ANNUAL REPORT CHECKLIST

for

FISCAL YEAR ENDED:

2019

PROVIDER: Eskaton
FACILITY(IES): Eskaton Village Carmichael

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: $ 20,360
- ☑ 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	406
[2]	Number at end of fiscal year	418
[3]	Total Lines 1 and 2	824
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	412

All Residents

[6]	Number at beginning of fiscal year	421
[7]	Number at end of fiscal year	469
[8]	Total Lines 6 and 7	890
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	445
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (rounded to two decimal places).	0.93

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service-interest only)		27,994,000
[a]	Depreciation	4,325,000	
[b]	Debt Service (Interest Only)	1,777,000	
[2]	Subtotal (add Line 1a and 1b)		6,102,000
[3]	Subtract Line 2 from Line 1 and enter result		21,892,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		0.93
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)		20,360,000
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		20,360

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

ESKATON
Calculation of Nonresident Reimbursement
December 31, 2019

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/18	363	39	4	406
Contract Residents @ 12/31/19	376	40	2	418
Total	739	79	6	824
Mean	370	40	3	412
All Residents @ 12/31/18	363	33	25	421
All Residents @ 12/31/19	382	54	33	469
Total	745	87	58	890
Mean	373	44	29	445
% Contract Residents to Total Residents	99.19%	90.80%	10.34%	92.58%
% Non Contract residents to Total Residents	0.81%	9.20%	89.66%	7.42%

AL + MC (Contract Residents)		4,122,000	
AL + MC (Non contract residents)		**418,000**	
Less: Bad Debt Expense		-	
Net AL + MC (Non contract residents)		**418,000**	
Total		4,540,000	
Skilled Nursing (Contract Residents)			756,000
Skilled Nursing (Non contract residents)			**6,557,000**
Less: Bad Debt Expense			14,000
Net Skilled Nursing (Non contract residents)			**6,543,000**
Total Skilled Nursing (without Bad Debt adj)			7,313,000
Total Non contract Residents Revenues	**6,961,000**		

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: 4/30/20

Todd Murch

Todd Murch, Chief Executive Officer

PART 3

EVIDENCE OF FIDELITY BOND

PRIVATE CHOICE ENCORE® FOR HEALTHCARE ORGANIZATIONS DECLARATIONS

HARTFORD ACCIDENT & INDEMNITY
HARTFORD PLAZA, HARTFORD, CT 06115
A stock insurance company, herein called the Insurer

Policy Number: 57 HC 0299726-19

NOTICE: THE LIABILITY COVERAGE PARTS SCHEDULED IN ITEM 5 OF THE DECLARATIONS PROVIDE CLAIMS MADE COVERAGE. EXCEPT AS OTHERWISE SPECIFIED HEREIN, COVERAGE APPLIES ONLY TO A CLAIM FIRST MADE AGAINST THE INSUREDS DURING THE POLICY PERIOD AND PAYMENT OF DEFENSE COSTS REDUCE THE LIMIT OF LIABILITY. NOTICE OF A CLAIM MUST BE GIVEN TO THE INSURER AS SOON AS PRACTICABLE AFTER A NOTICE MANAGER BECOMES AWARE OF SUCH CLAIM, BUT IN NO EVENT LATER THAN SIXTY (60) CALENDAR DAYS AFTER THE TERMINATION OF THE POLICY PERIOD, OR ANY EXTENDED REPORTING PERIOD. PLEASE READ THE POLICY CAREFULLY AND DISCUSS THE COVERAGE WITH YOUR INSURANCE AGENT OR BROKER.

ITEM 1: Name of Entity and Address:	**ITEM 2: Producer's Name and Address:**
 ESKATON 5105 MANZANITA AVENUE CARMICHAEL, CA 95608	80222 CRC INSURANCE SERVICES INC 1 CALIFORNIA STREET SUITE 120 SAN FRANCISCO, CA 94111

ITEM 3. Policy Period: From 12:01 a.m. on 1/01/19 Inception Date to 12:01 a.m. on 1/01/20 Expiration Date

ITEM 4. PREMIUM: $22,451.00

ITEM 5. LIABILITY COVERAGE PART ELECTIONS:

PLEASE NOTE: ONLY THE COVERAGE DESIGNATED WITH AN "X" IN ITEMS 5 and 6 IS INCLUDED UNDER THIS POLICY. ANY COVERAGE OPTION NOT ELECTED WILL NOT FORM PART OF THIS POLICY.

ITEM 5. LIABILITY COVERAGE PART ELECTIONS: (Continued)

- ☐ "Combined Aggregate Limit of Liability For All **Liability Coverage Parts**" $N/A
- ☐ "Defense Outside the Limit of Liability (50%)" for the following coverage parts:
  - ☐ Directors, Officers and Entity Liability Coverage Part
  - ☐ Employment Practices Liability Coverage Part
  - ☐ Fiduciary Liability Coverage Part
    - ☐ Additional Fiduciary Liability Coverage Part Defense Outside the Limit of Liability

If both the "Combined Aggregate Limit of Liability For All Liability Coverage Parts" and the "Defense Outside the Limit of Liability (50%)"options are selected, the maximum aggregate defense outside the limits paid by the Insurer shall be equal to 50% of the "Combined Aggregate Limit of Liability For All Liability Coverage Parts".

LIABILITY COVERAGE PART	LIMITS OF LIABILITY	RETENTION	PRIOR OR PENDING DATE
DIRECTORS, OFFICERS AND ENTITY LIABILITY ☐ Applicable ☒ Not Applicable	$N/A for all Claims in the aggregate	$N/A per Insured Person Claim under Insuring Agreement B	N/A for Insured Person Claims
ENTITY LIABILITY COVERAGE ☐ Applicable ☒ Not Applicable		$N/A per Entity Claim	N/A for Entity Claims
ANTI-TRUST CLAIM COVERAGE ☐ Applicable ☒ Not Applicable	$N/A Anti-Trust Claim Sub-limit of Liabiity	$N/A per Anti-trust Claim	N/A For Anti-Trust Claims

Aggregate Health Operational Costs Sub-Limit of Liability: $N/A

HEALTH OPERATIONAL COSTS	SUB-LIMITS OF LIABILITY	RETENTION	PRIOR OR PENDING DATE
EMTALA Costs ☐ Applicable ☒ Not Applicable	$N/A	$N/A	N/A
Excess Benefit Transaction Costs ☐ Applicable ☒ Not Applicable	$N/A	$N/A	N/A
HIPAA/HITECH Costs ☐ Applicable ☒ Not Applicable	$N/A	$N/A	N/A
Internal Revenue Code Costs ☐ Applicable ☒ Not Applicable	$N/A	$N/A	N/A

LIABILITY COVERAGE PART	LIMITS OF LIABILITY	RETENTION	PRIOR OR PENDING DATE
Employment Practices Liability ☐ Applicable ☒ Not Applicable	$N/A for all Claims in the aggregate	$N/A per Employment Practices Claim	N/A for Employment Practices Claims
Third Party Liability Coverage ☐ Applicable ☒ Not Applicable	$N/A Third Party Claim Sub-limit of Liability	$N/A per Third Party Claim	N/A For Third Party Claims
Fiduciary Liability ☒ Applicable ☐ Not Applicable	$1,000,000 for all Claims in the aggregate	$25,000 per Claim	01/01/08 for Fiduciary Claims
Settlement Program Coverage ☒ Applicable ☐ Not Applicable	$100,000 Sub-Limit of Liability for Settlement Fees		01/01/08 for Settlement Program Coverage
HIPAA Coverage			

☒ Applicable	☐ Not Applicable	$100,000 HIPAA Sub-limit of Liability		

ITEM 6: NON-LIABILITY COVERAGE PART ELECTIONS:

PLEASE NOTE: ONLY THE COVERAGE DESIGNATED WITH AN "X" IN ITEMS 5 and 6 IS INCLUDED UNDER THIS POLICY. ANY COVERAGE OPTION NOT ELECTED WILL NOT FORM PART OF THIS POLICY.

COVERAGE PART		LIMIT(S) OF INSURANCE	RETENTION
Crime ☒ Applicable	☐ Not Applicable	See Crime Coverage Part Dec. Page, Form No. HC00H00900 0411	See Crime Coverage Part Dec. Page, Form No. HC00H00900 0411
Kidnap and Ransom/ Extortion ☐ Applicable	☒ Not Applicable	See Kidnap and Ransom/ Extortion Coverage Part Dec. Page, Form No. N/A	See Kidnap and Ransom/ Extortion Coverage Part Dec. Page, Form No. N/A

ITEM 7: EXTENDED REPORTING PERIOD:

PREMIUM*: 100% DURATION: 12 months

* Premium for the Extended Reporting Period elected shall be the indicated percentage of the sum of the annual premium specified for all **Liability Coverage Parts** plus the annualized amounts of any additional premiums charged during the Policy Period. The Extended Reporting Period is not available for the **Non-Liability Coverage Parts**.

ITEM 8: ENDORSEMENTS:

This Policy includes the following endorsements at issuance:

SEE FORM GU207 (SCHEDULE OF FORMS AND ENDORSEMENTS)

ITEM 9: ADDRESS FOR NOTICES TO INSURER:

(A) For Claims other than Kidnap and Ransom/Extortion:
Via mail: The Hartford
Claims Department
277 Park Ave., 15h Floor
New York, NY 10172
Via email: **HFPClaims@thehartford.com**
via fax: (917) 464-6000

For all notices other than Claims:
Via mail: The Hartford
Product Services
277 Park Ave., 15th Floor
New York, NY 10172
via email: **HFPExpress@thehartford.com**
via fax: (866) 586-4550

For Kidnap and Ransom/Extortion Claims see Kidnap and Ransom Coverage Part Declarations.

PART 4

AUDITED FINANCIAL STATEMENTS

Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

Eskaton and Subsidiaries

December 31, 2019 and 2018

MOSSADAMS

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MOSSADAMS

Report of Independent Auditors

To the Board of Directors
Eskaton and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Eskaton and Subsidiaries (the "Organization" or "Eskaton"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eskaton and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the consolidated financial statements, as of and for the year ended December 31, 2019, the Organization 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.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules on pages 40 to 52 as of and for the year ended December 31, 2019, for Eskaton and Subsidiaries, Eskaton Properties, Inc., and Eskaton, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information – social responsibility on page 53 for the years ended December 31, 2019 and 2018, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
April 24, 2020

Consolidated Financial Statements

Eskaton and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and 2018
(in thousands)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,225	$ 30,115
Assets limited as to use, required for current liabilities	837	686
Investments	61,967	52,588
Accounts receivable, net	6,747	6,803
Other receivables	2,610	1,959
Inventories	247	193
Funded pension obligation	224	-
Deposits and prepaid expenses	1,380	1,040
Total current assets	105,237	93,384
Assets limited as to use, net of amount required for current liabilities	12,511	12,021
Investments	1,546	1,609
Property and equipment, net	94,973	98,669
Other assets:		
Land available for sale	1,830	1,830
Due from liability insurer	4,978	5,271
Associate member/resident/patient deposits	2,236	2,088
Other	4,765	1,366
	13,809	10,555
Total assets	$ 228,076	$ 216,238

See accompanying notes.

(in thousands)

	2019	2018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	$ 16,106	$ 4,903
Current portion of deferred revenue from unamortized CCRC entrance fees	2,798	2,260
Deposits on unoccupied units	544	237
Accounts payable	2,317	1,882
Accrued liabilities:		
Payroll and payroll taxes	1,800	2,969
Vacation	2,362	2,192
Current portion of self-insured workers' compensation	2,341	2,275
Self-insured employee health plan	1,495	1,070
Interest	582	637
Other	889	1,099
Total current liabilities	31,234	19,524
Other liabilities:		
Self-insured workers' compensation, net of current portion	11,528	12,959
Interest rate swap agreements	3,942	3,111
Unfunded pension obligation	-	995
Professional liability	9,148	2,899
Associate member/resident/patient deposits	2,236	2,088
Other	458	432
	27,312	22,484
Long-term debt, net of current maturities	113,014	129,130
Refundable CCRC entrance fees	2,055	3,411
Deferred revenue from unamortized CCRC entrance fees, net of current portion	4,965	3,906
Total liabilities	178,580	178,455
Net assets:		
Without donor restrictions	47,710	36,065
With donor restrictions	1,786	1,718
Total net assets	49,496	37,783
Total liabilities and net assets	$ 228,076	$ 216,238

See accompanying notes.

Eskaton and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2019 and 2018
(in thousands)

	2019	2018
Net assets without donor restrictions:		
Revenues, gains, and other support:		
Net patient service revenue	$ 47,818	$ 46,334
Resident service revenue, including amortization of CCRC membership fees of $2,777 in 2019 and $2,122 in 2018	80,572	76,300
Home based services	4,034	7,088
Other, net	16,383	12,275
Total revenues, gains, and other support	148,807	141,997
Expenses:		
Salaries and wages	71,357	65,138
Employee benefits	16,340	18,325
Professional fees	10,434	1,846
Supplies	6,643	6,295
Purchased services	10,336	9,690
Ancillary costs	3,956	3,838
Utilities	5,066	4,993
Insurance and other	8,540	8,028
Depreciation	9,826	10,006
Interest and amortization	5,829	5,953
Total operating expenses	148,327	134,112
Income from operations	480	7,885
Nonoperating revenue (expenses):		
Investment income (loss)	11,173	(3,088)
Interest rate swap activities	(1,206)	285
Other components of net periodic pension (cost) benefit	(941)	272
Other	162	(434)
Total nonoperating revenue, net	9,188	(2,965)
Excess of revenues, gains, and other support over expenses	$ 9,668	$ 4,920

 See accompanying notes.

(in thousands)

	2019	2018
Net assets without donor restrictions:		
Excess of revenues, gains, and other support over expenses (page 6)	$ 9,668	$ 4,920
Pension related changes other than net periodic pension cost	1,977	(2,466)
Change in net assets without donor restrictions	11,645	2,454
Net assets without donor restrictions, beginning of year	36,065	33,611
Net assets without donor restrictions, end of year	$ 47,710	$ 36,065
Net assets with donor restrictions:		
Contributions	$ 56	$ 65
Change in assets held in trust by others	(4)	(2)
Investment income (loss)	233	(160)
Net assets released from restriction used for operations	(217)	(222)
Change in net assets with donor restrictions	68	(319)
Net assets with donor restrictions, beginning of year	1,718	2,037
Net assets with donor restrictions, end of year	$ 1,786	$ 1,718
Change in net assets	$ 11,713	$ 2,135
Net assets, beginning of year	37,783	35,648
Net assets, end of year	$ 49,496	$ 37,783

See accompanying notes.

Eskaton and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018
(in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 11,713	$ 2,135
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,826	10,006
Amortization of deferred financing costs and premium	(39)	(38)
Amortization of CCRC entrance fees	(2,777)	(2,122)
Net realized and unrealized (gains) losses on assets limited as to use	(542)	297
Net realized and unrealized (gains) losses on investments	(9,548)	4,169
Pension related changes other than net periodic pension cost	(1,977)	2,466
Change in fair value of interest rate swap agreements	831	(685)
CCRC resales of nonrefundable contracts	1,193	468
CCRC sales of nonrefundable contracts	2,005	1,425
CCRC sales of refundable contracts	125	405
Gain on disposal of property and equipment	(5)	(19)
Changes in operating assets and liabilities:		
Change in receivables	(582)	4
Change in inventories	(54)	(9)
Change in deposits and prepaid expenses	(340)	(260)
Change in other assets	(254)	(4,194)
Change in accounts payable	435	123
Change in accrued liabilities	(1,964)	5,234
Change in unfunded pension obligation	758	(1,228)
Change in other liabilities	6,423	1,003
Net cash provided by operating activities	15,227	19,180
Cash flows from investing activities:		
Purchases of assets limited as to use	(7,470)	(7,966)
Proceeds from sales of assets limited as to use	7,412	7,618
Purchases of investments	(32,056)	(26,866)
Proceeds from sales of investments	32,288	27,473
Expenditures for property and equipment	(6,130)	(7,345)
Proceeds from sale of property and equipment	6	20
Investment in InnovAge (PACE)	(3,000)	-
Net cash used in investing activities	$ (8,950)	$ (7,066)

See accompanying notes.

(in thousands)

	2019	2018
Cash flows from financing activities:		
CCRC contracts refunded	$ (559)	$ (449)
Change in deposits on unoccupied units	307	234
Principal payments on long-term debt	(4,874)	(4,676)
Net cash used in financing activities	(5,126)	(4,891)
Net increase in cash, cash equivalents, and restricted cash	1,151	7,223
Cash, cash equivalents, and restricted cash, beginning of year	32,183	24,960
Cash, cash equivalents, and restricted cash, end of year	$ 33,334	$ 32,183
Supplemental disclosure:		
Cash paid for interest	$ 5,894	$ 5,927

NOTE 1 – ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of Eskaton and Subsidiaries (the “Organization” or “Eskaton”) include the following:

Eskaton – Eskaton is a not-for-profit 501(c)(3) California corporation, which was formed in 1968. Eskaton's primary mission is to enhance the quality of life of seniors through innovative health, housing, and social services. Eskaton is the sole corporate member of Eskaton Properties, Inc. (“EPI”), Eskaton Village-Grass Valley (“EVGV”), Eskaton Village-Roseville (“EVR”), Eskaton Village-Placerville (“EVP”), Eskaton Lodge Granite Bay (“ELGB”), Eskaton FountainWood Lodge (“EFWL”), and Eskaton Foundation, and the sole stockholder of Livable Design (“LD”) and California Healthcare Consultants (“CHC”). Eskaton also operates nonmedical homecare services, adult day healthcare services and various community service programs.

EPI – EPI is a not-for-profit 501(c)(3) California corporation that operates skilled nursing care centers and retirement housing communities, home health services, a continuing care retirement community (“CCRC”), and a business services group which provides financial and managerial support to all Eskaton operations. EPI also manages and provides support services to retirement housing communities owned by third-parties and affordable housing communities that operate as single purpose not-for-profit 501(c)(3) California corporations.

EVGV – EVGV is a not-for-profit 501(c)(3) California corporation that operates a 137-apartment assisted living community in Grass Valley, California.

EVR – EVR is a not-for-profit 501(c)(3) California corporation that operates a 96-apartment assisted living community in Roseville, California.

EVP – EVP is a not-for-profit 501(c)(3) California corporation that operates a 64-apartment assisted living community in Placerville, California.

ELGB – ELGB is a not-for-profit 501(c)(3) California corporation that operates a 100-apartment assisted living community in Granite Bay, California.

EFWL – EFWL is a not-for-profit 501(c)(3) California corporation that operates a 91-apartment assisted living community in Orangevale, California.

Eskaton Foundation – Eskaton Foundation is a not-for-profit 501(c)(3) California corporation whose purpose is to raise funds for the benefit of Eskaton programs.

LD – LD, a C-corporation, is a taxable subsidiary of Eskaton, and owns a home in Roseville, California that is rented to the general public.

CHC – CHC, a C-corporation, is a taxable subsidiary of Eskaton that leases employees to communities owned by third-parties and managed by EPI.

All material intercompany accounts and transactions have been eliminated in consolidation.

EPI, EVGV, and EVR are members of the Eskaton Properties Incorporated Obligated Group (the “Obligated Group”) according to a Master Indenture of Trust dated July 1, 1999, and various Supplemental Master Indentures dated subsequent to July 1, 1999 (together, the “Master Indenture”).

On March 19, 2019, Eskaton invested $3 million in a PACE partnership with InnovAge and Adventist Health. PACE is an alternative to nursing homes, designed to keep seniors living in their own homes and communities for as long as safely possible. Participants are primarily dually eligible for both Medicare and Medicaid. Eskaton's investment represents a minority interest in the PACE partnership, which is accounted for under the cost basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents – Cash and cash equivalents include cash in banks and short-term money market accounts. The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Investments – Investments in equity securities with readily determinable fair values, and all investments in debt securities, are reported at fair value. Management has elected to carry alternative investments under the fair value option. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenues, gains, and other support over expenses.

Assets limited as to use – Assets limited as to use include assets held by trustees or lenders under bond indenture and HUD regulatory agreements, and assets restricted by donors for financial assistance to residents of Eskaton communities. Assets limited as to use are reported at fair value. Amounts required to satisfy obligations classified as current liabilities are reported in current assets in the consolidated balance sheets.

Property and equipment – Property and equipment are stated at cost. The cost of property and equipment purchased in excess of $2,000 is capitalized. Interest capitalized (net of investment income from bond proceeds) in connection with the construction of plant and equipment is recorded as part of the cost of the constructed asset to which it relates and is amortized over the asset's useful life. Depreciation is computed using the straight-line method based on estimated useful lives of property and equipment as follows:

Land improvements	10 to 20 years
Buildings and improvements	15 to 40 years
Equipment	3 to 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, and are excluded from the excess of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Expirations of donor restrictions are reported as net assets released from restriction when the donated or acquired long-lived assets are placed in service, absent explicit donor stipulations about how long those long-lived assets must be maintained.

Impairment of long-lived assets and long-lived assets to be disposed of – Long-lived assets and certain identifiable intangibles 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 by 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 costs to sell. As of December 31, 2019 and 2018, land available for sale was recorded in the consolidated balance sheets at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*. The fair value estimate was performed by a third-party specialist using unobservable inputs that are supported by little or no market activity and were therefore classified within Level 3 of the valuation hierarchy.

Land available for sale – Eskaton entered into a purchase and sale agreement effective July 28, 2017 that granted a potential buyer the exclusive option to purchase a parcel of undeveloped land that is approximately 12 acres in Lincoln, California for $5,600,000. The feasibility period concluded February 28, 2018, and the agreement included optional extensions that were exercised by the prospective buyer through March 2020, upon which time the purchase option was not renewed. The land is carried at an appraised value of $1,830,000.

Self-insured employee health and workers' compensation – The provisions for estimated self-insured employee health and workers' compensation include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Derivative instruments – Eskaton has entered into a swap agreement to manage interest rate risk on its 2006 Bonds. Swaps are contracts to exchange, for a period of time, the investment performance of one underlying instrument for the investment performance of another instrument without exchanging the instruments themselves. Eskaton entered into this agreement to mitigate cash flow and fair value risks related to changes in interest rates.

Eskaton records in its consolidated balance sheets the estimated fair value of swaps at the balance sheet date. Because the derivative has not been designated as a hedge for accounting purposes, changes in the fair value of the swap are included in nonoperating revenue (expenses) in the consolidated statements of operations and changes in net assets.

Deferred financing costs – Deferred financing costs are amortized over the period the obligation is expected to be outstanding or the life of bank direct placement agreements associated with variable rate demand bonds, whichever is shorter. Amortization is calculated using the straight-line method, which is not materially different from using the effective interest method. Deferred financing costs are included as a direct reduction of long-term debt. Amortization of deferred financing costs is included as a component of interest and amortization expense in the accompanying consolidated statements of operations and changes in net assets.

Net asset classifications – Net assets and changes therein are classified and reported as follows:

Without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stated purpose for which the resource was restricted has been fulfilled, or both.

Endowments – Endowments are contributions whose use by Eskaton has been restricted by donors to be maintained by Eskaton in perpetuity. The Board of Directors has interpreted California's enacted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of endowments, absent explicit donor stipulations to the contrary. As a result of this interpretation, Eskaton classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit Eskaton to use all or part of the investment return on these assets and to appropriate for distribution each year 5 percent of its endowment fund's prior year average fair value. Unrealized gains and investment income allocated to the endowment fund are classified as net assets with donor restrictions, as supported by the associated agreements, until those amounts are appropriated for expenditure by Eskaton in a manner consistent with the standard of prudence prescribed by UPMIFA. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund shall reduce net assets with donor restrictions to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss shall reduce net assets without donor restrictions.

Net patient service revenue and home based services revenue – Net patient services are performed in skilled nursing and home health in exchange for a contractual agreed-upon amount or rate. The transaction price for these services is based on standard charges for goods and services provided, reduced by contractual adjustments provided to third parties. Eskaton 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 services represent 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.

The following represents net patient service revenue and home based services revenue disaggregated by payor source for the years ended December 31, as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

	Year Ended December 31, 2019				
	Private Pay	Other Insurance	Medicare	Medi-Cal	Total
Net patient service revenue	$ 1,950	$ 19,690	$ 4,076	$ 22,102	$ 47,818
Home based services revenue	821	1,875	941	397	4,034
	$ 2,771	$ 21,565	$ 5,017	$ 22,499	$ 51,852

	Year Ended December 31, 2018				
	Private Pay	Other Insurance	Medicare	Medi-Cal	Total
Net patient service revenue	$ 2,051	$ 17,648	$ 4,309	$ 22,326	$ 46,334
Home based services revenue	3,240	764	2,641	443	7,088
	$ 5,291	$ 18,411	$ 6,950	$ 22,769	$ 53,422

Resident service revenue – Eskaton provides senior living services to residents for a stated monthly fee. Eskaton recognizes revenue for housing services under independent living, assisted living and memory care residency agreements in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Eskaton has determined that the senior living services included under the daily or 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, Eskaton sells CCRC memberships. Revenue associated with these memberships is recognized over the estimated remaining life of the resident.

The following represents resident service revenue disaggregated by service line for the years ended December 31, as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

	Year Ended December 31, 2019				
	Assisted Living	Memory Care	Independent Living	CCRC	Total
Resident service revenue	$ 28,838	$ 8,663	$ 9,033	$ 34,038	$ 80,572

	Year Ended December 31, 2018				
	Assisted Living	Memory Care	Independent Living	CCRC	Total
Resident service revenue	$ 27,316	$ 8,431	$ 8,734	$ 31,819	$ 76,300

Other revenue – Other revenue is derived from management agreements and other ancillary revenues. Eskaton manages certain communities under contracts which provide periodic management fee payments to the Organization. Management fees are generally determined by an agreed upon percentage of gross revenues (as defined in the management agreement). Certain management contracts also provide for an annual incentive fee to be paid to Eskaton upon achievement of certain metrics identified in the contract. There were no incentive fee amounts recorded for the years ending December 31, 2019 or 2018. Eskaton recognizes revenue for community management services in accordance with the provisions of ASC 606. Although there are various management and operational activities performed by Eskaton under the contracts, the Company has determined that all community operations management activities are a single performance obligation, which is satisfied over time as the services are rendered.

Donated services and materials – A number of volunteers donate significant amounts of time to advance Eskaton's program objectives. No amounts are reported in the accompanying consolidated financial statements for donated services since no objective basis is available to measure the value of such services.

Eskaton records the donation of materials when an objective basis is available to measure the value of those donations and when the materials would be purchased if they were not donated. These amounts are recorded as contribution revenues and as expenses.

Excess of revenues, gains, and other support over expenses – The consolidated statements of operations and changes in net assets include excess of revenues, gains, and other support over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenues, gains, and other support over expenses, include pension related changes other than net periodic pension cost.

Advertising – Advertising costs are expensed as incurred and included in purchased services expense in the accompanying consolidated statements of operations and changes in net assets. Advertising expense was approximately $1,097,000 and $1,066,000 for the years ended December 31, 2019 and 2018, respectively.

Income taxes – Eskaton, EPI, EVGV, EVR, EVP, ELGB, EFWL, and Eskaton Foundation are exempt from income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and applicable state regulations, except for federal and state tax on income resulting from unrelated business income. LD and CHC are taxable entities; however, income taxes for these entities are not significant to the consolidated financial statements.

FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Recognition of a tax position is determined when it is more likely than not that a tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority. Eskaton recognizes interest and penalties related to income tax matters in operating expenses. As of December 31, 2019 and 2018, there were no such uncertain tax positions.

Use of management's estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates include fair value measurements of investments, contractual and uncollectible accounts receivable, useful lives of fixed assets, deferred revenue from unamortized CCRC membership fees, future service benefit obligations, self-insured workers’ compensation, self-insured employee health costs, interest rate swap liability, unfunded pension obligation, and professional liability.

Fair value measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. FASB ASC Topic 820 defines fair value 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. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, other receivables, deposits and prepaid expenses, other assets, and accrued liabilities approximate fair value. The fair values of assets limited as to use and investments are disclosed in Note 4. The fair values of derivative instruments are disclosed in Note 5.

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 Organization for the fiscal year ending December 31, 2019. Eskaton adopted this standard as of January 1, 2019, and the adoption did not have a material impact on the consolidated 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 Organization for the fiscal year ending December 31, 2019. Eskaton adopted the new lease standard as of January 1, 2019, and the adoption did not have a material impact on the consolidated financial statements.

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 Organization for the fiscal year ending December 31, 2019. Eskaton adopted this standard as of January 1, 2019, and the adoption did not have a material impact on the consolidated 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 Organization for the fiscal year ending December 31, 2019. The Organization adopted ASU 2016-18 for the fiscal year ended December 31, 2019 and has adjusted the presentation of these consolidated financial statements accordingly, including changes to the presentation of the consolidated statement of cash flows for the fiscal year ending December 31, 2018.

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

	2019	2018
Cash and cash equivalents	$ 31,225	$ 30,115
Restricted cash included in assets limited as to use	2,109	2,068
Total cash, cash equivalents, and restricted cash balances	$ 33,334	$ 32,183

Amounts included in restricted cash represent funds required to be set aside by lenders. Such deposits include mortgage insurance premiums, property taxes, and property insurance escrow accounts, as well as other balances required to be held for restrictive covenants, including the requirement to maintain certain deposits with the lender. Certain lenders also hold reserve accounts for capital replacement reserves and residual receipts. All such escrow accounts, reserve accounts, and other amounts reflected as restricted cash are included in assets limited as to use.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715)* ("ASU 2017-07"), to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The update requires an employer to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit costs are required to be presented in the statement of operations separately from the service cost component and outside a subtotal of income from operations, if one is presented. This update also allows only the service cost component to be eligible for capitalization. This update is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. For all other entities, the update is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2018, with early adoption permitted. The adoption is effective for the Organization for the fiscal year ending December 31, 2019. Eskaton adopted this standard for the year ended December 31, 2019, including changes to the statement of operations and changes in net assets for the year ended December 31, 2018. The adoption of the standard caused $941 and $(272) of net periodic pension (cost) benefit not related to the service cost component to be reclassified from employee benefits expense to nonoperating revenue (expenses), for the years ended December 31, 2019 and 2018, respectively.

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 968, *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 Organization for the fiscal year ending December 31, 2019. Eskaton adopted this standard as of January 1, 2019, and the adoption did not have a material impact on the consolidated 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 Organization for the fiscal year ending December 31, 2020. Management is currently evaluating the impact of ASU 2018-13 on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Disclosure Framework – Changes to the Disclosure Framework for Defined Benefit Plans (Topic 715-20)* ("ASU 2018-14"), 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, clarification, and addition of disclosure requirements. The adoption is effective for the Organization for the fiscal year ending December 31, 2022. Management is currently evaluating the impact of ASU 2018-14 on the consolidated financial statements.

Reclassifications – Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications had no material effect on the reported results of operations.

NOTE 3 – THIRD-PARTY PAYORS

Eskaton has agreements with third-party payors that provide for payments to Eskaton at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Skilled nursing services and home health visits provided to Medicare program beneficiaries are reimbursed under the Prospective Payment System ("PPS"). Eskaton is reimbursed under the PPS system for skilled nursing services on a per diem rate depending on each patient category, which is determined by the Patient Driven Payment Model ("PDPM") system, beginning October 1, 2019. Eskaton is reimbursed under the PPS system for home health visits on a per 60-day case rate depending on each patient category, which is determined by the Home Health Resource Groups ("HHRG") system.

Medi-Cal – Skilled nursing services and home health visits rendered to Medi-Cal program beneficiaries are reimbursed under prospectively determined per diem or per visit rates.

Other – Eskaton has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Eskaton under these agreements includes prospectively determined daily rates and discounts from established charges.

NOTE 4 – ASSETS LIMITED AS TO USE AND INVESTMENTS

Assets limited as to use – The composition of assets limited as to use, stated at fair value, as of December 31 is set forth in the following table (in thousands):

	2019	2018
Required under bond indenture and HUD regulatory agreements for escrow, principal, interest, reserves, and insurance, held by trustee:		
Cash and short-term investments	$ 2,086	$ 2,036
U.S. Treasury notes, government securities, and other corporate debt securities	8,302	8,209
	10,388	10,245
Resident assistance and program funds with donor restrictions:		
Cash and short-term investments	23	32
Equity securities	347	761
Mutual funds	2,590	1,669
	2,960	2,462
	13,348	12,707
Less current portion	837	686
	$ 12,511	$ 12,021

Investments – Investments, at fair value, as of December 31 include the following (in thousands):

	2019	2018
Corporate reserves for capital replacement, liquidity, and growth:		
Cash and short-term investments	$ 813	$ 1,243
U.S. Treasury notes, government securities, and other corporate debt securities	8,474	2,934
Equity securities	16,220	19,383
Mutual funds	35,698	26,284
Alternative investments	762	2,744
	61,967	52,588
Corporate reserves for resident assistance and charitable gift annuities:		
Cash and short-term investments	-	76
U.S. Treasury notes, government securities, and other corporate debt securities	184	189
Equity securities	231	477
Mutual funds	1,131	867
	1,546	1,609
	63,513	54,197
Less current portion	61,967	52,588
	$ 1,546	$ 1,609

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Eskaton has the ability to access at the measurement date.

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

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

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

The fair values of the financial instruments as of December 31, 2019 and 2018 represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

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.

Marketable investment securities – Certificates of deposit, money market funds, common stock, mutual funds, U.S. government securities, U.S. government bonds, and corporate bonds are measured using quoted market prices at the reporting date multiplied by the quantity held.

Alternative investment securities – Management has elected to carry alternative investments at fair value under the fair value option. The fair value of alternative investments has been determined using net asset value ("NAV") as a practical expedient.

Investments by level as of December 31 are as follows (in thousands):

		Fair value measurements at reporting date using		
	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 cash equivalents	$ 2,266	$ 2,266	$ -	$ -
Certificates of deposit	45	-	45	-
Money market funds	608	608	-	-
Common stocks	16,798	16,798	-	-
Mutual funds	39,419	39,419	-	-
U.S. Government securities	4,753	4,753	-	-
U.S. Government bonds	8,229	8,229	-	-
Corporate bonds	3,981	3,981	-	-
Total assets in the fair value hierarchy	76,099	$ 76,054	$ 45	$ -
Investments measured at NAV				
Alternative investments	762			
Total investments, at fair value	$ 76,861			

	December 31, 2018	Fair value measurements at reporting date using: 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 cash equivalents	$ 2,840	$ 2,840	$ -	$ -
Certificates of deposit	52	-	52	-
Money market funds	495	495	-	-
Common stocks	20,621	20,621	-	-
Mutual funds	28,820	28,820	-	-
U.S. Government securities	4,451	4,451	-	-
U.S. Government bonds	3,296	3,296	-	-
Corporate bonds	3,585	3,585	-	-
Total assets in the fair value hierarchy	64,160	$ 64,108	$ 52	$ -
Investments measured at NAV				
Alternative investments	2,744			
Total investments, at fair value	$ 66,904			

Eskaton invests as a limited partner in hedge funds. Investments in hedge funds have the potential to become illiquid under stressed market conditions and, in certain circumstances investors may be subject to redemption restrictions which can impede the timely return of capital. These partnerships are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued on a monthly basis by each fund's independent administrator and for certain illiquid investments where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type, but are predominantly derived from observed market prices.

Eskaton management meets at least quarterly with its investment advisor to review the strategy and the ongoing performance of all investments, including analyzing changes in fair value measurements from period to period. Eskaton further corroborates third-party information used in the fair value measurement by obtaining audited financial statements of its hedge funds.

The following table presents Eskaton's alternative investments measured at estimated fair value as of December 31, (in thousands):

Description	Balance as of December 31, 2019	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds	$ 762	$ -	Monthly	45 days

Description	Balance as of December 31, 2018	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds	$ 2,744	$ -	Monthly	45 days

Hedge funds were established for the purpose of achieving consistent, absolute returns in all market environments. These hedge funds are single manager but employ multiple trading teams each specializing in a specific strategy. These strategies include, but are not limited to, fundamental long/short equity, global macro, and credit and statistical arbitrage.

Investment income, expenses, and gains (losses) for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ended December 31 (in thousands):

	Year Ended December 31, 2019		
	Obligated Group	Nonobligated	Total
Investment income:			
Interest and dividend income	$ 1,594	$ 87	$ 1,681
Realized gains on sales of securities	4,030	218	4,248
Unrealized gains on trading securities and alternative investments	5,400	442	5,842
	11,024	747	11,771
Less investment expenses	358	7	365
Total investment income	10,666	740	11,406
Less investment income with donor restrictions	-	233	233
Investment income without donor restrictions	$ 10,666	$ 507	$ 11,173

	Year Ended December 31, 2018		
	Obligated Group	Nonobligated	Total
Investment income:			
Interest and dividend income	$ 1,516	$ 77	$ 1,593
Realized gains on sales of securities	2,346	171	2,517
Unrealized losses on trading securities and alternative investments	(6,501)	(482)	(6,983)
	(2,639)	(234)	(2,873)
Less investment expenses	353	11	364
Total investment loss	(2,992)	(245)	(3,237)
Less investment loss with donor restrictions	-	(160)	(160)
Less intercompany interest income	11	-	11
Investment loss without donor restrictions	$ (3,003)	$ (85)	$ (3,088)

NOTE 5 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Eskaton has interest rate swap derivative instruments ("swaps") to manage its exposure on its debt instruments. By using derivative instruments, Eskaton exposes itself to credit risk and termination risk.

Credit risk exists because Eskaton is dependent upon the interest rate swap counterparty to meet its obligations under the agreement. This risk is measured by the cost associated with replacing the agreement, not by the notional amount of the agreement. At inception, the swap's replacement cost, or fair market value, is close to zero. If interest rates change such that the fair market value of the swap is positive, Eskaton's exposure to the swap counterparty increases as the cost of replacing the agreement increases. If the fair market value decreases, Eskaton's exposure to the swap counterparty decreases. Eskaton minimizes the credit risk in derivative instruments by entering into transactions with high quality counterparties whose credit rating is higher than A2/A.

Termination risk is the risk that a swap will be terminated by the swap counterparty before maturity and Eskaton, due to adverse market conditions, will be forced to make a cash termination payment to the counterparty. The termination risk associated with swaps is managed by establishing and monitoring parameters that limit the market value sensitivity Eskaton is willing to accept. Termination risk is also mitigated by allowing only Eskaton to have voluntary termination rights and allowing the swap counterparty to terminate only under specific ratings downgrade triggers of Eskaton.

The estimated fair values of derivative instruments have been determined using Level 2 inputs including available market information and valuation methodologies. As of December 31, 2019 and 2018, the fair values of these derivatives were recorded in the consolidated balance sheets at net liabilities of $3.9 million and $3.1 million, respectively. The credit risk assumption, as required under FASB ASC Topic 820, reduced Eskaton's interest rate swap liability by $0.2 million and $0.2 million in 2019 and 2018, respectively.

Interest rate swap agreement for variable-rate debt – Eskaton has issued variable-rate debt to refinance various debt issuances and finance capital improvements. The variable-rate debt obligations expose Eskaton to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into a swap agreement to manage fluctuations in cash flows resulting from interest rate risk. This swap effectively changed the variable-rate cash flow exposure on the Series 2006 Bonds to fixed-rate cash flows. Under the terms of the swap, Eskaton makes fixed interest rate payments and receives variable interest rate payments, thereby creating the equivalent of fixed-rate debt. As of December 31, 2019 and 2018, Eskaton was party to a swap agreement with an aggregate notional principal amount of $17.5 million and $18.0 million, respectively.

Interest rate swap activities – Interest rate swap activities included in nonoperating revenue (expenses) for the years ended December 31 consist of the following (in thousands):

	2019	2018
Net unrealized (loss) gain on interest rate swap agreements	$ (831)	$ 685
Net payments on interest rate swap agreements	(375)	(400)
Total interest rate swap activities	$ (1,206)	$ 285

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2019	2018
Land	$ 16,128	$ 16,080
Land improvements	21,227	20,821
Buildings and improvements	197,652	195,303
Equipment	37,216	35,408
	272,223	267,612
Accumulated depreciation	(180,161)	(170,394)
	92,062	97,218
Construction in progress	2,911	1,451
Property and equipment, net	$ 94,973	$ 98,669

NOTE 7 – LONG-TERM DEBT

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

	2019	2018
Obligated group:		
Series 2013 Tax-Exempt Fixed-Rate Revenue Bonds (Series 2013 Bonds) due 2035, principal due in annual installments and fixed interest of 2.00% to 5.00% due semi-annually; secured by deeds of trust.	$ 42,740	$ 44,105
Series 2012 Tax-Exempt Fixed-Rate Revenue Bonds (Series 2012 Bonds) due 2034, principal due in annual installments and fixed interest of 2.00% to 5.25% due semi-annually; secured by deeds of trust.	30,455	31,665
Series 2008A Tax-Exempt Variable-Rate Demand Revenue Refunding Bonds (Series 2008A Bonds) due 2020, principal due in annual installments and variable interest due monthly (3.24% and 3.81% at December 31, 2019 and 2018, respectively); held under a bank direct placement agreement; secured by deeds of trust.	12,125	13,075
Series 2006 Tax-Exempt Variable-Rate Demand Revenue Bonds (Series 2006 Bonds) due 2037, principal due in annual installments and variable interest due monthly (2.35% and 2.78% at December 31, 2019 and 2018, respectively); held under a bank direct placement agreement; secured by deeds of trust.	16,040	16,595
Other notes, due through 2021	2,127	2,229
Nonobligated:		
Note payable to ORIX Real Estate Capital, LLC due 2047, principal and interest of 2.45% due in monthly installments of $32; insured by U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f); secured by deed of trust.	7,722	7,913
Note payable to ORIX Real Estate Capital, LLC due 2050, principal and interest of 3.07% due in monthly installments of $53; insured by U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f); secured by deed of trust.	12,626	12,892
Other notes, due through 2023	4,029	4,264
	127,864	132,738
Unamortized premiums	3,406	3,624
Unamortized deferred financing costs	(2,150)	(2,329)
	129,120	134,033
Less current maturities, net of premiums and deferred financing costs of $49 in 2019 and $38 in 2018	16,106	4,903
	$ 113,014	$ 129,130

Maturities (as calculated based on the following paragraph) of long-term debt are as follows (in thousands):

Year Ending December 31:		
2020	$	16,057
2021		6,136
2022		18,402
2023		6,615
2024		3,562
Thereafter		77,092
	$	127,864

Eskaton calculated the above maturities of long-term debt as if the variable rate demand bonds held under direct placement agreements with banks were not renewed or successfully remarketed or refinanced and were required to be repaid at the expiration dates in 2020 and 2022. Maturities exclude unamortized premiums and deferred financing costs.

The total amount of long-term debt supported by direct placement agreements as of December 31, 2019, was approximately $28.2 million. Eskaton pays fees on each direct placement facility, which range from 1.25% to 1.76% per annum, plus a percentage of 1-month LIBOR, and are included in interest and amortization expense in the accompanying consolidated statements of operations and changes in net assets.

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

	2019	2018
Obligated Group:		
Interest on bonds and notes	$ 4,638	$ 4,736
Letter of credit and other financing fees	42	55
Amortization of debt issuance costs	153	153
Nonobligated:		
Interest on bonds and notes	970	983
Amortization of debt issuance costs	26	26
	$ 5,829	$ 5,953

The Series 2013 Bonds, Series 2012 Bonds, Series 2008A Bonds, and Series 2006 Bonds are subject to restrictive covenants contained in the Master Indenture. The Series 2008A Bonds and Series 2006 Bonds are also subject to additional covenants contained in the direct placement agreements with U.S. Bank, N.A. and Compass Mortgage Corporation, respectively. Under the Master Indenture, Eskaton is required to maintain certain deposits with a trustee that are included in assets limited as to use. The Master Indenture and related direct placement agreements also, among other things, require Eskaton to maintain specified debt service coverage ratios and days cash on hand, place limits on Eskaton on the incurrence of additional long-term debt, and require Eskaton to report material adverse changes. Management believes that Eskaton was in compliance with the various covenants as of and for the year ended December 31, 2019.

The notes payable to ORIX Real Estate Capital, LLC are also subject to restrictive covenants, including the requirement to maintain certain deposits with the lender. Such deposits include mortgage insurance premiums, property taxes, and property insurance escrow accounts. The lender also holds reserve accounts for capital replacement reserves and residual receipts. All such escrow accounts and reserve accounts are included in assets limited as to use. Disbursements from the reserve accounts for the proper purpose may be made only after receiving consent in writing from the U.S. Secretary of Housing and Urban Development.

The Series 2006 Bonds are held by Compass Mortgage Corporation under a direct placement agreement expiring May 31, 2022. The Series 2008A Bonds are held by U.S. Bank, N.A. under a direct placement agreement expiring August 31, 2020.

NOTE 8 – PENSION PLANS

Eskaton has a defined benefit cash balance pension plan (“Eskaton Retirement Plan” or the “Plan”) whereby a participant's monthly rate of retirement benefits shall equal one twelfth of the amount determined in accordance with the Plan provisions. A participant may elect an optional form of benefit, including a single lump-sum payment. The Eskaton Retirement Plan covers all employees of Eskaton, EPI, EVGV, EVR, EVP, ELGB, EFWL, Eskaton Foundation, and LD who have attained the age of 21 after completion of one year of service in which the employee completes 1,000 hours of service. The Plan requires five benefit years to vest.

Eskaton also maintains a Supplemental Executive Retirement Plan (“SERP”) that provides supplemental funds for retirement or death for selected key employees of Eskaton in the event that the Eskaton Retirement Plan benefits of such individuals are less than the specified target. The SERP is a nonqualified plan intended to meet the requirements of an ineligible deferred compensation plan as described in Section 457(f) of the Internal Revenue Code of 1986. The benefit under the SERP is offset by certain portions of the Eskaton Retirement Plan. It is expected over time that the benefits payable from the SERP will be nearly completely offset by the cash balance pension plan.

The following table presents the changes in the benefit obligations, fair value of assets, and funded status of the Plan as of December 31 (in thousands):

	Eskaton Retirement Plan		SERP	
	2019	2018	2019	2018
Benefit obligation, beginning of year	$ 28,631	$ 29,007	$ 1,807	$ 2,011
Service cost	841	827	778	28
Interest cost	1,149	978	58	66
Benefits paid	(2,704)	(1,627)	(8)	-
Plan amendment	168	121	-	-
Actuarial (gain) loss	3,739	(675)	(846)	(298)
Benefit obligation, end of year	$ 31,824	$ 28,631	$ 1,789	$ 1,807
Fair value of assets, beginning of year	$ 29,443	$ 31,259	$ -	$ -
Return (loss) on plan assets	5,295	(2,003)	-	-
Employer contributions	1,802	1,814	8	-
Benefits paid	(2,703)	(1,627)	(8)	-
Fair value of assets, end of year	$ 33,837	$ 29,443	$ -	$ -
Funded status at end of year (recognized in unfunded pension obligations and funded pension obligations in the consolidated balance sheets)	$ 2,013	$ 812	$ (1,789)	$ (1,807)

The accumulated benefit obligation for the pension plan was $31.4 million and $28.3 million as of December 31, 2019 and 2018, respectively.

Net periodic benefit cost recognized and other changes in plan assets and benefit obligations, which are excluded from excess of revenues, gains, and other support over expenses in 2019 and 2018, are as follows (in thousands):

	Eskaton Retirement Plan		SERP	
	2019	2018	2019	2018
Service cost	$ (841)	$ (827)	$ (778)	$ (28)
Interest cost	(1,149)	(978)	(58)	(66)
Expected return on plan assets	2,026	2,153	-	-
Amortization of prior service cost	(401)	(383)	-	-
Amortization of net gain (loss)	(986)	(554)	129	100
Settlement charge	(502)	-	-	-
Net periodic benefit cost recognized	(1,853)	(589)	(707)	6
Other changes in plan assets and benefit obligations recognized in net assets (deficit) without donor restrictions:				
Net actuarial gain (loss)	517	(2,927)	726	198
Prior service cost	232	263	-	-
Impact of settlement accounting	502	-	-	-
Total recognized in net assets (deficit) without donor restrictions	1,251	(2,664)	726	198
Total recognized in net periodic benefit cost and net assets (deficit) without donor restrictions	$ (602)	$ (3,253)	$ 19	$ 204

The net loss and prior service cost for the Eskaton Retirement Plan that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is $0.8 million and $0.3 million, respectively. The net gain and prior service cost for the SERP that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is $0.2 million and $0, respectively.

Weighted average assumptions used are as follows:

	Eskaton Retirement Plan		SERP	
	2019	2018	2019	2018
Discount rate - benefit obligation	3.00%	4.10%	3.00%	4.10%
Discount rate - benefit cost	4.10%	3.40%	4.10%	3.40%
Expected rate of return on plan assets	7.00%	7.00%	n/a	n/a
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%

Eskaton's expected rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Measurement date – The measurement date used to determine pension benefit measures for the plans is December 31.

Cash flows – Eskaton expects to contribute $1.5 million to the Eskaton Retirement Plan and $2.2 million to the SERP during the year ending December 31, 2020.

The benefits expected to be paid are as follows (in thousands):

Year Ending December 31:	Eskaton Retirement Plan	SERP
2020	$ 2,123	$ 1,455
2021	2,433	328
2022	2,385	324
2023	3,183	228
2024	2,596	130
2025-2029	12,841	1,409

The expected benefits are based on the same assumptions used to measure Eskaton's benefit obligation as of December 31, 2019, and include estimated future employee service.

Plan assets – Eskaton's investment policy for the Eskaton Retirement Plan states the overall investment objectives of the account. It also contains a target asset mix and asset mix restrictions, which in combination with the skills of each investment manager should achieve these objectives.

The objectives of the account are expected to be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. Each investment manager's greatest concern is expected to be long-term appreciation of the assets and consistency of total portfolio returns. Management expects the account to exceed (net of fees) the composite benchmark relevant to the target asset allocation defined in the investment policy.

Target Asset Mix Table
Overall Portfolio

Asset class	Minimum percentage	Target percentage	Maximum percentage
Domestic equities	30%	45%	60%
Real estate	0%	5%	10%
International equities	10%	15%	20%
Domestic fixed income	15%	25%	35%
Alternative investments	0%	10%	20%

The asset allocations of plan assets as of December 31 are as follows (in thousands):

		Fair value measurements at reporting date using		
	December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash	$ 573	$ 573	$ -	$ -
Common stocks	9,112	9,112	-	-
Mutual funds	19,338	19,338	-	-
U.S. government bonds	2,345	2,345	-	-
Corporate bonds	1,911	1,911	-	-
Guaranteed investment account	30	-	30	-
Pooled separate account	137	-	137	-
Total assets in the fair value hierarchy	33,446	$ 33,279	$ 167	$ -
Investments measured at NAV				
Alternative investments	391			
Total pension assets, at fair value	$ 33,837			

		Fair value measurements at reporting date using		
	December 31, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash	$ 1,014	$ 1,014	$ -	$ -
Common stocks	10,503	10,503	-	-
Mutual funds	14,040	14,040	-	-
U.S. government bonds	696	696	-	-
Corporate bonds	779	779	-	-
Guaranteed investment account	872	-	872	-
Pooled separate account	131	-	131	-
Total assets in the fair value hierarchy	28,035	$ 27,032	$ 1,003	$ -
Investments measured at NAV				
Alternative investments	1,408			
Total pension assets, at fair value	$ 29,443			

There were no significant transfers between plan assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2019 and 2018.

NOTE 9 – ESKATON VILLAGE CARMICHAEL

EVC is a licensed continuing care community offering independent living, assisted living for those residents needing assistance with two or more of the activities of daily living and residents with cognitive impairments, and skilled nursing for all other residents. EVC is located on a 37-acre parcel of land in Carmichael, California, and consists of the following living units:

Unit type	Number of units
Apartments	201
Cottages	94
Assisted living	38
Assisted living – special care unit	20
Skilled nursing	35

Residents of the apartments and cottages pay a membership or entrance fee and sign a membership or residence agreement, which has been approved by the Continuing Care Contracts Branch of the California Department of Social Services. The nonrefundable membership agreement results in a payment to the resident only from reoccupancy proceeds of that apartment or cottage. Residents may resell their membership to another qualified individual, and Eskaton receives a transfer fee of 10% of the original membership fee amount, capped at a maximum of 10% of the new sales price. In addition, appreciation in excess of the original membership fee amount is shared equally between the resident and Eskaton.

EVC membership and entrance fees provide residents with material rights that are treated as performance obligations satisfied over time as services are rendered. The refundable residence agreement requires an entrance fee which is deferred and amortized on a straight-line basis over the life expectancy of the residents. Refundable entrance fees, net of amortization, totaled \$2.1 million and \$3.4 million as of December 31, 2019 and 2018, respectively.

The change in deferred entrance fees during the year ended December 31, 2019 consist of the following activity (in thousands):

	2019	2018
Balance, beginning of year	$ 6,166	$ 6,090
New fees received	2,130	1,830
Appreciation of resale contracts	1,193	468
Amortization of fees	(2,777)	(2,122)
Other	1,051	(100)
Balance, end of year	$ 7,763	$ 6,166

Eskaton is obligated to provide future services and the use of the EVC community to the residents. Residents are charged monthly maintenance fees, which are used to pay routine operating expenses of EVC. Management has determined that the deferred revenue from unamortized EVC membership and entrance fees and future monthly service fees exceeds the present value of the net cost of future services and use of the EVC community to be provided to residents as of December 31, 2019 and 2018, discounted at 3.5%. Accordingly, Eskaton has not recorded a liability to provide future services as of December 31, 2019 and 2018.

NOTE 10 – SELF-INSURED EMPLOYEE HEALTH AND WORKERS' COMPENSATION

Eskaton is self-insured for employee health and workers' compensation up to $150,000 and $1 million per claim, respectively. Eskaton maintains stop-loss insurance policies for employee health and workers' compensation with a limit of $0 per claim and statutory limits, respectively. Accruals have been made for estimated liabilities, including estimates for incurred but not reported claims. Eskaton has recorded a liability of $1.5 million and $1.1 million as of December 31, 2019 and 2018, respectively, in relation to employee health. Eskaton has recorded a liability of $13.9 million and $15.2 million as of December 31, 2019 and 2018, respectively, in relation to workers' compensation, which have been discounted using a rate of 3.00%. Eskaton is required to participate as a member in the State of California Self-Insurers' Security Fund, a not-for-profit mutual benefit corporation, to secure its liabilities for self-insured workers' compensation. In Eskaton's past experience, no claims have been made against this financial instrument. Management does not expect any material loss to result from this off-balance-sheet instrument because performance is not expected to be required and, therefore, is of the opinion that the fair value of this instrument is zero.

NOTE 11 – PROFESSIONAL LIABILITY INSURANCE

Eskaton maintains claims-made commercial professional liability insurance coverage with California Healthcare Insurance Company covering losses up to $5 million per claim, annual aggregate of $15 million, with a $10,000 deductible per claim. Eskaton also purchases excess professional liability insurance coverage of $10 million per claim and $10 million aggregate over the primary insurance coverage limits. Eskaton has recorded a liability of $1.3 million for the tail exposure as of December 31, 2019 and 2018. In accordance with FASB Topic 954-450, *Health Care Entities: Contingencies*, Eskaton has also recorded a liability of $7.8 million and $1.6 million as of December 31, 2019 and 2018, respectively, for estimated claim liabilities insured under its liability policy. These amounts are recorded as professional liability in the accompanying consolidated balance sheets. Any related insurance recovery receivables are recorded as due from liability insurer in the accompanying consolidated balance sheets.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Eskaton is a defendant in a suit filed in Sacramento County Superior Court related to its management and services agreement with Eskaton Village-Grass Valley Homeowners Association (the "EVGV HOA"). A homeowner filed the suit and a judgment with costs was awarded to the homeowner totaling $2,000 and $34,000, respectively. The plaintiff was also awarded legal fees totaling $654,000. Eskaton has appealed the judgment and the appeal process may take several years to adjudicate. The homeowner also filed the same action on behalf of the other 129 homeowners; however, the appeal of the judgment in the individual claim will stay any further action on a class action claim until the appeal is fully adjudicated. It is the opinion of Eskaton's management that the award of attorney's fees is insured under Eskaton's directors' and officers' insurance policy, subject to an initial $100,000 deductible which was met in 2016. The judgment related to attorney's fees will also be stayed until the appeal is fully adjudicated; however, Eskaton was required to purchase a bond during the appeal process for the amounts awarded, including the judgment, costs, and attorney's fees. The cost of the bond will not have a material adverse effect on the consolidated financial position or results of operations of Eskaton.

Another matter was tried before a jury in April 2019 and the jury found in favor of the plaintiff (“Lovenstein”), resulting in an adverse plaintiff verdict including punitive damages. The judgement was entered for $14.25 million, consisting of compensatory and punitive damages of $0.25 and $14 million, respectively. The damages are partially insured under Eskaton’s professional liability insurance pursuant to a reservation of rights letter, and the amount of insurance coverage related to damages is estimated to be $0.25 million. Eskaton has engaged appellate counsel and intends to continue its defense throughout the appeal process. Based on input from Eskaton’s appellate counsel, management has estimated a range of potential loss from $1.25 to $14.25 million, with $6.25 million representing the low end of the range of likely outcomes. Therefore, the Organization recorded a reserve of $6.25 million during 2019, which is reflected in its consolidated balance sheet and consolidated statement of operations as of and for the fiscal year ended December 31, 2019.

In order to proceed with the Organization’s appeal of the Lovenstein matter, management secured a standby letter of credit with US Bank in the amount of $15.3 million that serves as collateral for the court-mandated appeal bond of $25.4 million. The standby letter of credit expires on October 14, 2022. No balance was outstanding on the standby letter of credit as of December 31, 2019.

Eskaton is a defendant in other various legal actions arising from its normal conduct of business. It is the opinion of Eskaton's management, after consulting with legal counsel, that the outcome of such matters will not have a material adverse effect on the consolidated financial position or results of operations of Eskaton.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

Eskaton's financial instruments that are exposed to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (“FDIC”) and Security Investor Protection Corporation (“SIPC”) limits and its accounts receivable.

Eskaton's operating facilities are located primarily in the Sacramento, California, metropolitan area. Eskaton grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements.

Accounts receivable, net, from patients and third-party payors as of December 31 are as follows (in thousands):

	2019	2018
Medicare	$ 745	$ 1,418
Medi-Cal	2,157	1,947
Other third-party payors	2,862	2,579
Patients and residents	983	859
	$ 6,747	$ 6,803

NOTE 14 – NATURAL AND FUNCTIONAL EXPENSES

The consolidated 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. Expenses related to providing these services for the years ended December 31 are as follows (in thousands):

	Year Ended December 31, 2019						
	Program Services				Support Services		
	Health Services	Residential Services	Community Services	Home Based Services	Fundraising	General & Admin	TOTALS
Salaries and wages	$ 25,874	$ 25,020	$ 121	$ 2,232	$ -	$ 18,110	$ 71,357
Employee benefits	7,442	7,868	35	729	-	266	16,340
Professional fees	1,439	95	-	7	-	8,893	10,434
Supplies	2,162	3,587	-	70	-	824	6,643
Purchased services	770	5,434	-	33	-	4,099	10,336
Ancillary costs	3,504	420	-	32	-	-	3,956
Utilities	832	2,878	4	41	-	1,311	5,066
Insurance and other	2,486	736	25	254	233	4,806	8,540
Depreciation	911	8,093	-	18	-	804	9,826
Interest and amortization	335	4,855	-	-	-	639	5,829
Total Expenses	$ 45,755	$ 58,986	$ 185	$ 3,416	$ 233	$ 39,752	$ 148,327

	Year Ended December 31, 2018													
	Program Services								Support Services					
		Health Services		Residential Services		Community Services		Home Based Services		Fundraising		General & Admin		TOTALS
Salaries and wages	$	24,235	$	20,778	$	118	$	3,508	$	8	$	16,491	$	65,138
Employee benefits		8,327		6,654		40		974		1		2,329		18,325
Professional fees		571		307		-		18		-		950		1,846
Supplies		1,998		3,383		2		77		-		835		6,295
Purchased services		726		5,327		-		47		-		3,590		9,690
Ancillary costs		3,396		416		-		26		-		-		3,838
Utilities		767		2,879		3		48		-		1,296		4,993
Insurance and other		2,550		604		20		271		304		4,279		8,028
Depreciation		851		8,274		-		18		-		863		10,006
Interest and amortization		337		4,958		-		-		-		658		5,953
Total Expenses	$	43,758	$	53,580	$	183	$	4,987	$	313	$	31,291	$	134,112

NOTE 15 – LIQUIDITY DISCLOSURE

As of December 31, 2019 and 2018, Eskaton has a working capital surplus of $74.0 million and $73.9 million, and average days' cash on hand of 251 and 248 days, respectively.

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

		2019		2018
Cash and cash equivalents	$	31,225	$	30,115
Investments		63,513		54,197
Accounts receivable, net		6,747		6,803
Other receivables		2,610		1,959
	$	104,095	$	93,074

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

NOTE 16 – 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 17 – SUBSEQUENT EVENTS

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

Eskaton FountainWood Lodge – On February 20, 2020, Eskaton executed a letter of intent to sell Eskaton FountainWood Lodge, a 91 bed licensed assisted living and memory care facility, at an agreed upon sales price of $7.8 million. The completion of the sale is expected to occur between August and September 2020.

Additionally, Eskaton FountainWood Lodge has a loan with Five Star Bank that was scheduled to mature in March 2020, however a change in terms agreement was executed on March 10, 2020, that extended the maturity date to March 2023.

Affiliation with The Reutlinger Community – On September 11, 2019, Eskaton entered into an affiliation agreement with The Reutlinger Community, which is a 60-bed skilled nursing and 116-unit assisted living and memory care CCRC facility located in Danville, California. Regulatory approval for the affiliation was obtained subsequent to December 31, 2019, and the affiliation became effective on April 21, 2020.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. Our results of operations could be adversely affected to the extent that coronavirus or any other epidemic harms the global economy. Although the Organization does not expect the impact on its operations and financial results to be significant, the duration and intensity of the impact of the coronavirus and resulting disruption to the Organization's operations is uncertain.

The Organization held investments at 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 Organization will continue to monitor the situation closely, but the market volatility and the continuing situation surrounding the COVID-19 outbreak is uncertain. At this time management believes the decline in fair value for these securities is temporary.

Subsequent events have been evaluated through April 24, 2020, which is the date the consolidated financial statements were issued.

Supplementary Information

Eskaton and Subsidiaries
Consolidating Schedule – Balance Sheet
December 31, 2019
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Assets																
Current assets:																
Cash and cash equivalents	$ 16,196	$ 3,702	$ 2,800	$ 22,698	$ -	$ 22,698	$ 1,173	$ 87	$ 3,256	$ 3,409	$ 275	$ -	$ 327	$ 31,225	$ -	$ 31,225
Assets limited as to use,																
required for current liabilities	466	225	-	691	-	691	-	-	68	78	-	-	-	837	-	837
Investments	61,922	-	45	61,967	-	61,967	-	-		-	-	-	-	61,967	-	61,967
Accounts receivable, net	6,340	58	16	6,414	-	6,414	169	-	19	19	126	-	-	6,747	-	6,747
Other receivables	1,776	-	70	1,846	-	1,846	6	713	40	4	1	-	-	2,610	-	2,610
Inventories	201	20	6	227	-	227	-	-	5	11	4	-	-	247	-	247
Funded pension obligation	224	-	-	224	-	224	-	-	-	-	-	-	-	224	-	224
Deposits and prepaid expenses	1,057	44	55	1,156	-	1,156	74	-	28	109	13	-	-	1,380	-	1,380
Due from related parties	7,001	-	-	7,001	(423)	6,578	(10)	-	-	-	-	170	-	6,738	(6,738)	-
Total current assets	95,183	4,049	2,992	102,224	(423)	101,801	1,412	800	3,416	3,630	419	170	327	111,975	(6,738)	105,237
Assets limited as to use, net of																
amount required for current liabilities	6,198	2,067	-	8,265	-	8,265	-	-	402	884	-	-	2,960	12,511	-	12,511
Investments	-	-	-	-	-	-	-	-	-	-	-	-	1,546	1,546		1,546
Property and equipment, net	49,433	6,414	13,026	68,873	(113)	68,760	1,280	-	8,901	9,681	5,903	448	-	94,973	-	94,973
Other assets:				-												
Land available for sale	1,830	-	-	1,830	-	1,830	-	-	-	-	-	-	-	1,830	-	1,830
Due from liability insurer	4,978	-	-	4,978	-	4,978	-	-	-	-	-	-	-	4,978	-	4,978
Associate member/resident/patient deposits	2,236	-	-	2,236	-	2,236	-	-	-	-	-	-	-	2,236	-	2,236
Other	4,706	-	-	4,706	-	4,706	1,284	-	-	-	-	-	-	5,990	(1,225)	4,765
Due from related parties, net of current portion	4,300	-	-	4,300	-	4,300	-	-	-	-	-	-	-	4,300	(4,300)	-
	73,681	8,481	13,026	95,188	(113)	95,075	2,564	-	9,303	10,565	5,903	448	4,506	128,364	(5,525)	122,839
Total assets	$ 168,864	$ 12,530	$ 16,018	$ 197,412	$ (536)	$ 196,876	$ 3,976	$ 800	$ 12,719	$ 14,195	$ 6,322	$ 618	$ 4,833	$ 240,339	$ (12,263)	$ 228,076

(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)																
Current liabilities:																
Current maturities of long-term debt	$ 14,140	$ 771	$ 552	$ 15,463	$ -	$ 15,463	$ -	$ -	$ 185	$ 239	$ 219	$ -	$ -	$ 16,106	$ -	$ 16,106
Current portion of deferred revenue from unamortized CCRC entrance fees	2,798	-	-	2,798	-	2,798	-	-	-	-	-	-	-	2,798	-	2,798
Deposits on unoccupied units	541	4	(1)	544	-	544	-	-	-	-	-	-	-	544	-	544
Accounts payable	1,922	190	36	2,148	-	2,148	9	9	35	86	29	-	1	2,317	-	2,317
Accrued liabilities:																
Payroll and payroll taxes	1,184	100	92	1,376	-	1,376	37	212	75	26	74	-	-	1,800	-	1,800
Vacation	1,756	114	92	1,962	-	1,962	36	165	79	59	61	-	-	2,362	-	2,362
Current portion of self-insured workers' compensation	2,341	-	-	2,341	-	2,341	-	-	-	-	-	-	-	2,341	-	2,341
Self-insured employee health plan	1,495	-	-	1,495	-	1,495	-	-	-	-	-	-	-	1,495	-	1,495
Interest	366	133	67	566	-	566	-	-	-	12	14	-	-	592	(10)	582
Other	692	46	11	749	-	749	26	(1)	33	46	36	-	-	889	-	889
Due to related-parties	171	-	423	594	(423)	171	2,656	415	1,759	239	1,518	(21)	(9)	6,728	(6,728)	-
Total current liabilities	27,406	1,358	1,272	30,036	(423)	29,613	2,764	800	2,166	707	1,951	(21)	(8)	37,972	(6,738)	31,234
Other liabilities:																
Self-insured workers' compensation, net of current portion	11,528	-	-	11,528	-	11,528	-	-	-	-	-	-	-	11,528	-	11,528
Interest rate swap agreements	-	-	3,942	3,942	-	3,942	-	-	-	-	-	-	-	3,942	-	3,942
Professional liability	9,148	-	-	9,148	-	9,148	-	-	-	-	-	-	-	9,148	-	9,148
Associate member/resident/patient deposits	2,236	-	-	2,236	-	2,236	-	-	-	-	-	-	-	2,236	-	2,236
Other	99	22	142	263	-	263	19	-	28	-	-	-	148	458	-	458
Due to related-parties, net of current portion	-	-	-	-	-	-	-	-	-	-	4,300	-	-	4,300	(4,300)	-
	23,011	22	4,084	27,117	-	27,117	19	-	28	-	4,300	-	148	31,612	(4,300)	27,312
Long-term debt, net of current maturities	53,219	21,408	15,420	90,047	-	90,047	-	-	7,241	11,916	3,810	-	-	113,014	-	113,014
Refundable CCRC entrance fees	2,055	-	-	2,055	-	2,055	-	-	-	-	-	-	-	2,055	-	2,055
Deferred revenue from unamortized CCRC entrance fees, net of current portion	4,965	-	-	4,965	-	4,965	-	-	-	-	-	-	-	4,965	-	4,965
Total liabilities	110,656	22,788	20,776	154,220	(423)	153,797	2,783	800	9,435	12,623	10,061	(21)	140	189,618	(11,038)	178,580
Net assets (deficit):																
Net assets (deficit) without donor restrictions	58,201	(10,258)	(4,758)	43,185	(113)	43,072	1,193	-	3,284	1,572	(3,739)	639	2,914	48,935	(1,225)	47,710
Net assets with donor restrictions	7	-	-	7	-	7	-	-	-	-	-	-	1,779	1,786	-	1,786
Total net assets (deficit)	58,208	(10,258)	(4,758)	43,192	(113)	43,079	1,193	-	3,284	1,572	(3,739)	639	4,693	50,721	(1,225)	49,496
Total liabilities and net assets (deficit)	$ 168,864	$ 12,530	$ 16,018	$ 197,412	$ (536)	$ 196,876	$ 3,976	$ 800	$ 12,719	$ 14,195	$ 6,322	$ 618	$ 4,833	$ 240,339	$ (12,263)	$ 228,076

Eskaton and Subsidiaries
Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2019
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Net assets (deficit) without donor restrictions:																
Revenue, gains, and other support:																
Net patient service revenue	$ 47,818	$ -	$ -	$ 47,818	$ -	$ 47,818	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 47,818	$ -	$ 47,818
Resident service revenue, including amortization of CCRC entrance fees	48,419	9,493	6,977	64,889	-	64,889	-	-	4,978	6,739	3,966	-	-	80,572	-	80,572
Home based services	2,430	-	-	2,430	-	2,430	1,604	-	-	-	-	-	-	4,034	-	4,034
Other, net	8,366	271	773	9,410	(1,037)	8,373	61	8,577	457	50	76	36	360	17,990	(1,607)	16,383
Total revenues, gains, and other support	107,033	9,764	7,750	124,547	(1,037)	123,510	1,665	8,577	5,435	6,789	4,042	36	360	150,414	(1,607)	148,807
Expenses:																
Salaries and wages	50,623	3,179	2,944	56,746	-	56,746	1,491	6,566	2,100	2,126	2,328	-	-	71,357	-	71,357
Employee benefits	9,836	1,010	939	11,785	-	11,785	474	2,009	670	674	728	-	-	16,340	-	16,340
Professional fees	10,295	15	3	10,313	-	10,313	6	-	23	12	79	-	2	10,435	(1)	10,434
Supplies	4,202	781	458	5,441	-	5,441	80	-	290	513	385	-	-	6,709	(66)	6,643
Purchased services	7,793	1,247	1,009	10,049	(1,037)	9,012	254	-	722	787	696	4	-	11,475	(1,139)	10,336
Ancillary costs	3,732	48	77	3,857	-	3,857	1	-	36	34	28	-	-	3,956	-	3,956
Utilities	3,605	425	251	4,281	-	4,281	13	1	227	268	276	-	-	5,066	-	5,066
Insurance and other	6,951	337	262	7,550	-	7,550	358	1	173	228	180	14	437	8,941	(401)	8,540
Depreciation	6,717	721	788	8,226	(9)	8,217	46	-	483	651	407	22	-	9,826	-	9,826
Interest and amortization	3,310	1,037	487	4,834	-	4,834	-	-	241	490	264	-	-	5,829	-	5,829
Total operating expenses	107,064	8,800	7,218	123,082	(1,046)	122,036	2,723	8,577	4,965	5,783	5,371	40	439	149,934	(1,607)	148,327
Income (loss) from operations	(31)	964	532	1,465	9	1,474	(1,058)	-	470	1,006	(1,329)	(4)	(79)	480	-	480
Nonoperating revenue (expenses):																
Investment income	10,604	62	-	10,666	-	10,666	-	-	1	2	-	-	504	11,173	-	11,173
Interest rate swap activities	-	-	(1,206)	(1,206)	-	(1,206)	-	-	-	-	-	-	-	(1,206)	-	(1,206)
Other components of net periodic pension (cost) benefit	(941)	-	-	(941)	-	(941)	-	-	-	-	-	-	-	(941)	-	(941)
Other	170	-	(2)	168	-	168	-	-	2	-	-	-	(8)	162	-	162
Total nonoperating revenue (expenses), net	9,833	62	(1,208)	8,687	-	8,687	-	-	3	2	-	-	496	9,188	-	9,188
Excess (deficiency) of revenues, gains, and other support over expenses	$ 9,802	$ 1,026	$ (676)	$ 10,152	$ 9	$ 10,161	$ (1,058)	$ -	$ 473	$ 1,008	$ (1,329)	$ (4)	$ 417	$ 9,668	$ -	$ 9,668

(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Net assets without donor restrictions:																
Excess (deficiency) of revenues, gains, and other support over expenses (page 42)	$ 9,802	$ 1,026	$ (676)	$ 10,152	$ 9	$ 10,161	$ (1,058)	$ -	$ 473	$ 1,008	$ (1,329)	$ (4)	$ 417	$ 9,668	$ -	$ 9,668
Pension related changes other than net periodic pension cost	1,977	-	-	1,977	-	1,977	-	-	-	-	-	-	-	1,977	-	1,977
Transfers between related entities	(1,001)	1,000	-	(1)	1	-	-	-	-	-	-	-	-	-	-	-
Change in net assets (deficit) without donor restrictions	10,778	2,026	(676)	12,128	10	12,138	(1,058)	-	473	1,008	(1,329)	(4)	417	11,645	-	11,645
Net assets (deficit) without donor restrictions, beginning of year	47,423	(12,284)	(4,082)	31,057	(123)	30,934	2,251	-	2,811	564	(2,410)	643	2,497	37,290	(1,225)	36,065
Net assets without donor restrictions, end of year	$ 58,201	$ (10,258)	$ (4,758)	$ 43,185	$ (113)	$ 43,072	$ 1,193	$ -	$ 3,284	$ 1,572	$ (3,739)	$ 639	$ 2,914	$ 48,935	$ (1,225)	$ 47,710
Net assets with donor restrictions:																
Contributions	$ 2	$ -	$ -	$ 2	$ -	$ 2	$ -	$ -	$ -	$ -	$ -	$ -	$ 54	$ 56	$ -	$ 56
Change in assets held in trust by others	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)	-	(4)
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	233	233	-	233
used for operations	-	-	-	-	-	-	-	-	-	-	-	-	(217)	(217)	-	(217)
Change in net assets with donor restrictions	2	-	-	2	-	2	-	-	-	-	-	-	66	68	-	68
Net assets with donor restrictions, beginning of year	5	-	-	5	-	5	-	-	-	-	-	-	1,713	1,718	-	1,718
Net assets with donor restrictions, end of year	$ 7	$ -	$ -	$ 7	$ -	$ 7	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,779	$ 1,786	$ -	$ 1,786
Change in net assets (deficit)	$ 10,780	$ 2,026	$ (676)	$ 12,130	$ 10	$ 12,140	$ (1,058)	$ -	$ 473	$ 1,008	$ (1,329)	$ (4)	$ 483	$ 11,713	$ -	$ 11,713
Net assets (deficit), beginning of year	47,428	(12,284)	(4,082)	31,062	(123)	30,939	2,251	-	2,811	564	(2,410)	643	4,210	39,008	(1,225)	37,783
Net assets (deficit), end of year	$ 58,208	$ (10,258)	$ (4,758)	$ 43,192	$ (113)	$ 43,079	$ 1,193	$ -	$ 3,284	$ 1,572	$ (3,739)	$ 639	$ 4,693	$ 50,721	$ (1,225)	$ 49,496

Eskaton and Subsidiaries
Consolidating Schedule – Cash Flows
Year Ended December 31, 2019
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton Combined	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Change in net assets (deficit)	$ 10,780	$ 2,026	$ (676)	$ 12,130	$ 10	$ 12,140	$ (1,058)	$ -	$ 473	$ 1,008	$ (1,329)	$ (4)	$ 483	$ 11,713		$ 11,713
Adjustments to reconcile change in net assets (deficit)																
to net cash provided by (used in) operating activities:																
Depreciation	6,717	721	788	8,226	(9)	8,217	46	-	483	651	407	22	-	9,826	-	9,826
Amortization of deferred financing costs and premium	(32)	(61)	28	(65)	-	(65)	-	-	11	15	-	-	-	(39)	-	(39)
Amortization of CCRC entrance fees	(2,777)	-	-	(2,777)	-	(2,777)	-	-	-	-	-	-	-	(2,777)	-	(2,777)
Net realized and unrealized gain on assets limited as to use	(87)	(20)	-	(107)	-	(107)	-	-	-	-	-	-	(435)	(542)	-	(542)
Net realized and unrealized gain on investments	(9,323)	-	-	(9,323)	-	(9,323)	-	-	-	-	-	-	(225)	(9,548)	-	(9,548)
Pension related changes other than net periodic pension cost	(1,977)	-	-	(1,977)	-	(1,977)	-	-	-	-	-	-	-	(1,977)	-	(1,977)
Change in fair value of derivative instruments	-	-	831	831	-	831	-	-	-	-	-	-	-	831	-	831
Transfers between related entities	1,001	1,000	-	2,001	(1)	2,000	-	-	-	-	-	-	-	2,000	(2,000)	-
CCRC resales of nonrefundable contracts	1,193	-	-	1,193	-	1,193	-	-	-	-	-	-	-	1,193	-	1,193
CCRC sales of nonrefundable contracts	2,005	-	-	2,005	-	2,005	-	-	-	-	-	-	-	2,005	-	2,005
CCRC sales of refundable contracts	125	-	-	125	-	125	-	-	-	-	-	-	-	125	-	125
Gain on disposal of property and equipment	(2)	-	-	(2)	-	(2)	-	-	(3)	-	-	-	-	(5)	-	(5)
Change in operating assets and liabilities:																
Change in receivables	(161)	(65)	(67)	(293)	-	(293)	111	(369)	(7)	(16)	(40)	-	32	(582)	-	(582)
Change in inventories	(51)	(3)	4	(50)	-	(50)	-	-	(1)	(3)	-	-	-	(54)	-	(54)
Change in deposits and prepaid expenses	(234)	(31)	(13)	(278)	-	(278)	(21)	-	(16)	(18)	(8)	-	1	(340)	-	(340)
Change in other assets	(254)	-	-	(254)	-	(254)	-	-	-	-	-	-	-	(254)	-	(254)
Change in accounts payable	389	85	17	491	-	491	(19)	9	(30)	41	(47)	-	(10)	435	-	435
Change in accrued liabilities	(1,885)	32	33	(1,820)	-	(1,820)	(211)	82	24	(69)	30	-	-	(1,964)	-	(1,964)
Change in unfunded pension obligation	758	-	-	758	-	758	-	-	-	-	-	-	-	758	-	758
Change in other liabilities	6,414	13	-	6,427	-	6,427	5	-	4	-	(4)	-	(9)	6,423	-	6,423
Net cash provided by (used in) operating activities	12,599	3,697	945	17,241	-	17,241	(1,147)	(278)	938	1,609	(991)	18	(163)	17,227	(2,000)	15,227
Purchases of assets limited as to use	(4,689)	(1,716)	-	(6,405)	-	(6,405)	-	-	-	-	-	-	(1,065)	(7,470)	-	(7,470)
Proceeds from sale of assets limited as to use	4,647	1,772	-	6,419	-	6,419	-	-	-	-	-	-	993	7,412	-	7,412
Purchase of investments	(31,601)	-	7	(31,594)	-	(31,594)	-	-	-	-	-	-	(462)	(32,056)	-	(32,056)
Proceeds from sale of investments	31,538	-	-	31,538	-	31,538	-	-	-	-	-	-	750	32,288	-	32,288
Expenditures for property and equipment	(5,019)	(433)	(140)	(5,592)	-	(5,592)	(48)	-	(221)	(245)	(24)	-	-	(6,130)	-	(6,130)
Proceeds from disposal of property and equipment	2	-	-	2	-	2	1	-	3	-	-	-	-	6	-	6
Investment in InnovAge (PACE)	(3,000)	-	-	(3,000)	-	(3,000)	-	-	-	-	-	-	-	(3,000)	-	(3,000)
Net cash provided by (used in) investing activities	(8,122)	(377)	(133)	(8,632)	-	(8,632)	(47)	-	(218)	(245)	(24)	-	216	(8,950)	-	(8,950)
CCRC contracts refunded	(559)	-	-	(559)	-	(559)	-	-	-	-	-	-	-	(559)	-	(559)
Change in deposits on unoccupied units	309	(1)	(1)	307	-	307	-	-	-	-	-	-	-	307	-	307
Principal payments on long-term debt	(2,951)	(676)	(555)	(4,182)	-	(4,182)	-	-	(191)	(266)	(235)	-	-	(4,874)	-	(4,874)
Net change in due to/due from related entities	(5,543)	(1,000)	423	(6,120)		(6,120)	1,070	268	1,597	(10)	1,333	(18)	(119)	(1,999)	1,999	-
Net cash provided by (used in) financing activities	(8,744)	(1,677)	(133)	(10,554)	-	(10,554)	1,070	268	1,406	(276)	1,098	(18)	(119)	(7,125)	1,999	(5,126)
Net increase in cash, cash equivalents and restricted cash	(4,267)	1,643	679	(1,945)	-	(1,945)	(124)	(10)	2,126	1,088	83	-	(66)	1,152	(1)	1,151
Cash, cash equivalents and restricted cash, beginning of year	20,917	2,259	2,121	25,297	-	25,297	1,297	97	1,600	3,283	192	-	416	32,182	1	32,183
Cash, cash equivalents and restricted cash, end of year	$ 16,650	$ 3,902	$ 2,800	$ 23,352	$ -	$ 23,352	$ 1,173	$ 87	$ 3,726	$ 4,371	$ 275	$ -	$ 350	$ 33,334	$ -	$ 33,334
Supplemental disclosure:																
Cash paid for interest	3,336	1,094	458	4,888	-	4,888	-	-	231	508	267	-	-	5,894	-	5,894

(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Assets											
Current assets:											
Cash and cash equivalents	$ 16,077	$ 1	$ 1	$ 1	$ 112	$ 1	$ 1	$ -	$ 2	$ -	$ 16,196
Assets limited as to use,											
required for current liabilities	111	-	-	-	-		117	-	238	-	466
Investments	57,257		-	-	-	-	-	-	4,665	-	61,922
Accounts receivable, net	6	1,579	1,980	1,449	10	51	84	303	878	-	6,340
Other receivables	1,673	-	-	2	4	-	3	46	48	-	1,776
Inventories	25	9	28	19	1	2	9	8	100	-	201
Funded pension obligation	224	-	-	-	-	-	-	-	-	-	224
Deposits and prepaid expenses	526	114	55	88	35	26	21	12	180	-	1,057
Due from related parties	7,001	-	-	-	-	-	-	-	-	-	7,001
Total current assets	82,900	1,703	2,064	1,559	162	80	235	369	6,111	-	95,183
Assets limited as to use, net of											
amount required for current liabilities	1,023	-	-	-	-	-	1,076	-	4,099	-	6,198
Property and equipment, net	1,425	1,313	3,049	3,156	2,263	1,989	6,519	17	29,702	-	49,433
Other assets:											
Land available for sale	1,830	-	-	-	-	-	-	-	-	-	1,830
Due from liability insurer	4,978	-	-	-	-	-	-	-	-	-	4,978
Associate member/resident/patient deposits	-	8	3	3	-	-	-	-	2,222	-	2,236
Other	3,195	-	-	-	-	-	-	-	1,511	-	4,706
Due from related parties, net of current portion	4,300	-	-	-	-	-	-	-	-	-	4,300
	14,303	8	3	3	-	-	-	-	3,733	-	18,050
Total assets	$ 99,651	$ 3,024	$ 5,116	$ 4,718	$ 2,425	$ 2,069	$ 7,830	$ 386	$ 43,645	$ -	$ 168,864

(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Liabilities and Net Assets (Deficit)											
Current liabilities:											
Current maturities of long-term debt	$ 937	$ 625	$ 2,290	$ 2,732	$ 814	$ 1,701	$ 401	$ -	$ 4,640	$ -	$ 14,140
Current portion of deferred revenue from unamortized CCRC entrance fees	-	-	-	-	-	-	-	-	2,798	-	2,798
Deposits on unoccupied CCRC units	-	-	-	-	-	-	-	-	541	-	541
Accounts payable	539	295	254	284	31	25	34	(8)	468	-	1,922
Accrued liabilities:											
Payroll and payroll taxes	626	58	96	110	13	50	79	31	121	-	1,184
Vacation	445	233	258	264	37	43	81	66	329	-	1,756
Current portion of self-insured								-			
workers' compensation	2,341	-	-	-	-	-	-	-	-	-	2,341
Self-insured employee health plan	1,495	-	-	-	-	-	-	-	-	-	1,495
Interest	67	2	6	8	2	5	69	-	207	-	366
Other	306	21	96	130	113	7	16	3	-	-	692
Due to related parties	171	-	-	-	-	-	-	-	-	-	171
Total current liabilities	6,927	1,234	3,000	3,528	1,010	1,831	680	92	9,104	-	27,406
Other liabilities:											
Self-insured workers' compensation, net of current portion	11,528	-	-	-	-	-	-	-	-	-	11,528
Professional liability	9,148	-	-	-	-	-	-	-	-	-	9,148
Associate member/resident/patient deposits	-	8	3	3	-	-	-	-	2,222	-	2,236
Other	4	6	2	4	-	1	12	6	64	-	99
	20,680	14	5	7	-	1	12	6	2,286	-	23,011
Long-term debt, net of current maturities	12,613	-	-	-	-	-	11,140	-	29,466	-	53,219
Refundable CCRC entrance fees	-	-	-	-	-	-	-	-	2,055	-	2,055
Deferred revenue from unamortized CCRC entrance fees, net of current portion	-	-	-	-	-	-	-	-	4,965	-	4,965
Total liabilities	40,220	1,248	3,005	3,535	1,010	1,832	11,832	98	47,876	-	110,656
Net assets (deficit):											
Net assets (deficit) without donor restrictions	59,431	1,776	2,111	1,183	1,415	237	(4,002)	288	(4,238)	-	58,201
Net assets with donor restrictions	-	-	-	-	-	-		-	7	-	7
Total net assets (deficit)	59,431	1,776	2,111	1,183	1,415	237	(4,002)	288	(4,231)	-	58,208
Total liabilities and net assets (deficit)	$ 99,651	$ 3,024	$ 5,116	$ 4,718	$ 2,425	$ 2,069	$ 7,830	$ 386	$ 43,645	$ -	$ 168,864

Eskaton Properties, Inc. Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2019
(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Net assets (deficit) without donor restrictions:											
Revenue, gains, and other support:											
Net patient service revenue	$ -	$ 12,887	$ 17,930	$ 17,001	$ -	$ -	$ -	$ -	$ -	$ -	$ 47,818
Resident service revenue, including amortization of CCRC entrance fees	-	-	-	-	3,833	3,174	7,374	-	34,038	-	48,419
Home based services	-	-	-	-	-	-	-	2,430	-	-	2,430
Other, net	12,921	98	31	48	158	47	91	-	1,207	(6,235)	8,366
Total revenues, gains, and other support	12,921	12,985	17,961	17,049	3,991	3,221	7,465	2,430	35,245	(6,235)	107,033
Expenses:											
Salaries and wages	8,875	7,142	9,139	8,853	1,069	1,286	2,606	2,332	9,321	-	50,623
Employee benefits	(3,544)	2,448	2,899	2,830	358	390	795	738	2,922	-	9,836
Professional fees	8,704	804	568	164	-	2	3	2	48	-	10,295
Supplies	422	688	930	691	414	258	446	13	340	-	4,202
Purchased services	2,205	1,167	1,419	1,313	513	374	783	270	5,984	(6,235)	7,793
Ancillary costs	-	1,052	928	993	-	28	41	31	659	-	3,732
Utilities	199	306	346	308	326	149	287	39	1,645	-	3,605
Insurance and other	1,758	832	1,353	1,369	145	112	202	208	972	-	6,951
Depreciation	502	171	273	310	318	208	604	6	4,325	-	6,717
Interest and amortization	639	27	99	118	35	74	540	-	1,778	-	3,310
Total operating expenses	19,760	14,637	17,954	16,949	3,178	2,881	6,307	3,639	27,994	(6,235)	107,064
Income (loss) from operations	(6,839)	(1,652)	7	100	813	340	1,158	(1,209)	7,251	-	(31)
Nonoperating revenue (expenses):											
Investment income	9,660	-	-	-	-	-	32	-	912	-	10,604
Other components of net periodic pension cost	(941)	-	-	-	-	-	-	-	-	-	(941)
Other	168	-	-	-	-	-	-	-	2	-	170
Total nonoperating revenue (expenses), net	8,887	-	-	-	-	-	32	-	914	-	9,833
Excess of revenues, gains, and other support over expenses	$ 2,048	$ (1,652)	$ 7	$ 100	$ 813	$ 340	$ 1,190	$ (1,209)	$ 8,165	$ -	$ 9,802

(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Excess (deficiency) of revenues, gains, and other support over expenses (page 47)	$ 2,048	$ (1,652)	$ 7	$ 100	$ 813	$ 340	$ 1,190	$ (1,209)	$ 8,165	$ -	$ 9,802
Pension related changes other than net periodic pension cost	1,977	-	-	-	-	-	-	-	-	-	1,977
Transfers between related entities	5,246	2,381	721	131	(646)	(351)	(1,091)	663	(8,055)	-	(1,001)
Change in net assets (deficit) without donor restrictions	9,271	729	728	231	167	(11)	99	(546)	110	-	10,778
Net assets (deficit) without donor restrictions, beginning of year	50,160	1,047	1,383	952	1,248	248	(4,101)	834	(4,348)	-	47,423
Net assets (deficit) without donor restrictions, end of year	$ 59,431	$ 1,776	$ 2,111	$ 1,183	$ 1,415	$ 237	$ (4,002)	$ 288	$ (4,238)	$ -	$ 58,201
Net assets with donor restrictions:											
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2	$ -	$ 2
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	2	-	2
Net assets with donor restrictions, beginning of year	-	-	-	-	-	-	-	-	5	-	5
Net assets with donor restrictions, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7	$ -	$ 7
Change in net assets (deficit)	$ 9,271	$ 729	$ 728	$ 231	$ 167	$ (11)	$ 99	$ (546)	$ 112	$ -	$ 10,780
Net assets (deficit), beginning of year	50,160	1,047	1,383	952	1,248	248	(4,101)	834	(4,343)	-	47,428
Net assets (deficit), end of year	$ 59,431	$ 1,776	$ 2,111	$ 1,183	$ 1,415	$ 237	$ (4,002)	$ 288	$ (4,231)	$ -	$ 58,208

(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Change in net assets (deficit)	$ 9,271	$ 729	$ 728	$ 231	$ 167	$ (11)	$ 99	$ (546)	$ 112	$ -	$ 10,780
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:											
Depreciation	502	171	273	310	318	208	604	6	4,325	-	6,717
Amortization of deferred financing costs and premium	(29)	2	8	9	3	6	(32)	-	1	-	(32)
Amortization of CCRC entrance fees	-	-	-	-	-	-	-	-	(2,777)	-	(2,777)
Net realized and unrealized gain on assets limited as to use	(10)	-	-	-	-	-	(11)	-	(66)	-	(87)
Net realized and unrealized gain on investments	(8,676)	-	-	-	-	-	-	-	(647)	-	(9,323)
Pension related changes other than net periodic pension cost	(1,977)	-	-	-	-	-	-	-	-	-	(1,977)
Transfers between related entities	(5,246)	(2,381)	(721)	(131)	646	351	1,091	(663)	8,055	-	1,001
CCRC resales of nonrefundable contracts	-	-	-	-	-	-	-	-	1,193	-	1,193
CCRC sales of nonrefundable contracts	-	-	-	-	-	-	-	-	2,005	-	2,005
CCRC sales of refundable contracts	-	-	-	-	-	-	-	-	125	-	125
Gain on disposal of property and equipment	-	-	-	-	-	-	-	-	(2)	-	(2)
Change in operating assets and liabilities:											
Change in receivables	(544)	(438)	(140)	242	(9)	(41)	(38)	705	102	-	(161)
Change in inventories	(5)	7	10	(5)	-	2	(5)	(1)	(54)	-	(51)
Change in deposits and prepaid expenses	(188)	(35)	69	(28)	1	1	(16)	3	(41)	-	(234)
Change in other assets	431	(8)	5	2	-	-	-	-	(684)	-	(254)
Change in accounts payable	229	93	53	57	3	(1)	14	(6)	(53)	-	389
Change in accrued liabilities	(1,060)	(247)	(235)	(124)	(39)	18	(27)	(167)	(4)	-	(1,885)
Change in unfunded pension obligation	758	-	-	-	-	-	-	-	-	-	758
Change in other liabilities	6,250	16	(6)	1	-	(9)	2	6	154	-	6,414
Net cash provided by (used in) operating activities	(294)	(2,091)	44	564	1,090	524	1,681	(663)	11,744	-	12,599
Purchases of assets limited as to use	(848)	-	-	-	-	-	(892)	-	(2,949)	-	(4,689)
Proceeds from sale of assets limited as to use	877	-	-	-	-	-	922	-	2,848	-	4,647
Purchase of investments	(28,605)	-	-	-	-	-	-	-	(2,996)	-	(31,601)
Proceeds from sale of investments	27,678	-	-	-	-	-	-	-	3,860	-	31,538
Expenditures for property and equipment	(360)	(241)	(585)	(480)	(378)	(39)	(213)	-	(2,723)	-	(5,019)
Proceeds from disposal of property and equipment	-	-	-	-	-	-	-	-	2	-	2
Investment in InnovAge (PACE)	(3,000)	-	-	-	-	-	-	-	-	-	(3,000)
Net cash provided by (used in) investing activities	(4,258)	(241)	(585)	(480)	(378)	(39)	(183)	-	(1,958)	-	(8,122)
CCRC contracts refunded	-	-	-	-	-	-	-	-	(559)	-	(559)
Change in deposits on unoccupied units	-	-	-	-	-	-	-	-	309	-	309
Principal payments on long-term debt	(473)	(49)	(180)	(215)	(64)	(134)	(352)	-	(1,484)	-	(2,951)
Net change in due to/due from related entities	702	2,381	721	131	(646)	(351)	(1,089)	663	(8,055)	-	(5,543)
Net cash provided by (used in) financing activities	229	2,332	541	(84)	(710)	(485)	(1,441)	663	(9,789)	-	(8,744)
Net increase in cash, cash equivalents and restricted cash	(4,323)	-	-	-	2	-	57	-	(3)	-	(4,267)
Cash, cash equivalents and restricted cash, beginning of year	20,500	1	1	1	110	1	48	-	255	-	20,917
Cash, cash equivalents and restricted cash, end of year	$ 16,177	$ 1	$ 1	$ 1	$ 112	$ 1	$ 105	$ -	$ 252	$ -	$ 16,650
Supplemental disclosure:											
Cash paid for interest	665	25	91	109	32	68	569	-	1,777	-	3,336

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Balance Sheet
December 31, 2019
(in thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 18	$ 383	$ 772	$ -	$ 1,173
Accounts receivable, net	-	92	77	-	169
Other receivables	(2)	7	1	-	6
Deposits and prepaid expenses	-	26	48	-	74
Due from related parties	(10)	-	-	-	(10)
Total current assets	6	508	898	-	1,412
Property and equipment, net	1,065	68	147	-	1,280
Other assets	1,284	-	-	-	1,284
	2,349	68	147	-	2,564
Total assets	$ 2,355	$ 576	$ 1,045	$ -	$ 3,976
Liabilities and Net Assets (Deficit)					
Current liabilities:					
Accounts payable	$ 2	$ 5	$ 2	$ -	$ 9
Accrued liabilities:					-
Payroll and payroll taxes	5	2	30	-	37
Vacation	10	17	9	-	36
Other	-	9	17	-	26
Due to related-parties	338	719	1,599	-	2,656
Total current liabilities	355	752	1,657	-	2,764
Other liabilities	4	15	-	-	19
Total liabilities	359	767	1,657	-	2,783
Net assets (deficit):					
Net assets (deficit) without donor restrictions	1,996	(191)	(612)	-	1,193
Net assets with donor restrictions	-	-	-	-	-
Total net assets (deficit)	1,996	(191)	(612)	-	1,193
Total liabilities and net assets (deficit)	$ 2,355	$ 576	$ 1,045	$ -	$ 3,976

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2019
(in thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Net assets (deficit) without donor restrictions:					
Revenue, gains, and other support:					
Home based services	$ -	$ 747	$ 857	$ -	$ 1,604
Other, net	5	56	-	-	61
Total revenues, gains, and other support	5	803	857	-	1,665
Expenses:					
Salaries and wages	168	681	642	-	1,491
Employee benefits	49	236	189	-	474
Professional fees	-	6	-	-	6
Supplies	3	72	5	-	80
Purchased services	24	96	134	-	254
Ancillary costs	-	1	-	-	1
Utilities	4	2	7	-	13
Insurance and other	32	220	106	-	358
Depreciation	-	18	28	-	46
Total operating expenses	280	1,332	1,111	-	2,723
Change in net assets without donor restrictions	(275)	(529)	(254)	-	(1,058)
Net assets (deficit) without donor restrictions, beginning of year	2,271	338	(358)	-	2,251
Net assets (deficit) without donor restrictions, end of year	$ 1,996	$ (191)	$ (612)	$ -	$ 1,193

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Cash Flows
Year Ended December 31, 2019
(in thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Change in net assets (deficit)	$ (275)	$ (529)	$ (254)	$ -	$ (1,058)
Adjustments to reconcile change in net assets to net cash used in operating activities:					
Depreciation	-	18	28	-	46
Change in operating assets and liabilities:				-	
Change in receivables	2	(25)	134	-	111
Change in deposits and prepaid expenses	2	(5)	(18)	-	(21)
Change in accounts payable	-	(1)	(18)	-	(19)
Change in accrued liabilities	(5)	1	(207)	-	(211)
Change in other liabilities	-	5	-	-	5
Net cash used in operating activities	(276)	(536)	(335)	-	(1,147)
Expenditures for property and equipment	(48)	-	-	-	(48)
Proceeds from disposal of property and equipment	-	-	1	-	1
Net cash used in investing activities	(48)	-	-	-	(48)
Net change in due to/due from related entities	309	719	42	-	1,070
Net cash used in financing activities	309	719	42	-	1,070
Net increase in cash, cash equivalents and restricted cash	(15)	183	(292)	-	(124)
Cash, cash equivalents and restricted cash, beginning of year	33	200	1,064	-	1,297
Cash, cash equivalents and restricted cash, end of year	$ 18	$ 383	$ 772	$ -	$ 1,173

Eskaton supports community charitable organizations, and other not-for-profit aging services organizations that provide services to older adults, through financial contributions to those organizations. In addition, Eskaton provides the following community service programs:

Resident Assistance Funds – Eskaton contributes funds to and solicits donations to various resident assistance funds that provide help to older adults who can no longer afford the monthly fees associated with their care and do not have sufficient family resources to cover the full cost of services. Residents are screened based on income and net assets and family resources and eligible residents are provided a monthly assistance stipend to supplement available income as necessary.

Telephone Reassurance Program – Eskaton owns and operates a telephone reassurance/home visitor program. The Telephone Reassurance Program is provided primarily by volunteers, is free to clients, and includes daily telephone calls and/or weekly home visits to isolated older adults.

Adult Day Health Care Center ("ADHC") – Eskaton owns and operates an ADHC program that provides social, recreational, and rehabilitation services to residents of a portion of Sacramento County. The ADHC program accepts Medi-Cal clients despite the shortfall of Medi-Cal reimbursement compared to cost. The ADHC program also accepts uninsured and under-insured clients at rates below actual cost.

Social responsibility costs – The Organization considers the actual costs of charitable community organizations and aging services organization sponsorships, and actual costs, net of any reimbursement, of providing community service programs, to be social responsibility. The level of social responsibility provided for the years ended December 31 is measured as follows (dollar amounts in thousands):

	2019	2018
Community sponsorships	$ 84	$ 95
Aging services sponsorships	59	86
Resident Assistance Funds	107	165
Telephone Reassurance Program	275	273
ADHC, net of revenue	529	450
Total	$ 1,054	$ 1,069
Community service program operating statistics:		
Resident Assistance Funds:		
Months of assistance	77	108
Residents assisted	9	11
Telephone Reassurance Program:		
Telephone calls	57,123	63,201
Home visits	2,644	2,562
ADHC client days	9,038	9,990

MOSSADAMS

PART 5

LIQUID RESERVES

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

Eskaton and Subsidiaries

December 31, 2019

MOSSADAMS

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MOSSADAMS

Report of Independent Auditors

To the Board of Directors
Eskaton and Subsidiaries

We have audited the accompanying financial statements of Eskaton and Subsidiaries, 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 reserves of Eskaton and Subsidiaries 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 Eskaton and Subsidiaries 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 Statement of Cash Flows – Direct Method; Supplementary Form 5-4 – Calculation of Reimbursement for Services to Nonresidents; Supplementary Form 5-5 – Description of Reserves under SB 1212; and Supplementary Form 5-5 – ALATU – Composition of Assets, 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 Eskaton and Subsidiaries 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.

Moss Adams LLP

San Francisco, California
April 28, 2020

Continuing Care Liquid Reserve Schedules

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1		See attachment	to Form 5-1		
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	$ 4,874,000	$ 5,894,000	$ -	$ 10,768,000

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

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

PROVIDER: Eskaton

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	3/29/2002	$ 103,000	$ 105,000		$ 208,000
2	12/21/2006	555,000	458,000		1,013,000
3	4/1/2008	950,000	482,000		1,432,000
4	3/31/2011	234,000	267,000		501,000
5	5/22/2012	1,210,000	1,638,000		2,848,000
6	11/29/2012	190,000	231,000		421,000
7	6/6/2013	1,365,000	2,205,000		3,570,000
8	6/10/2015	267,000	508,000		775,000
9					
10					
11					
12					
13					
14					
	TOTAL:	$ 4,874,000	$ 5,894,000	$ -	$ 10,768,000

PROVIDER: Eskaton

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

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

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

NOTE:

PROVIDER: Eskaton

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$ 10,768,000
2	Total from Form 5-2 bottom of Column (e)	$ -
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$ -
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$ 10,768,000

PROVIDER: Eskaton

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$ 27,994,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$ 1,777,000	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$ -	
	c.	Depreciation	$ 4,325,000	
	d.	Amortization	$ 1,000	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$ 7,195,000	
	f.	Extraordinary expenses approved by the Department	$ -	
3		Total Deductions		$ 13,298,000
4		Net Operating Expenses		$ 14,696,000
5		Divide Line 4 by 365 and enter the result.		$ 40,000
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$ 3,000,000

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

ANNUAL RESERVE CERTIFICATION

Provider Name: Eskaton

Fiscal Year Ended: December 31, 2019

We have reviewed our debt service reserve and operating expense reserve 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	$ 10,768,000
[2]	Operating Expense Reserve Amount	$ 3,000,000
[3]	**Total Liquid Reserve Amount:**	$ 13,768,000

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

	Qualifying Asset Description	Amount Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$ 22,038,000		$ 10,000,000
[5]	Investment Securities	$ -		$ 8,474,000
[6]	Equity Securities	$ -		$ 51,918,000
[7]	Unused/Available Lines of Credit	$ -		$ -
[8]	Unused/Available Letters of Credit	$ -		$ -
[9]	Debt Service Reserve	$ 8,956,000		(not applicable)
[10]	Other: (describe qualifying asset)			$ 762,000
	Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	$ 30,994,000	[12]	$ 71,154,000
	Reserve Obligation Amount: [13]	$ 10,768,000	[14]	$ 3,000,000
	Surplus/(Deficiency): [15]	$ 20,226,000	[16]	$ 68,154,000

Signature:

(Authorized Representative)

Date: April 28, 2020

Chief Executive Officer
(Title)

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 Eskaton and Subsidiaries assets, liabilities, revenues, and expenses.

Supplementary Schedules

Eskaton and Subsidiaries
Statement of Cash Flows – Direct Method
December 31, 2019

Cash flows from operating activities:	
Cash received from independent residents	$ 22,828,000
Cash received from ALU contract residents	4,138,000
Cash received from SNF contract residents	759,000
Cash received from noncontract residents	6,961,000
Cash received from guest services	234,000
Cash received from other revenue	1,207,000
Cash received from other investment income	199,000
Cash paid for interest	(1,777,000)
Cash paid to suppliers and employees	(22,805,000)
Net cash provided by operating activities	11,744,000
Cash flows from investing activities:	
Purchases of assets limited as to use	(2,949,000)
Proceeds from sale of assets limited as to use	2,848,000
Purchases of investments	(2,996,000)
Proceeds from sale of investments	3,860,000
Expenditures for capital maintenance	(2,723,000)
Proceeds from disposal of property and equipment	2,000
Net cash used in investing activities	(1,958,000)
Cash flows from financing activities:	
CCRC contracts refunded	(559,000)
Change in deposits on unoccupied CCRC units	309,000
Principal payments on long-term debt	(1,484,000)
Change in due from related party - current year cash flow	(8,055,000)
Net cash used in financing activities	(9,789,000)
Net change in cash	(3,000)
Cash, cash equivalents, and restricted cash at December 31, 2018	255,000
Cash, cash equivalents, and restricted cash at December 31, 2019	$ 252,000

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

Resident service revenue (per consolidating financial schedules)	$	34,038,000
Less: Reimbursements for services to residents		26,843,000
Reimbursements for services to nonresidents	$	7,195,000
Assisted living services to nonresidents	$	418,000
Skilled nursing services to nonresidents		6,543,000
Independent guest meals		185,000
Independent guest room meals		49,000
Reimbursements for services to nonresidents	$	7,195,000
Cash received from noncontract residents	$	6,961,000
Cash received from guest services		234,000
	$	7,195,000

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

Eskaton and Subsidiaries
Supplementary Form 5-5 – Description of Reserves Under SB 1212
December 31, 2019

Financial Statements and Footnote Description		Qualifying Asset Description (Form 5-5)
Cash and cash equivalents	$ 10,000,000	Cash and cash equivalents
Fixed income securities	8,474,000	Government securities and corporate debt
Equity securities and mutual funds	51,918,000	Equity securities and mutual funds
Alternative investments	762,000	Other
Total cash and cash equivalents, investment securities, equity securities and mutual funds, and other	71,154,000	
Cash and cash equivalents for debt service reserve	22,038,000	Cash and cash equivalents
Total cash and cash equivalents and investments, current	93,192,000	
Assets limited as to use - debt service reserve	8,956,000	Debt service reserve
Total	$ 102,148,000	

Reconciliation to Audited Financial Statements	
Cash and cash equivalents	$ 31,225,000
Investments, current	61,967,000
Total	$ 93,192,000
Cash and cash equivalents	$ 31,225,000
Assets limited as to use, required for current liabilities	837,000
Assets limited as to use, net of amount required for current liabilities	12,511,000
Investments, current	61,967,000
Investments, noncurrent	1,546,000
	$ 108,086,000
Total amount of qualifying assets as filed for operating reserve	$ 71,154,000
Total amount of qualifying assets as filed for debt service reserve	30,994,000
Subtotal amount of qualifying assets	102,148,000
Investments, noncurrent	1,546,000
Restricted FHA loan reserves (see ALATU – composition of assets)	1,432,000
Resident assistance and program funds restricted by donors	2,960,000
	$ 108,086,000

	Total	Cash and ST Investments	U.S. Treasury Government Security and Corporate Debt
2012 Bonds	$ 4,338,000	$ 250,000	$ 4,088,000
2013 Bonds	4,618,000	404,000	4,214,000
TOTAL DEBT SERVICE RESERVE	8,956,000	654,000	8,302,000
Restricted FHA Loan Reserves	1,432,000	1,432,000	-
TOTAL RESERVES AND COLLATERAL IN ALATU	$ 10,388,000	$ 2,086,000	$ 8,302,000
TOTAL DEBT SERVICE RESERVE	$ 8,956,000		
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	22,038,000		
TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE	$ 30,994,000		

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

MOSSADAMS

PART 6

<u>CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT</u>

Continuing Care Retirement Community Disclosure Statement

Date Prepared: ________

FACILITY NAME: Eskaton Village Carmichael

ADDRESS: 3939 Walnut Avenue ZIP CODE: 95608 PHONE: 916-974-2000

PROVIDER NAME: Eskaton FACILITY OPERATOR: Eskaton

RELATED FACILITIES: See attached RELIGIOUS AFFILIATION: N/A

YEAR OPENED: 1992 # OF ACRES: 37 ☒ SINGLE STORY ☒ MULTI-STORY ❑ OTHER: ________ MILES TO SHOPPING CTR: _1_____ MILES TO HOSPITAL: _4__

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	0	ASSISTED LIVING:	38
APARTMENTS – 1 BDRM:	85	SKILLED NURSING:	35
APARTMENTS – 2 BDRM:	116	SPECIAL CARE:	20
COTTAGES/HOUSES:	94	DESCRIPTION: >	Secured perimeter unit for care of residents with Alzheimer's or related dementia.
RLU OCCUPANCY (%) AT YEAR END:	100.0%	OVERALL CCRC OCCUPANCY (%) AT YEAR END:	96.2%

* *

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ❑ FOR- PROFIT ACCREDITED?: ❑ YES NO BY: ________

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

REFUND PROVISIONS: *(Check all that apply)* ☒ Refundable ☒ Repayable ☒ 90% ❑ 75% ❑ 50% ❑ OTHER: ________

RANGE OF ENTRANCE FEES: $20,000 TO $275,000 **LONG-TERM CARE INSURANCE REQUIRED?** ❑ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Priority access to ALU, SNF & MCU (income eligible fee for service)

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) > Please see attached disclosure worksheet.

> ________

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	❑	☒	HOUSEKEEPING (_4 TIMES/MONTH)	☒	❑
BILLIARD ROOM	☒	❑	MEALS (3_/DAY)	☒	❑
BOWLING GREEN	❑	❑	SPECIAL DIETS AVAILABLE	☒	❑
CARD ROOMS	☒	❑			
CHAPEL	☒	❑	24-HOUR EMERGENCY RESPONSE	☒	❑
COFFEE SHOP	❑	☒	ACTIVITIES PROGRAM	☒	❑
CRAFT ROOMS	☒	❑	ALL UTILITIES EXCEPT PHONE	☒	❑
EXERCISE ROOM	☒	❑	APARTMENT MAINTENANCE	☒	❑
GOLF COURSE ACCESS	❑	❑	CABLE TV	☒	❑
LIBRARY	☒	❑	LINENS FURNISHED	☒	❑
PUTTING GREEN	☒	❑	LINENS LAUNDERED	☒	❑
SHUFFLEBOARD	❑	❑	MEDICATION MANAGEMENT	❑	☒
SPA	☒	❑	NURSING/WELLNESS CLINIC	☒	❑
SWIMMING POOL-INDOOR	☒	❑	PERSONAL HOME CARE	❑	☒
SWIMMING POOL-OUTDOOR	❑	❑	TRANSPORTATION-PERSONAL	❑	☒
TENNIS COURT	❑	❑	TRANSPORTATION-PREARRANGED	☒	❑
WORKSHOP	☒	❑	OTHER _24 hour security	☒	❑
OTHER Painting Studio and Gardening Area	☒	❑			

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: ESKATON

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
Eskaton Village – Grass Valley	Grass Valley, CA	530-273-1778
Eskaton Village Roseville	Roseville, CA	916-789-7831
Eskaton Village Placerville	Placerville, CA	530-295-3400

INDEPENDENT LIVING	LOCATION (City, State)	PHONE (with area code)
Eskaton Monroe Lodge	Sacramento, CA	916-441-1015

FREE-STANDING ASSISTED LIVING	LOCATION (City, State)	PHONE (with area code)
Eskaton Lodge Gold River	Gold River, CA	916-852-7900
Eskaton Lodge Cameron Park	Cameron Park, CA	530-672-8900
Eskaton Lodge Granite Bay	Granite Bay, CA	916-789-0326
Eskaton FountainWood Lodge	Orangevale, CA	916-988-2200

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)
Eskaton Care Center Manzanita	Carmichael, CA	916-331-8513
Eskaton Care Center Fair Oaks	Fair Oaks, CA	916-965-4663
Eskaton Care Center Greenhaven	Sacramento, CA	916-393-2550

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

Eskaton manages 23 low income housing communities in the Northern California area.

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: ESKATON (Eskaton Village Carmichael)

	2016	2017	2018	2019
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	27,385	29,731	30,915	32,468
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	19,601	20,172	20,855	21,891
NET INCOME FROM OPERATIONS	7,784	9,559	10,060	10,577
LESS INTEREST EXPENSE	1,826	1,792	1,784	1,724
PLUS CONTRIBUTIONS	34	71	1	2
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	325	883	(104)	914
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	6,317	8,721	8,173	9,769
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	216	327	1,849	2,764

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
2013 Bonds	42,740,000	2.0-5.0%	Jun-13	Jan-43	30 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50th Percentile *(optional)*	2017	2018	2019
DEBT TO ASSET RATIO		75.34%	76.43%	67.51%
OPERATING RATIO		73.88%	73.40%	72.90%
DEBT SERVICE COVERAGE RATIO		3.32	3.70	4.37
DAYS CASH ON HAND RATIO		109	79	72

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2016	%	2017	%	2018	%	2019
STUDIO	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ONE BEDROOM	3,859	3.00%	3,975	3.80%	4,126	3.75%	4,280
TWO BEDROOM	4,814	3.00%	4,958	3.80%	5,146	3.75%	5,339
COTTAGE/HOUSE	5,191	3.00%	5,347	3.80%	5,550	3.75%	5,759
ASSISTED LIVING	4,996	4.00%	5,196	4.00%	5,404	3.75%	5,607
SKILLED NURSING	10,320	3.00%	10,620	3.80%	11,010	3.75%	11,430
SPECIAL CARE	7,564	3.00%	7,791	3.80%	8,087	3.75%	8,390

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME:

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL DATA & RATIOS (in thousands)
ESKATON

	2016	2017	2018	2019
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	$ 131,397	$ 137,551	$ 139,875	$ 146,030
LESS OPERATING EXPENSES (excluding depreciation, amortization and interest)	114,504	114,037	117,881	132,672
NET INCOME FROM OPERATIONS	16,893	23,514	21,994	13,358
LESS INTEREST EXPENSE	5,679	5,869	5,991	5,868
PLUS CONTRIBUTIONS	-	-	-	-
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	3,626	7,056	(3,237)	9,188
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	14,840	24,701	12,766	16,678
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$ 216	$ 327	$ 1,849	$ 2,764

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2008A ABAG VRDB's	$ 12,125,000	Variable	Apr-08	2020	21 years
Series 2006 ABAG VRDB's	16,040,000	Variable	Dec-06	2037	31 years
Series 2013 ABAG Fixed Rate Bonds	42,740,000	2% - 5%	Jun-13	2035	22 years
Series 2012 CSCDA Fixed Rate Bonds	30,455,000	2% - 5.25%	May-12	2034	22 years
Other (see attached)	26,504,000				

FINANCIAL RATIOS (see next page for ratio formulas)

	CCAC Medians 50th Percentile (optional)	2016	2017	2018	2019
DEBT TO ASSET RATIO		67.80%	63.28%	59.74%	49.55%
OPERATING RATIO		91.47%	87.17%	88.56%	94.87%
DEBT SERVICE COVERAGE RATIO		2.02	3.03	1.94	2.35
DAYS CASH-ON-HAND RATIO		204	240	244	246

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL RATIO FORMULAS (in thousands)
ESKATON

Long-Term Debt to Total Assets Ratio

	2015	2016	2017	2018	2019
Long-Term Debt	$ 147,797	$ 143,430	$ 138,747	$ 134,033	$ 129,120
Less: Current Portion	(4,489)	(4,564)	(4,719)	(4,903)	(16,106)
	143,308	138,866	134,028	129,130	113,014
Divided By:					
Total Assets	202,196	204,810	211,799	216,166	228,076
Long-Term Debt to Total Assets Ratios	**70.88%**	**67.80%**	**63.28%**	**59.74%**	**49.55%**

Operating Ratio

	2015	2016	2017	2018	2019
Total Operating Expenses	$ 118,962	$ 129,861	$ 129,580	$ 133,840	$ 148,327
Less: Depreciation & Amortization	(9,473)	(9,678)	(9,674)	(9,968)	(9,787)
	109,489	120,183	119,906	123,872	138,540
Divided By:					
Total Operating Revenues	124,023	133,467	138,134	141,997	148,807
Less: Amortization of Deferred Revenue	(1,705)	(2,070)	(583)	(2,122)	(2,777)
	122,318	131,397	137,551	139,875	146,030
Operating Ratio	**89.51%**	**91.47%**	**87.17%**	**88.56%**	**94.87%**

Debt Service Coverage Ratio

	2015	2016	2017	2018	2019
Total Excess of Revenues over Expenses	$ 4,932	$ 7,232	$ 15,610	$ 4,920	$ 9,668
Plus: Interest & amortization	5,812	5,886	5,847	5,953	5,829
Depreciation	9,245	9,471	9,696	10,006	9,826
Net Proceeds from Entrance Fees	11	216	327	1,849	2,764
Less: Amortization of Deferred Revenue	(1,705)	(2,070)	(583)	(2,122)	(2,777)
	18,295	20,735	30,897	20,606	25,310
Divided By:					
Annual Debt Service	10,024	10,267	10,199	10,603	10,768
Debt Service Coverage Ratio	**1.83**	**2.02**	**3.03**	**1.94**	**2.35**

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL RATIO FORMULAS (in thousands)
ESKATON

Days Cash On Hand Ratio

	2015	2016	2017	2018	2019
Cash and cash equivalents	$ 12,952	$ 15,849	$ 21,393	$ 30,115	$ 31,225
Investments	50,125	51,119	57,316	52,588	61,967
Unrestricted cash and investments	$ 63,077	$ 66,968	$ 78,709	$ 82,703	$ 93,192
Operating expenses	$ 118,962	$ 129,861	$ 129,580	$ 133,840	$ 148,327
Less: Depreciation and amortization	(9,473)	(9,678)	(9,674)	(9,968)	(9,787)
	$ 109,489	$ 120,183	$ 119,906	$ 123,872	$ 138,540
Divided by	365	366	365	365	365
Operating expenses per day	$ 300	$ 328	$ 329	$ 339	$ 380
Days cash on hand	**210**	**204**	**240**	**244**	**246**

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END
ESKATON

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Wells Fargo Bank	$ 2,127,000	4.75%	Oct-08	2021	25 years
ORIX Real Estate Capital, LLC	7,722,000	2.45%	Nov-12	2047	35 years
ORIX Real Estate Capital, LLC	12,626,000	3.07%	Jun-15	2050	35 years
Five Star Bank	4,029,000	Variable	Mar-11	2017	20 years
Total	$ 26,504,000				

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
SUPPORTING CALCULATIONS (in thousands)
ESKATON

	2016	2017	2018	2019
Net patient revenues	$ 51,125	$ 47,143	$ 46,334	$ 47,818
Net resident revenues	70,377	72,163	76,300	80,572
Less amort of entrance fees	(2,070)	(583)	(2,122)	(2,777)
Home based services	-	7,442	7,088	4,034
Other	11,965	11,386	12,275	16,383
Income from ongoing operations	**131,397**	**137,551**	**139,875**	**146,030**
Total expenses	129,861	129,580	133,840	148,327
Less depreciation and amortization	(9,678)	(9,674)	(9,968)	(9,787)
Less interest	(5,679)	(5,869)	(5,991)	(5,868)
Operating expenses	**114,504**	**114,037**	**117,881**	**132,672**
Net income from operations	**16,893**	**23,514**	**21,994**	**13,358**
Interest expense	(5,679)	(5,869)	(5,991)	(5,868)
Non-operating income (expense)	3,626	7,056	(3,237)	9,188
NI before entrance fees, depr and amort	**$ 14,840**	**$ 24,701**	**$ 12,766**	**$ 16,678**

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

ESKATON
ESKATON VILLAGE - CARMICHAEL
ATTACHMENT TO DISCLOSURE WORKSHEET

RESIDENT REPRESENTATIVE TO THE BOARD: The Eskaton Village Carmichael Resident Council (EVC Resident Council) elects a representative to the Eskaton Board of Directors (CCRC Representative) to serve a two year term. The CCRC Representative attends the four quarterly board meetings of Eskaton, including the full agenda of the annual Eskaton Board Retreat. The CCRC Representative is excluded only from executive sessions of the Eskaton Board. The CCRC Representative reports Eskaton Board actions and discussions back to the EVC Resident Council on a quarterly basis.

RESIDENT MEMBER OF THE BOARD: The EVC Resident Council nominates one resident (CCRC Director) to serve a nine year term on the Eskaton Board of Directors. The CCRC Director attends the four quarterly board meetings of Eskaton, including the full agenda of the annual Eskaton Board Retreat. The CCRC Director is not excluded from executive sessions of the Eskaton Board.

PART 7

REPORT ON CCRC MONTHLY SERVICE FEES

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	$3,956 - $6,067	$5,413 - $9,369	$11,430 - $13,620
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.75%	3.75%	3.75%

☐ 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: 1/01/2019
(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:** 11/01/2018 **Method of Notice:** Written letter to each resident

▣ 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:** 10/29/2018

▣ 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:** 10/15/2018

▣ 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:** 10/15/2018 **Location of Posting:** Resident mailboxes and mailroom

[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: Eskaton
COMMUNITY: Eskaton Village Carmichael

ATTACHMENT TO FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES
EXPLANATION FOR INCREASE IN MONTHLY SERVICE FEES

The goal of Eskaton's annual budgeting and rate setting process is to establish a financial plan that is sufficient to meet the needs of its residents, and support the mission of the organization.

Monthly service fees were increased in 2019 by 3.75% for all levels of care. The rate increase is derived from a process that considers the increased cost of providing services, and reasonable operating margins necessary to ensure the continuation of the organizational mission. Anticipated cost increases included higher labor costs, insurance costs, and normal inflationary cost increases related to purchases of supplies and services.

Labor costs were expected to increase in excess of 5% beginning January 1, 2019 due to minimum wage requirements in California increasing from $11.00 per hour to $12.00 per hour (9%), and the compression-related impact from the minimum wage increase on wage tiers above minimum wage expected to increase 3-5%. Expenses related to employee benefits were expected to increase in excess of 3.5% due to increasing employee health benefit expense.

Supply and purchased service costs were estimated to increase commensurate with the consumer price index, which as of October 2018 (the period when the budget was finalized) reflected an increase of 4.3% to 4.4% for San Francisco-Oakland-San Jose and Western Cities with populations in excess of 1.5 million, the market areas most relevant to Sacramento, California.

The projected 2019 net operating income shown on the following page allows the community to reinvest in the physical plant, thereby maintaining the quality of the facility for current residents and ensuring the continued marketability of the community to prospective residents. Additionally, positive net operating income ensures that the community will be able to fund unexpected costs or capital needs, and continue its mission to enhance the quality of life of seniors through innovative health, housing and social services.

FORM 7-1 ATTACHMENT
FISCAL YEAR 2019 MONTHLY CARE FEE INCREASE (MCFI) (in thousands)
ESKATON VILLAGE CARMICHAEL

		2017	2018	2019
1	2017 Operating Expenses (audited)	(25,975)		
2	2018 Operating Expenses		(27,039)	
3	Projected 2019 Operating Expenses			(28,401)
4	Projected 2019 Revenue without a MCFI			30,804
5	Projected 2019 Net Operating Income without a MCFI			2,403
6	Projected 2019 Revenue with MCFI 3.75%			31,683
7	Projected 2019 Net Operating Income After 3.75% MCFI			3,282

Monthly Care Fee Increase: 3.75%

Notes:
Total increase in revenues related to monthly care fees is estimated at $879,000
Total projected increase in expenses is estimated at $1,362,000
EVC 2019 principal due on debt was $1,483,000