



**Gallaher**  
SENIOR LIVING

April 30, 2024

Jennifer Walden, Manager  
Continuing Care Contracts Branch  
Department of Social Services  
744 P Street  
MS 9-14-91  
Sacramento, CA 95814

Re: Gallaher Senior Living LLC / Cardinal Point at Mariner Square

Enclosed, please find the following, along with the annual Continuing Care Providers Fee Fund payment:

- 3 copies of:
  - Annual Report Checklist
  - Form 1-1 / Form 1-2
  - Certification of Managing Member
  - Evidence of Insurance
  - Annual Audited Financial Statement
  - Audited Reserve Reports
  - Form 7-1 and related attachments
  
- 4 copies of:
  - Disclosure Statement

As always, please do not hesitate to let me know if you have any questions or need further information.

Sincerely,

Joseph Lin  
Chief Financial Officer

**ANNUAL REPORT CHECKLIST**

FISCAL YEAR ENDED: 12/31/2023

PROVIDER(S):

Gallaher Senior Living LLC / Cardinal Point at Mariner Square

CCRC(S):

Cardinal Point at Mariner Square

PROVIDER CONTACT PERSON:

Joseph Lin

TELEPHONE NUMBER:

707-535-3288

E-MAIL ADDRESS:

jlin@gallahercompanies.com

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$5,006 \_\_\_\_\_
  - If applicable, late fee in the amount of: \$ \_\_\_\_\_
- Certification by the provider's **Chief Executive Officer** that:
  - The reports are correct to the best of his/her knowledge.
  - Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	94
[2]	Number at end of fiscal year	79
[3]	Total Lines 1 and 2	173
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	86.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	102
[7]	Number at end of fiscal year	102
[8]	Total Lines 6 and 7	204
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	102
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.85

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) \$6,136,400
[a]	Depreciation \$232,800
[b]	Debt Service (Interest Only) \$0
[2]	Subtotal (add Line 1a and 1b) \$232,800
[3]	Subtract Line 2 from Line 1 and enter result. \$5,903,600
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) 85%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) \$5,006,484
[6]	Total Amount Due (multiply Line 5 by .001) \$5,006

**PROVIDER** Gallaher Senior Living LLC / Cardinal Point at Mariner Square LLC  
**COMMUNITY** Cardinal Point at Mariner Square

**Reconciliation of Form 1-2 for 2023**

Cardinal Point

**Note to Form 1-2 reconciling total Operating Expense**

Total Operating Expenses Per Consolidated Statement	\$	8,724,400
Plus: Miscellaneous Expenses		163,500
Less: Facility Lease		<u>(2,751,500)</u>
<b>Form 1-2, Line 1</b>		<b><u><u>6,136,400</u></u></b>



**Gallaher**  
SENIOR LIVING

April 30, 2024

Continuing Care Contracts Branch  
California Department of Social Services

To Whom It May Concern:

I, William P Gallaher, certify that the annual audit, reports and any amendments thereto submitted for December 31, 2023 for Gallaher Senior Living LLC / Cardinal Point at Mariner Square are true and correct to the best of my knowledge.

Gallaher Senior Living / Cardinal Point at Mariner Square continuing care contract form in use or offered to new residents has been approved by the Department of Social Services.

Gallaher Senior Living / Cardinal Point at Mariner Square are maintaining the required liquid reserve.

Gallaher Senior Living / Cardinal Point at Mariner Square do not offer refundable Contracts.

Sincerely,

William P Gallaher  
Gallaher Senior Living / Cardinal Point at Mariner Square  
Managing Member



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

1/19/2024

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

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


<b>PRODUCER</b> Heffernan Insurance Brokers 1350 Carlbach Avenue Walnut Creek, CA 94596  License#: 0564249 WELLIV-01	<b>CONTACT NAME:</b> Bonnie Varela <b>PHONE (A/C, No, Ext):</b> 925-934-8500 <b>E-MAIL ADDRESS:</b> BonnieV@heffins.com	<b>FAX (A/C, No):</b> 925-934-8278
	<b>INSURER(S) AFFORDING COVERAGE</b>	
<b>INSURED</b> Gallaher Companies, LLC WellQuest Living, LLC OakmontSL of Alameda LP 185 South State Street, Suite 1300 Salt Lake City UT 84111	<b>INSURER A:</b> Scottsdale Insurance Company <b>NAIC #:</b> 41297	
	<b>INSURER B:</b> Nationwide Mutual Insurance Company <b>NAIC #:</b> 23787	
	<b>INSURER C:</b>	
	<b>INSURER D:</b>	
	<b>INSURER E:</b>	
	<b>INSURER F:</b>	

**COVERAGES** **CERTIFICATE NUMBER:** 395238880 **REVISION NUMBER:**

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> <b>COMMERCIAL GENERAL LIABILITY</b> <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> DED: \$75,000 <input checked="" type="checkbox"/> RETRO: 4/1/2023 GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER:	Y		SHS0000765	4/1/2023	4/1/2024	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ 3,000,000 TRIA EXCLUDED \$
B	<b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			ACP3058777352	5/1/2023	5/1/2024	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	<input type="checkbox"/> <b>UMBRELLA LIAB</b> <input checked="" type="checkbox"/> <b>EXCESS LIAB</b> <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ \$0		Y	SXS0000353	4/1/2023	4/1/2024	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 TRIA EXCLUDED \$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A				<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	PROFESSIONAL LIABILITY			SHS0000765	4/1/2023	4/1/2024	EACH CLAIM/AGGREGATE DEDUCTIBLE: \$75,000 \$1M/\$3M

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)**  
 Re: Cardinal Point, 2431 Mariner Square Drive, Alameda, CA 94501. Loan #066074. Greystone Servicing Company LLC; as Sub-Servicer for the Benefit of Wells Fargo Bank, National Association, as Master Servicer on behalf of U.S. Bank National Association, as Trustee for the registered GS Mortgage Securities Corporation II, Multifamily Mortgage Pass-Through Certificates, Series 2017-K67, as their interests appear c/o Greystone Servicing Company LLC; 419 Belle Air Lane Warrenton VA 20186 is included as Additional Insured on the General Liability policy per the attached endorsement, if required. The Cancellation endorsement on the General Liability policy is attached, if required. This certificate supersedes and replaces any previously issued certificate.

<b>CERTIFICATE HOLDER</b>  Greystone Servicing Company LLC 419 Belle Air Lane Warrenton VA 20186	<b>CANCELLATION</b>  SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE 

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Report of Independent Auditors and  
Consolidated Financial Statements with  
Supplementary Information

**Gallaher Senior Living LLC and Subsidiaries**

December 31, 2023 and 2022

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## **Gallaher Report of Independent Auditors**

The Members  
Gallaher Senior Living LLC and Subsidiaries

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Gallaher Senior Living LLC and Subsidiaries, which comprise the consolidated balance sheets as December 31, 2023 and 2022, and the related consolidated statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Gallaher Senior Living LLC and 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.

#### ***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 Gallaher Senior Living LLC and 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.

#### ***Emphasis of Matter***

As discussed in Note 1 to the consolidated financial statements, on January 1, 2023, Gallaher Senior Living LLC and Subsidiaries adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses*, (Topic 326). Our opinion is not modified with respect to this matter.

#### ***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 Gallaher Senior Living LLC and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gallaher Senior Living LLC and 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 Gallaher Senior Living LLC and 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Gallaher Senior Living LLC and Subsidiaries basic financial statements. The 2023 consolidating information presented on pages 22 through 25 is presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Moss Adams LLP*

Campbell, California

April 30, 2024

## **Consolidated Financial Statements**

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**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 23,151,900	\$ 25,517,700
Restricted cash	3,257,200	6,406,200
Accounts receivable and other assets	2,103,600	2,538,800
Total current assets	28,512,700	34,462,700
<b>INVESTMENTS IN REAL ESTATE</b>		
Buildings and improvements	113,299,700	115,289,700
Land	8,108,400	8,108,400
Furniture, fixtures, and equipment	12,625,100	8,030,600
Land improvements	-	53,100
Construction in progress	30,000	104,800
Accumulated depreciation	(68,262,200)	(63,481,700)
Total investments in real estate, net	65,801,000	68,104,900
<b>OTHER ASSETS</b>		
Operating lease right-of-use assets, net	72,801,500	75,044,800
Due from related parties	-	8,377,600
Total other assets	72,801,500	83,422,400
Total assets	\$ 167,115,200	\$ 185,990,000

See accompanying notes.

**Gallagher Senior Living LLC and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**

	2023	2022
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 2,133,100	\$ 3,841,100
Due to related parties	463,000	1,700
Operating lease liabilities, current portion	671,500	501,600
Current maturities of debt obligations	3,099,300	1,326,800
Total current liabilities	6,366,900	5,671,200
<b>OTHER LIABILITIES</b>		
Deferred revenue	457,500	130,400
Entrance fees subject to refund	118,869,200	113,533,700
Entrance fees nonrefundable, net	20,998,700	19,414,400
Operating lease liabilities, noncurrent portion	79,086,500	79,685,100
Debt obligations, less current maturities and net of unamortized debt issuance costs	64,954,400	67,909,700
Total other liabilities	284,366,300	280,673,300
<b>MEMBERS' DEFICIT</b>		
Noncontrolling interest	(17,668,800)	(16,350,300)
Controlling interest	(105,949,200)	(84,004,200)
Total members' deficit	(123,618,000)	(100,354,500)
Total liabilities and members' deficit	\$ 167,115,200	\$ 185,990,000

See accompanying notes.

**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
<b>REVENUE</b>		
Continuing care contracts	\$ 20,353,700	\$ 29,190,500
Noncontinuing care contracts	7,435,100	11,925,400
Amortization of entrance fees nonrefundable	2,014,000	3,703,700
Rent revenue	396,500	-
Total revenue	30,199,300	44,819,600
<b>OPERATING EXPENSES</b>		
Continuing care contract operating expenses	16,827,900	25,985,500
Noncontinuing care contract operating expenses	5,271,300	6,327,000
Management fees - related party	1,261,200	1,872,100
General and administrative	1,576,600	890,700
Depreciation	4,781,300	4,877,100
Facility lease	3,962,400	9,046,500
Total operating expenses	33,680,700	48,998,900
<b>LOSS FROM CONTINUING OPERATIONS</b>	(3,481,400)	(4,179,300)
<b>OTHER (EXPENSES) INCOME</b>		
Interest income	-	100
Amortization of debt issuance costs	(120,200)	(120,300)
Interest expense	(3,039,900)	(3,092,300)
Fire-related insurance recovery proceeds	-	11,800
Gain on sale of CCRC operations	-	106,846,700
Miscellaneous	55,300	815,800
NET (LOSS) INCOME, BEFORE ALLOCATION TO NONCONTROLLING INTEREST	(6,586,200)	100,282,500
NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	(649,900)	15,004,600
NET (LOSS) INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ (5,936,300)	\$ 85,277,900

See accompanying notes.

**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidated Statements of Changes in Members' Deficit**  
**Years Ended December 31, 2023 and 2022**

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	Noncontrolling Interest	Controlling Interest	Total
BALANCE, December 31, 2021	\$ (29,062,500)	\$(151,158,500)	\$(180,221,000)
Members contributions	-	4,604,700	4,604,700
Members distributions	(2,292,400)	(22,728,300)	(25,020,700)
Net income	15,004,600	85,277,900	100,282,500
BALANCE, December 31, 2022	(16,350,300)	(84,004,200)	(100,354,500)
Members contributions	-	22,825,700	22,825,700
Members distributions	(668,600)	(30,456,800)	(31,125,400)
Cumulative impact of Topic 326 adoption		(8,377,600)	(8,377,600)
Net loss	(649,900)	(5,936,300)	(6,586,200)
BALANCE, December 31, 2023	\$ (17,668,800)	\$(105,949,200)	\$(123,618,000)

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See accompanying notes.



**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from continuing care contracts	\$ 20,821,200	\$ 29,099,900
Cash received from entrance fees nonrefundable	3,598,300	9,022,800
Cash received from noncontinuing care contracts - Cardinal Point	805,500	389,100
Cash received from noncontinuing care contracts - Segovia	-	1,252,200
Cash received from noncontinuing care contracts - Capriana	-	2,734,300
Cash received from noncontinuing care contracts - Fountaingrove Lodge	-	1,564,600
Cash received from noncontinuing care contracts - all other	6,715,900	5,986,000
Cash received from related parties, net	857,800	12,259,700
Cash received from fire-related insurance proceeds	-	11,800
Cash paid to employees and suppliers	(24,906,300)	(42,127,200)
Cash paid for management fees	(1,261,200)	(1,872,100)
Cash paid for facility lease	(2,151,100)	(6,082,900)
Interest received	-	100
Interest paid	(3,039,900)	(3,092,300)
Miscellaneous receipts	55,300	680,400
	<u>1,495,500</u>	<u>9,826,400</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments in real estate	(2,743,100)	(3,403,700)
Proceeds from sale of CCRC operations	-	5,321,800
	<u>(2,743,100)</u>	<u>1,918,100</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refunds of entrance fees subject to refunds	(10,797,800)	(27,531,800)
Proceeds from entrance fees subject to refunds	16,133,300	29,821,400
Payments on debt obligations	(1,303,000)	(1,268,400)
Controlling interest distributions	(30,456,800)	(22,728,300)
Noncontrolling interest distributions	(668,600)	(2,292,400)
Controlling interest contributions	22,825,700	4,604,700
	<u>(4,267,200)</u>	<u>(19,394,800)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(5,514,800)</b>	<b>(7,650,300)</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year</b>	<b><u>31,923,900</u></b>	<b><u>39,574,200</u></b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year</b>	<b><u>\$ 26,409,100</u></b>	<b><u>\$ 31,923,900</u></b>

See accompanying notes.

**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

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	2023	2022
Reconciliation of net (loss) income to net cash from operating activities:		
Net (loss) income	\$ (6,586,200)	\$ 100,282,500
Adjustments to reconcile net (loss) income to net cash from operating activities		
Depreciation	4,781,300	4,877,100
Amortization of operating right-of-use assets and lease liabilities, net	1,814,600	2,963,500
Amortization of debt issuance costs	120,200	120,300
Gain on sale of CCRC operations	-	(106,846,700)
Amortization of entrance fees nonrefundable	(2,014,000)	(3,703,700)
Proceeds from entrance fees nonrefundable	3,598,300	9,022,800
Changes in operating assets and liabilities		
Accounts receivable and other assets	699,900	(135,600)
Due from related parties	-	12,250,200
Accounts payable and accrued liabilities	(1,707,000)	(8,430,200)
Due to related parties	461,300	9,500
Deferred revenue	327,100	(583,300)
Net cash from operating activities	\$ 1,495,500	\$ 9,826,400

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See accompanying notes.

# Gallaher Senior Living LLC and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1 – Description of Operations and Summary of Significant Accounting Policies

**Description of operations** – Gallaher Senior Living LLC, previously referred to as Oakmont Senior Living LLC, was formed on November 1, 2000, as a California limited liability company. Gallaher Senior Living LLC's purpose is to develop, construct, operate, lease, and own apartments, independent living, assisted living, and continuing care retirement communities. Gallaher Senior Living LLC operates retirement facilities it owns or leases, located in Alameda, Santa Rosa, Palm Desert, and Brea, California.

**Basis of accounting and principles of consolidation** – The consolidated financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of Gallaher Senior Living LLC and the following entities (the Company):

Oakmont SL of Alameda, LP	Varenna Assisted Living, LLC
Varenna at Fountaingrove, LLC	OSL Limited Partner of Alameda, LLC
Varenna, LLC	Segovia Operations, LLC
Varenna Apartments, LLC	Fountaingrove Lodge, LLC
Cardinal Point at Mariner Square, LLC	Capriana Operations, LLC
Cardinal Point Social Club, LLC	OSL of Alameda, LLC
Oakmont Senior Living, LLC	

All significant transactions between these entities have been eliminated.

**Use of estimates** – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of risk** – Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalents (including restricted amounts) on deposit with financial institutions, the balances of which frequently exceed federally insured limits, and accounts receivable.

If any of the financial institutions with whom the Company does business with were to be placed into receivership, the Company may be unable to access to the cash they have on deposit with such institutions. If they are unable to access their cash and cash equivalents as needed, the Company's financial position and ability to operate their business could be adversely affected.

**Cash and cash equivalents** – The Company considers all highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**Restricted cash** – Restricted cash consists of collections for entrance fee deposits, operating expense impound accounts required by the Company's lenders, and restricted cash accounts used as collateral as required by one of the Company's lenders.

## Gallaher Senior Living LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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The following table provides a reconciliation of cash and cash equivalents and restricted cash reporting within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows at December 31:

	2023	2022
Cash and cash equivalents	\$ 23,151,900	\$ 25,517,700
Restricted cash	3,257,200	6,406,200
 Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows	 \$ 26,409,100	 \$ 31,923,900

**Accounts receivable and other assets** – Accounts receivable and other assets consist of trade receivables, receivables from tenants, deposits, and prepaid expenses. Accounts receivable consists of payments owed from residents for services rendered, which does not represent concentrated credit risks to the Company. Management regularly monitors and adjusts its reserves and allowances related to these receivables. The Company adopted ASU 2016 -13 Financial Instruments – Credit Losses (“Topic 326”), effective January 1, 2023. The guidance applies an expected loss methodology, recognizing current expected losses for the remaining life of the accounts receivables and other assets at the time of origination

The allowance for credit losses (“ACL”) is a valuation reserve that is established and maintained by charges against income and is deducted from the gross amount to be collected from accounts receivable and other assets. Accounts receivable and other assets are charged off against the ACL when they are deemed uncollectible. The ACL is an estimate of expected credit losses measured over the contractual life of the accounts receivable and other assets, that considers our historical loss experience, current conditions, and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period. As of December 31, 2023 and 2022, no allowance was considered necessary.

**Investments in real estate** – Investments in real estate are recorded at the lesser of cost or estimated fair-market value, if impaired, and include interest and property taxes capitalized on long-term construction projects during the construction period, as well as other costs directly related to the development and construction of facilities. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	30 to 40 years
Furniture, fixtures, and equipment	3 to 10 years

The Company reviews its investments in real estate for impairment whenever events or changes in circumstances indicate that the cost basis of such assets may not be recoverable. If the cost basis of an investment in real estate is greater than the projected future undiscounted net cash flows (before interest) from that property, an impairment loss is recognized. Impairment losses are calculated as the difference between the property’s cost basis and its estimated fair value. No such impairment losses have been recognized to date. An investment in real estate held for sale is carried at the lower of its carrying amount or estimated fair value, less costs to sell. The Company considers an investment in real estate held for sale when the property is being actively marketed for sale and expects it to sell within one year.

## Gallagher Senior Living LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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During the year ended December 31, 2022, the Company entered into a purchase and sale agreement with Welltower PropCo Group LLC (Welltower), under the terms of the purchase and sale agreement the Company sold the refundable and nonrefundable entrance fees together with certain other assets associated with Fountaingrove Lodge, LLC, Capriana Operations, LLC, and Segovia Operations, LLC, to Welltower and recognized a gain on sale of CCRC operations of \$106,846,740.

**Debt issuance costs** – Debt issuance costs are stated at cost and consist of fees incurred in connection with the debt obligations. These costs are amortized on a straight-line basis over the term of the associated indebtedness, which approximates the effective interest method. The unamortized costs are classified as a reduction to the debt obligations. The Company paid no loan costs for the years ended December 31, 2023 and 2022. The Company incurred amortization expense related to debt issuance costs of \$120,200 and \$120,300 for each of the years ended December 31, 2023 and 2022, respectively.

**Entrance fees subject to refund** – Residents pay an entrance fee to occupy a unit and pay monthly fees for housing, food, and services. The Company has residency agreements that require the resident to pay an upfront entrance fee prior to joining the community that is 100% refundable within 90 days of occupancy. Certain contracts require the refundable portion of the entrance fee to be refunded only upon resale of the unit (contingently refundable). Upon resale, the Company may receive re-occupancy proceeds in the form of additional contingently refundable fees, refundable fees, or nonrefundable fees. The refundable portion of a resident's entrance fee is recorded as a liability on the consolidated balance sheets. Entrance fees subject to refund totaled \$118,869,200 and \$113,533,700 at December 31, 2023 and 2022, respectively. It is management's expectation that future refunds will not have a significant effect on the consolidated financial statements.

**Revenue recognition** – The Company follows the provisions of ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), and its related amendments, collectively known as ASC 606.

**Amortization of entrance fees nonrefundable** – After the initial 90 days of occupancy, the entrance fees are a combination of refundable and nonrefundable in accordance with the terms of the contracts. The nonrefundable portion of the entrance fee is recorded as an entrance fee nonrefundable liability and amortized over the estimated life of the resident based on an actuarial valuation.

Entrances fees nonrefundable were \$20,998,700 and \$19,414,400 at December 31, 2023 and 2022, respectively. Revenue recognized from amortization of entrance fees nonrefundable totaled \$1,965,500 and \$3,703,700 for the years ended December 31, 2023 and 2022, respectively.

**Rental revenue** – The Company's operations include leasing apartment units. Rental income is recognized in revenue on a straight-line basis over the lives of the related leases when collectability is reasonably assured. The lease terms are generally for periods of one year or less. Differences between the rental revenue recognized and amounts due under the respective lease agreements with terms in excess of one year are recorded as deferred rent receivable, which was \$0 as of December 31, 2023 and 2022. Ongoing credit evaluations are performed and an allowance for potential credit losses is provided against the portion of accounts receivable that is estimated to be uncollectible.

## Gallaher Senior Living LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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Resident fee revenue, presented as continuing care and noncontinuing care contracts, is recorded when services are rendered and consist of fees for basic housing, support services, and fees associated with additional services, such as personalized health and assisted living care. Residency agreements are generally for a term of 30 days to one year, with resident fees billed monthly in advance. Revenues for certain care services provided are also charged in advance. Additional ancillary charges are billed monthly in arrears. As of December 31, 2023 and 2022, approximately \$457,500 and \$130,400, respectively, has been recorded in deferred revenue related to fees paid by applicants prior to occupancy.

**Advertising** – The Company expenses its advertising costs as they are incurred. Advertising expenses amounted to \$155,000 and \$313,300 for the years ended December 31, 2023 and 2022, respectively.

**Income taxes** – The Company is taxed as a partnership for federal and state purposes. As a partnership, all federal and state income tax liability flows through to the Company's members. No provision for income taxes is included in the accompanying consolidated financial statements.

The Company follows the accounting standard related to accounting for uncertain tax positions. The standard prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters, such as derecognition, interest, penalties, and disclosures required. The Company does not have any entity-level uncertain tax positions. The Company files income tax returns in the U.S. federal jurisdiction and the state of California. The Company recognizes interest and penalties related to income tax matters in operating expenses. There are no interest and penalties recorded in the consolidated financial statements for the years ended December 31, 2023 and 2022.

**Obligation to provide future services** – 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. The Company has determined that no accrual for the obligation to provide future services and use of facilities to current residents was required at December 31, 2023 and 2022. The discount rate used to calculate the obligation to provide future services is 5%.

**Statutory cash reserve requirements** – The Company is subject to statutory cash reserve requirements. At December 31, 2023 and 2022, the Company's reserves were in excess of such requirements by \$7,389,600 and \$7,573,800, respectively, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code.

**Lease arrangements** – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Updates (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASU, which amend and clarify Topic 842: ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Leases (Topic 842): Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize ROU assets and lease liabilities for operating leases on the consolidated balance sheet as of December 31, 2022.

## Gallaher Senior Living LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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The Company elected to adopt these Topic 842 effective January 1, 2022, using the modified retrospective approach. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification.

The adoption had a material impact on the Company's consolidated balance sheets but did not have a material impact on the consolidated statements of operations. The most significant impact was the recognition of ROU assets and lease liabilities for finance and operating leases. The adoption of the standard required the Company to recognize an increase in operating lease ROU assets and lease liabilities of \$200,215,684. As required under ASC 842, *Leases*, deferred rent of \$7,906,300 was offset against the operating ROU assets upon adoption. The Company derecognized operating ROU assets and operating lease liabilities of \$112,514,910 and \$118,627,872, respectively, upon sale of CCRC operations.

In the ordinary course of business, the Company enters into a variety of lease arrangements, including operating lease transactions where the Company receives substantially all the economic benefits from and has the ability to direct the use of these ROU assets. The Company determines if an arrangement is a lease at inception. The operating lease ROU asset is included in "Operating lease right-of-use assets", "Operating lease liabilities, current portion", and "Operating lease liabilities, noncurrent portion" in the accompanying consolidated balance sheets.

ROU assets represent the Company's right to use, or control the use of, a specified asset for the lease term. Lease liabilities are the Company's obligation to make lease payments arising from a lease and are measured on a discounted basis. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date. The operating lease ROU asset includes any lease payments made and initial direct costs incurred and excludes lease incentives, if any. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments continues to be recognized on a straight-line basis over the lease terms and is included in "Facility lease" in the accompanying consolidated statements of operations.

**Recent accounting pronouncements** – In June 2016 the FASB issued Topic 326 replaces the incurred loss model with an expected loss model, resulting in the earlier recognition of credit losses even if the risk of loss is remote. This standard applies to financial assets measured at amortized cost and certain other instruments, including loans receivable and net investments in direct financing leases. This standard does not apply to receivables arising from operating leases, which are within the scope of ASC 842. Adjustments resulting from adoption of ASU 2016-13 shall be applied through a cumulative-effect adjustment to retained earnings. The adoption of Topic 326 as of January 1, 2023, resulted in a cumulative catch up adjustment to retained earnings in the amount of \$8,377,600 (Note 3).

## **Gallaher Senior Living LLC and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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**Subsequent events** – Subsequent events are events or transactions that occur after the consolidated balance sheet date, but before the consolidated financial statements are issued. The Company 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. The Company'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 the consolidated financial statements were available to be issued. The Company has evaluated subsequent events through April 30, 2024, which is the date the consolidated financial statements were available to be issued, in accordance with the Company's policy related to disclosures of subsequent events.



## Gallaher Senior Living LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2 – Debt Obligations, Net

The following is a listing of debt obligations that were outstanding at December 31:

	2023	2022
<p>The mortgage agreement is payable to Greystone Service Corporation, monthly payments of \$286,998 at a fixed annual interest rate of 4.25%. Scheduled maturity date is August 1, 2025, guaranteed 100% by the majority member of the Company with payment of principal and interest secured in part by a pledge of Reserve Funds and the Mortgaged Property under the Indenture.</p>	\$ 49,054,400	\$ 50,332,889
<p>Loan payable to Summit State Bank; monthly payments for the first 60 months of \$8,539 bearing interest at 4.24%. Monthly payments of \$9,005 for the following 59 months bearing interest at the weekly average yield of U.S. Treasury Securities adjusted to a constant maturity of 5 years, as made available by the federal reserve board (4.76% as of December 31, 2023 and 2022, respectively), plus a margin of 3%, and one final payment of outstanding principal and interest in July 2024. 100% guaranteed by the majority member of the Company. This loan is subject to certain financial covenants. The company was in compliance at December 31, 2022. Summit State Bank has waived compliance with the financial covenants as of December</p>	1,748,300	1,772,811
<p>Loan payable to Greystone Service Corporation bearing a fixed annual interest rate of 4.55% payable monthly. Scheduled maturity date is May 1, 2027, guaranteed 100% by the majority member of the Company with payment of principal and interest secured in part by a pledge of Reserve Funds and the Mortgaged Property under the Indenture.</p>	17,500,000	17,500,000
	68,302,700	69,605,700
<p>Less: current maturities of debt obligations</p>	(3,099,300)	(1,326,800)
<p>Less: unamortized debt issuance costs</p>	(249,000)	(369,200)
<p>Debt obligations, less current maturities</p>	\$ 64,954,400	\$ 67,909,700

All long-term debt obligations are secured by deeds of trust on the investment in real estate. The loan agreements contain general affirmative and negative covenants that include provisions for the upkeep of the properties, maintenance, insurance, compliance with laws, and financial reporting requirements. Many agreements include restrictions on certain transactions and changes in capital structure. Management believes the Company is in compliance with these covenants.

## Gallagher Senior Living LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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Future minimum principal payments due under the debt obligations subsequent to December 31, 2023 are as follows:

<u>Years Ending December 31,</u>	
2024	\$ 3,099,300
2025	47,703,400
2026	-
2027	-
2028	-
Thereafter	<u>17,500,000</u>
	<u><u>\$ 68,302,700</u></u>

The Company entered into an irrevocable line of credit agreement with Community Bank of the Bay on August 9, 2023, in the maximum principal amount of \$10,000,000 with a maturity date of August 9, 2024. The Company has not drawn on the line of credit during the year ended December 31, 2023, and the outstanding principal balance as of December 31, 2023, is \$0.

#### **Note 3 – Related-Party Transactions**

As of December 31, 2023 and 2022, the Company had amounts due from related parties of \$0 and \$8,377,600, respectively. The due from amount related parties amount outstanding as of December 31, 2022, was due from an affiliate of the majority member of the Company, the affiliate sold its operations at a loss and does not have sufficient net assets to repay the amount due, accordingly the \$8,377,600 was charged to expense for the year ended December 31, 2023, in the accompanying statements of operations.

The Company's majority member has a controlling financial interest in a financial institution. As of December 31, 2023 and 2022, the Company had cash deposits with this financial institution of \$23,152,000 and \$24,761,800, respectively.

Pursuant to asset and property management agreements between the Company and an unconsolidated affiliate, the Company is obligated to pay monthly management fees. Management fees of \$36,000 and \$1,872,100 were paid to the unconsolidated affiliate during the years ended December 31, 2023 and 2022, respectively.

The Company entered into management agreements with WellQuest Living, LLC (WellQuest), for management of three CCRC operations, the management agreements were effective from May 1, 2023. Under the terms of the management agreements, WellQuest shall be paid a management equal to 5% of revenues or \$16,000/CCRC operation whichever is greater. Management fees of \$1,225,200 were incurred during the year ended December 31, 2023. The amount due to WellQuest as of December 31, 2023, was \$461,500.

As of December 31, 2023 and 2022, the Company had aggregate amounts due to related parties of \$463,000 and \$1,700, respectively. These balances are noninterest-bearing and are due on demand.

## Gallaher Senior Living LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4 – Members’ Deficit

The liability of each member of Gallaher Senior Living LLC is limited to the amount of his or her required capital contribution. The Company will cease to exist on January 30, 2051, unless it is dissolved at an earlier date in accordance with the operating agreement.

#### Note 5 – Employee Benefit Plan

The Company sponsors a 401(k) defined contribution retirement plan for all full-time employees with at least 12 months of continuous service and who have reached the age of 21 years. The plan is qualified under Section 401(k) of the Internal Revenue Code, so that contributions to the plan by the Company are not taxable until distributed to employees. The Company matches up to 3% of each participating employee’s annual salary at its discretion, and such employer contributions are vested immediately. There were employer contributions of \$42,000 and \$65,800 to the plan for the years ended December 31, 2023 and 2022, respectively.

#### Note 6 – Leases

The Company operates assisted living facilities under long-term noncancelable operating leases with initial lease terms of 15 years, renewal options of 15 to 30 years, and expiration dates through February 2046.

For the year ended December 31, 2023, other supplemental quantitative disclosures are as follows:

Cash paid for amounts included in the measurement of lease liabilities	\$ 3,902,000
Weighted-average remaining lease term in years for operating leases	21.4
Weighted-average discount rate for operating leases	4.25%

For the year ended December 31, 2022, other supplemental quantitative disclosures are as follows:

Cash paid for amounts included in the measurement of lease liabilities	\$ 7,146,647
Weighted-average remaining lease term in years for operating leases	22.4
Weighted-average discount rate for operating leases	4.25%

## Gallaher Senior Living LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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As of December 31, 2023, future minimum lease payments under noncancelable leases are as follows:

<u>Years Ending December 31,</u>	
2024	\$ 4,038,704
2025	4,180,058
2026	4,326,360
2027	4,477,783
2028	4,634,505
Thereafter	<u>107,197,190</u>
Total undiscounted cash flows	128,854,600
Less present value discount	<u>49,096,600</u>
Total lease liabilities	<u><u>\$ 79,758,000</u></u>

#### **Note 7 – Contingencies**

**Environmental matters** – The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company's business, consolidated assets, or consolidated results of operations. There can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability could have an adverse effect on the Company's consolidated results of operations.

**Litigation** – The Company may be involved, from time-to-time, in legal actions relating to the ownership and operations of its properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

## **Supplementary Information**

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**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidating Balance Sheets**  
**December 31, 2023**

<b>ASSETS</b>	All Other Entities	Varena at Fountaingrove LLC	Varena Assisted Living LLC	Varena Apartments LLC	Varena LLC	Cardinal Point at Mariner Square LLC	Total	Eliminating Entries	Consolidated Total
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	\$ 13,313,700	\$ 7,500	\$ 50,500	\$ 94,500	\$ 6,251,500	\$ 3,434,200	\$ 23,151,900	\$ -	\$ 23,151,900
Restricted cash	258,100	-	-	-	2,467,800	531,300	3,257,200	-	3,257,200
Accounts receivable and other assets	166,000	-	93,900	10,400	1,389,700	178,900	1,838,900	264,700	2,103,600
<b>Total current assets</b>	<b>13,737,800</b>	<b>7,500</b>	<b>144,400</b>	<b>104,900</b>	<b>10,109,000</b>	<b>4,144,400</b>	<b>28,248,000</b>	<b>264,700</b>	<b>28,512,700</b>
<b>INVESTMENTS IN REAL ESTATE</b>									
Buildings and improvements	17,529,300	-	16,400	5,320,900	89,692,900	740,200	113,299,700	-	113,299,700
Land	4,272,400	-	-	71,000	3,765,000	-	8,108,400	-	8,108,400
Furniture, fixtures, and equipment	1,315,800	-	222,600	130,700	9,285,100	1,670,900	12,625,100	-	12,625,100
Construction in progress	30,000	-	-	-	-	-	30,000	-	30,000
Accumulated depreciation	(11,141,000)	-	(165,600)	(2,997,800)	(52,300,100)	(1,657,700)	(68,262,200)	-	(68,262,200)
<b>Total investments in real estate, net</b>	<b>12,006,500</b>	<b>-</b>	<b>73,400</b>	<b>2,524,800</b>	<b>50,442,900</b>	<b>753,400</b>	<b>65,801,000</b>	<b>-</b>	<b>65,801,000</b>
<b>OTHER ASSETS</b>									
Operating lease right-of-use assets, net	-	-	36,679,900	-	-	36,121,600	72,801,500	-	72,801,500
Due from related parties	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	(50,263,800)	(32,568,800)	-	-	-	-	(82,832,600)	82,832,600	-
<b>Total assets</b>	<b>\$ (24,519,500)</b>	<b>\$ (32,561,300)</b>	<b>\$ 36,897,700</b>	<b>\$ 2,629,700</b>	<b>\$ 60,551,900</b>	<b>\$ 41,019,400</b>	<b>\$ 84,017,900</b>	<b>\$ 83,097,300</b>	<b>\$ 167,115,200</b>
<b>LIABILITIES AND MEMBERS' (DEFICIT) EQUITY</b>									
<b>CURRENT LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 81,000	\$ -	\$ 525,200	\$ 17,600	\$ 1,266,300	\$ 243,000	\$ 2,133,100	\$ -	\$ 2,133,100
Due to related parties	-	-	263,900	1,500	150,200	47,400	463,000	-	463,000
Operating lease liabilities, current portion	-	-	467,400	-	-	204,100	671,500	-	671,500
Current maturities of debt obligations	-	-	-	1,748,400	1,350,900	-	3,099,300	-	3,099,300
<b>Total current liabilities</b>	<b>81,000</b>	<b>-</b>	<b>1,256,500</b>	<b>1,767,500</b>	<b>2,767,400</b>	<b>494,500</b>	<b>6,366,900</b>	<b>-</b>	<b>6,366,900</b>
<b>OTHER LIABILITIES</b>									
Deferred revenue	-	-	82,000	24,800	127,800	222,900	457,500	-	457,500
Entrance fees subject to refund	-	-	-	-	100,089,300	18,779,900	118,869,200	-	118,869,200
Entrance fees nonrefundable, net	-	-	-	-	14,037,300	6,961,400	20,998,700	-	20,998,700
Operating lease liabilities, noncurrent portion	-	-	41,100,500	-	-	37,986,000	79,086,500	-	79,086,500
Debt obligations, less current maturities and net of unamortized debt issuance costs	17,387,000	-	-	-	47,567,400	-	64,954,400	-	64,954,400
<b>Total other liabilities</b>	<b>17,387,000</b>	<b>-</b>	<b>41,182,500</b>	<b>24,800</b>	<b>161,821,800</b>	<b>63,950,200</b>	<b>284,366,300</b>	<b>-</b>	<b>284,366,300</b>
<b>MEMBERS' (DEFICIT) EQUITY</b>									
Noncontrolling interest	(3,606,200)	(13,415,500)	(253,500)	(9,100)	(384,500)	-	(17,668,800)	-	(17,668,800)
Controlling interest	(38,381,300)	(19,145,800)	(5,287,800)	846,500	(103,652,800)	(23,425,300)	(189,046,500)	83,097,300	(105,949,200)
<b>Total members' (deficit) equity</b>	<b>(41,987,500)</b>	<b>(32,561,300)</b>	<b>(5,541,300)</b>	<b>837,400</b>	<b>(104,037,300)</b>	<b>(23,425,300)</b>	<b>(206,715,300)</b>	<b>83,097,300</b>	<b>(123,618,000)</b>
<b>Total liabilities and members' (deficit) equity</b>	<b>\$ (24,519,500)</b>	<b>\$ (32,561,300)</b>	<b>\$ 36,897,700</b>	<b>\$ 2,629,700</b>	<b>\$ 60,551,900</b>	<b>\$ 41,019,400</b>	<b>\$ 84,017,900</b>	<b>\$ 83,097,300</b>	<b>\$ 167,115,200</b>

**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidating Statements of Operations**  
**Year Ended December 31, 2023**

	All Other Entities	Varena at Fountaingrove LLC	Varena Assisted Living LLC	Varena Apartments LLC	Varena LLC	Cardinal Point at Mariner Square LLC	Segovia Operations LLC	Capriana Operations LLC	Fountaingrove Lodge LLC	Total	Eliminating Entries	Consolidated Total
<b>REVENUE</b>												
Continuing care contracts	\$ -	\$ -	\$ -	\$ -	\$ 13,677,000	\$ 6,676,700	\$ -	\$ -	\$ -	\$ 20,353,700	\$ -	\$ 20,353,700
Noncontinuing care contracts	-	-	6,629,800	-	-	805,300	-	-	-	7,435,100	-	7,435,100
Amortization of entrance fees nonrefundable	-	-	-	-	1,110,900	903,100	-	-	-	2,014,000	-	2,014,000
Rent revenue/concessions	1,750,900	-	-	396,500	-	-	-	-	-	2,147,400	(1,750,900)	396,500
<b>Total revenue</b>	<b>1,750,900</b>	<b>-</b>	<b>6,629,800</b>	<b>396,500</b>	<b>14,787,900</b>	<b>8,385,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,950,200</b>	<b>(1,750,900)</b>	<b>30,199,300</b>
<b>OPERATING EXPENSES</b>												
Continuing care contract operating expenses	-	-	-	-	11,424,200	5,403,700	-	-	-	16,827,900	-	16,827,900
Noncontinuing care contract operating expenses	-	-	5,267,100	4,200	-	-	-	-	-	5,271,300	-	5,271,300
Management fees - related party	18,000	6,000	322,200	11,900	566,700	336,400	-	-	-	1,261,200	-	1,261,200
General and administrative	643,700	15,900	26,100	171,400	-	-	246,900	230,900	241,700	1,576,600	-	1,576,600
Depreciation	639,900	-	42,200	195,300	3,671,100	232,800	-	-	-	4,781,300	-	4,781,300
Facility lease	-	-	2,961,800	-	-	2,751,500	-	-	-	5,713,300	(1,750,900)	3,962,400
<b>Total operating expenses</b>	<b>1,301,600</b>	<b>21,900</b>	<b>8,619,400</b>	<b>382,800</b>	<b>15,662,000</b>	<b>8,724,400</b>	<b>246,900</b>	<b>230,900</b>	<b>241,700</b>	<b>35,431,600</b>	<b>(1,750,900)</b>	<b>33,680,700</b>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>449,300</b>	<b>(21,900)</b>	<b>(1,989,600)</b>	<b>13,700</b>	<b>(874,100)</b>	<b>(339,300)</b>	<b>(246,900)</b>	<b>(230,900)</b>	<b>(241,700)</b>	<b>(3,481,400)</b>	<b>-</b>	<b>(3,481,400)</b>
<b>OTHER (EXPENSES) INCOME</b>												
Amortization of debt issuance costs	(34,500)	-	-	-	(85,700)	-	-	-	-	(120,200)	-	(120,200)
Interest expense	(807,300)	-	-	(84,900)	(2,147,700)	-	-	-	-	(3,039,900)	-	(3,039,900)
Miscellaneous	6,300	-	9,300	-	203,200	(163,500)	-	-	-	55,300	-	55,300
<b>NET (LOSS) INCOME, BEFORE ALLOCATION TO NONCONTROLLING INTEREST</b>	<b>(386,200)</b>	<b>(21,900)</b>	<b>(1,980,300)</b>	<b>(71,200)</b>	<b>(2,904,300)</b>	<b>(502,800)</b>	<b>(246,900)</b>	<b>(230,900)</b>	<b>(241,700)</b>	<b>(6,586,200)</b>	<b>-</b>	<b>(6,586,200)</b>
<b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<b>-</b>	<b>(2,800)</b>	<b>(253,500)</b>	<b>(9,100)</b>	<b>(384,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(649,900)</b>	<b>-</b>	<b>(649,900)</b>
<b>NET (LOSS) INCOME ATTRIBUTABLE TO CONTROLLING INTEREST</b>	<b>\$ (386,200)</b>	<b>\$ (19,100)</b>	<b>\$ (1,726,800)</b>	<b>\$ (62,100)</b>	<b>\$ (2,519,800)</b>	<b>\$ (502,800)</b>	<b>\$ (246,900)</b>	<b>\$ (230,900)</b>	<b>\$ (241,700)</b>	<b>\$ (5,936,300)</b>	<b>\$ -</b>	<b>\$ (5,936,300)</b>

**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidating Statements of Cash Flows**  
**Year Ended December 31, 2023**

	All Other Entities	Varena at Fountaingrove LLC	Varena Assisted Living LLC	Varena Apartments LLC	Varena LLC	Cardinal Point at Mariner Square LLC	Segovia Operations LLC	Capriana Operations LLC	Fountaingrove Lodge LLC	Total	Eliminating Entries	Consolidated Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Cash received from continuing care contracts	\$ -	\$ -	\$ -	\$ -	\$ 13,965,200	\$ 6,856,000	\$ -	\$ -	\$ -	\$ 20,821,200	\$ -	\$ 20,821,200
Cash received from entrance fees nonrefundable	-	-	-	-	1,975,300	1,623,000	-	-	-	3,598,300	-	3,598,300
Cash received from noncontinuing care contracts - Cardinal Point	-	-	-	-	-	805,500	-	-	-	805,500	-	805,500
Cash received from noncontinuing care contracts - all other	-	-	6,719,100	(3,000)	(200)	-	-	-	-	6,715,900	-	6,715,900
Cash received from rent revenue	1,750,900	-	-	-	-	-	-	-	-	1,750,900	(1,750,900)	-
Cash received from affiliates, net	-	-	263,900	396,300	150,200	47,400	-	-	-	857,800	-	857,800
Cash received fire-related insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Cash paid to employees and suppliers	(1,067,700)	(15,900)	(4,941,200)	(174,600)	(12,983,700)	(5,723,200)	-	-	-	(24,906,300)	-	(24,906,300)
Cash paid for management fees	(18,000)	(6,000)	(322,200)	(11,900)	(566,700)	(336,400)	-	-	-	(1,261,200)	-	(1,261,200)
Cash paid for facility lease	-	-	(2,151,100)	-	-	(1,750,900)	-	-	-	(3,902,000)	1,750,900	(2,151,100)
Interest paid	(807,300)	-	-	(84,900)	(2,147,700)	-	-	-	-	(3,039,900)	-	(3,039,900)
Miscellaneous receipts	6,300	-	9,300	-	203,200	(163,500)	-	-	-	55,300	-	55,300
Net cash from operating activities	(135,800)	(21,900)	(422,200)	121,900	595,600	1,357,900	-	-	-	1,495,500	-	1,495,500
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Investments in real estate	(104,600)	-	(24,200)	(75,000)	(2,383,300)	(156,000)	-	-	-	(2,743,100)	-	(2,743,100)
Receipts (payments) from/to investment in subsidiaries	337,900	(225,000)	-	-	-	-	-	-	-	112,900	(112,900)	-
Net cash from investing activities	233,300	(225,000)	(24,200)	(75,000)	(2,383,300)	(156,000)	-	-	-	(2,630,200)	(112,900)	(2,743,100)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
Refunds of entrance fees subject to refunds	-	-	-	-	(9,040,500)	(1,757,300)	-	-	-	(10,797,800)	-	(10,797,800)
Proceeds from entrance fees subject to refunds	-	-	-	-	13,952,200	2,181,100	-	-	-	16,133,300	-	16,133,300
Payments on debt obligations	-	-	-	(24,500)	(1,278,500)	-	-	-	-	(1,303,000)	-	(1,303,000)
Controlling interest distributions	(28,950,000)	-	-	-	(205,500)	-	(591,000)	(244,700)	(578,500)	(30,569,700)	112,900	(30,456,800)
Noncontrolling interest distributions	(668,600)	-	-	-	-	-	-	-	-	(668,600)	-	(668,600)
Controlling interest contributions	22,130,700	250,000	445,000	-	-	-	-	-	-	22,825,700	-	22,825,700
Net cash from financing activities	(7,487,900)	250,000	445,000	(24,500)	3,427,700	423,800	(591,000)	(244,700)	(578,500)	(4,380,100)	112,900	(4,267,200)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>												
	(7,390,400)	3,100	(1,400)	22,400	1,640,000	1,625,700	(591,000)	(244,700)	(578,500)	(5,514,800)	-	(5,514,800)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	20,962,200	4,400	51,900	72,100	7,079,300	2,339,800	591,000	244,700	578,500	31,923,900	-	31,923,900
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	\$ 13,571,800	\$ 7,500	\$ 50,500	\$ 94,500	\$ 8,719,300	\$ 3,965,500	\$ -	\$ -	\$ -	\$ 26,409,100	\$ -	\$ 26,409,100



**Gallaher Senior Living LLC and Subsidiaries**  
**Consolidating Statements of Cash Flows**  
**Year Ended December 31, 2023**

	All Other Entities	Varena at Fountaingrove LLC	Varena Assisted Living LLC and Subsidiary	Varena Apartments LLC	Varena LLC	Cardinal Point at Mariner Square LLC	Segovia Operations LLC	Capriana Operations LLC	Fountaingrove Lodge LLC	Total	Eliminating Entries	Consolidated Total
Reconciliation of net (loss) income to net cash from operating activities												
Net (loss) income	\$ (386,200)	\$ (21,900)	\$ (1,980,300)	\$ (71,200)	\$ (2,904,300)	\$ (502,800)	\$ (246,900)	\$ (230,900)	\$ (241,700)	\$ (6,586,200)	\$ -	\$ (6,586,200)
Adjustments to reconcile net (loss) income to net cash from operating activities												
Depreciation	639,900	-	42,200	195,300	3,671,100	232,800	-	-	-	4,781,300	-	4,781,300
Amortization of operating right-of-use assets and lease liabilities, net	-	-	814,000	-	-	1,000,600	-	-	-	1,814,600	-	1,814,600
Amortization of debt issuance costs	34,500	-	-	-	85,700	-	-	-	-	120,200	-	120,200
Due from related parties - credit losses	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of entrance fees nonrefundable	-	-	-	-	(1,111,100)	(902,900)	-	-	-	(2,014,000)	-	(2,014,000)
Proceeds from entrance fees nonrefundable	-	-	-	-	1,975,300	1,623,000	-	-	-	3,598,300	-	3,598,300
Changes in operating assets and liabilities												
Accounts receivable and other assets	9,800	-	73,700	(5,100)	(637,900)	539,900	246,900	230,900	241,700	699,900	-	699,900
Accounts payable and accrued liabilities	(433,800)	-	282,300	3,600	(675,600)	(883,500)	-	-	-	(1,707,000)	-	(1,707,000)
Due to related parties	-	-	263,900	(200)	150,200	47,400	-	-	-	461,300	-	461,300
Deferred revenue	-	-	82,000	(500)	42,200	203,400	-	-	-	327,100	-	327,100
Net cash from operating activities	<u>\$ (135,800)</u>	<u>\$ (21,900)</u>	<u>\$ (422,200)</u>	<u>\$ 121,900</u>	<u>\$ 595,600</u>	<u>\$ 1,357,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,495,500</u>	<u>\$ -</u>	<u>\$ 1,495,500</u>





*Report of Independent Auditors and  
Continuing Care Liquid Reserve Schedules  
and Supplementary Schedules*

**Cardinal Point at Mariner Square LLC**

*As of and for the Year Ended December 31, 2023*

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## **Report of Independent Auditors**

The Members  
Cardinal Point at Mariner Square LLC

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Cardinal Point at Mariner Square LLC (the Company), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 for the year ended December 31, 2023, and the related note to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the continuing care reserve of the Company as of and for the year ended December 31, 2023, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

#### ***Basis for Opinion***

We conducted our audit 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 Cardinal Point at Mariner Square LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Basis of Accounting***

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by the Company on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792, and the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules, the Reconciliation of Form 5-4 for 2023 and the DSS – Reserve Report – Part of Form 5-5 Description of Reserves under SB 1212 Report, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

***Restriction on Use***

Our report is intended solely for the information and use of the members, management of the Company, and the California Department of Social Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Campbell, California  
April 30, 2024

**Continuing Care Liquid Reserve Schedules**

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**Cardinal Point at Mariner Square LLC**

**Form 5-1**

**Long-Term Debt Incurred in a Prior Fiscal Year (Including Balloon Debt)**

**December 31, 2023**

**FORM 5-1  
LONG-TERM DEBT INCURRED  
IN A PRIOR FISCAL YEAR  
(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	06/23/14	\$24,500	\$84,900	\$0	\$109,400
2	07/20/15	\$1,278,500	\$2,147,700	\$0	\$3,426,200
3	04/13/17	\$0	\$807,300	\$0	\$807,300
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>			\$3,039,900	\$0	\$4,342,900

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

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

**PROVIDER:** Gallaher Senior Living LLC / Cardinal Point at Mariner Square LLC

**FORM 5-2  
LONG-TERM DEBT INCURRED  
DURING FISCAL YEAR  
(Including Balloon Debt)**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$0	0	\$0

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

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

**PROVIDER:** Gallaher Senior Living LLC / Cardinal Point at Mariner Square LLC

**Cardinal Point at Mariner Square LLC**  
**Form 5-3**  
**Calculation of Long-Term Debt Reserve Amount**  
**December 31, 2023**

**FORM 5-3**  
**CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT**

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	\$4,342,900
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$2,751,500
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$7,094,400</b>

**PROVIDER:** Gallaher Senior Living LLC / Cardinal Point at Mariner Square LLC

**Cardinal Point at Mariner Square LLC**  
**Form 5-4**  
**Calculation of Net Operating Expenses**  
**December 31, 2023**

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**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$6,136,400</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$0</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$232,800</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$805,300</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$1,038,100</u>
4	Net Operating Expenses		<u>\$5,098,300</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$13,968</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		<u><u>\$1,047,596</u></u>

**PROVIDER:** Gallaher Senior Living LLC / Cardinal Point at Mariner Square LLC  
**COMMUNITY:** Cardinal Point at Mariner Square

**Cardinal Point at Mariner Square LLC**  
**Form 5-5**  
**Annual Reserve Certification**  
**December 31, 2023**

**FORM 5-5**  
**ANNUAL RESERVE CERTIFICATION**

Provider Name: Gallaher Senior Living LLC / Cardinal Point at Mariner Square LLC  
 Fiscal Year Ended: December 31, 2023

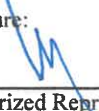
We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2023 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year December 31, 2023 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$7,094,400
[2] Operating Expense Reserve Amount	\$1,047,596
[3] <b>Total Liquid Reserve Amount:</b>	<b>\$8,141,996</b>

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

	<u>Amount</u> (market value at end of quarter)	
<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$12,000,000	\$3,000,000
[5] Investment Securities		
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
(describe qualifying asset)		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	<b>\$12,000,000 [12]</b>	<b>\$3,000,000</b>
<b>Reserve Obligation Amount: [13]</b>	<b>\$7,094,400 [14]</b>	<b>\$1,047,596</b>
<b>Surplus/(Deficiency): [15]</b>	<b>\$4,905,600 [16]</b>	<b>\$1,952,404</b>

Signature:   
 \_\_\_\_\_  
 (Authorized Representative)

Date: 4/30/2024

William P Gallaher, Manager  
 (Title)

**Cardinal Point at Mariner Square LLC**  
**Note to Continuing Care Liquid Reserve Schedules**  
**December 31, 2023**

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**NOTE 1 – BASIS OF ACCOUNTING**

The accompanying continuing care liquid reserve schedules have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Cardinal Point at Mariner Square LLC's (the Company) assets, liabilities, revenues, and expenses.

## **Supplementary Schedules**

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**Cardinal Point at Mariner Square LLC**  
**Reconciliation of Form 5-4 for 2023**  
**December 31, 2023**

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**Reconciliation of Form 5-4 for 2023**

Cardinal Point

**Note to Form 5-4 reconciling total operating expense**

Total Operating Expenses Per Consolidated Financial Statements	\$	8,724,400
Plus: Miscellaneous Expenses		163,500
Less: Facility Lease		<u>(2,751,500)</u>
<b>Form 5-4, Line 1</b>	<b>\$</b>	<b><u>6,136,400</u></b>



**Cardinal Point at Mariner Square LLC**  
**DSS – Reserve Report – Part of Form 5-5**  
**Description of Reserves Under SB 1212**  
**December 31, 2023**

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**DSS - Reserve Report - Part of Form 5-5**  
**Description of Reserves under SB 1212**  
**Oakmont Senior Living**

Audited Cash and Cash Equivalents	\$ 23,151,900	All Cash and Equivalents. No Investments or equities or lines of credit listed.
Less: Qualifying assets to satisfy Oakmont Debt Service Reserve	<u>(12,000,000)</u>	
Available Qualifying Assets after Oakmont Debt Service Deduction	11,151,900	
Less: Qualifying assets for Cardinal Point Operating Reserve	(3,000,000)	
Less: Qualifying assets for Varena at Fountaingrove Operating Reserve	<u>(3,000,000)</u>	
Total Excess Qualifying Assets	<u>\$ 5,151,900</u>	

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Please note that there is no restricted cash or equivalents included in the \$23,151,900 listed for the liquid reserve requirement.

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<u>Per Capita Cost of Operations (Cardinal Point)</u>		<u>Per Capita Cost of Operations (Varena)</u>	
Operating Expenses per Form 5-4 #1	\$ 6,136,400	Operating Expenses per Form 5-4 #1	\$ 17,917,300
Mean # of all Residents from Form 1-1 #10	102	Mean # of all Residents from Form 1-1 #10	223.5
Per Capita Costs of Operations	\$ 60,161	Per Capita Costs of Operations	\$ 80,167



## FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

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

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.
2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.
3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.
4. Check *each* of the appropriate boxes.
5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

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

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

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

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

**FORM 7-1**  
**REPORT ON CCRC MONTHLY CARE FEES**

	<b>RESIDENTIAL LIVING</b>	<b>ASSISTED LIVING</b>	<b>MEMORY CARE</b>	<b>SKILLED NURSING</b>
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>N/A</u>	<u>1,670-9,310</u>	<u>N/A</u>	<u>N/A</u>
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>N/A</u>	<u>6.5%</u>	<u>N/A</u>	<u>N/A</u>

Check here if monthly care fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

3. Indicate the date the fee increase was implemented: 3/1/2023  
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

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

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

**Date of Notice:** \_\_\_\_\_ **Method of Notice:** \_\_\_\_\_

At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 12/07/2022

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

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

Emailed the documents to those residents for whom the provider had email addresses on file

Placed hard copies in resident cubby

Placed hard copies at designated locations

Provided hard copies to residents upon request, and/or

Other: [please describe] \_\_\_\_\_

**Date of Notice:** 11/22/2022

The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.  
**Date of Notice:** 11/22/2022

The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.  
**Date of Posting:** 11/22/2022 **Location of Posting:** Lobby/Common Areas

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

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

**PROVIDER:** Gallaher Senior Living/Cardinal Point at Mari **COMMUNITY:** Cardinal Point at Mariner Square

**FORM 7-1 ATTACHMENT**

**Cardinal Point**

<u>Line</u>	<u>Fiscal Years</u>	<u>2021</u>	<u>2022</u>	<u>Projected 2023</u>
1	FY 2021 operating expenses <b>1</b>	(6,559,900)		
2	FY 2022 operating expenses <b>1</b>		(8,110,800)	
3	Projected FY 2023 operating expenses (excluding depreciation)			(8,348,900)
4	FY 2023 anticipated MCF revenue based on current and projected occupancy without a MCFI <b>2</b>			6,768,300
5	Projected FY 2023 (net) operating results without a MCFI			(1,580,600)
6	Projected FY 2023 anticipated revenue based on current and projected occupancy and other with a MCFI of 6.5% <b>2</b>			7,208,240
7	Grand total - projected FY 2023 net operating activity after 6.5% MCFI (line 3 plus line 6)			(1,140,661)

**Adjustments explained**

- 1** Operating expenses per audited financials. Amounts exclude depreciation.
- 2** FY 2023 anticipated MCF revenue excludes amortization from entrance fees

Monthly Care Fee Increase 6.50%

**FY 2023 projected increases**

Wage pressure and low unemployment has caused labor costs to increase. Labor costs expected to increase 23.9% from FY 2022 actual.  
Workers Comp Insurance and business insurance is expected to increase 7.4% in FY2023 due to annual increases in rates.  
Projected increase of 31% in Employee Benefits is based on the expected increase in employee utilization and increased premium costs.

# CARDINAL POINT at MARINER SQUARE

FORM 7-1 [5] Requirement:

## **Explanation of Increases in Monthly Care Fees, Fiscal YE December 31, 2023**

Cardinal Point's continuing care contract allows for monthly fees to be increased annually based on financial indicators. The Provider is responsible for reviewing financial indicators and determining the amount of increases. Increase amounts are scheduled to take place on the anniversary date of each individual contract being executed, beginning March 1, 2023.

For fiscal YE December 31, 2023, the increase in service fees for residents entering into Continuing Care Contracts was 6.5%. The total dollar amount of the increase for the community is reflected on Form 7-1 Attachment, Lines 6 & 7.

The methodology for calculating the 2023 service and fee increase included review of 2022 per capita costs, then projecting 2023 costs in consideration of the following economic indicators:

Wage pressure and low unemployment has caused labor costs to increase. Labor costs expected to increase 24% from FY 2022 actual.

Employee Benefits costs expected to rise 31% from FY 2022 actual.

Business Insurance is expected to increase 7.4% in FY2023 as insurance companies increase rates.

Any positive result of operations will be retained and applied towards future capital needs.

# CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Date Prepared: 04/30/2024

Facility Name: Cardinal Point at Mariner Square

Address: 2431 Mariner Square, Alame

Zip Code: 94501

Phone: 510-337-1033

Provider Name:

Gallaher Senior Living / Cardinal Point

Facility Operator: Cardinal Point at Mariner Square

Religious Affiliation: N/A

Year Opened: 2006

# of Acres: &lt;2

Miles to Shopping Center: &lt;1

Miles to Hospital: &lt;3

 Single Story Multi-Story Other:**Number of Units: 92**

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:	23	Assisted Living:	8
Apartments – 1 Bdrm:	33	Skilled Nursing:	
Apartments – 2 Bdrm:	28	Special Care:	
Cottages/Houses:		Description:	

RLU Occupancy (%) at Year End: 98.9%

**Type of Ownership:**  Not for Profit For Profit**Accredited?**  Yes By: No**Form of Contact:**  Continuing Care Life Care Entrance Fee Fee for Service(Check all that apply)  Assignment of Assets Equity Membership Rental**Refund Provisions:**  Refundable 90% 50%(Check all that apply)  Repayable 75% Other: 0%/100%**Range of Entrance Fees:** \$ 89,550 - \$ 887,500**Long-Term Care Insurance Required?**  Yes  No**Health Care Benefits Included in Contract:** N/A**Entry Requirements:** Min Age: 60 Prior Profession: N/A Other: Physician's Ref**Resident Representative(s) to, and Resident Members on, the Board:**

(briefly describe provider's compliance and residents' roles): The Governing Body Member meets with residents and/or the resident association at least semi-annually. Residents convey concerns and provide input during those meetings or at any time to the community management.



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

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service	Services Available	Included in Fee	For Extra Charge
Beauty/Barber Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Housekeeping ( <u>4</u> Times/ Month at \$_____ each)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billiard Room	<input type="checkbox"/>	<input type="checkbox"/>			
Bowling Green	<input type="checkbox"/>	<input type="checkbox"/>	Meals ( <u>3</u> /Day)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chapel	<input type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All Utilities Except Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Putting Green	<input type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shuffleboard	<input type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Spa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Medication Management	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swimming Pool – Indoor	<input type="checkbox"/>	<input type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool – Outdoor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Personal Home Care	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tennis Court	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Workshop	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Transportation – Prearranged	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other: <u>theater</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other: _____	<input type="checkbox"/>	<input type="checkbox"/>

**Provider Name:** Gallaher Senior Living / Cardinal Point at Mariner Square

Affiliated CCRCs	Location (city, state)	Phone (with area code)
Cardinal Point at Mariner Square	Alameda, CA	510-337-1033
Varenna at Fountaingrove	Santa Rosa, CA	707-526-1226

Multi-Level Retirement Communities	Location (city, state)	Phone (with area code)

Free-Standing Skilled Nursing	Location (city, state)	Phone (with area code)

Subsidized Senior Housing	Location (city, state)	Phone (with area code)

**NOTE:** Please indicate if the facility is a life care facility.

**Provider Name:** Gallaher Senior Living / Cardinal Point at Mariner Square

<b>Income and Expenses [Year]</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Income from Ongoing Operations</b>				
<b>Operating Income</b> (Excluding amortization of entrance fee income)	\$49,542,300	\$46,202,600	\$20,427,000	\$21,159,000
<b>Less Operating Expenses</b> (Excluding depreciation, amortization, and interest)	\$53,824,700	\$44,937,400	\$18,148,900	\$20,134,700
<b>Net Income From Operations</b>	\$(4,282,400)	\$1,265,200	\$2,278,100	\$1,024,300
<b>Less Interest Expense</b>	\$3,184,800	\$3,057,100	\$3,006,200	\$2,955,000
<b>Plus Contributions</b>	\$102,730,500	\$30,231,300	\$5,204,700	\$22,380,700
<b>Plus Non-Operating Income (Expenses)</b> (Excluding extraordinary items)	\$64,600	\$655,500	\$83,800	\$74,200
<b>Net Income (Loss) Before Entrance Fees, Depreciation And Amortization</b>	\$95,327,900	\$29,094,900	\$4,560,400	\$20,524,200
<b>Net Cash Flow From Entrance Fees</b> (Total Deposits Less Refunds)	\$7,673,700	\$8,460,500	\$8,038,400	\$8,933,800

**Description of Secured Debt** *(as of most recent fiscal year end)*

<b>Lender</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Date of Origination</b>	<b>Date of Maturity</b>	<b>Amortization Period</b>
See Attached					

**Financial Ratios** *(see last page for ratio formulas)*

<b>Financial Ratios [Year]</b>	<b>CCAC Medians 50th Percentile (optional)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Debt to Asset Ratio</b>		0.514	0.456	0.509
<b>Operating Ratio</b>		0.970	0.833	0.946
<b>Debt Service Coverage Ratio</b>		2.47	3.71	2.36
<b>Days Cash On Hand Ratio</b>		264	513	417

**Provider Name:** Gallaher Senior Living / Cardinal Point at Mariner Square

**Historical Monthly Service Fees (Average Fee and Change Percentage)**

<b>Residence/Service [Year]</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023</b>	<b>%</b>
Studio	\$4,393	3.5	\$4,569	4.0	\$4,797	5.0	\$5,109	6.5
One Bedroom	\$4,772	3.5	\$4,963	4.0	\$5,211	5.0	\$5,550	6.5
Two Bedroom	\$6,422	3.5	\$6,679	4.0	\$7,013	5.0	\$7,469	6.5
Cottage/House								
Assisted Living	\$5,407	3.5	\$5,623	4.0	\$5,904	5.0	\$6,288	6.5
Skilled Living								
Special Care								

**Comments from Provider:**

**Financial Ratio Formulas**

**Long-Term Debt to Total Assets Ratio**

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

**Operating Ratio**

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

**Debt Service Coverage Ratio**

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

**Days Cash On Hand Ratio**

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

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

**DESCRIPTION OF PROVIDERS CONSOLIDATED SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

12/31/2023

<b>LENDER</b>	<b>OUTSTANDING BALANCE</b>	<b>INTEREST RATE</b>	<b>DATE OF ORIGINATION</b>	<b>DATE OF MATURITY</b>	<b>AMORTIZATION PERIOD</b>
Freddie Mac / Greystone Servicing Corp	\$ 49,054,400	4.25	Aug-15	Aug-25	10 Years
Summit State Bank	\$ 1,748,400	4.76	Jul-14	Jul-24	10 Years
Greystone Servicing Corp	\$ 17,500,000	4.55	Apr-17	May-27	10 years