

**ANNUAL REPORT  
CHECKLIST**  
for  
**FISCAL YEAR ENDED:**  
**2019**

**PROVIDER:** \_\_\_\_\_ O'Connor Woods Housing Corporation  
**FACILITY(IES):** \_\_\_\_\_ O'Connor Woods  
\_\_\_\_\_  
**CONTACT PERSON:** \_\_\_\_\_ Dan Seiler  
**TELEPHONE NO.:** \_\_\_\_\_ (916) 334-0810

Your complete annual report must consist of **2 hardcopies copies** and **1 electronic copy (unprotected)** of all of the following:

- This cover sheet.
- Annual Provider Fee in the amount of: \$ 3,940
- 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 reserve and refund reserve, if applicable.
- Evidence of the provider's fidelity bond.
- The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community.

**PART 1**  
**ANNUAL PROVIDER FEES**

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

**Continuing Care Residents**

[1] Number at beginning of fiscal year	46
[2] Number at end of fiscal year	83
[3] Total Lines 1 and 2	129
[4] Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5] Mean number of continuing care residents	65

**All Residents**

[6] Number at beginning of fiscal year	453
[7] Number at end of fiscal year	456
[8] Total Lines 6 and 7	909
[9] Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10] Mean number of <i>all</i> residents	455

[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 (rounded to two decimal places).	0.14
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**FORM 1-2**  
**ANNUAL PROVIDER FEE**

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service-interest only)	\$ 34,339,000
[a] Depreciation	3,947,000
[b] Debt Service (Interest Only)	2,246,000
[2] Subtotal (add Line 1a and 1b)	6,193,000
[3] Subtract Line 2 from Line 1 and enter result	28,146,000
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.14
[5] Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$ 3,940,000
	x .001
[6] <b>Total Amount Due</b> (multiply Line 5 by .001)	\$ 3,940

**PROVIDER: O'Connor Woods**  

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**COMMUNITY: O'Connor Woods**

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**O'Connor Woods**  
**Calculation of Non-Contract Resident Reimbursement**  
**December 31, 2019**

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/18	45	1	-	46
Contract Residents @ 12/31/19	80	3	-	83
<b>Total</b>	<b>125</b>	<b>4</b>	<b>-</b>	<b>129</b>
<b>Mean</b>	<b>63</b>	<b>2</b>	<b>-</b>	<b>65</b>
All Residents @ 12/31/18	288	81	84	453
All Residents @ 12/31/19	257	113	86	456
<b>Total</b>	<b>545</b>	<b>194</b>	<b>170</b>	<b>909</b>
<b>Mean</b>	<b>273</b>	<b>97</b>	<b>85</b>	<b>455</b>
% Contract Residents to Total Residents	22.94%	2.06%	0.00%	14.19%
% Non-Contract Residents to Total Residents	77.06%	97.94%	100.00%	85.81%

**2019 OPERATING REVENUES**

Assisted Living (Contract Residents)	181,000	
Assisted Living (Non-Contract Residents)	<b>8,623,000</b>	
Less: Bad Debt Expense	-	
Net Assisted Living (Non-Contract Residents)	<b>8,623,000</b>	
Total Assisted Living (without Bad Debt)	8,804,000	
Skilled Nursing (Contract Residents)	-	
Skilled Nursing (Non-Contract Residents)		<b>13,015,000</b>
Less: Bad Debt Expense		(155,000)
Net Skilled Nursing (Non-Contract Residents)		<b>12,860,000</b>
Total Skilled Nursing (without Bad Debt)		13,015,000
Total Non-Contract Resident Revenues		<b><u>21,483,000</u></b>


**PART 2**  
**CERTIFICATION BY CHIEF EXECUTIVE OFFICER**

## **CERTIFICATION BY CHIEF EXECUTIVE OFFICER**

As required by the Continuing Care Contract Statutes, I hereby certify that:

- The annual reserve reports and any amendments thereto are correct to the best of my knowledge.
- Each continuing care contract form in use or offered to new residents has been approved by the Department.
- As of the date of my certification, the provider is maintaining the required liquid reserve and, if applicable, the required refund reserve.

Dated: 4/27/2020

  
\_\_\_\_\_

Penny Mallette, Executive Director

**PART 3**  
**EVIDENCE OF FIDELITY BOND**



# CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
4/17/2019

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.

<b>PRODUCER</b> Arthur J. Gallagher & Co. Insurance Brokers of CA. LIC #0726293 700 W Center Visalia CA 93291	<b>CONTACT NAME:</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">PHONE (A/C. No., Ext): 559-733-7272</td> <td style="width: 30%;">FAX (A/C. No): 559-733-5612</td> </tr> <tr> <td colspan="2">E-MAIL ADDRESS:</td> </tr> <tr> <td colspan="2">PRODUCER CUSTOMER ID:</td> </tr> </table>	PHONE (A/C. No., Ext): 559-733-7272	FAX (A/C. No): 559-733-5612	E-MAIL ADDRESS:		PRODUCER CUSTOMER ID:									
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E-MAIL ADDRESS:															
PRODUCER CUSTOMER ID:															
<b>INSURED</b> O'Connor Woods Housing Corp. 3400 Wagner Heights Rd. Stockton, CA 952094885	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center;">INSURER(S) AFFORDING COVERAGE</th> <th style="text-align: center;">NAIC #</th> </tr> <tr> <td>INSURER A: Ironshore Specialty Insurance Co</td> <td style="text-align: center;">25445</td> </tr> <tr> <td>INSURER B:</td> <td></td> </tr> <tr> <td>INSURER C:</td> <td></td> </tr> <tr> <td>INSURER D:</td> <td></td> </tr> <tr> <td>INSURER E:</td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> </tr> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Ironshore Specialty Insurance Co	25445	INSURER B:		INSURER C:		INSURER D:		INSURER E:		INSURER F:	
INSURER(S) AFFORDING COVERAGE	NAIC #														
INSURER A: Ironshore Specialty Insurance Co	25445														
INSURER B:															
INSURER C:															
INSURER D:															
INSURER E:															
INSURER F:															

**COVERAGES** **CERTIFICATE NUMBER: 1917572736** **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	<input type="checkbox"/> PROPERTY <input type="checkbox"/> CAUSES OF LOSS <input type="checkbox"/> DEDUCTIBLES <input type="checkbox"/> BASIC BUILDING <input type="checkbox"/> BROAD CONTENTS <input type="checkbox"/> SPECIAL <input type="checkbox"/> EARTHQUAKE <input type="checkbox"/> WIND <input type="checkbox"/> FLOOD				<input type="checkbox"/> BUILDING <input type="checkbox"/> PERSONAL PROPERTY <input type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> EXTRA EXPENSE <input type="checkbox"/> RENTAL VALUE <input type="checkbox"/> BLANKET BUILDING <input type="checkbox"/> BLANKET PERS PROP <input type="checkbox"/> BLANKET BLDG & PP	\$
	<input type="checkbox"/> INLAND MARINE <input type="checkbox"/> CAUSES OF LOSS <input type="checkbox"/> NAMED PERILS	TYPE OF POLICY  POLICY NUMBER				\$
A	<input checked="" type="checkbox"/> CRIME TYPE OF POLICY Fidelity/Dishonesty	001368905	6/15/2018	6/15/2019	<input checked="" type="checkbox"/> Fidelity Bond <input checked="" type="checkbox"/> Deductible	\$ 4,800,000 \$ 25,000
	<input type="checkbox"/> BOILER & MACHINERY / EQUIPMENT BREAKDOWN					\$

SPECIAL CONDITIONS / OTHER COVERAGES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
 Loc: 3400 Wagner Heights Rd., Stockton, CA  
 Note: 10 days notice of cancellation applies in the event of cancellation for non-payment of premium. All other reasons is 30 days notice of cancellation.

<b>CERTIFICATE HOLDER</b>  Eskaton Properties, Inc. 5105 Manzaneta Ave. Carmichael CA 95608 USA	<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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# CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
7/8/2019

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.

<b>PRODUCER</b> Arthur J. Gallagher & Co. Insurance Brokers of CA. LIC #0726293 700 W Center Visalia CA 93291	<b>CONTACT NAME:</b> PHONE (A/C. No. Ext): 559-733-7272		FAX (A/C. No): 559-733-5612
	<b>E-MAIL ADDRESS:</b> <b>PRODUCER CUSTOMER ID:</b>		
<b>INSURED</b> O'Connor Woods Housing Corp. 3400 Wagner Heights Rd. Stockton CA 95209-4885	<b>INSURER(S) AFFORDING COVERAGE</b>		<b>NAIC #</b>
	<b>INSURER A:</b> Ironshore Specialty Insurance Co		25445
	<b>INSURER B:</b>		
	<b>INSURER C:</b>		
	<b>INSURER D:</b>		
	<b>INSURER E:</b>		

**COVERAGES**                      **CERTIFICATE NUMBER:** 1849090277                      **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

INSR LTR	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	<input type="checkbox"/>	<b>PROPERTY</b>				BUILDING	\$
		CAUSES OF LOSS				PERSONAL PROPERTY	\$
		Deductibles				BUSINESS INCOME	\$
		BASIC				EXTRA EXPENSE	\$
		BROAD				RENTAL VALUE	\$
		SPECIAL				BLANKET BUILDING	\$
		EARTHQUAKE				BLANKET PERS PROP	\$
		WIND				BLANKET BLDG & PP	\$
		FLOOD					\$
							\$
							\$
		<b>INLAND MARINE</b>	TYPE OF POLICY				\$
		CAUSES OF LOSS					\$
		NAMED PERILS	POLICY NUMBER				\$
							\$
A	X	<b>CRIME</b>	001368907	6/15/2019	6/15/2020	X Fidelity Bond	\$ 4,800,000
		TYPE OF POLICY				X Deductible	\$ 25,000
		Fidelity/Dishonesty					\$
		<b>BOILER &amp; MACHINERY / EQUIPMENT BREAKDOWN</b>					\$
							\$
							\$

SPECIAL CONDITIONS / OTHER COVERAGES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
Loc: 3400 Wagner Heights Rd., Stockton, CA  
Note: 10 days notice of cancellation applies in the event of cancellation for non-payment of premium. All other reasons is 30 days notice of cancellation.

### CERTIFICATE HOLDER

### CANCELLATION

Verification of Insurance

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

**PART 4**  
**AUDITED FINANCIAL STATEMENTS**



*Report of Independent Auditors and  
Financial Statements*

**O'Connor Woods Housing Corporation**

*December 31, 2019 and 2018*



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## **Report of Independent Auditors**

To the Board of Trustees  
O'Connor Woods Housing Corporation

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

We have audited the accompanying financial statements of O'Connor Woods Housing Corporation, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of O'Connor Woods Housing Corporation as of December 31, 2019 and 2018, and the results of its operations and changes in net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2019, the O'Connor Woods Housing Corporation adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
April 24, 2020

## **Financial Statements**

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**O'Connor Woods Housing Corporation**  
**Balance Sheets**  
**December 31, 2019 and 2018**  
**(in thousands)**

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,072	\$ 3,842
Investments	19,301	16,318
Tenant and patient receivables, net	1,668	1,761
Other receivables	767	717
Prepaid expenses and deposits	625	690
Inventories	28	-
Assets limited as to use, required for current liabilities - debt service reserves	<u>2,116</u>	<u>2,129</u>
Total current assets	<u>30,577</u>	<u>25,457</u>
<b>ASSETS LIMITED AS TO USE, net of current portion</b>		
Debt service reserves, net of current portion	3,367	3,264
Donor-restricted cash and investments	<u>1,633</u>	<u>1,295</u>
Total assets limited as to use, net of current portion	<u>5,000</u>	<u>4,559</u>
<b>PROPERTY AND EQUIPMENT, net</b>	<u>49,712</u>	<u>51,330</u>
Total assets	<u>\$ 85,289</u>	<u>\$ 81,346</u>



**O'Connor Woods Housing Corporation**  
**Balance Sheets (Continued)**  
**December 31, 2019 and 2018**  
**(in thousands)**

	2019	2018
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,604	\$ 1,518
Accrued payroll and payroll related expenses	1,042	948
Accrued interest expense	1,107	1,126
Current portion of long-term debt	1,001	962
Current portion of deferred entrance fees	366	299
Deferred rent and tenant deposits	931	942
Total current liabilities	6,051	5,795
<b>NONCURRENT LIABILITIES</b>		
Deferred entrance fees, net of current portion	1,561	1,151
Refundable CCRC contracts	9,145	6,862
Other long-term liabilities	31	48
Long-term debt, net of current portion	43,362	44,363
Total noncurrent liabilities	54,099	52,424
Total liabilities	60,150	58,219
<b>NET ASSETS</b>		
Without donor restrictions	23,595	21,934
With donor restrictions	1,544	1,193
Total net assets	25,139	23,127
Total liabilities and net assets	\$ 85,289	\$ 81,346

**O'Connor Woods Housing Corporation**  
**Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2019 and 2018**  
**(in thousands)**

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>	<b>2019</b>	<b>2018</b>
<b>REVENUE AND OTHER SUPPORT</b>		
Rental revenue, including amortization of CCRC entrance fees of \$332 in 2019 and \$210 in 2018	\$ 18,995	\$ 18,805
Net patient service revenue	12,853	13,104
Other revenue	946	1,031
Contributions	3	14
Net assets released from restrictions for operations	56	39
	<u>32,853</u>	<u>32,993</u>
Total revenue and other support		
<b>EXPENSES</b>		
Salaries and wages	12,778	12,189
Employee benefits	3,579	3,361
Professional fees	1,887	1,671
Supplies	856	701
Purchased services	4,148	3,864
Ancillary costs	756	865
Utilities	1,704	1,644
Insurance and other	819	979
Management and support services fees	1,645	1,322
Depreciation	3,947	3,879
Interest and amortization	2,220	2,253
	<u>34,339</u>	<u>32,728</u>
Total expenses		
Operating (loss) income	(1,486)	265
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Investment income (loss)	3,147	(993)
Gain on asset disposal	-	4
	<u>-</u>	<u>4</u>
Excess (deficiency) of revenue and other support over expenses	<u>\$ 1,661</u>	<u>\$ (724)</u>

**O'Connor Woods Housing Corporation**  
**Statements of Operations and Changes in Net Assets (Continued)**  
**Years Ended December 31, 2019 and 2018**  
**(in thousands)**

	<b>2019</b>	<b>2018</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Excess (deficiency) of revenue and other support over expenses	\$ 1,661	\$ (724)
Change in net assets without donor restrictions	1,661	(724)
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	257	16
Investment income (loss)	129	(20)
Charitable annuity trust valuation adjustment	21	(31)
Net assets released from restrictions for operations	(56)	(39)
Change in net assets with donor restrictions	351	(74)
<b>CHANGE IN NET ASSETS</b>	2,012	(798)
<b>NET ASSETS</b> , beginning of year	23,127	23,925
<b>NET ASSETS</b> , end of year	\$ 25,139	\$ 23,127

**O'Connor Woods Housing Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**  
**(in thousands)**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from rental revenue	\$ 18,704	\$ 18,681
Cash receipts from sales of CCRC contracts	4,420	1,539
Cash receipts from patients	12,896	13,288
Cash receipts from other revenue	365	1,476
Cash payments for salaries and benefits	(16,263)	(16,018)
Cash payments for other operating expenses	(11,307)	(10,884)
Cash payments for interest	(2,246)	(2,278)
Net cash provided by operating activities	<u>6,569</u>	<u>5,804</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(12,752)	(15,380)
Proceeds from sale of investments	12,418	10,516
Purchase of property and equipment	(2,724)	(2,009)
Net cash used in investing activities	<u>(3,058)</u>	<u>(6,873)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(955)	(925)
Refunded CCRC contracts	(330)	(331)
Donor-restricted contributions	257	16
Net cash used in financing activities	<u>(1,028)</u>	<u>(1,240)</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	2,483	(2,309)
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year</b>	<u>6,059</u>	<u>8,368</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year</b>	<u>\$ 8,542</u>	<u>\$ 6,059</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash investing activity during the year for property and equipment acquired through accounts payable	<u>\$ 265</u>	<u>\$ 660</u>

**O'Connor Woods Housing Corporation**  
**Statements of Cash Flows (continued)**  
**Years Ended December 31, 2019 and 2018**  
**(in thousands)**

	<b>2019</b>	<b>2018</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,012	\$ (798)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,947	3,879
Amortization of deferred financing costs	141	153
Amortization of bond premium	(148)	(160)
Amortization of CCRC entrance fees	(332)	(210)
Restricted contributions received	(257)	(16)
Net realized and unrealized (gains) losses on investments	(2,803)	1,441
Gain on asset disposal	-	(4)
Charitable annuity trust valuation adjustment	(21)	31
Changes in assets and liabilities:		
Tenant and patient receivables	93	236
Other receivables	(50)	(571)
Prepaid expenses and deposits	65	(266)
Inventories	(28)	-
Accounts payable and accrued expenses	481	424
Accrued payroll and payroll related expenses	94	(468)
Accrued interest expense	(19)	(18)
Deferred rent and tenant deposits	(11)	34
Other long-term liabilities	(17)	(3)
Deferred entrance fees	855	819
Refundable CCRC contracts	2,567	1,301
Net cash provided by operating activities	\$ 6,569	\$ 5,804

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** – In June 2014, O'Connor Woods Housing Corporation and O'Connor Woods Holding Company merged and became O'Connor Woods Housing Corporation. O'Connor Woods Housing Corporation (“the Corporation”) is a California not-for-profit corporation. The Corporation is licensed by the State of California Department of Social Services Continuing Care Contracts Branch as a Continuing Care Retirement Community, and provides housing and other needs of the elderly in Stockton, California. It owns and operates a 249-unit residential retirement facility; a 37-unit assisted living facility (Garden Oaks); a 48-unit assisted living facility (Oak Creek); a 20-unit memory care facility (Laurel Pointe); an 11-unit memory care facility (Laurel Pointe East); and, a 100-unit skilled nursing facility (Meadowood Care Center).

A summary of significant accounting policies follows:

**Cash and cash equivalents** – For purposes of reporting in the statements of cash flows, the Corporation includes all highly liquid debt instruments purchased with an original maturity of three months or less, including money market funds, as cash and cash equivalents. The Corporation periodically maintains cash deposits in excess of federally insured limits.

**Assets limited as to use** – Assets limited as to use include assets held by a trustee under a bond indenture agreement and assets restricted by donors. Assets limited as to use are reported at fair value. Amounts required to satisfy the obligations classified as current liabilities are reported as current assets in the accompanying balance sheets.

**Accounts receivable** – The Corporation provides services to residents including those that may lack adequate funds or may participate in programs that do not pay full charges. The Corporation receives payment for health services from residents, insurance companies, Medicare, HMOs, and other third-party payors. As a result, the Corporation is exposed to certain credit risks. The Corporation manages its risk by regularly reviewing its accounts and providing appropriate allowances for uncollectible accounts. Tenant and patient accounts receivable are stated at the amount management expects to collect. The Corporation provides for estimated losses on accounts receivable based on prior bad debt experience and generally does not charge interest on past due balances. Past due status is based on the date of services provided. Receivables are charged off when they are deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

## O'Connor Woods Housing Corporation Notes to Financial Statements

**Revenue recognition** – The Corporation’s patient service revenue is generated through the Meadowood Care Center skilled nursing facility. The Corporation generally does not require collateral or other security in extending credit to patients; however, the Corporation routinely obtains assignments of (or is otherwise entitled to receive) benefits receivable under health insurance programs, plans, or policies of patients, such as Medicare and commercial insurance. Patient service revenue is recognized at the time the service is provided. A portion of the Corporation’s revenue is subject to discounts under contracts with third-party payors. The transaction price for these services is based on standard charges for goods and services provided, reduced by contractual adjustments provided to third parties. The Corporation determines its estimates for contractual adjustments based on contractual agreements and historical experience. Routine services are treated as a single performance obligation satisfied over time as services are rendered. As such, patient care represents a bundle of services that are not capable of being distinct. Additionally, there may be ancillary services which are not included in the daily rates for routine services. Ancillary services are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered. Revenue is recognized in the month in which the performance obligations are satisfied. Performance obligations satisfied over time for net patient service revenue are recognized based on actual charges incurred. This method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Rental revenue generated through the assisted living, memory care, and independent living facilities is recognized monthly in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 606, *Revenue from Contracts with Customers*. Security deposits and advanced rent are recognized as liabilities until returned to tenants or otherwise earned. The Corporation has determined that the senior living services included under a monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time. In conjunction with its resident services, the Corporation sells CCRC membership contracts. Revenue associated with these membership contracts is recognized over the estimated remaining life of the resident.

The following represents net patient service revenue (in thousands), disaggregated by payor source, and rental revenue (in thousands), disaggregated by level of care, for the year ended December 31, as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

	<b>Year Ended December 31, 2019</b>				
	<b>Private Pay</b>	<b>Other Insurance</b>	<b>Medicare</b>	<b>Medi-Cal</b>	<b>Total</b>
Net Patient Service Revenue	\$ 2,276	\$ 1,045	\$ 5,199	\$ 4,333	\$ 12,853
	<b>Year Ended December 31, 2019</b>				
	<b>Assisted Living</b>	<b>Memory Care</b>	<b>Independent Living</b>	<b>CCRC Entrance fees</b>	<b>Total</b>
Rental Revenue	\$ 6,214	\$ 2,560	\$ 9,843	\$ 378	\$ 18,995

**O'Connor Woods Housing Corporation**  
**Notes to Financial Statements**

	Year Ended December 31, 2018				Total
	Private Pay	Other Insurance	Medicare	Medi-Cal	
Net Patient Service Revenue	\$ 2,087	\$ 679	\$ 6,527	\$ 3,811	\$ 13,104

	Year Ended December 31, 2018				Total
	Assisted Living	Memory Care	Independent Living	CCRC Entrance fees	
Rental Revenue	\$ 6,295	\$ 2,457	\$ 9,843	\$ 210	\$ 18,805

The mix of receivables from patients and third-party payors is as follows as of December 31:

	2019	2018
Commercial and other	24%	36%
Medicare	29%	32%
Medi-Cal	18%	10%
Self pay	29%	22%
	<u>100%</u>	<u>100%</u>

**Property and equipment** – Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt. The cost of property and equipment purchased in excess of \$2,000 is capitalized. Depreciation on the property and equipment is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	5 - 50
Land improvements	5 - 50
Furniture and equipment	3 - 20

**Impairment of long-lived assets and long-lived assets to be disposed of** – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.



## O'Connor Woods Housing Corporation

### Notes to Financial Statements

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**Investments** – Investments in equity securities with readily determinable fair values, and all investments in debt securities, are reported at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenue and other support over expenses.

**Debt issuance costs and bond premiums** – Debt issuance costs are amortized over the term of the related long-term debt using the effective interest method. Amortization expense for the years ended December 31, 2019 and 2018, was \$141,000 and \$153,000, respectively. Accumulated amortization totaled \$1,246,000 and \$1,105,000 as of December 31, 2019 and 2018, respectively. Bond premiums are amortized over the life of the bonds using the effective interest method. The amortization of bond premium was \$148,000 and \$160,000 for the years ended December 31, 2019 and 2018, respectively. Debt issuance costs and bond premiums are netted against the long-term debt balance. Amortization of debt issuance costs and bond premiums is included as a component of interest and amortization in the accompanying statements of operations and changes in net assets.

**Income taxes** – The Corporation is recognized as not-for-profit under Internal Revenue Code Section 501(c)(3) and under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, the Corporation is exempt from federal and California income taxes. The Corporation files United States federal and California state tax returns.

**Donor restrictions and receivables** – Contributions received for designated purposes are deposited and maintained in restricted cash and investment accounts. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restrictions. Net assets with donor restrictions that are perpetual in nature and stipulate that resources be maintained in perpetuity represent donor restricted donations to the Corporation's resident assistance program. The Uniform Prudent Management of Institutional Funds Act requires preservation of the fair value of these restricted contributions as of the gift date, absent explicit donor stipulations to the contrary. The Corporation classifies as net assets with donor restrictions the original value of the donor restricted donations and accumulations to the restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The restrictions require the Corporation to maintain the donations in perpetuity, with investment income earned on the donations to be used to assist residents.

The Corporation reports gifts of property and equipment (or other long-lived assets) as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

**Continuing Care Retirement Community (CCRC) contracts** – The Corporation began accepting CCRC contracts in 2014. The entrance fees for CCRC contracts are paid by residents upon entering into a continuing care residence and services agreement, and are recorded as deferred entrance fees (for the nonrefundable portion) and refundable CCRC contracts (for the refundable portion). The Corporation's continuing care residence and services agreements are either (i) amortizing contracts that have the right to a refund of the entrance fee, less 1/36 for each month of residency up to 36 months, where the entire amount is amortized to revenue on a straight-line basis over the life expectancy of the resident; or (ii) 90% refundable contracts, where 90% of the entrance fee is refundable upon termination of the contract and the sale of a similar unit, and the remaining 10% is nonrefundable and is amortized to revenue on a straight-line basis over the resident's life expectancy. As of December 31, 2019 and 2018, the balance of deferred entrance fees was \$1,927,000 and \$1,450,000, respectively, and the balance of refundable CCRC contracts was \$9,145,000 and \$6,862,000, respectively.

## O'Connor Woods Housing Corporation

### Notes to Financial Statements

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**Obligation to provide future services** – Management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the CCRC to be provided to current residents and compares the amount with the balance of deferred entrance fees and refundable CCRC contracts, discounted at 3.0%. If the present value of the net cost of future services and use of the CCRC exceeds the deferred entrance fees and refundable CCRC contracts, a liability and a corresponding charge to income are recorded. No liability was recorded as of December 31, 2019 and 2018.

**Benevolence** – The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenue. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

**Estimates in the financial statements** – In preparing financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates include fair value measurements of investments, implicit and explicit price concessions on accounts receivable, useful lives of fixed assets, deferred entrance fees, and future service benefit obligations.

**Excess (deficiency) of revenue and other support over expenses** – The statements of operations and changes in net assets include excess (deficiency) of revenue and other support over expenses. Changes in net assets without donor restrictions that are excluded from excess (deficiency) of revenue and other support over expenses include contributions of long-lived assets.

**Recent accounting pronouncements** – In January 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities, Financial Instruments – Overall (Subtopic 825-10)* ("ASU 2016-01"), which enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The update addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, including requiring equity investments (other than those under the equity method) to be measured at each reporting at fair value through excess of revenues over expenses with an exception allowed for equity investments that do not have readily determinable fair value, thereby eliminating the other-than-trading equity security designation. ASU 2016-01 is effective for the Corporation for the fiscal year ending December 31, 2019. The Corporation adopted ASU 2016-01 as of January 1, 2019 and the adoption did not have a material impact on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements in the financial statements of lessees. The amendments in this update are effective for fiscal years beginning after December 15, 2018, with early adoption permitted. ASU 2016-02 is effective for the Corporation for the fiscal year ending December 31, 2019. The Corporation adopted ASU 2016-02 as of January 1, 2019, and the adoption did not have a material impact on the financial statements.

## O'Connor Woods Housing Corporation

### Notes to Financial Statements

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In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provides guidance on eight specific cash flow issues, including: debt repayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The amendments in this update are effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption is effective for the Corporation for the fiscal year ending December 31, 2019. The Corporation adopted ASU 2016-15 as of January 1, 2019, and the adoption did not have a material impact on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"), which requires the statement of cash flows to explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in this update are effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption is effective for the Corporation for the fiscal year ending December 31, 2019. The Corporation adopted ASU 2016-18 for the fiscal year ended December 31, 2019, and has adjusted the presentation of these financial statements accordingly, including changes to the presentation of the statement of cash flows for the fiscal year ended December 31, 2018.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* ("ASU 2018-08"), to clarify and improve the scope and the accounting guidance for contributions received and made. The amendments should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and also in determining whether a contribution is conditional. The adoption is effective for the Corporation for the fiscal year ending December 31, 2019. The Corporation adopted ASU 2018-08 as of January 1, 2019 and the adoption did not have a material impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)* ("ASU 2018-13"), to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles that is most important to users of financial statements through the removal, modification, and addition of disclosure requirements. The adoption is effective for the Corporation for the fiscal year ending December 31, 2020. Management is currently evaluating the impact of ASU 2018-13 on the financial statements.

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

### NOTE 2 – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 6,072	\$ 3,842
Restricted cash included in assets limited as to use	2,470	2,217
	<u>\$ 8,542</u>	<u>\$ 6,059</u>

Amounts included in restricted cash represent funds required to be set aside by donors or lenders, including balances required to be held for restrictive covenants. All such amounts reflected as restricted cash are included in assets limited as to use.

### NOTE 3 – ASSETS LIMITED AS TO USE

The composition of assets limited as to use, stated at fair value, is set forth below as of December 31 (in thousands):

	<u>2019</u>	<u>2018</u>
Required under bond indenture for principal, interest, and reserves:		
Cash and cash equivalents	\$ 2,141	\$ 2,159
Debt securities	3,342	3,232
	<u>5,483</u>	<u>5,391</u>
Required under bond indenture for project expenditures:		
Cash and cash equivalents	<u>-</u>	<u>2</u>
Donor-restricted assets:		
Cash and cash equivalents	329	56
Certificates of deposit	200	375
Equity securities	458	25
Debt securities	-	101
Mutual funds	646	738
	<u>1,633</u>	<u>1,295</u>
	7,116	6,688
Less current portion	<u>(2,116)</u>	<u>(2,129)</u>
	<u>\$ 5,000</u>	<u>\$ 4,559</u>

**O'Connor Woods Housing Corporation**  
**Notes to Financial Statements**

**NOTE 4 – INVESTMENTS**

Investments include general-use and board-designated investments, and consist of the following as of December 31 (in thousands):

	<u>2019</u>	<u>2018</u>
Investments:		
Cash and cash equivalents	\$ 2,112	\$ 1,071
Certificates of deposit	-	249
Debt securities	2,871	2,953
Mutual funds	3,352	3,422
Equity securities	10,966	8,509
Publicly traded real estate	-	114
	<u>\$ 19,301</u>	<u>\$ 16,318</u>

Investment income (loss), expenses, and realized and unrealized gains and losses for assets limited as to use, cash equivalents, and investments as are comprised of the following (in thousands):

	<u>Year Ended December 31, 2019</u>		
	<u>Assets limited as to use</u>	<u>Cash equivalents and Investments</u>	<u>Total</u>
Investment income:			
Interest and dividend income	\$ 114	\$ 461	\$ 575
Realized gains on sales of securities	2	154	156
Unrealized gains on securities	144	2,503	2,647
	260	3,118	3,378
Less investment expenses	<u>(5)</u>	<u>(97)</u>	<u>(102)</u>
Total investment income	255	3,021	3,276
Less investment income with donor restrictions	<u>(129)</u>	<u>-</u>	<u>(129)</u>
Investment income without donor restrictions	<u>\$ 126</u>	<u>\$ 3,021</u>	<u>\$ 3,147</u>

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

	<b>Year Ended December 31, 2018</b>		
	<b>Assets limited as to use</b>	<b>Cash equivalents and Investments</b>	<b>Total</b>
Investment income:			
Interest and dividend income	\$ 104	\$ 417	\$ 521
Realized (losses) gains on sales of securities	(11)	607	596
Unrealized losses on securities	(30)	(2,007)	(2,037)
	63	(983)	(920)
Less investment expenses	(15)	(78)	(93)
	48	(1,061)	(1,013)
Total investment income (loss)			
Less investment income with donor restrictions	20	-	20
	68	(1,061)	(993)
Investment income (loss) without donor restrictions	<u>\$ 68</u>	<u>\$ (1,061)</u>	<u>\$ (993)</u>

### NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value within the fair value hierarchy are:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

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

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

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

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**Cash and cash equivalents** – The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

## O'Connor Woods Housing Corporation

### Notes to Financial Statements

**Marketable investment securities** – Where quoted market prices are available in an active market, securities are classified within Level 1 of the hierarchy. If quoted market prices are not available, fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include certificates of deposit, certain corporate asset-backed securities, and certain municipal and foreign government securities. In cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include private investment funds and other closely held investments.

The following tables present the fair value measurements of investments recognized in the accompanying balance sheets (in thousands):

Description	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (including assets limited as to use):				
Cash and money market funds	\$ 4,582	\$ 4,582	\$ -	\$ -
Certificates of deposit	200	-	200	-
Common stocks	11,424	11,424	-	-
Mutual funds	3,998	3,998	-	-
U.S. government agency securities	2,122	2,122	-	-
U.S. government bonds/notes	2,303	2,303	-	-
Municipal bonds/notes	103	-	103	-
Corporate bonds/notes	1,685	1,685	-	-
Total	<u>\$ 26,417</u>	<u>\$ 26,114</u>	<u>\$ 303</u>	<u>\$ -</u>

Description	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (including assets limited as to use):				
Cash and money market funds	\$ 3,288	\$ 3,288	\$ -	\$ -
Certificates of deposit	624	-	624	-
Equity securities	8,534	8,534	-	-
Mutual funds	4,160	4,160	-	-
U.S. government agency securities	2,977	2,977	-	-
U.S. government bonds/notes	1,437	1,437	-	-
Foreign government bonds/notes	42	-	42	-
Municipal bonds/notes	153	-	153	-
Corporate bonds/notes	1,677	1,677	-	-
Publicly traded real estate	114	-	114	-
Total	<u>\$ 23,006</u>	<u>\$ 22,073</u>	<u>\$ 933</u>	<u>\$ -</u>

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

### NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31 (in thousands):

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 80,324	\$ 79,912
Furniture and equipment	9,621	9,373
Land improvements	3,531	3,345
	<u>93,476</u>	<u>92,630</u>
Less accumulated depreciation	(50,647)	(46,700)
	<u>42,829</u>	<u>45,930</u>
Land	4,325	4,325
Construction in progress	2,558	1,075
Property and equipment, net	<u>\$ 49,712</u>	<u>\$ 51,330</u>

### NOTE 7 – LONG-TERM DEBT

Long-term debt consists of the following as of December 31 (in thousands):

	<u>2019</u>	<u>2018</u>
Series 2013 Insured Revenue Bonds, principal due in annual installments and fixed interest due semi-annually. Interest ranges from 2.0% to 5.0%, final payment due in January 2043, secured by a first deed of trust on the property and equipment of the Corporation.	\$ 44,270	\$ 45,225
Bond issuance premium, net of accumulated amortization of \$1,305 and \$1,157 as of December 31, 2019 and 2018, respectively.	2,076	2,224
Debt issuance costs, net of accumulated amortization of \$1,246 and \$1,105 as of December 31, 2019 and 2018, respectively.	(1,983)	(2,124)
	<u>44,363</u>	<u>45,325</u>
Less current maturities, net of premiums and deferred financing costs of \$6 and \$7 at December 31, 2019 and 2018, respectively	(1,001)	(962)
Noncurrent portion	<u>\$ 43,362</u>	<u>\$ 44,363</u>



**O'Connor Woods Housing Corporation**  
**Notes to Financial Statements**

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Maturities of long-term debt are as follows (in thousands):

<u>Years ended December 31,</u>	
2020	995
2021	1,045
2022	1,095
2023	1,155
2024	1,205
Thereafter	<u>38,775</u>
	<u>\$ 44,270</u>

Interest and amortization expense related to long-term debt for the years ended December 31 are comprised of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Interest on bonds and leases	\$ 2,227	\$ 2,260
Amortization of bond premium	(148)	(160)
Amortization of debt issuance costs	<u>141</u>	<u>153</u>
Total	<u>\$ 2,220</u>	<u>\$ 2,253</u>

The Series 2013 Bonds are subject to restrictive covenants contained in a regulatory agreement. Under the regulatory agreement, the Corporation is required to maintain certain deposits with a trustee that are included in assets limited as to use. The regulatory agreement also, among other things, requires the Corporation to maintain a specified debt service coverage ratio, current ratio, and days cash on hand; places limits on the Corporation on the incurrence of additional long-term debt; and, requires the Corporation to report material adverse changes. Management believes the Corporation was in compliance with the various covenants as of and for the year ended December 31, 2019.

**NOTE 8 – DEFERRED ENTRANCE FEES**

The change in deferred entrance fees during the years ended December 31 consists of the following activity (in thousands):

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,450	\$ 978
New fees received	1,141	615
Amortization of fees	(332)	(210)
Other	<u>(332)</u>	<u>67</u>
Balance, end of year	<u>\$ 1,927</u>	<u>\$ 1,450</u>

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

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### **NOTE 9 – RISK MANAGEMENT**

The Corporation's professional liability insurance is a claims-made policy. Under the policy, insurance premiums cover only those claims actually reported during the policy term. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, may be uninsured. The deductible on the claims-made policy was \$1,000 as of December 31, 2019 and 2018.

U.S. GAAP requires that a health care facility disclose the estimated costs of malpractice claims in the period of the incident of malpractice if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is not aware of any pending claims that exceed the coverage limitations provided by the Corporation's policy. Based on the Corporation's historical claims experience, management believes that any unreported professional liability will not have a material adverse effect on the Corporation's financial position or results of operations.

The Corporation purchased its workers' compensation benefits through a risk retention group plan. A capital contribution deposit of \$110,000 was held by the plan as of December 31, 2019 and 2018. The Corporation's pro-rata share of the plan's unfunded liabilities totaled \$41,000 and \$124,000 as of December 31, 2019 and 2018, respectively, and is included in accrued payroll and payroll related expenses.

### **NOTE 10 – MANAGEMENT AND SUPPORT SERVICES AGREEMENTS**

Starting January 1, 2015, the Corporation has a contractual agreement ("the Agreement") with Eskaton Properties, Inc. ("EPI"), a not-for-profit corporation that provides management and support services for the Corporation. EPI provides such services for a fee and processes pass-through expenditures on behalf of the Corporation. Under the terms of the Agreement, \$1,645,000 and \$1,322,000, exclusive of pass-through activity, was recognized as expense for services provided by EPI and is included in management and support services fees in the Corporation's accompanying statements of operations and changes in net assets for the years ended December 31, 2019 and 2018, respectively.

### **NOTE 11 – EMPLOYEE BENEFIT PLAN**

The Corporation sponsors a 403(b) retirement plan (the "Plan") covering substantially all employees. Employees are immediately eligible to participate in the Plan and defer compensation under the Plan provisions. Employee deferral amounts are subject to Internal Revenue Service annual limitations. The Plan provides for employer-matching contributions. Employees who are at least 21 years of age and have completed one year of service are generally eligible to participate in employer-matching contributions. The Corporation will match 33.33% of the employee's deferral for deferral amounts not exceeding 6% of the employee's annual compensation. Employees vest 100% in employer-matching contributions after completing three years of service. Employer contributions to the Plan for the years ended December 31, 2019 and 2018, were \$85,000 and \$81,000, respectively.

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

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### NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Corporation is involved in litigation arising in the normal course of business. While the outcome cannot be determined by the Corporation at this time, in the opinion of management, such litigation will be covered by the Corporation's insurance and the resolution of such will not have a material effect on the financial position or results of operations of the Corporation.

The Corporation is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation and unknown or unasserted regulatory actions. Government activity, with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the Corporation's future financial position or results of operations.

### NOTE 13 – HEALTH AND SAFETY CODE SECTION 1790(a)(3) DISCLOSURE

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code: no reserves are being accumulated for identified projects or contingencies.

### NOTE 14 – LIQUIDITY DISCLOSURE

The Corporation had a working capital surplus of approximately \$24,500,000 and \$19,700,000, and average days' cash on hand of 306 and 258 days as of December 31, 2019 and 2018, respectively.

Financial assets available for general expenditure within one year of the balance sheet date consist of the following as of December 31 (in thousands):

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 6,072	\$ 3,842
Investments	19,301	16,318
Tenant and patient receivables, net	1,668	1,761
Other receivables	<u>767</u>	<u>717</u>
	<u>\$ 27,808</u>	<u>\$ 22,638</u>

The Corporation has certain assets limited as to use which are available for general expenditure within one year in the normal course of operations. Those assets are associated with donated funds that are limited as to use, but are expected to be made available, if necessary. Accordingly, these assets have been included in the quantitative information above.

The Corporation manages its liquidity by developing annual operating budgets that provide sufficient funds to support operating expenditures, liabilities, and other obligations. The Corporation's cash needs are expected to be met through operating revenue sources.

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

### NOTE 15 – NATURAL AND FUNCTIONAL EXPENSES

The Corporation provides housing and other needs of the elderly in Stockton, California consisting of health services, rental services, and community service programs. Expenses related to providing these services are as follows for the years ended December 31 (in thousands):

	Year Ended December 31, 2019				
	Program Services		Support Services		Total
	Health Services	Residential Services	Fundraising	General & Admin	
Salaries and wages	\$ 5,213	\$ 6,285	\$ -	\$ 1,280	\$ 12,778
Employee benefits	1,443	1,808	-	328	3,579
Professional fees	1,510	124	1	252	1,887
Supplies	246	329	2	279	856
Purchased services	874	2,884	-	390	4,148
Ancillary costs	747	9	-	-	756
Utilities	299	1,182	-	223	1,704
Insurance and other	99	182	52	486	819
Management and support services fees	-	-	-	1,645	1,645
Depreciation	767	3,136	-	44	3,947
Interest and amortization	436	1,784	-	-	2,220
	<u>\$ 11,634</u>	<u>\$ 17,723</u>	<u>\$ 55</u>	<u>\$ 4,927</u>	<u>\$ 34,339</u>

	Year Ended December 31, 2018				
	Program Services		Support Services		Total
	Health Services	Residential Services	Fundraising	General & Administrative	
Salaries and wages	\$ 4,823	\$ 5,994	\$ 4	\$ 1,368	12,189
Employee benefits	1,310	1,672	2	377	3,361
Professional fees	1,485	98	1	87	1,671
Supplies	224	305	-	172	701
Purchased services	746	2,792	-	326	3,864
Ancillary costs	857	8	-	-	865
Utilities	277	1,155	-	212	1,644
Insurance and other	431	261	5	282	979
Management and support services fees	-	-	-	1,322	1,322
Depreciation	764	3,063	-	52	3,879
Interest and amortization	450	1,803	-	-	2,253
Total Expenses	<u>\$ 11,367</u>	<u>\$ 17,151</u>	<u>\$ 12</u>	<u>\$ 4,198</u>	<u>\$ 32,728</u>

The financial statements report certain expense categories that are attributable to more than one service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest and amortization, and insurance and other are allocated to a function based on a units-of-service basis.

**NOTE 16 – SUBSEQUENT EVENTS**

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

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a public health emergency. The COVID-19 outbreak in the United States has not resulted in a Corporation facility closure, however the Corporation continues to monitor and could close its facility if government mandated. Facility closures or disruption in operations of our customers, suppliers, or third-party payers, could adversely impact our results of operations to the extent that COVID-19, or any other epidemic, harms the global economy. The Corporation cannot estimate the impact on its operations and financial results, and the duration and intensity of the impact of COVID-19 and resulting disruption to the Corporation's operations is uncertain.

The Corporation held investments as of December 31, 2019 that have experienced a significant decline in market value in 2020 as a result of market reaction to the COVID-19 outbreak. The Corporation will continue to monitor the situation closely, but the market volatility and the continuing situation surrounding COVID-19 is uncertain. At this time management believes the decline in fair value for these securities is temporary.

On April 15, 2020, the Corporation was approved for a loan of \$3,348,000 under the Paycheck Protection Program, which is administered by the U.S. Small Business Administration under authority from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The loan accrues interest at an annual rate of 1%, with payments deferred for six months, and all outstanding principal and interest due April 15, 2022. The Paycheck Protection Program provides for the forgiveness of amounts borrowed under the program provided that the borrower meets certain criteria, with the amount of loan forgiveness reduced by a factor determined by reductions in personnel during the eight-week period beginning on the loan date. Management does not expect a significant change in employee headcount during this eight-week period and therefore, management believes it is likely that a significant portion of this loan will be forgiven.

The Corporation has evaluated subsequent events through April 24, 2020, which is the date the financial statements were issued.



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**PART 5**  
**LIQUID RESERVES**



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

**O'Connor Woods Housing Corporation**

*December 31, 2019*





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## **Report of Independent Auditors**

To the Board of Directors  
O'Connor Woods Housing Corporation

We have audited the accompanying financial statements of O'Connor Woods Housing Corporation, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2019.

### ***Management's Responsibility 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. Management is also responsible for 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***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care liquid reserves of O'Connor Woods Housing Corporation as of and for the year ended December 31, 2019, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

***Basis of Accounting***

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by O'Connor Woods Housing Corporation 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.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Supplementary Schedule to Form 5-4, Reconciliation to Audit Report, and Supplementary Schedule to Form 5-5, Reconciliation to Audit Report, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 Board of Directors and management of O'Connor Woods Housing Corporation 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.



San Francisco, California  
April 28, 2020

**Continuing Care Liquid Reserve Schedules**

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**O'Connor Woods Housing Corporation**  
**Form 5-1**  
**Long-Term Debt Incurred In A Prior Fiscal Year**  
**Year Ended December 31, 2019**

**FORM 5-1**  
**LONG TERM DEBT INCURRED**  
**IN A PRIOR FISCAL YEAR**  
**(INCLUDING BALLOON DEBT)**

(a)	(b)	(c)	(d)	(e)	
Long-Term Debt Obligation	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid in Fiscal Year	Total Paid (Columns (b) + (c) + (d))
1	12/31/2013	\$ 955,000	\$ 2,246,000	\$ -	\$ 3,201,000
2					
3					
4					
5					
6					
7					
8					
<b>TOTAL:</b>		\$ 955,000	\$ 2,246,000	\$ -	\$ 3,201,000

**Provider:** O'Connor Woods

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

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

**O'Connor Woods Housing Corporation**  
**Form 5-2**  
**Long-Term Debt Incurred During Fiscal Year**  
**Year Ended December 31, 2019**

**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		\$ -	\$ -	-	\$ -
2					
3					
4					
5					
6					
7					
8					
		<b>TOTAL:</b>	\$ -	-	\$ -

**Provider:** O'Connor Woods

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

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

**O'Connor Woods Housing Corporation**  
**Form 5-3**  
**Calculation Of Long-Term Debt Reserve Amount**  
**Year Ended December 31, 2019**

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

<u>Line</u>		<u>TOTAL</u>
1	Total from 5-1 bottom of column (e)	\$ 3,201,000
2	Total from 5-2 bottom of column (e)	-
3	Facility leasehold or rental payment paid by the provider during fiscal year (including related payments such as lease insurance)	-
4	Total amount required for long-term debt reserve	<u>\$ 3,201,000</u>
<b>Provider:</b>	<u>O'Connor Woods</u>	

**O'Connor Woods Housing Corporation**  
**Form 5-4**  
**Calculation Of Net Operating Expenses**  
**Year Ended December 31, 2019**

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

<u>Line</u>	<u>Amounts</u>	<u>Total</u>
1	Total operating expenses from financial statements	\$ 34,339,000
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$ 2,246,000
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$ -
	c. Depreciation	\$ 3,947,000
	d. Amortization	\$ (7,000)
	e. Revenues received during the fiscal year for services for persons who did not have a continuing care contract	\$ 21,595,000
	f. Extraordinary expenses approved by the Department	\$ -
3	Total deductions	\$ 27,781,000
4	Net operating expenses	\$ 6,558,000
5	Divide Line 4 by 365 and enter the result.	\$ 18,000
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	\$ 1,350,000

Provider: O'Connor Woods



**O'Connor Woods Housing Corporation**  
**Form 5-5**  
**Annual Reserve Calculation**  
**Year Ended December 31, 2019**

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

Provider Name: O'Connor Woods Housing Corporation  
 Fiscal Year Ended: December 31, 2019

We have reviewed our Debt Service Reserve and Operating requirements as of, and for the period ended: December 31, 2019 and are in compliance with those requirements.

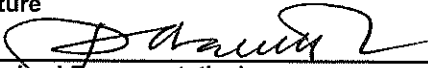
Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	Amount
[1] Debt service reserve amount	\$ 3,201,000
[2] Operating expense reserve amount	\$ 1,350,000
[3] <b>Total liquid reserve amount</b>	<b>\$ 4,551,000</b>

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

Qualifying Asset Description	Amount (market value at end of quarter)	
	Debt Service Reserve	Operating Reserve
[4] Cash and cash equivalents	\$ -	\$ 8,184,000
[5] Investment securities	\$ -	\$ 2,871,000
[6] Equity securities	\$ -	\$ 14,318,000
[7] Unused/available lines of credit	\$ -	\$ -
[8] Unused/available letters of credit	\$ -	\$ -
[9] Debt service reserve	\$ 5,483,000	(Not Applicable)
[10] Other:	\$ -	\$ -
<hr/>		
(describe qualifying asset)		
Total amount of qualifying assets Listed for reserve obligation:	[11] \$ 5,483,000	[12] \$ 25,373,000
Reserve obligation amount:	[13] \$ 3,201,000	[14] \$ 1,350,000
Surplus/(deficiency):	[15] \$ 2,282,000	[16] \$ 24,023,000

Signature



(Authorized Representative)

Date: April 28, 2020

Executive Director

(Title)

**O'Connor Woods Housing Corporation**  
**Note to Reserve Reports**  
**Year Ended December 31, 2019**

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**NOTE 1 – BASIS OF ACCOUNTING**

The accompanying reserve reports 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 O'Connor Woods Housing Corporation assets, liabilities, revenues, and expenses.

## **Supplementary Schedules**

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**O'Connor Woods Housing Corporation**  
**Supplementary Schedule to Form 5-4**  
**Reconciliation to Audit Report**  
**Year Ended December 31, 2019**

---

**Financial Statements Description**

Rental revenue	\$ 18,995,000
Net patient services revenue	12,853,000
Less reimbursements for services to contract residents	<u>(10,253,000)</u>
Reimbursements for services to noncontract residents	<u>\$ 21,595,000</u>
Assisted living unit reimbursements for services to noncontract residents	\$ 8,623,000
Skilled nursing services to noncontract residents	12,859,000
Guest meals	61,000
Guest room rentals	<u>52,000</u>
Reimbursements for services to noncontract residents	<u>\$ 21,595,000</u>

**O'Connor Woods Housing Corporation**  
**Supplementary Schedule to Form 5-5**  
**Reconciliation to Audit Report**  
**Year Ended December 31, 2019**

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<u>Financial Statements and Footnotes Description</u>		<u>Qualifying Asset Description (Form 5-5)</u>
Cash and cash equivalents	\$ 6,072,000	
Investment - cash and cash equivalents	<u>2,112,000</u>	
	<u>8,184,000</u>	Cash and cash equivalents
Investment - debt securities	<u>2,871,000</u>	
	<u>2,871,000</u>	Investment securities
Investment - mutual funds	3,352,000	
Investment - equity and real estate securities	<u>10,966,000</u>	
	<u>14,318,000</u>	Equity securities
Total qualifying assets as filed for operating reserve	<u>\$ 25,373,000</u>	
Debt service reserves	\$ 5,483,000	
Total qualifying assets as filed for debt service reserve	<u>\$ 5,483,000</u>	Debt service reserves
 <b><u>Reconciliation to Audited Financial Statements</u></b>		
Cash and cash equivalents	\$ 6,072,000	
Investments	19,301,000	
Debt service reserves, current	2,116,000	
Debt service reserves, noncurrent	3,367,000	
Donor-restricted cash and investments	<u>1,633,000</u>	
	32,489,000	
Less: donor-restricted cash and investments	<u>(1,633,000)</u>	
	<u>\$ 30,856,000</u>	
Total qualifying assets as filed for operating reserve	\$ 25,373,000	
Total qualifying assets as filed for debt service reserve	<u>5,483,000</u>	
	<u>\$ 30,856,000</u>	



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**PART 6**  
CONTINUING CARE RETIREMENT COMMUNITY  
DISCLOSURE STATEMENT

**Continuing Care Retirement Community  
Disclosure Statement**

Date Prepared: 4/29/2020

FACILITY NAME: O'Connor Woods Housing Corporation  
 ADDRESS: 3400 Wagner Heights Road ZIP CODE: 95209 PHONE: 209 477-4030  
 PROVIDER NAME: O'Connor Woods FACILITY OPERATOR: O'Connor Woods  
 RELATED FACILITIES: N/A RELIGIOUS AFFILIATION: N/A  
 YEAR OPENED: 1990 # OF  SINGLE  MULTI- ACRES: 34 STORY STORY  OTHER: \_\_\_\_\_ MILES TO SHOPPING CTR: 1.3  
 MILES TO HOSPITAL: 7.3

**NUMBER OF UNITS:**

<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
APARTMENTS — STUDIO: <u>4</u>	ASSISTED LIVING: <u>85</u>
APARTMENTS — 1 BDRM: <u>111</u>	SKILLED NURSING: <u>100</u>
APARTMENTS — 2 BDRM: <u>106</u>	SPECIAL CARE: <u>31</u>
COTTAGES/HOUSES: <u>28</u>	DESCRIPTION: > <u>Memory Care Units</u>
RLU OCCUPANCY (%) AT YEAR END: <u>85.3%</u>	OVERALL CCRC OCCUPANCY (%) AT YEAR END: <u>86.9%</u>

**TYPE OF OWNERSHIP:**  NOT-FOR-PROFIT  FOR- PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

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

**REFUND PROVISIONS:** *(Check all that apply)*  Refundable  Repayable  90%  75%  50%  OTHER: \_\_\_\_\_

**RANGE OF ENTRANCE FEES:** \$52,000 - \$379,000 **LONG-TERM CARE INSURANCE REQUIRED?**  YES  NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** N/A

**ENTRY REQUIREMENTS:** MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: \_\_\_\_\_

**RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:**  
 (briefly describe provider's compliance and residents' roles) > Resident Council President attends Board Meetings

\*\*\*\*\*

<b>FACILITY SERVICES AND AMENITIES</b>					
<u>COMMON AREA AMENITIES</u>	<u>AVAILABLE</u>	<u>FEE FOR SERVICE</u>	<u>SERVICES AVAILABLE</u>	<u>INCLUDED IN FEE</u>	<u>FOR EXTRA CHARGE</u>
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING ( <u>2</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (1_/DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Greenhouse</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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





PROVIDER NAME: O'Connor Woods

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (Excluding amortization of entrance fee income)	30,542	32,116	32,783	32,521
<b>LESS OPERATING EXPENSES</b> (Excluding depreciation, amortization, and interest)	25,190	26,410	26,596	28,172
<b>NET INCOME FROM OPERATIONS</b>	5,352	5,706	6,187	4,349
<b>LESS INTEREST EXPENSE</b>	2,256	2,230	2,199	2,166
<b>PLUS CONTRIBUTIONS</b>	94	123	30	260
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	612	1,394	(989)	3,147
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	3,802	4,993	3,029	5,590
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	2,743	1,758	1,208	4,090

\*\*\*\*\*

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
2013 Bonds	44,270,000	2.0-5.0%	Jun-13	Jan-43	30 years

\*\*\*\*\*

**FINANCIAL RATIOS** (see next page for ratio formulas)

**2015 CCAC Medians**  
**50<sup>th</sup> Percentile**  
*(optional)*

	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>DEBT TO ASSET RATIO</b>	55.82%	54.54%	50.84%
<b>OPERATING RATIO</b>	89.37%	88.02%	93.47%
<b>DEBT SERVICE COVERAGE RATIO</b>	2.77	2.00	3.62
<b>DAYS CASH ON HAND RATIO</b>	224	255	305

\*\*\*\*\*

**HISTORICAL MONTHLY SERVICE FEES** (Average Fee and Change Percentage)

	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>	<u>2018</u>	<u>%</u>	<u>2019</u>
STUDIO	2,248	3.00%	2,316	3.00%	2,385	3.75%	2,475
ONE BEDROOM	3,466	3.00%	3,570	3.00%	3,677	3.75%	3,815
TWO BEDROOM	4,033	3.00%	4,154	3.00%	4,279	3.75%	4,440
COTTAGE/HOUSE	5,497	3.00%	5,662	3.00%	5,831	3.75%	6,050
ASSISTED LIVING	4,910	5.00%	5,156	3.00%	5,310	3.75%	5,509
SKILLED NURSING	10,047	4.50%	10,499	3.00%	10,814	3.75%	11,220
SPECIAL CARE	6,132	6.00%	6,500	3.00%	6,695	3.75%	6,946

\*\*\*\*\*

**COMMENTS FROM PROVIDER:** > \_\_\_\_\_  
> \_\_\_\_\_  
> \_\_\_\_\_

PROVIDER NAME: \_\_\_\_\_

## **FINANCIAL RATIO FORMULAS**

### **LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

### **OPERATING RATIO**

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

### **DEBT SERVICE COVERAGE RATIO**

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

### **DAYS CASH ON HAND RATIO**

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

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

**CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET**  
**FINANCIAL RATIO FORMULAS (in thousands)**  
**O'Connor Woods**

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Long-term debt	\$ 48,068	\$ 47,176	\$ 46,257	\$ 45,325	\$ 44,363
Less: Current portion	(892)	(919)	(932)	(962)	(1,001)
	<u>47,176</u>	<u>46,257</u>	<u>45,325</u>	<u>44,363</u>	<u>43,362</u>
Divided by:					
Total assets	<u>78,925</u>	<u>80,791</u>	<u>81,193</u>	<u>81,346</u>	<u>85,289</u>
<b>Long-term debt to total assets ratio</b>	<b><u>59.77%</u></b>	<b><u>57.26%</u></b>	<b><u>55.82%</u></b>	<b><u>54.54%</u></b>	<b><u>50.84%</u></b>

**Operating Ratio**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total operating expenses	\$ 30,480	\$ 31,208	\$ 32,557	\$ 32,728	\$ 34,339
Less: Depreciation and amortization	(3,264)	(3,700)	(3,855)	(3,872)	(3,940)
	<u>27,216</u>	<u>27,508</u>	<u>28,702</u>	<u>28,856</u>	<u>30,399</u>
Divided by:					
Total operating revenues	30,294	31,167	32,388	32,993	32,853
Less: Amortization of deferred revenue	(265)	(625)	(272)	(210)	(332)
	<u>30,029</u>	<u>30,542</u>	<u>32,116</u>	<u>32,783</u>	<u>32,521</u>
<b>Operating ratio</b>	<b><u>90.63%</u></b>	<b><u>90.07%</u></b>	<b><u>89.37%</u></b>	<b><u>88.02%</u></b>	<b><u>93.47%</u></b>

**Debt Service Coverage Ratio**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total excess of revenues over expenses	\$ (478)	\$ 571	\$ 1,225	\$ (724)	\$ 1,661
Plus: Interest and amortization	2,331	2,310	2,284	2,253	2,220
Plus: Depreciation	3,274	3,708	3,863	3,879	3,947
Plus: Net proceeds from entrance fees	2,409	2,743	1,758	1,208	4,090
Less: Amortization of deferred revenue	(265)	(625)	(272)	(210)	(332)
	<u>7,271</u>	<u>8,707</u>	<u>8,858</u>	<u>6,406</u>	<u>11,586</u>
Divided by:					
Annual debt service	<u>3,203</u>	<u>3,201</u>	<u>3,196</u>	<u>3,203</u>	<u>3,201</u>
<b>Debt service coverage ratio</b>	<b><u>2.27</u></b>	<b><u>2.72</u></b>	<b><u>2.77</u></b>	<b><u>2.00</u></b>	<b><u>3.62</u></b>

**CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET**  
**FINANCIAL RATIO FORMULAS (in thousands)**  
**O'Connor Woods**

**Days Cash On Hand Ratio**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,541	\$ 4,370	\$ 6,137	\$ 3,842	\$ 6,072
Investments	9,832	10,369	11,499	16,318	19,301
Unrestricted cash and investments	<u>11,373</u>	<u>14,739</u>	<u>17,636</u>	<u>20,160</u>	<u>25,373</u>
Operating expenses	30,480	31,208	32,557	32,728	34,339
Less: Depreciation and amortization	<u>(3,264)</u>	<u>(3,700)</u>	<u>(3,855)</u>	<u>(3,872)</u>	<u>(3,940)</u>
	<u>27,216</u>	<u>27,508</u>	<u>28,702</u>	<u>28,856</u>	<u>30,399</u>
Divided by calendar days	<u>365</u>	<u>366</u>	<u>365</u>	<u>365</u>	<u>365</u>
Operating expenses per day	\$ 75	\$ 75	\$ 79	\$ 79	\$ 83
<b>Days cash on hand</b>	<b><u>153</u></b>	<b><u>196</u></b>	<b><u>224</u></b>	<b><u>255</u></b>	<b><u>305</u></b>

**CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET**  
**SUPPORTING CALCULATIONS (in thousands)**  
**O'Connor Woods**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total operating revenues	30,294	31,167	32,388	32,993	32,853
Less: Amortization of deferred revenue	<u>(265)</u>	<u>(625)</u>	<u>(272)</u>	<u>(210)</u>	<u>(332)</u>
	<u>30,029</u>	<u>30,542</u>	<u>32,116</u>	<u>32,783</u>	<u>32,521</u>
Total operating expenses	30,480	31,208	32,557	32,728	34,339
Less: Depreciation	<u>(3,274)</u>	<u>(3,708)</u>	<u>(3,863)</u>	<u>(3,879)</u>	<u>(3,947)</u>
Less: Interest and amortization	<u>(2,331)</u>	<u>(2,310)</u>	<u>(2,284)</u>	<u>(2,253)</u>	<u>(2,220)</u>
	<u>24,875</u>	<u>25,190</u>	<u>26,410</u>	<u>26,596</u>	<u>28,172</u>
Net income from operations	<u>5,154</u>	<u>5,352</u>	<u>5,706</u>	<u>6,187</u>	<u>4,349</u>
Less: Interest expense	<u>2,277</u>	<u>2,256</u>	<u>2,230</u>	<u>2,199</u>	<u>2,166</u>
Plus: Contributions	<u>152</u>	<u>94</u>	<u>123</u>	<u>30</u>	<u>260</u>
Plus: Non-operating income (expense)	<u>(292)</u>	<u>612</u>	<u>1,394</u>	<u>(989)</u>	<u>3,147</u>
Net income (loss) before entrance fees, depreciation and amortization	<u>2,737</u>	<u>3,802</u>	<u>4,993</u>	<u>3,029</u>	<u>5,590</u>
Net cash flow from entrance fees	<u>2,409</u>	<u>2,743</u>	<u>1,758</u>	<u>1,208</u>	<u>4,090</u>

**O'Connor Woods Housing Corporation**  
**O'CONNOR WOODS**  
**ATTACHMENT TO DISCLOSURE WORKSHEET**

RESIDENT REPRESENTATIVE TO THE BOARD: The O'Connor Woods (OCW) Resident Council elects a representative to the OCW Board of Directors (CCRC Representative) to serve a two year term. The CCRC Representative attends the six bi-monthly board meetings of OCW, including the full agenda of the annual OCW Board Retreat. The CCRC Representative is excluded only from executive sessions of the OCW Board. The CCRC Representative reports OCW Board actions and discussions back to the OCW Resident Council on a bi-monthly basis.

**PART 7**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

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

	<b>RESIDENTIAL LIVING</b>	<b>ASSISTED LIVING</b>	<b>SKILLED NURSING</b>
[1] Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)			
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)			

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: \_\_\_\_\_  
 (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:** \_\_\_\_\_
  - 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 provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice:** \_\_\_\_\_
  - 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:** \_\_\_\_\_ **Location of Posting:** \_\_\_\_\_

[5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See **PART 7 REPORT ON CCRC MONTHLY CARE FEE** in the **Annual Report Instruction** booklet for further instructions.

**PROVIDER:** \_\_\_\_\_  
**COMMUNITY:** \_\_\_\_\_