets	126,276	38,585	36,526	201,387
Facilities, net of accumulated depreciation	283,078	172,790	0	455,867
Other Assets:				
Investments contractually limited for replacement reserves on properties financed by HUD	16,830	0	0	16,830
Investments Held in Trust	0	0	10,206	10,206
Investments, other	7,621	0	3,137	10,758
Trust contributions receivable	0	0	1,119	1,119
Notes receivable	0	0	0	0
Pledges Receivable, noncurrent	0	0	128	128
Beneficial interest in net income trust	0	0	626	626
Pension Asset	21,870	0	0	21,870
Limited use assets, noncurrent	4,040	2,256	0	6,296
Total Restricted and Other Assets	50,361	2,256	15,216	67,832
Total Assets	**459,714**	**213,630**	**51,742**	**725,086**
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	10,585	1,786	62	12,432
Payroll and related taxes payable	5,214	0	0	5,214
Refunds due residents	0	0	0	0
Current portion of long term debt	4,520	1,125	0	5,645
Accrued interest and other liabilities	1,299	92	0	1,390
Refundable deposits	3,790	1,998	0	5,788
Entrance fees paid in advance	2,282	69	0	2,351
Total Current Liabilities	27,688	5,070	62	32,820
Other liabilities:				
Long term debt	139,674	42,993	0	182,667
Liability on refundable contracts	9,529	125,466	0	134,995
Liability for payments to trust beneficiaries	0	0	4,721	4,721
Unamortized entrance fees	150,679	41,675	0	192,354
Other long-term liabilities	3,606	0	556	4,162
Total Long Term and Other Liabilities	303,488	210,134	5,277	518,899
Total Liabilities	**331,177**	**215,204**	**5,339**	**551,720**
Net assets				
Net assets without donor restrictions				
Controlling Interest	79,572	(26,774)	6,927	59,725
Non Controlling Interest	74,166	0	0	74,166
Contributed Capital	(25,200)	25,200	0	0
Total net assets without donor restrictions	128,538	(1,574)	6,927	133,891
Net assets with donor restrictions	0	0	39,475	39,475
Total net assets	128,538	(1,574)	46,402	173,366
Total Liabilities and Net Assets	**$ 459,714**	**$ 213,630**	**$ 51,742**	**$ 725,086**

SEQUOIA LIVING INC
Consolidated Statement of Cash Flows (Unaudited)
For the YTD ending March 31, 2025
(in 000's)

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$	912
Add: Depreciation		5,629
Changes in:		
Accounts receivable		(2,865)
Prepaid expenses		(849)
Accounts payable		4,498
Entrance fees		1,662
Accrued interest		(1,099)
Pension liability & asset retirement contributions		0
Total cash flows from operating activities		**7,888**
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in:		
Marketable securities		6,919
Property, plant & equipment		(12,891)
Reserves		142
Total cash flows from investing activities		**(5,830)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in:		
Refundable deposits		885
Investments held in trust, other		33
Trust contributions & pledges receivable		2
Limited use assets		1,137
Notes payable and long term debt		(748)
Liabilities for trust beneficiaries		(0)
Other long term liabilities		0
Unamortized entrance fees		(86)
Controlling & non-controlling interest		-
Contributed capital		-
Total cash flows from financing activities		**1,222**
Net cash flow		**3,280**
Opening cash and cash equivalents		44,941
Closing cash and cash equivalents	**$**	**48,221**

Exhibit E

Financial Feasibility Report

HENDRICKSON CONSULTING

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

FINAL REPORT

SEQUOIA LIVING, INC.

FINANCIAL FEASIBILITY REPORT

MAY 5, 2025

HENDRICKSON CONSULTING

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

May 5, 2025

Charles Shoemake
Chief Financial Officer
Sequoia Living, Inc.
1525 Post Street
San Francisco, CA 94109

Dear Mr. Shoemake:

We are pleased to submit this feasibility study for Sequoia Living, Inc. (SL), a California non-profit Corporation. SL provides a range of senior housing and community services to Bay Area residents. Housing services are provided by four State-licensed continuing care retirement communities (CCRCs), and three rental affordable housing facilities. Community services include two senior centers, a "living at home" program, a transitional care program, and community engagement programs. SL began operations in 1958.

The proceeds of the proposed $150.5 million par Series 2025 Revenue Bonds will be used to refinance the 2015 Bonds and fund $100.0 million of SL's "future proofing" CCRC capital improvements. The Series 2025 Bond payments will be secured by all assets and revenues of SL with the exception of its Foundation (Senior Services for Northern California - SSNC), the three affordable housing facilities, and a small separately incorporated NCP Senior Ventures (NSV).

The Series 2025 Bonds are anticipated to be issued in July 2025 and will be insured through Cal Mortgage. The Series 2025 Bonds are expected to have a 30-year term. The forecasts are based on an average coupon rate of 5.0%. Semi-annual interest payments to bondholders will begin on January 1, 2026. Annual principal payments will be made to bondholders beginning on July 1, 2026.

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

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

The information obtained through this process has been used to forecast SL's financial statements for the fiscal years ending December 31, 2025 to 2030. Based on our evaluation, the debt coverage ratio is expected to equal or exceed 3.00x maximum annual debt service in all forecast years. 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 SL. 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 SL during the preparation of this study.

Sincerely,

William D. Hendrickson

William D. Hendrickson
Hendrickson Consulting

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SECTION A
SEQUOIA LIVING, INC.
STATEMENTS OF ACTIVITIES
($000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
REVENUE								
Resident Fees/Other - CCRC/Other	$90,528	$98,970	$105,763	$109,929	$114,261	$118,764	$123,445	$128,311
Resident Fees/Other - Affordable	19,887	17,910	18,985	19,744	20,534	21,355	22,209	23,098
SSNC/NSV Income	310	248	258	268	279	290	302	314
Amortized Entrance Fees - CCRC	26,990	25,982	27,524	28,640	29,881	31,246	32,736	34,354
Contributions/Net Released Assets	1,588	4,767	3,400	3,400	3,400	3,400	3,400	3,400
Investment Income/Other	13,900	12,342	4,905	4,711	4,804	4,965	5,196	4,898
Total Revenue	**$153,203**	**$160,219**	**$160,834**	**$166,693**	**$173,159**	**$180,020**	**$187,288**	**$194,374**
EXPENSES								
CCRC/Other - Salaries/Benefits	$50,802	$53,326	$55,672	$57,899	$60,215	$62,624	$65,129	$67,734
CCRC/Other - Other	50,841	55,193	57,621	59,926	62,323	64,816	67,409	70,105
Affordable Housing	7,745	8,029	8,382	8,718	9,066	9,429	9,806	10,198
SSNC/NSV	601	601	627	653	679	706	734	763
Depreciation & Amortization	19,327	22,372	24,203	26,530	28,760	31,083	33,323	33,627
Interest	12,887	8,436	10,519	12,961	13,060	12,814	12,542	12,264
Total Expenses	**$142,203**	**$147,957**	**$157,025**	**$166,686**	**$174,104**	**$181,471**	**$188,943**	**$194,692**
Net Operating Income	**$11,000**	**$12,262**	**$3,809**	**$7**	**($945)**	**($1,452)**	**($1,655)**	**($318)**
Contributed Capital - Affordable H.	$32,053	$9,830	$0	$0	$0	$0	$0	$0
Pension Liability/Other	4,550	6,743	0	0	0	0	0	0
Change in Assets w/o Donor Restr.	**$47,603**	**$28,835**	**$3,809**	**$7**	**($945)**	**($1,452)**	**($1,655)**	**($318)**
Revenues - Donor Restricted	$5,222	$3,816	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
Net Assets Released from Restriction	(1,325)	(4,415)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
CHANGE IN NET ASSETS	**$51,500**	**$28,236**	**$4,809**	**$1,007**	**$55**	**($452)**	**($655)**	**$682**
BALANCE (DEFICIT)	**$144,211**	**$172,447**	**$177,256**	**$178,263**	**$178,318**	**$177,866**	**$177,212**	**$177,893**

SECTION A
SEQUOIA LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
($000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
ASSETS								
Cash & Securities - Unrestr.	$104,483	$122,636	$117,775	$120,103	$124,118	$129,895	$122,449	$147,217
Cash & Securities - SSNC	38,078	38,139	38,139	38,139	38,139	38,139	38,139	38,139
Accounts/Notes Receivable	6,583	15,234	9,627	10,274	10,680	11,102	11,540	11,996
Other Current Assets	5,104	4,374	4,549	4,731	4,920	5,117	5,322	5,535
Total Current Assets	$154,248	$180,383	$170,090	$173,247	$177,857	$184,252	$177,451	$202,887
Cash/Investments - Affordable	$29,532	$30,519	$30,519	$30,519	$30,519	$30,519	$30,519	$30,519
Investments - Restricted Trust	10,851	10,947	10,947	10,947	10,947	10,947	10,947	10,947
Trustee-Held Funds - Bonds	14,537	14,830	103,241	73,241	43,241	13,241	13,241	13,241
Investments - Real Estate	9,569	10,675	10,675	10,675	10,675	10,675	10,675	10,675
Net Property, Plant, Equip.	446,686	448,604	493,167	527,238	559,702	590,492	605,117	589,739
Pension/Other	14,392	23,100	23,100	23,100	23,100	23,100	23,100	23,100
TOTAL ASSETS	**$679,815**	**$719,058**	**$841,739**	**$848,966**	**$856,041**	**$863,226**	**$871,049**	**$881,108**
LIABILITIES								
Accts. Payable/Accr. Exp.	$12,466	$13,150	$15,483	$16,375	$17,280	$17,919	$18,541	$19,186
Refundable Deposits	3,704	4,508	4,508	4,508	4,508	4,508	4,508	4,508
Other Current Liabilities	3,282	3,938	4,096	4,259	4,430	4,607	4,791	4,983
Current Debt	4,743	5,658	4,883	5,221	5,466	5,743	6,015	6,304
Total Current Liabilities	$24,195	$27,254	$28,970	$30,364	$31,683	$32,777	$33,855	$34,981
Unamortized Entrance Fees	$313,821	$327,072	$340,948	$350,996	$362,162	$374,448	$387,862	$402,418
Long-term Debt	188,434	183,402	285,682	280,461	274,995	269,252	263,237	256,933
Pension/Other Liabilities	9,154	8,883	8,883	8,883	8,883	8,883	8,883	8,883
TOTAL LIABILITIES	**$535,604**	**$546,611**	**$664,483**	**$670,704**	**$677,723**	**$685,360**	**$693,838**	**$703,215**
NET ASSETS	**$144,211**	**$172,447**	**$177,256**	**$178,263**	**$178,318**	**$177,866**	**$177,212**	**$177,893**
TOTAL NET ASSETS/LIAB.	**$679,815**	**$719,058**	**$841,739**	**$848,966**	**$856,041**	**$863,226**	**$871,049**	**$881,108**

SECTION A
SEQUOIA LIVING, INC.
STATEMENTS OF CASH FLOWS
($000s)

Fiscal Year Ending 12/31	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
OPERATING ACTIVITIES								
Change in Assets	$51,500	$28,236	$4,554	$887	($65)	($572)	($775)	$562
Depreciation and Amortization	19,327	22,372	24,458	26,650	28,880	31,203	33,443	33,747
Amortized Entrance Fees	(26,990)	(25,982)	(27,524)	(28,640)	(29,881)	(31,246)	(32,736)	(34,354)
Other Adjustments	(40,000)	(628)	0	0	0	0	0	0
Changes in Assets/Liabilities	(1,802)	(15,862)	7,463	227	480	198	163	168
Cash From Operating Act.	**$2,035**	**$8,136**	**$8,951**	**($877)**	**($586)**	**($417)**	**$95**	**$123**
INVESTING ACTIVITIES								
2025 Bond Future P. Expenditures	$0	($4,500)	($17,500)	($30,000)	($30,000)	($30,000)	$0	$0
Other Future P. Expenditures	0	0	(28,500)	(15,000)	(15,000)	(15,000)	(30,400)	0
Routine/Other Expenditures	(29,983)	(25,405)	(15,000)	(15,600)	(16,224)	(16,873)	(17,548)	(18,250)
Other	3,021	5,692	0	0	0	0	0	0
Cash From Investing Act.	**($26,962)**	**($24,213)**	**($61,000)**	**($60,600)**	**($61,224)**	**($61,873)**	**($47,948)**	**($18,250)**
FINANCING ACTIVITIES								
Net Entrance Fees	$62,034	$39,580	$41,400	$38,688	$41,047	$43,532	$46,151	$48,909
Debt Proceeds	0	0	155,981	0	0	0	0	0
Refunding	0	0	(49,804)	0	0	0	0	0
Issuance/Fees	0	0	(7,766)	0	0	0	0	0
Principal Payments	(2,346)	(4,009)	(4,212)	(4,883)	(5,221)	(5,466)	(5,743)	(6,015)
Cash From Financing Act.	**$59,688**	**$35,571**	**$135,599**	**$33,805**	**$35,826**	**$38,066**	**$40,408**	**$42,894**
Net Change in Cash/Inv.	**$34,761**	**$19,494**	**$83,550**	**($27,672)**	**($25,984)**	**($24,224)**	**($7,445)**	**$24,768**
Cash & Investments	**$186,630**	**$206,124**	**$289,674**	**$262,002**	**$236,017**	**$211,794**	**$204,348**	**$229,116**
Unrestricted	104,483	122,636	117,775	120,103	124,118	129,895	122,449	147,217
Restricted - Affordable	29,532	30,519	30,519	30,519	30,519	30,519	30,519	30,519
Restricted - Bonds	14,537	14,830	103,241	73,241	43,241	13,241	13,241	13,241
Restricted - SSNC	38,078	38,139	38,139	38,139	38,139	38,139	38,139	38,139

B. BACKGROUND

The purpose of this report is to provide financial forecasts for Sequoia Living, Inc. (SL), formerly known as Northern California Presbyterian Homes and Services (NCPHS), a comprehensive provider of housing and community services for seniors in Northern California. SL housing services are provided by four Bay Area continuing care retirement communities (CCRCs) licensed by the State Department of Social Services (DSS), and three Bay Area Affordable Housing projects, originally financed with United States Housing and Urban Development (HUD) loans. SL also provides a range of community services.

THE CONTINUING CARE RETIREMENT COMMUNITIES

The four CCRCs include The Sequoias - San Francisco (SSF), The Sequoias - Portola Valley (SPV), The Tamalpais (TAM), and the recently (December 2020) opened Viamonte Senior Living (VSL). These provide independent living (IL) at all campuses, assisted living (AL) and Memory Care (MC) at SSF, SPV, and VSL, and skilled nursing (SN) services at SSF, SPV, and TAM. Although no longer offered, the majority of the residents at SSF, SPV, and TAM are covered by a "Type A" contract, which provides full long-term care and non-Medicare reimbursed medical services at the same monthly IL fee for all levels of care. Beginning in 2023 NCPHS began offering only Type B (10% off market rates for AL, MC, SNF) and C contracts (no discounts off market rates) at SSF, SPV, and TAM (VSL only offers Type C). The four CCRCs total 844 IL units, 101 AL/MC units, and 141 SNF beds and serve over 1,200 residents. The combined monthly fees and entrance fees from these CCRCs account for approximately 85% of total $160 million SL program revenues. Affordable Housing and Community Programs comprise the remaining 15%.

OTHER PROGRAMS

The three Housing and Urban Development (HUD)-financed affordable projects include the Eastern Park Apartments (EPA) and Western Park Apartments (WPA) in San Francisco, and the Town Park Towers (TPT) in San Jose. These facilities offer 600-subsidized apartments to low-income residents. The revenues and assets of these facilities are included in the consolidated forecasts for information purposes but are excluded from support for the 2025 Series Bonds. Forecast financial ratios exclude Affordable Housing operating revenues/expenses and assets/liabilities.

SL is affiliated with the San Francisco Senior Center (SFSC), for which it provides support services. SL also provides service coordinators (through the "living at home" program) to its three HUD facilities and several other non-SL facilities. NCP Senior Ventures, LLC (NSV) is for SL's development and new business, and was formed in 2008 as a for-profit company. In 2009 NSV began managing Kokoro Assisted Living, a low-income housing facility in San Francisco. NSV is excluded from support for the 2025 Bonds.

SENIOR SERVICES FOR NORTHERN CALIFORNIA (SSNC)

SSNC is SL's Foundation. SSNC was incorporated in 1987 for the purposes of receiving donations and grants and distributing these to SL to support operations and capital needs. SSNC cash and investments total approximately $40 million. Annual revenues are approximately $5+ million in combined donations and earnings. Revenues are transferred to SL in the form of grants for programs and facilities. SSNC assets, liabilities and revenues (other than the grants transferred to SL) will not be pledged to support the 2025 Bonds and therefore are not reflected in the forecasts. No SSNC funds are assumed to be used for the future proofing projects described in the next section.

THE BOARD OF DIRECTORS

SL is currently governed by a 13-member Board of Directors who are elected for three-year terms. Directors may not serve more than three consecutive terms. The President of the residents' council of each CCRC is invited to attend Board meetings and to participate fully on issues affecting their facilities. The resident representatives, however, do not vote on matters before the Board. Members of the Board of Directors do not receive compensation from SL.

C. PROJECT DESCRIPTION

The Series 2025 Bond proceeds will be used for two purposes:

- “future proofing” renovation of CCRC facilities, and
- refinancing of existing debt.

CCRC “FUTURE PROOFING” PROJECTS

SSF, SPV, and TAM were constructed more than 50 years ago and over the years have been upgraded to maintain their physical integrity and market competitiveness. SL has identified $215.9 million in “future proofing” projects scheduled from 2024 through 2028. This category is one-step above their more typical $15-$20 million in “routine” improvements, which will continue alongside the future proofing improvements. None of the future proofing projects will directly generate additional revenues. The projects are divided amongst the three older CCRCs (about $87 million at SSF, $70 million at TAM, and $57 million at SPV) with $2 million for VSL. Total combined annual expenditures are roughly equal from 2025 to 2028, and vary in terms of estimates (internal, third-party, and under contract) and permit status. Major projects include $50+ million for window replacement at all campuses (2027-28), and $40+ million in fire safety improvements (2025-26). **Section A** Statement of Cash Flows shows a total of $216 million through 2029 (an extra year added to account for any project delays). Depending on inflation/other cost increases, SL may prioritize projects to fit within its operating budget, since many of the projects are discretionary.

The 2025 Bond proceeds will be used to fund $100.0 million ($112.0 million including expenditures prior to closing counted as Cal Mortgage-required equity) of these future proofing projects through 2028. SL will identify specific projects to be financed with the 2025 Bond proceeds prior to closing based on the status of permits and readiness. The use of Bond proceeds for these purposes is in part to preserve cash reserves for needs beyond these improvements. SL has relatively little debt, having traditionally used cash reserves for capital projects. Annual debt payments (excluding HUD-related housing) currently represent a low 5% of annual revenues.

REFINANCING OF EXISTING DEBT

SL currently has two Bond issues, both insured through the Cal Mortgage program. The 2015 Bonds will be refinanced from the $49.8 million refunding escrow. The 2015 Bond annual payments of $4.0 million will be reduced to approximately $3.7 million with the term kept at 2044. The 2018 Bonds currently have a balance of $44.2 million and are not being refinanced.

FINANCING ASSUMPTIONS

The Series 2025 Bonds financing assumptions reflected in **Tables 1 and 2** have been provided by Ziegler, SL's investment banker. The Series 2025 Bonds are dated July 1, 2025, and insured through the State of California's Cal Mortgage insurance program. Average interest rates are estimated at 5.0% and the bond term extends through 2055. Interest payments are due on January 1 and July 1, beginning in 2026, and principal payments are due annually on July 1, beginning in 2026. Besides the Bonds, other sources include the proceeds of the $4.04 million 2015 Bonds debt reserve and $12.0 million in 2024 and 2025 pre-closing "future proofing" expenditures.

TABLE 1
SEQUOIA LIVING, INC.
SOURCES/USES OF FUNDS
($000s)

Fiscal Year Ending 12/31	TOTAL	2025	2026	2027	2028
SOURCES					
Bonds - Par	$150,535	$150,535	$0	$0	$0
Bonds - Premium	$5,446	5,446	0	0	0
Debt Reserve - 2015 Bonds	$4,040	4,040	0	0	0
SL Cash Equity - Prepaids	$12,000	12,000	0	0	0
TOTAL SOURCES	**$172,021**	**$172,021**	**$0**	**$0**	**$0**
USES					
Refinancing - 2015 Bonds	$49,804	$49,804	$0	$0	$0
Capital Improvements	$112,000	22,000	30,000	30,000	30,000
Subtotal - Project Costs	**$161,804**	**$71,804**	**$30,000**	**$30,000**	**$30,000**
Cal Mortgage Fees	$5,287	$5,287	$0	$0	$0
Discount/Issuance Fees	$2,479	2,479	0	0	0
Debt Reserve Fund	$2,451	2,451	0	0	0
Subtotal - Financing Costs	**$10,217**	**$10,217**	**$0**	**$0**	**$0**
TOTAL USES	**$172,021**	**$82,021**	**$30,000**	**$30,000**	**$30,000**
BALANCE	**$0**	**$90,000**	**$60,000**	**$30,000**	**$0**

Table 2 shows a summary of annual debt payments. The annual debt payments for the 2015 and 2018 Bonds totaled $7.0 million in 2024, the first year that reflected no short-term debt payments on the 2018 Bonds. As shown, combined annual debt for the 2018 and 2025 Bonds is estimated at $12.8 million. The HUD-related Affordable Housing debt totals $5.5 million per year.

TABLE 2
SEQUOIA LIVING, INC.
DEBT PAYMENTS (EXCLUDING AFFORDABLE HOUSING)
($000s)

Fiscal Year Ending 12/31	2025	2026	2027	2028	2029	2030
2025 BONDS						
Interest/Fees	$3,420	$7,193	$7,420	$7,299	$7,174	$7,043
Principal	0	2,170	2,380	2,500	2,630	2,755
Total	**$3,420**	**$9,363**	**$9,800**	**$9,799**	**$9,804**	**$9,798**
Balance - Par	**$150,535**	**$148,365**	**$145,985**	**$143,485**	**$140,855**	**$138,100**
2018 BONDS						
Interest/Fees	$1,881	$1,826	$1,766	$1,706	$1,641	$1,571
Principal	1,125	1,180	1,240	1,300	1,365	1,435
Total	**$3,006**	**$3,006**	**$3,006**	**$3,006**	**$3,006**	**$3,006**
Balance	**$43,035**	**$41,855**	**$40,615**	**$39,315**	**$37,950**	**$36,515**
TOTAL DEBT						
Interest/Fees	$5,301	$9,019	$9,186	$9,005	$8,815	$8,614
Principal	$1,125	$3,350	$3,620	$3,800	$3,995	$4,190
Total	**$6,426**	**$12,369**	**$12,806**	**$12,805**	**$12,810**	**$12,804**
Balance	**$193,570**	**$190,220**	**$186,600**	**$182,800**	**$178,805**	**$174,615**

D. OPERATING ASSUMPTIONS

The following is a discussion of key utilization, revenue, and expense assumptions SL. Fiscal year (FY) ending December 31, 2023 and 2024 estimates are based on internal financials statements and occupancy records. The 2025 estimates are based on the Budget and internal statements through March 31.

KEY OPERATING ASSUMPTIONS – CCRC

The following is a summary of key operating assumptions for the four CCRCs.

Entrance Fees and Monthly Fees

Table 3 shows a summary of the range of fees for the four CCRCs. CCRC entrants pay a one-time entrance fee and ongoing monthly fees. Prices are generally comparable amongst the three older CCRCs. VSL, which opened at the end of 2020, and reached stable occupancy by the end of 2023, has higher entrance fees and lower monthly fees than the other three. Monthly fees were raised by 5.25% and entrance fees by 15.0% at all campuses effective April 1, 2025.

For decades SL (then NCPHS) offered only a Type A contract with an “amortized” entrance fee whose refundability declined over 66 months (1.5% per month). SL began offering Type B and C amortized and refundable (up to 90%) contract options in the early 2000s at the three older CCRCs. SL stopped offering Type A contracts at SSF, SPV, and TAM at the end of 2022. Currently VSL offers three Type C contract options: amortized, 50%, or 75% refundable plans. The most popular has been the 75% refundable option. SSF, SPV, and TAM each offer the same four contract options: Type B and C amortized, and Type B and C 50% refundable. Refunds are contingent upon re-sale of the apartment. The Type C amortized option has been selected by most 2023 and 2024 entrants. About 70% of the current contract residents at the three older campuses are Type A, but this share will decline to effectively 0% by 2040. All contracts at the older campuses include three meals per day and weekly housekeeping. VSL provides one meal per day and bi-weekly housekeeping.

For forecasting purposes all rates are estimated to increase by 4.0% per year, beginning on April 1, 2026. In fact, the replacement of Type A IL residents with Type B and C IL residents at the three campuses will result in a lower weighted average percent increase, since Type B and C monthly fees are 20% less than Type A rates. This resulting lower percent increase will be largely offset by a higher rate of increase in AL, MC, and SN levels of care, since Type B and C transfers will pay significantly more than average Type A transfers (roughly 50%+ higher for AL/MC, 100% for SN).

TABLE 3
SEQUOIA LIVING
CCRC INDEPENDENT LIVING UNITS/FEES
RATES EFFECTIVE APRIL 1, 2025

Facility	Total IL Units	Square Feet	Entrance Fee - Single	Monthly Fee - Single
Sequoias San Francisco	260	370-1,490	$210,000-$1,170,000	$4,710-$10,550
Sequoias Portola Valley	193	340-1,450	$170,000-$1,490,000	$4,770-$10,340
The Tamalpais	221	300-1,670	$150,000-$1,080,000	$4,690-$10,110
Viamonte Senior Living	170	750-1,530	$470,000-$1,290,000	$4,830 - $7,180
TOTAL/AVERAGE	**844**			

(1) Pricing for Type C Declining Balance contracts - the most popular. Type B contracts have same monthly fees and 10% higher entrance fees for SSF, SPV, TAM.
(2) VSL prices for Declining Balance contract. 75% Repayable contracts are the most popular and entrance fees are priced 54% above Declining Balance.
(3) Monthly fees were increased by 5.25% and entrance fees by 15.0% effective 4/1/25.

CCRC Utilization and Revenue Assumptions

Table 4 shows a summary of available and budgeted occupied units/beds by facility and level of care for contract and non-contract occupants. As shown, the highest occupancy levels are for IL. The lower AL/MC/SN occupancy levels are due to several factors, including SL's need to manage occupancy to accommodate potential surge demand by contract residents. In addition, many SN available beds are in semi-private rooms, and are often used for private occupants.

Table 5 shows a summary of historical and project occupancy and combined CCRC revenues by level of care. The lower occupancy in 2023 reflected the fill-up of VSL. In addition, TAM was undergoing significant renovation of its AL, with resulting temporary lower occupancy. Occupancy is forecast to remain at the estimated 2025 levels. **Table 5** also includes Community Program estimates with the San Francisco Senior Center (SFSC) providing the majority of revenues.

TABLE 4
SEQUOIA LIVING
2025 CCRC AVAILABLE/OCCUPIED UNITS/BEDS
($000s)

CCRC Campus	SPV	SSF	TAM	VSL	TOTAL
Available CCRC Units/Beds					
Independent Living	193	260	221	170	844
Assisted/Memory Care	44	37	46	18	145
Skilled Nursing	41	45	26	-	112
Total Units/Beds	**278**	**342**	**293**	**188**	**1,101**
Occupied CCRC Units/Beds					
Independent Living	182	248	204	166	800
Assisted/Memory Care	38	29	40	15	122
Skilled Nursing	27	41	18	-	86
Occupied Units/Beds	**247**	**318**	**262**	**181**	**1,008**
Percent Occupancy					
Independent Living	94.3%	95.4%	92.3%	97.6%	94.8%
Assisted/Memory Care	86.4%	78.4%	87.0%	83.3%	84.1%
Skilled Nursing	65.9%	91.1%	69.2%	0.0%	76.8%
Combined Occupancy	**88.8%**	**93.0%**	**89.4%**	**96.3%**	**91.6%**

TABLE 5
SEQUOIA LIVING
OCCUPANCY AND RESIDENT FEES
($000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
Available CCRC Units/Beds								
Independent Living	844	844	844	844	844	844	844	844
Assisted Living/Memory Care	145	145	145	145	145	145	145	145
Skilled Nursing	112	112	112	112	112	112	112	112
Total CCRC Units/Beds	**1,101**	**1,101**	**1,101**	**1,101**	**1,101**	**1,101**	**1,101**	**1,101**
Occupied CCRC Units/Beds								
Independent Living	757	788	800	800	800	800	800	800
Assisted Living/Memory Care	109	116	122	122	122	122	122	122
Skilled Nursing	95	90	86	86	86	86	86	86
Total CCRC Units/Beds	**961**	**994**	**1,008**	**1,008**	**1,008**	**1,008**	**1,008**	**1,008**
Percent Occupancy								
Independent Living	89.7%	93.4%	94.8%	94.8%	94.8%	94.8%	94.8%	94.8%
Assisted Living/Memory Care	75.2%	80.0%	84.1%	84.1%	84.1%	84.1%	84.1%	84.1%
Skilled Nursing	84.8%	80.4%	76.8%	76.8%	76.8%	76.8%	76.8%	76.8%
Combined	**87.3%**	**90.3%**	**91.6%**	**91.6%**	**91.6%**	**91.6%**	**91.6%**	**91.6%**
Average Revenue/Unit/Month	**$7,449**	**$7,904**	**$8,314**	**$8,641**	**$8,981**	**$9,335**	**$9,703**	**$10,085**
Total Revenues (000s)								
Resident Fees - IL	$63,306	$68,969	$73,695	$76,643	$79,709	$82,897	$86,213	$89,661
Resident Fees - AL/MC	$8,716	$10,290	$11,390	$11,846	$12,320	$12,813	$13,325	$13,858
Resident Fees - SNF	$5,842	$6,545	$6,583	$6,846	$7,120	$7,405	$7,701	$8,009
Fees for Service - Medical/SNF	$5,994	$6,067	$6,370	$6,561	$6,758	$6,961	$7,170	$7,385
Fees for Service - Other	$2,046	$2,404	$2,524	$2,625	$2,730	$2,839	$2,953	$3,071
Total CCRC Revenues	**$85,904**	**$94,275**	**$100,563**	**$104,521**	**$108,637**	**$112,915**	**$117,362**	**$121,984**
Fee for Service-Comm.Programs	$4,624	$4,695	$5,200	$5,408	$5,624	$5,849	$6,083	$6,327
Total CCRC/CP Revenues	**$90,528**	**$98,970**	**$105,763**	**$109,929**	**$114,261**	**$118,764**	**$123,445**	**$128,311**

SL classifies CCRC revenues as “Resident Fees” (monthly fees paid by contract residents) and “Fees for Service” (Medicare receipts, non-contract resident revenues, and other such as guest rooms and additional meals). Resident fees and Fee-for-Service Other categories are increased by a weighted average of 4.0% per year. Medical-related Fees-for-Service are increased by a weighted average of 3.0% to reflect lower Medicare reimbursement growth.

Table 6 shows a summary of historical and forecast entrance fee move-ins, gross receipts, and refunds/repayments. The 2023 totals reflect an estimated 30+ first-time move-ins accounting for $35 million related gross receipts at VSL. All move-ins in 2024 represent re-sales of formerly occupied IL units. Entrance fees were increased by 15.0% on April 1, 2025, and are estimated to increase by 4.0% in 2026 and thereafter. The total number of projected move-ins equates to about 10% of the occupied units at SSF, SPV, and TAM (on average approximately 3-5 move-ins per year are rental and pay no entrance fee). Re-sales at VSL are expected to increase each year during the forecast period and stabilize at about 10% of occupied IL units.

TABLE 6
SEQUOIA LIVING
ENTRANCE FEES
($000s)

Fiscal Year Ending 12/31	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
SPV	16	23	18	18	18	18	18	18
SSF	19	24	26	22	22	22	22	22
TAM	16	22	26	20	20	20	20	20
VSL	39	8	9	10	11	12	13	14
Total Move-Ins	**90**	**77**	**79**	**70**	**71**	**72**	**73**	**74**
Average E.Fee - VSL	$1,135	$1,426	$1,250	$1,300	$1,352	$1,406	$1,462	$1,521
Average E.Fee - SSF/SPV/TAM	$485	$575	$550	$572	$595	$619	$643	$669
E.Fee Revenues - VSL	$44,273	$11,404	$11,250	$13,000	$14,872	$16,873	$19,010	$21,291
E.Fee Revenues - SSF/SPV/TAM	$24,738	$39,701	$38,500	$34,320	$35,693	$37,121	$38,605	$40,150
E.Fee Revenues - Total	**$69,011**	**$51,105**	**$49,750**	**$47,320**	**$50,565**	**$53,993**	**$57,616**	**$61,441**
Refunds - VSL	($3,638)	($6,023)	($4,500)	($5,200)	($5,949)	($6,749)	($7,604)	($8,517)
Refunds - SSF/SPV/TAM	($3,339)	($5,502)	($3,850)	($3,432)	($3,569)	($3,712)	($3,861)	($4,015)
Refunds - Total	**($6,977)**	**($11,525)**	**($8,350)**	**($8,632)**	**($9,518)**	**($10,461)**	**($11,465)**	**($12,532)**
Net Revenues - VSL	$40,635	$5,381	$6,750	$7,800	$8,923	$10,124	$11,406	$12,775
Net Revenues - SSF/SPV/TAM	$21,399	$34,199	$34,650	$30,888	$32,124	$33,408	$34,745	$36,135
Net Revenues - Total	**$62,034**	**$39,580**	**$41,400**	**$38,688**	**$41,047**	**$43,532**	**$46,151**	**$48,909**

CCRC Operating Expenses

SL currently employs approximately 650 full-time-equivalent (FTE) employees (excluding Affordable Housing FTEs). Approximately 580 of these are located on-site at the four CCRCs, including 350 FTEs for IL and 280 FTEs for Health services. Community programs and administrative staffing (headquarters) account for approximately 32 and 44 FTEs respectively. The CCRCs account for more than 80% of total staffing and operating expenses.

Operating expenses are estimated to increase by 4.0% per year. From 2023 to 2025 weighted-average salaries increased by approxiamately 4% per year. Employment benefits average 26% of salaries and include an employer contribution to Social Security/Medicare; health, dental, long-term disability, accidental death, life insurance and retirement benefits.

COMMUNITY PROGRAMS

SL is budgeting a total of $5.2 million revenue for Community Service programs (primarily residential services and SFSC services). About $3.3 million of this total is supported by fees, with the remainder from grants and contributions. Staffing and other operating expenses have historically been slightly above revenues before allocation of Headquarters' expenses.

OTHER PROGRAMS

As discussed previously, the **Section A** financial forecasts are for combined SL entities, including those (Affordable Housing, SSNC, NSV) whose assets, liabilities, revenues, and expenses are excluded from support for both existing and 2025 Bonds. Affordable Housing operating revenues and expenses are both projected to increase by 4.0% per year from 2025 estimates ($19.0 million revenues, $8.4 million expenses). SSNC has no operating revenues or expenses (fund-raising expenses are included in SL administration for the CCRCs) other than earnings, and NSV revenues include about $200,000 in management fees and $600,000 in SL administration allocated expenses. NSV revenues and expenses are inflated by 4.0% per year after 2025.

OTHER REVENUES

Other revenues include interest earnings, contributions, and grants transferred from SSNC. Together these revenues are expected to account for approximately 7% of total SL revenues.

Interest Earnings and Realized Gains

SL earnings before investment fees totaled $13.9 million in 2023, of which $5.6 million was in unrealized gains. In 2024 total earnings were $12.3 million, including $3.6 million in unrealized gains. Earnings over these two years averaged about 8% on all unrestricted and restricted cash and investments. Estimates for 2025 and thereafter are based on an earnings rate of 4.0% on unrestricted cash and marketable securities and exclude earnings on Affordable Housing and SSNC balances, and 3.0% on debt reserves for the 2018 and 2025 Bonds. No unrealized gains are forecast.

Contributions and Grants Transferred for Operations

In 2023 and 2024 the SSNC received an average of $1.2 million in annual contributions, including an average of $0.9 million which were donor restricted. SSNC combined these with earnings and transferred $1.9 million and $6.9 million to SL respectively in these same years for resident financial assistance, community services, and capital projects. For forecasting purposes, SSNC transfers for operations are estimated at $3.0 million per year.

E. FINANCIAL STATEMENT ASSUMPTIONS

In addition to SL operating assumptions, there are several other assumptions used to forecast the **Section A** financial statements. FY 2023 and 2024 totals are based on the audited and internal statements. FY 2025 estimates are based on the budget.

STATEMENTS OF ACTIVITIES

The new improvements are depreciated over an average 25-year period, while ongoing capital expenditures are depreciated over a 10-year period. Fees and 2025 Bond issuance costs are amortized over 30 years. Amortized entrance fees are amortized over a 10-year period.

STATEMENTS OF FINANCIAL POSITION

Accounts receivable are estimated at 30 days of daily and monthly fee revenues. Accounts payable and accrued expenses are estimated at 45 days of cash operating expenses. Other current assets are increased by 4.0% per year.

STATEMENTS OF CASH FLOWS

Combined "future proofing" and routine capital expenditures are estimated at $300+ million from 2025 to 2030 (average $52 million per year). The totals shown in **Section A** do not include capital expenditures for Affordable Housing, which are expected to be well under $1 million annually due to recent major facility improvements.

F. KEY FINANCIAL RATIOS

Table 7 shows a summary of key financial ratios for SL excluding Affordable Housing, SSNC, and NSV net operating cash flows, annual debt payments, and cash reserves. The SL audits do not separate out Affordable Housing (or NSV which are minor) activities, and SL uses internal statements to adjust the ratios to exclude them. As shown, maximum annual debt service (MADS) coverage exceeds 3.00x in all years. Days cash on hand exceed 300 days.

TABLE 7
SEQUOIA LIVING, INC.
DEBT COVERAGE AND OTHER KEY RATIOS
($000s)

Fiscal Year Ending 12/31	2023	2024	2025	2026	2027	2028	2029	2030
CASH AVAILABLE FOR DEBT SERVICE								
Change in Net Assets w/o DR	$47,603	$28,835	$3,809	$7	($945)	($1,452)	($1,655)	($318)
Aff.Housing Deficit/(Surplus)	(44,195)	(19,919)	(10,602)	(11,026)	(11,467)	(11,926)	(12,403)	(12,899)
SSNC/NSV Deficit/(Surplus)	(1,346)	961	370	384	400	416	432	450
Unrealized/Other Losses (Gains)	(5,556)	(3,626)	0	0	0	0	0	0
Pension/Other Adjustments	(3,923)	(7,347)	0	0	0	0	0	0
Depreciation and Amortization	19,327	22,372	24,203	26,530	28,760	31,083	33,323	33,627
Amortized Entrance Fees	(26,990)	(25,982)	(27,524)	(28,640)	(29,881)	(31,246)	(32,736)	(34,354)
Net Entrance Fees - Resale	22,269	39,580	41,400	38,688	41,047	43,532	46,151	48,909
Interest	12,887	8,436	10,519	12,961	13,060	12,814	12,542	12,264
Net Cash for Debt Service	**$20,076**	**$43,310**	**$42,174**	**$38,903**	**$40,973**	**$43,221**	**$45,654**	**$47,679**
Debt Payments w/o Affordable								
Interest	$9,144	$4,355	$6,511	$9,019	$9,186	$9,005	$8,815	$8,614
Principal	1,402	2,615	2,745	3,350	3,620	3,800	3,995	4,190
Total Payments	**$10,546**	**$6,970**	**$9,256**	**$12,369**	**$12,806**	**$12,805**	**$12,810**	**$12,804**
Key Totals w/o Affordable/SSNC/NSV								
Unrestricted Cash/Inv.	$104,483	$122,636	$117,775	$120,103	$124,118	$129,895	$122,449	$147,217
Net Operating Expenses	$111,388	$112,874	$119,805	$126,845	$131,725	$136,445	$141,353	$146,453
Long-term Debt	$93,920	$90,282	$194,029	$190,341	$186,476	$182,399	$178,132	$173,653
Maximum Annual Debt Service	$10,546	$6,970	$12,810	$12,810	$12,810	$12,810	$12,810	$12,810
Key Ratios w/o Affordable/SSNC/NSV								
Debt Coverage - MADS	1.90	6.21	3.29	3.04	3.20	3.37	3.56	3.72
Unrestr. Days Cash on Hand	342	397	359	346	344	347	316	367
Unrestr. Cash to Long-term Debt	111.2%	135.8%	60.7%	63.1%	66.6%	71.2%	68.7%	84.8%

G. SENSITIVITY FORECASTS

Table 8 shows MADS debt coverage and days cash calculations under the following scenarios.

Scenario 1 – Interest rates are increased by 1.0% above the base case of 5.0%. As a result, 2015 Bonds are not refinanced and combined annual debt for the 2015, 2018, and 2025 Bonds totals $13.87 million versus $12.81 million in the base case.

Scenario 2 – Future-proofing project costs increase from the $216 million in the base case to $250 million (16%) due to such factors as cost inflation, scope increases, and updated estimates. While this scenario shows the full impact of this increase, many of these projects are discretionary and SL is likely to either reduce or delay individual projects based on need and affordability.

Scenario 3 – Annual entrance fee IL move-ins to the SSF, SPV and TAM campuses are reduced by 10 units (from 60 to 50) from 2026-2028 and resulting average IL occupancy declines to 91.2% by 2028, versus the base case of 94.8%.

Scenario 4 – Operating expense inflation averages 5.0% per year, with rate increases remaining at the base case of 4.0% per year.

TABLE 8
SEQUOIA LIVING, INC.
SENSITIVITY ANALYSIS
($000s)

Fiscal Year Ending 12/31	2026	2027	2028	2029	2030
Base Case					
Debt Coverage	3.04	3.20	3.37	3.56	3.72
Unrestricted Days Cash	346	344	347	316	367
Sensitivity 1 - Higher Interest Rate					
Debt Coverage	2.80	2.95	3.11	3.28	3.43
Unrestricted Days Cash	340	336	337	303	351
Sensitivity 2 - Higher Project Costs					
Debt Coverage	3.01	3.15	3.30	3.47	3.61
Unrestricted Days Cash	302	280	265	220	271
Sensitivity 3 - Lower Sales/Occupancy					
Debt Coverage	2.56	2.61	2.65	3.24	3.38
Unrestricted Days Cash	328	306	287	247	289
Sensitivity 4 - High Expense Inflation					
Debt Coverage	2.92	2.96	3.00	3.04	3.01
Unrestricted Days Cash	295	265	238	156	186

Agenda Item 6a– Cal-Mortgage Reports

Project Monitoring Report

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

As of May 27, 2025

Summary of Monitoring
Financial Statements Received
Project Filing Status

Survey Date:	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024	Aug 23, 2024	Apr 2, 2025	May 27, 2025
Current	42	43	43	38	48	27
Behind 1 quarter	11	11	14	12	6	21
Behind 2 quarters	2	1	1	7	2	8
Behind 3 quarters	3	3	1	2	2	1
Total:	**58**	**58**	**59**	**59**	**58**	**57**

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

Survey Date:	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024	Aug 23, 2024	Apr 2, 2025	May 27, 2025
DSCR at or greater than required:	42	43	47	51	48	48
DSCR less than required:	14	13	11	7	9	8
Problem Project:	1	1	1	1	1	1
Total:	**58**	**58**	**59**	**59**	**58**	**57**

Summary of Monitoring
Site Visits
Number of Projects that are Current

Survey Date:	Sep 29, 2023	Feb 29, 2024	Jun 27, 2024	Aug 23, 2024	Apr 2, 2025	May 27, 2025
Current:	13	25	21	23	9	8
Past Due:	45	33	38	36	49	49
Total:	**58**	**58**	**59**	**59**	**58**	**57**

Agenda Item 6b – Cal-Mortgage Reports

Pending Projects Report

Department of Health Care Access and Information (HCAI)
Cal-Mortgage Loan Insurance Program
As of June 1, 2025

Projects Insured - Fiscal 2024 - 2025

Project Name	Location	Facility Type	Loan Amount	Loan Type	Rating
Moldaw	Palo Alto	Multi-CCRC	$59,450,000	New	BBB-
La Maestra Community Health Centers	San Diego	Clinic-PC	$14,225,000	New	
			$73,675,000		

Projects Insured - Fiscal 2023-2024

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

Projects with Letters of Commitment

Project Name	Location	Facility Type	Amount	Loan Type	Rating

Applications Before Advisory Loan Insurance Committee

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Sequoia Living	San Francisco	CCRC	$156,000,000	Refinance Plus	

Pending Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Gateways Hospital	Los Angeles	Hospital	$57,800,000	New	

Pre - Applications

Project Name	Location	Facility Type	Amount	Loan Type	Rating

Discussions

Project Name	Location	Facility Type	Amount	Loan Type	Rating
Odd Fellows	Saratoga	CCRC	$78,000,000	New	
Oroville Hospital	Oroville	Hospital	$215,000,000	New	
Atherton Baptist Homes	Alhambra	CCRC	$13,000,000	New	
Alexander Valley Healthcare	Cloverdale	Clinic-PC	$39,530,000	New	
OLE Health	Fairfield	Clinic-PC	$35,600,000	New	
SAC Health	San Bernardino	Clinic-PC	$45,000,000	New	
Tulare District Hospital	Tulare	Hospital - Dist.	$50,000,000	New	
Del Puerto Health Care District	Patterson	Clinic - Dist.	$25,000,000	New	
			$501,130,000		

Facility Type Abbreviations

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

Agenda Item 6c – Cal-Mortgage Reports

Problem Projects Report

Department of Health Care Access and Information

Cal-Mortgage Loan Insurance Program

Problem Projects Report

May 2025

Distribution: Elizabeth A. Landsberg, Director
Scott Christman, Chief Deputy Director
Dean O'Brien, Deputy Director, Cal-Mortgage
Advisory Loan Insurance Committee Members

Problem Projects Report - Update for May 2025

	Facility Name	Location	Type	Risk Rating as of 5/1/25	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**										
	St. Rose Hospital	Hayward	Hospital	E	$16.4 - Note $10 - LOC	N/A	Current	Liquidity, Ratio Default	Yes	Payments are being made per the terms of the Debt Relief Plan. The Department has paid the following utilizing the HFCLIF; $10M line of credit paid in full and closed in December 2024, the first six month payment on the term loan note of $1.9M was also paid in December 2024.The second six months' payment of the Note was paid on May 2, 2025 in the amount of $1.9M. Starting on January 1, 2030, the Corporation will begin repayment of all payments the Department has made from the HFCLIF projected at $25.48 million at 4.44 percent (same rate as current term loan in place) over a five-year term	1
III.	**Financial Performance Problems**										
	San Benito Health Care District	Hollister	Hosp - District	C	$ 6.8	100% (6-Month)	Current	Liquidity, Ratio Default	Low - March '26	Mar. YTD (9 mo.) profit of $16,016,544 and 62 DCOH. District voted to continue negotiations with Insight. Measure X passed. The Insight transaction will be presented to the Board for approval in Q2.	4
	Hill Country Community Clinic	Round Mountain /Redding	FQHC	C	$ 2.9	100% (6-Month)	Current	Liquidity, Ratio Default	Low	Redding clinic, Center of Hope, sold on April 22, 2024. The clinic will keep approximately $3 million cash on hand through the end of 2025. Loan payments are punctual.	6
IV.	**Defaulted Projects: Pending Asset Sales**										
	None										
V.	**Resolved Defaulted Projects**										
	Verdugo Mental Health	Glendale	Clinic-MH							Last payment received on May 13, 2025. Current balance is $3,672,031.51	8
	Lake Merrit - Cal-Nevada/Pacifica	Oakland	CCRC							Last payment received on May 2, 2025. Current balance is $13,627,564.86.	9

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

II. Financial Performance Problems

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

Description:
Hayward Sisters Hospital dba St. Rose Hospital (Corporation) is a general acute care 171 bed facility in Hayward, CA which offers emergency; subacute care; cardiology; orthopaedics; rehabilitation; and both inpatient and outpatient services that was founded in 1962. From 2013 until the end of 2024, the Corporation was run via a management agreement with Alecto Healthcare LLC (Alecto). In the third quarter of 2024 the Department of Health Care Access and Information (Department) Cal-Mortgage Loan Insurance Program (Cal-Mortgage) was notified of Alecto's CEO's intention to retire; discontinue management services; and not acquire the Corporation under the Management Services Agreement (MSA). In response to the Alecto decision, the Corporation issued a Request for Proposal (RFP) in an attempt to find a new long-term operator or partner. As a result of the RFP process, Alameda Health Systems (AHS) was the only entity that expressed an interest, and on April 15, 2024, executed a Letter of Interest to become the sole corporate member of the Corporation. AHS assumed control of all operations at the Corporation effective October 31, 2024. Under the new organizational structure, the Corporation continues its existence as a California nonprofit public benefit corporation and will remain the owner and licensed operator of St. Rose Hospital.

Background:
In May 2009 the Department insured a total of $42.1M of fixed rate bonds for the Corporation with Series 2009A tax-exempt bonds of $31.15M and Series 2009B taxable bonds of $10.95M (collectively "2009 Bonds"). The 2009 Bonds were used for the expansion of the fifth floor to accommodate 30 private rooms; replacement and repairs to the existing structure; and to complete seismic requirements to meet SB 1953 compliance by 2030.

In December 2010, the Corporation was having financial issues and drew on a $7M Alameda County emergency reserve fund to pay $4M for Hospital Provider Fees and $3M to pay down an outstanding balance on a Department insured line of credit (LOC). As a result of this and other performance issues, the Department eventually took actions towards the end of Fiscal Year End (FYE) 2012 to avert bankruptcy enforced the replacement of all board members with five new board members, including two members from the Department's Advisory Loan Insurance Advisory Committee. After restructuring the Board of Directors and various management roles, the Corporation ultimately entered into a management agreement with Alecto, a for-profit organization. As Alecto was a for-profit organization with the option to buy the Corporation, the Corporation needed to refinance out of the 2009A tax-exempt bonds to avert a possible tax liability that could have inadvertently been triggered had Alecto exercised the buy option. Therefore, in 2016, the 2009A bonds were refinanced into a $38M Department insured bank loan with City National Bank (2016 CNB). In August 2022, the 2016 CNB loan was refinanced again with CNB in the amount of $24.36M (2022 CNB). In 2009 the Department also insured a $10M LOC with CNB to ensure adequate operating liquidity for the Corporation.

In early 2023, a group of community stakeholders led by Eden Health District engaged Innova Healthcare Solutions to conduct a study on the future sustainability of St. Rose Hospital. The study revealed that St. Rose Hospital was not sustainable as a stand-alone hospital without substantial and ongoing increases in public funding. The report further recommended the Corporation's board pursue an affiliation with a health system that had sufficient resources to secure the Corporation's ability to operate. The Corporation's board engaged Kaufman Hall and Steven Hollis as consultants to assist with an RFP. Through the RFP process, the Corporation signed an exclusive 90-day non-disclosure affiliation agreement with AHS. During the first part of 2024, AHS began its due diligence efforts, and the parties began discussions regarding potential acquisition.

On August 19, 2024, the Corporation and AHS entered into a Membership Issuance Agreement, by which AHS became the sole corporate member of St. Rose, along with certain other related agreements. On October 31, 2024 the Department, the Corporation, and AHS executed a Debt Service Relief Agreement (DSRA) by which the Department agreed to cure the Corporation's defaults by making payment on the LOC and term note from the Department's Health Facility Construction Loan Insurance Fund (HFCLIF), with such HFCLIF payment to be repaid by the Corporation to the Department as specified in the DSRA. Per the DSRA, on December 10, 2024, the Department made payment on the $10M LOC, on December 20, 2024, the Department made the first $1.9M six-month installment payment on the term note, and on May 2, 2025, the Department made the second $1.9M six-month installment payment on the term note.

Summary of DSRA Terms:

- Full payoff of the LOC and for the initial thirty-six months, monthly payments toward the term loan will be made fully by the Department using money from the HFCLIF.

- Thereafter for the following twenty-four months, both the Corporation and the Department will each make payments on the term loan of 50 percent.

- Thereafter the Corporation will commence making the full note payments, until natural defeasance of the term loan on December 1, 2029.

- Starting on January 1, 2030, the Corporation will begin repayment of all payments the Department has made from the HFCLIF projected at $25.48 million, the rate will be the same as the term at 4.44 percent over 5-year repayment period.

In addition, the AHS transition and DSRA execution the Corporation was also able to secure additional funding in December 2023 when the Corporation was allocated a $17,650,000 Distressed Hospital Loan Program (DHLP) award. These working capital loans were awarded to 16 of the hospitals experiencing the highest levels of financial distress in the entire state. As part of the requirements under the DHLP turnaround plans were required to be submitted as part of the application process and updated every quarter.

The following table shows key financial statistics of the Corporation:

Dollars in Thousands	Internal 2/28/2025	Internal 9/30/2024	Audit	Audit	Audit	Audit
	(5 months)	(12 months)	2023	2022	2021	2020
Cash & Equivalents	$6,290	$8,807	$8,768	$11,652	$26,175	$36,831
Net Accounts Receivable	$51,640	$11,022	$11,226	$8,867	$9,269	$6,782
Total Assets	$74,072	$81,534	$68,449	$68,242	$81,597	$94,642
Total Current Liabilities	$52,239	$61,776	$35,940	$21,930	$26,647	$26,791
Total Liabilities	$80,553	$77,402	$59,298	$49,238	$59,567	$67,678
Net Assets	($6,481)	$4,132	$9,151	$19,004	$22,030	$26,964
Revenue	$50,521	$137,533	$119,316	$122,295	120,745	$125,420
Operating Profit/Loss	($9,938)	($3,862)	($10,470)	($4,773)	($4,683)	($2,776)
Net Income/Loss	($10,459)	($5,458)	($9,853)	($5,712)	($5,641)	($4,637)
DSCR	(4.25)	0.02	(1.25)	0.30	0.61	1.03
Days Cash on Hand	16.11	23.10	25.20	24.97	79.85	110.76
Current Ratio	0.70	0.69	0.88	1.47	1.76	2.05

Fiscal year-end is September 30.

<u>Current Situation</u>: (as of May 23, 2025) **<u>Risk Rating:</u> E**

March financials have not yet been finalized. February financials (the most recent data available) were received from the Corporation on April 23, 2025. As of February 28, 2025, the Debt Service Coverage Ratio, when compared to FYE 9/30/2024, fell to negative 4.25, while Days Cash on Hand fell to 16. The Current Ratio of 0.70 showed no material change in value as both current assets and current liabilities fell proportionally. The audit report for 2024 included a footnote on the topic of going concern specifically the significant losses from operations and cash flow difficulties for the past three years. Continuation as a going concern is dependent on the Corporation's ability to increase collections, decrease expenses and raise additional capital. Operating revenue totaled $7.1M which was below projections due to both inpatient and outpatient revenues not meeting budgeted amounts. Operating expenses for the month were $10.8M which was below budget by $0.6M or 5.5%. February's bottom-line net income was $3.9M, which brought the year-to-date loss to $10.5M which compared unfavorably to a budgeted year-to-date net loss of $6.0M. The results are due to higher operating expenses in the categories of salaries, fringe benefits, registry/contract labor, and medical supplies. The next DSRA six-month payment was made on May 2, 2025, for the monthly payments of May through October 2025. Notifications for payment went out to interested parties on April 4, 2025.

The Corporation applied for a loan modification for the DHLP and was approved on May 8, 2025. The Corporation is reviewing the loan modification documents and has scheduled a board meeting on May 27, 2025 for final approval. The payment deferral period will be extended by 12 months until July 1, 2026.

Tri-weekly meetings with the Corporation's General Counsel Mike Sarrao and Chief Administrative Officer Mario Harding are being held. The purpose of these meetings is to discuss and receive updates regarding the Corporation's turnaround plan and financial operations. The updated turnaround plan currently in place is divided into five key areas and expected to be implemented over the next 36 months:

- Integration of Hospital and AHS Physicians
- Maximize Capacity (Partnerships)
- Meet Market Need (Expand AHS FQHC to the hospital)
- Capital Spending Freeze (focus on immediate revenue generating activities)
- Interventional Cardiology expansion

<u>Assessment:</u>

Profitability:	YTD 2/28/2025 (5 mo.): ($10,459,324)
Liquidity:	Days Cash on Hand: 16 days
Line of Credit:	Paid 12/10/24
Debt Service Reserve Fund:	Not required per terms of note
Debt Service Payments:	To be paid out of HFCLIF, then reimbursed
HFCLIF:	LOC interest was paid $2,222 – 5/23/2025 Note installment paid $1,935,085.80 – 5/1/2025 Next installment due 12/1/2025
St. Rose CAO (via AHS):	Mario Harding
St. Rose Controller:	Rosario Eugenio
Counsel:	Michael Sarrao, Esq.

Account Manager: Arne Bracchi **Supervisor:** Consuelo Hernandez

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 $6.8M with a final maturity on March 1, 2029.

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

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

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

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

Current Situation: (As of May 15, 2025) **Risk Rating: C**

On May 22, 2023, the District's Board of Directors authorized the filing of a Chapter 9 bankruptcy petition and adopting a pendency plan outlining a strategy to proceed forward. The District officially filed for Chapter 9 on May 23, 2023. In December the District defended itself in a trial due to Unions' claiming that the District did not meet the criteria to file for bankruptcy protection, which lead to wage and benefit cost cutting measures. On March 21, 2024, the Judge dismissed the District's bankruptcy case citing that the District is not insolvent and therefore not eligible for Chapter 9 relief. The District filed an appeal and on March 21, 2025, an appeals court upheld the bankruptcy court's decision. The dismissal from bankruptcy may result in the District having to repay the reduction in salaries and benefits put in place during bankruptcy, in addition to paying increased salaries and benefits each month going forward. Given that the District is no longer under bankruptcy protection, and faces higher salaries and benefit expenses, the District 's financial performance could deteriorate later this year.

The District engaged B Riley Advisory Services to search for a strategic partner to help ensure the long-term viability of the District. The District received interest from several potential partners or buyers. On January 2, 2024, the District received a LOI from Insight Foundation of America (Insight) proposing a purchase of the District's assets estimated between $59M and $65M. At a June 5, 2024, District Board meeting, the District's Board voted to continue negotiations with Insight. The proposal with Insight was modified from an outright purchase to a five-year lease-to-own option. The Insight proposal was included on the November 5, 2024, San Benito County ballot as Measure X and was passed with 51 percent. The District is currently negotiating definitive agreements with Insight and anticipates presenting the agreements to the Board during the second quarter of 2025. It is anticipated that the 2021 Bonds will be paid in full in concurrence to this transaction with Insight.

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

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

Statement Date (6/30 FYE)	3/31/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Months Covered	9	12	12	12	12
Audit Method	Internal	Unqualified	Unqualified	Unqualified	Unqualified
Cash & Investments	$25,095,438	$34,905,203	$13,413,099	$14,442,002	$18,508,626
Net Worth	$55,177,560	$39,159,279	$23,542,007	$23,197,870	$20,527,771
Net Revenue	$128,833,070	$157,743,290	$161,907,260	$149,021,950	$140,543,291
EBITDA	$19,292,824	$20,987,546	$4,625,783	$6,928,468	$4,988,398
Net Income	$16,016,544	$15,617,272	$344,137	$2,670,099	$294,627
Debt Service Coverage Ratio	11.73	2.59	5.34	3.09	2.11
Current Ratio	2.78	1.83	1.56	1.50	1.75
Days Cash on Hand	62	89	32	37	49

For the 9-month period ended March 31, 2025, the District had a net income of $16.02M compared to a budgeted net income of $7.57M. This resulted in a debt service coverage ratio of positive 11.73. The District had $25.09M in cash, equal to 62 days cash on hand.

Assessment:

Profitability:	3/31/2025 (9 mo.): $16,016,544
Liquidity:	Days Cash on Hand: 62
Debt Service Reserve Fund:	100% funded: $936,400
Debt Service Payments:	Current
HFCLIF:	3/1/2026 (P&I): low probability
CEO:	Mary Casillas
CFO:	Mark Robinson

Account Manager: Lauren Hadley **Supervisor:** Consuelo Hernandez

III. Financial Performance Problems

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

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

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

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

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

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

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

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

<u>Current Situation</u>: (As of May 15, 2025) **<u>Risk Rating</u>: C**

According to the March 2025 financials provided by the Corporation, cash will be maintained above $3 million through the end of 2025. Monthly bond payments are made punctually.

The Corporation filed audit filings for FYE 2021 in April 2025. The Corporation met both DSCR and DCOH financial covenants but failed to meet the CR covenant. A waiver for failing to meet the CR covenant for FYE 2021 was issued in April. Due to the negative operating results for the 36 months after FYE 2021, FORVIS raised substantial doubt about the Corporation's ability to continue as a going concern in the 2021 audit report, even though the auditor also recognized the recent operation improvement and financial turnaround of the Corporation. The Corporation is working with FORVIS on audit filings for FY 2022 and 2023.

The Corporation provided highlights of financial activities as of March 2025, which showed a net income of $277K for the first three months of this year. Cash balance maintained above $3.6 million.

The following table shows key financial statistics of the Corporation.

Dollars in Thousand	Audited	Internal*			
	12.31.2021	12.31.2022	12.31.2023	12.31.2024	3.31.2025
Cash & Equivalents	1,593,473	520,133	1,385,937	3,330,922	3,566,707
Total Assets	48,033,924	48,369,764	49,059,936	47,697,000	48,880,325
Total Liabilities	40,380,292	42,482,509	46,051,278	48,160,000	49,298,378
Net Worth	7,653,632	5,887,255	3,008,658	(463,000)	(418,053)
Net Income	575,686	(1,509,340)	(3,655,806)	(683,926)	277,261
Debt Service Coverage Ratio	1.90	1.01	(4.63)	1.73	1.97
Days Cash on Hand	30.50	8.47	24.07	71.20	73.18
Current Ratio	1.12	0.91	0.84	0.71	0.72
*According to the Corporation's CFO, Christi Hines, the internal prepared financial statements have not been reconciled and are subject to material adjustment after reconciliation.					

<u>Assessment</u>:

Profitability:	3/31/2025 (3 mo.): $277,261.22
Liquidity:	Days Cash on Hand: 73.18
Debt Service Reserve Fund:	100% funded: $142,600.94
Debt Service Payments:	Current
HFCLIF:	11/1/2025 (P&I): low probability
CEO:	Jo Campbell
CFO:	Christi Hines

Account Manager: Dennis Lo **Supervisor:** Consuelo Hernandez

V. Resolved Defaulted Projects

Project: Verdugo Mental Health **Number:** 0973

Description:
The Las Candelas Nonprofit Group, in conjunction with the Glendale Hospital, established the Verdugo Mental Health Center (Clinic) in 1957. Services focused on abused and emotionally disturbed children, seriously mentally ill adults, and those recovering from substance abuse and other addictions. In December 1993, the Department insured a loan to purchase, renovate, and equip an outpatient/administrative facility. This loan was refinanced in April 2005 for the balance of $810,000. In April 2006, the Department approved a $5,505,000 loan to construct a 14,740 square foot outpatient clinic. The clinic is a two-story building with partial subterranean parking, joined with existing retrofitted, 4281 square foot clinic.

Background:
Verdugo filed Chapter 7 bankruptcy due to a special education local plan area liability of $566,000, growing net losses resulting from cuts in reimbursements for patient services, and declining fundraising. On December 9, 2010, the Department issued a Declaration of Default and Notice to Cure for $5,220,000.

All bonds were redeemed by the trustee on April 18, 2011, using funds drawn from the HFCLIF and the balance of the trustee accounts, which was $5,732,382.18. A $5,000,000 bankruptcy court order approved, HCAI financed sale to DiDi Hirsch Psychiatric (DiDi Hirsch) closed on May 13, 2011.

Current Situation: (as of May 13, 2025) **Risk Rating: None**
The May 2025 amortized payment of $21,080.20 was made on May 13, 2025. The current outstanding balance is $3,672,031.51. The 2024 audited financial statements were received on February 11, 2025.

Assessment:

Profitability: (DiDi Hirsch)	$3,972,218 (6/30/24 Audit)
Liquidity: (DiDi Hirsch)	$24,239,782 cash & investment (6/30/24 Audit)
DSCR: (DiDi Hirsch)	6.05 (6/30/24 Audit)
Loan Balance:	$3,672,031.51
Payments:	Current (5/1/2025)
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:** Consuelo Hernandez

V. Financial Performance Problems

Project: California Nevada Methodist Homes **Numbers:** 1018, 1053, 1088

Description:
California Nevada Methodist Homes (Corporation) was founded over 60 years ago. It operates two continuing care retirement communities (CCRCs)–Forest Hill Manor (FHM) in Pacific Grove and Lake Park Retirement Residence (LPRR) in Oakland.

Background:
On October 1, 2015, the Department of Health Care Access and Information (Department) insured Revenue Bonds Series 2015 (Bonds) for the Corporation in the amount of $32,920,000. The Bonds were used to refinance the Department insured 2006 bonds and fund $6.3 million in capital improvements.

The Corporation has had several financial setbacks dating back to 2007, which contributed to its net losses since Fiscal Year End (FYE) 2009. Approximately $27.5 million of the $42.3 million 2006 bonds were used for the expansion of FHM. Construction was scheduled to be completed in late 2007, but construction was delayed by 16 months. The construction delays caused the opening of FHM to be set back until March 2009, right at the beginning of the recession. By March 2009, Independent Living (IL) cottage deposits had declined, and the Corporation has not been able to increase occupancy at FHM. The purpose of the 2015 Bonds was to provide interest rate savings, along with an additional $6.3 million for renovations and upgrades to the Corporation's facilities. The renovations were believed to be necessary to improve occupancy and increase the marketability of vacant IL units. The units have not sold at the pace that was projected in the feasibility study done by Bill Hendrickson at the time of the bond closing.

On March 16, 2021, the Corporation filed a voluntary petition commencing Chapter 11 for relief under the Bankruptcy Code continuing in possession of its property and operation of its businesses as debtor-in-possession (DIP). The Corporation missed the monthly debt service payments from February 2020 through December 2022. On December 6, 2022, the sale of the Corporation to Pacifica Companies, LLC (Pacifica) was finalized. The Department elected to accelerate the bonds per section 7.2 of the Indenture and the bonds were paid in full and redeemed on March 3, 2023. The Plan of Liquidation was approved during the court hearing on June 30, 2023, and became effective on July 5, 2023. The Department received a wire of $2,358,613.01 on July 6, 2023. The wire was the amount due to the Department as part of the liquidation plan.

On September 8, 2023, the Corporation entered a final decree to close their Chapter 11 case with the Bankruptcy Court. The final decree was approved by the Court on October 4, 2023.

Current Situation: (as of May 19, 2025**)** **Risk Rating: N/A**
There are some unresolved disputes over administrative expense claims still to be resolved, it is anticipated that there is no money left in the reserve account to be recouped. Any money left after all expenses have been paid will be returned to the Department. The Department's legal counsel reached out to the bankruptcy attorney to confirm if any money was left in the reserve account and how much would be returned to the Department. However, the Department's legal counsel has not received any response or update as of May 30, 2025, but will make another attempt to get an update.

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 required monthly payment of $83,189.64 punctually with no issues. The current outstanding balance is $13,627,564.86.

<u>Assessment:</u>

Pacifica CEO:	Deepak Israni
Pacifica Counsel:	Thomas P. Sayer

Account Manager: Tom Wenas **Supervisor:** Consuelo Hernandez