

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2021

PROVIDER(S):

Eskaton

CCRC(S):

Eskaton Village Carmichael

PROVIDER CONTACT PERSON:

Dan Seiler

TELEPHONE NUMBER:

(916) 334-0810

E-MAIL ADDRESS:

Dan.Seiler@eskaton.org

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

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$ 21,783
 - ☐ If applicable, late fee in the amount of: \$ _____
- ☒ Certification by the provider's **Chief Executive Officer** that:
 - ☒ The reports are correct to the best of his/her knowledge.
 - ☒ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ☒ The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- ☒ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☒ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- ☒ "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- ☒ Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- ☐ Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- ☐ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

PART 1
RESIDENT POPULATION AND ANNUAL
PROVIDER FEE

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	<u>407</u>
[2]	Number at end of fiscal year	<u>396</u>
[3]	Total Lines 1 and 2	<u>803</u> x.50
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	
[5]	Mean number of continuing care residents	<div>402</div>
All Residents		
[6]	Number at beginning of fiscal year	<u>430</u>
[7]	Number at end of fiscal year	<u>451</u>
[8]	Total Lines 6 and 7	<u>881</u> x.50
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	<div>441</div>
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	<div>91</div>

ESKATON VILLAGE CARMICHAEL**Calculation of Nonresident Reimbursement****December 31, 2021**

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/20	372	28	7	407
Contract Residents @ 12/31/21	362	25	9	396
Total	<u>734</u>	<u>53</u>	<u>16</u>	<u>803</u>
Mean	<u>367</u>	<u>27</u>	<u>8</u>	<u>402</u>
All Residents @ 12/31/20	377	44	9	430
All Residents @ 12/31/21	369	52	30	451
Total	<u>746</u>	<u>96</u>	<u>39</u>	<u>881</u>
Mean	<u>373</u>	<u>48</u>	<u>20</u>	<u>441</u>
% Contract Residents to Total Residents	98.39%	55.21%	41.03%	91.15%
% Non Contract residents to Total Residents	1.61%	44.79%	58.97%	8.85%

2021 CASH RECEIPTS

Independent Living (Contract Residents)	20,312,000	
Net Independent Living (Non-Contract Residents)	332,000	
Total Independent Living Cash Receipts	20,644,000	
Assisted Living (Contract Residents)	2,189,000	
Net Assisted Living (Non-Contract Residents)	1,775,000	
Total Assisted Living Cash Receipts	3,964,000	
Skilled Nursing (Contract Residents)	2,619,000	
Net Skilled Nursing (Non-Contract Residents)	3,764,000	
Total Skilled Nursing Cash Receipts	6,383,000	
Total Non-Contract Resident Cash Receipts		<u>5,871,000</u>

FORM 1-2: ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	30,553,000.00
[a] Depreciation	5,045,000.00
[b] Debt Service (Interest Only)	1,571,000.00
[2] Subtotal (add Line 1a and 1b)	6,616,000.00
[3] Subtract Line 2 from Line 1 and enter result.	23,937,000.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.91
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	21,783,000.00
[6] Total Amount Due (multiply Line 5 by .001)	\$ 21,783.00

PROVIDER: Eskaton**COMMUNITY:** Eskaton Village Carmichael


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: _____

April 22, 2022


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 0367041-21

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 INSURED 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:

ESKATON
5105 MANZANITA AVENUE
CARMICHAEL, CA 95608

ITEM 2: Producer's Name and Address:

80222
CRC INSURANCE SERVICES INC
1 CALIFORNIA STREET STE 1200
SAN FRANCISCO, CA 94111

ITEM 3. Policy Period: From 12:01 a.m. on 1/01/21 Inception Date to 12:01 a.m. on 1/01/22 Expiration Date

ITEM 4. PREMIUM: \$24,411.00

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.

- ☐ "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".

ITEM 5. LIABILITY COVERAGE PART ELECTIONS: (Continued)

LIABILITY COVERAGE PART	LIMITS OF LIABILITY	RETENTION	PRIOR OR PENDING DATE
DIRECTORS, OFFICERS AND ENTITY LIABILITY <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	<u>\$N/A</u> for all Claims in the aggregate	<u>\$N/A</u> per Insured Person Claim under Insuring Agreement B	<u>N/A</u> for Insured Person Claims
ENTITY LIABILITY COVERAGE <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable		<u>\$N/A</u> per Entity Claim	<u>N/A</u> for Entity Claims
ANTI-TRUST CLAIM COVERAGE <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	<u>\$N/A</u> Anti-Trust Claim Sub-limit of Liability	<u>\$N/A</u> per Anti-trust Claim	<u>N/A</u> 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 <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	<u>\$N/A</u>	<u>\$N/A</u>	<u>N/A</u>
Excess Benefit Transaction Costs <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	<u>\$N/A</u>	<u>\$N/A</u>	<u>N/A</u>
HIPAA/HITECH Costs <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	<u>\$N/A</u>	<u>\$N/A</u>	<u>N/A</u>
Internal Revenue Code Costs <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	<u>\$N/A</u>	<u>\$N/A</u>	<u>N/A</u>

LIABILITY COVERAGE PART	LIMITS OF LIABILITY	RETENTION	PRIOR OR PENDING DATE
Employment Practices Liability <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> 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 <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> 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 <input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not Applicable	\$2,000,000 for all Claims in the aggregate	\$25,000 per Claim	01/01/08 for Fiduciary Claims
Settlement Program Coverage <input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not Applicable	\$100,000 Sub-Limit of Liability for Settlement Fees		01/01/08 for Settlement Program Coverage
HIPAA Coverage <input checked="" type="checkbox"/> Applicable <input type="checkbox"/> 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 <input checked="" type="checkbox"/> Applicable <input type="checkbox"/> 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 <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> 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, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
Eskaton and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Eskaton and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Eskaton and Subsidiaries as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eskaton and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

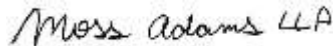
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining,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

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

Other Matter

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 42 to 54 as of and for the year ended December 31, 2021, 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. The 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 consolidated 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 taken as a whole.

The supplementary information – social responsibility on page 55 for the years ended December 31, 2021 and 2020, 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.

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

San Francisco, California
April 22, 2022

Consolidated Financial Statements

Eskaton and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020
(In Thousands)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,392	\$ 19,129
Assets limited as to use, required for current liabilities	673	670
Investments	79,873	70,596
Accounts receivable, net	8,128	5,737
Other receivables	3,503	3,395
Inventories	756	656
Funded pension obligation	2,495	-
Deposits and prepaid expenses	1,429	1,804
Total current assets	113,249	101,987
Assets limited as to use, net of amount required for current liabilities	11,413	14,209
Investments	4,002	10,145
Property and equipment, net	116,296	128,479
Other assets:		
Land available for sale	-	1,830
Due from liability insurer	3,393	5,171
Associate member/resident/patient deposits	2,001	2,041
Other	10,972	6,035
	16,366	15,077
Total assets	\$ 261,326	\$ 269,897

Eskaton and Subsidiaries
Consolidated Balance Sheets (Continued)
December 31, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 24,340	\$ 7,462
Current portion of deferred revenue from unamortized CCRC entrance fees	1,275	2,902
Deposits on unoccupied units	796	27
Accounts payable	3,345	2,153
Accrued liabilities:		
Payroll and payroll taxes	2,248	2,404
Vacation	3,444	3,130
Current portion of self-insured workers' compensation	2,093	2,222
Self-insured employee health plan	2,175	1,248
Interest	528	544
Other	590	1,054
Total current liabilities	<u>40,834</u>	<u>23,146</u>
Other liabilities:		
Self-insured workers' compensation, net of current portion	9,628	10,983
Interest rate swap agreements	3,656	4,730
Unfunded pension obligation	-	684
Professional liability	7,388	6,126
Associate member/resident/patient deposits	2,001	2,041
Other	319	308
	<u>22,992</u>	<u>24,872</u>
Long-term debt, net of current maturities	93,601	121,422
Refundable CCRC entrance fees	476	1,161
Deferred revenue from unamortized CCRC entrance fees, net of current portion	<u>6,171</u>	<u>4,542</u>
Total liabilities	<u>164,074</u>	<u>175,143</u>
Net assets:		
Without donor restrictions	90,838	88,457
With donor restrictions	<u>6,414</u>	<u>6,297</u>
Total net assets	<u>97,252</u>	<u>94,754</u>
Total liabilities and net assets	<u><u>\$ 261,326</u></u>	<u><u>\$ 269,897</u></u>

Eskaton and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Net assets without donor restrictions:		
Revenues, gains, and other support:		
Net patient service revenue	\$ 43,623	\$ 40,932
Resident service revenue, including amortization of CCRC membership fees of \$1,958 in 2021 and \$2,924 in 2020	87,886	88,088
Home based services revenue	3,600	3,912
Government grant revenue	190	3,864
Other, net	15,793	16,665
Total revenues, gains, and other support	151,092	153,461
Expenses:		
Salaries and wages	77,266	78,433
Employee benefits	21,920	19,507
Professional fees	12,941	11,892
Supplies	7,106	8,954
Purchased services	13,683	10,672
Ancillary costs	3,296	3,200
Utilities	5,972	5,862
Insurance and other	8,664	7,940
Depreciation	11,653	11,908
Interest and amortization	4,923	5,388
Total operating expenses	167,424	163,756
Loss from operations	(16,332)	(10,295)
Nonoperating revenue (expenses):		
Inherent contribution from affiliation	-	41,182
Investment income	10,045	10,573
Interest rate swap activities	473	(1,339)
Other components of net periodic pension benefit	247	476
Other	4,489	603
Total nonoperating revenue, net	15,254	51,495
(Deficiency) excess of revenues, gains, and other support over expenses	\$ (1,078)	\$ 41,200

Eskaton and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets (Continued)
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Net assets without donor restrictions:		
(Deficiency) excess of revenues, gains, and other support over expenses (page 7)	\$ (1,078)	\$ 41,200
Pension-related changes other than net periodic pension cost	3,459	(603)
Reclassification from net assets with donor restrictions	-	150
Change in net assets without donor restrictions	2,381	40,747
Net assets without donor restrictions, beginning of year	88,457	47,710
Net assets without donor restrictions, end of year	<u>\$ 90,838</u>	<u>\$ 88,457</u>
Net assets with donor restrictions:		
Contributions	\$ 206	\$ 194
Inherent contribution from affiliation	-	4,707
Change in assets held in trust by others	(16)	25
Investment income	212	177
Reclassification to net assets without donor restrictions	-	(150)
Net assets released from restriction used for operations	(285)	(442)
Change in net assets with donor restrictions	117	4,511
Net assets with donor restrictions, beginning of year	6,297	1,786
Net assets with donor restrictions, end of year	<u>\$ 6,414</u>	<u>\$ 6,297</u>
Change in net assets	\$ 2,498	\$ 45,258
Net assets, beginning of year	94,754	49,496
Net assets, end of year	<u>\$ 97,252</u>	<u>\$ 94,754</u>

Eskaton and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,498	\$ 45,258
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,653	11,908
Amortization of deferred financing costs and premium	10	(36)
Amortization of CCRC entrance fees	(1,958)	(2,924)
Net realized and unrealized gains on assets limited as to use	(59)	(139)
Net realized and unrealized gains on investments	(8,736)	(9,647)
Pension-related changes other than net periodic pension cost	(3,459)	603
Change in fair value of interest rate swap agreements	(1,074)	788
Inherent contribution from affiliation	-	(45,889)
CCRC resales of nonrefundable contracts	670	1,056
CCRC sales of nonrefundable contracts	800	800
Gain on disposal of property and equipment	(1,222)	-
Gain on sale of land	(3,170)	-
Changes in operating assets and liabilities:		
Change in receivables	(2,499)	1,780
Change in inventories	(100)	(378)
Change in deposits and prepaid expenses	375	(390)
Change in other assets	781	557
Change in accounts payable	1,190	(555)
Change in accrued liabilities	(902)	(500)
Change in unfunded pension obligation	280	305
Change in other liabilities	1,233	(3,353)
Net cash used in operating activities	<u>(3,689)</u>	<u>(756)</u>
Cash flows from investing activities:		
Purchases of assets limited as to use	(6,548)	(6,506)
Proceeds from sales of assets limited as to use	6,381	7,826
Purchases of investments	(110,957)	(90,342)
Proceeds from sales of investments	118,819	87,785
Cash received in TRC affiliation	-	1,611
Expenditures for property and equipment	(5,258)	(5,005)
Proceeds from sale of property and equipment	3,110	4
Proceeds from sale of land	5,000	-
Net cash provided by (used in) investing activities	<u>\$ 10,547</u>	<u>\$ (4,627)</u>

Eskaton and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Cash flows from financing activities:		
CCRC contracts refunded	\$ (170)	\$ (94)
Change in deposits on unoccupied units	769	(517)
Principal payments on long-term debt	(10,953)	(5,250)
Payment of debt issuance costs	-	(400)
	<u>(10,354)</u>	<u>(6,261)</u>
Net cash used in financing activities	(10,354)	(6,261)
Net decrease in cash, cash equivalents, and restricted cash	(3,496)	(11,644)
Cash, cash equivalents, and restricted cash, beginning of year	21,690	33,334
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 18,194</u>	<u>\$ 21,690</u>
Supplemental disclosure:		
Cash paid for interest	\$ 4,874	\$ 5,449
Noncash portion of inherent contribution from affiliation	\$ -	\$ 44,278

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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”), the Reutlinger Community (“TRC”), 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 operated a 91-apartment assisted living community in Orangevale, California. The property was sold in 2021.

TRC – TRC is a not-for-profit 501(c)(3) California corporation that operates a 60-bed skilled nursing and 116-apartment assisted living community as a CCRC in Danville, 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.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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 Program of All-inclusive Care for the Elderly (“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 at cost minus impairment, if any.

On September 11, 2019, Eskaton entered into an affiliation agreement with The Reutlinger Community (“TRC”), which is a 60-bed skilled nursing and 116-unit assisted living and memory care CCRC facility located in Danville, California. The affiliation became effective on April 21, 2020, and Eskaton became the sole member of TRC to further the mission of serving the senior population.

The affiliation was accounted for as a business combination during the year ended December 31, 2020 using the acquisition method of accounting, which requires the basis of the assets acquired and the liabilities assumed to be recorded at their respective fair values at the affiliation date. TRC applied pushdown accounting (purchase method) in its separate financial statements, which resulted in the community recording its assets and liabilities at their fair values at the date of affiliation. As part of the purchase accounting, property, buildings, and equipment with a net carrying value of \$19.9 million were written up to an appraised fair value of \$39.7 million.

The financial statements of TRC have been included in Eskaton’s consolidated financial statements, which encompass the post-affiliation period after April 20, 2020. Eskaton did not transfer any consideration in conjunction with this transaction and as such, an inherent contribution of \$45.9 million has been recorded in the consolidated statements of operations and changes in net assets for the year ended December 31, 2020 for the excess of assets over liabilities assumed by Eskaton in the affiliation, of which \$4.7 million represents net assets subject to donor restrictions.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

The following table summarizes the estimated fair value of the inherent contribution recognized for the assets acquired and liabilities assumed for the affiliation of TRC as of the date of affiliation:

	TRC
Cash, cash equivalents, and investments	\$ 8,895
Accounts receivable	895
Other current assets	709
Property, buildings and equipment, net	39,682
Contributions receivable	1,825
In-place resident contracts	733
	<u>52,739</u>
Total assets	<u>52,739</u>
Current liabilities	(1,294)
Deferred revenue from entrance fees	(107)
Mortgage payable, net	(5,449)
	<u>(6,850)</u>
Total liabilities	<u>(6,850)</u>
Inherent contribution from affiliation	<u>\$ 45,889</u>

On February 20, 2020, Eskaton executed a letter of intent to sell the real property owned by Eskaton FountainWood Lodge, including the 91-bed licensed assisted living and memory care facility, at an agreed-upon sales price of \$7.8 million. The completion of the sale occurred on January 12, 2021. The \$7.8 million sale price was reduced by a seller credit of \$0.8 million, and consisted of cash consideration of \$3.1 million and a \$3.9 million promissory note maturing in January 2024. Prior to the sale Eskaton FountainWood Lodge had a loan with Five Star Bank that was scheduled to mature in March 2023. The balance on the loan was \$3.8 million as of December 31, 2020, and the loan was paid in full with proceeds from the sale in January 2021.

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.

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 as of December 31:

	2021	2020
Cash and cash equivalents	\$ 16,392	\$ 19,129
Restricted cash included in assets limited as to use	1,802	2,561
	<u>\$ 18,194</u>	<u>\$ 21,690</u>
Total cash, cash equivalents, and restricted cash balances	<u>\$ 18,194</u>	<u>\$ 21,690</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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.

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 (deficiency) 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	10–20 years
Buildings and improvements	7–40 years
Equipment	3–20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions and are excluded from the (deficiency) 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, 2020, 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") 820, *Fair Value Measurement* ("ASC 820"). The fair value estimate was performed by a third-party specialist using unobservable inputs that are supported by little or no market activity and was, therefore, classified within Level 3 of the valuation hierarchy.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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 \$5.6 million. 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. A purchase letter of intent was received from another prospective buyer in April 2021 for a purchase price of \$5.1 million. The land was carried at an appraised value of \$1.8 million as of December 31, 2020. The land sale closed on December 27, 2021, for the agreed-upon sale price of \$5.1 million, less sales expenses of \$0.1 million.

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 consolidated 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 approximates 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. Contributions for which restrictions are satisfied in the same period as received are recorded as contributions revenue without donor restrictions.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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, or explicit price concessions. 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 that 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, 2021				
	Private Pay	Other Insurance	Medicare	Medi-Cal	Total
Net patient service revenue	\$ 1,492	\$ 14,845	\$ 4,613	\$ 22,673	\$ 43,623
Home based services revenue	705	1,095	1,800	-	3,600
	<u>\$ 2,197</u>	<u>\$ 15,940</u>	<u>\$ 6,413</u>	<u>\$ 22,673</u>	<u>\$ 47,223</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

	Year Ended December 31, 2020				
	Private Pay	Other Insurance	Medicare	Medi-Cal	Total
Net patient service revenue	\$ 1,326	\$ 12,666	\$ 3,913	\$ 23,027	\$ 40,932
Home based services revenue	800	1,690	1,305	117	3,912
	<u>\$ 2,126</u>	<u>\$ 14,356</u>	<u>\$ 5,218</u>	<u>\$ 23,144</u>	<u>\$ 44,844</u>

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, 2021				
	Assisted Living	Memory Care	Independent Living	CCRC	Total
Resident service revenue	<u>\$ 22,200</u>	<u>\$ 6,801</u>	<u>\$ 8,538</u>	<u>\$ 50,347</u>	<u>\$ 87,886</u>

	Year Ended December 31, 2020				
	Assisted Living	Memory Care	Independent Living	CCRC	Total
Resident service revenue	<u>\$ 26,225</u>	<u>\$ 9,066</u>	<u>\$ 8,808</u>	<u>\$ 43,989</u>	<u>\$ 88,088</u>

Government grant revenue – Government grant revenue consists of Provider Relief Funds disbursed by the U.S. Department of Health & Human Services as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) that was signed into law on March 27, 2020. The CARES Act established the Provider Relief Fund (“PRF”) to be used for economic support of healthcare entities in connection with healthcare-related expenses or lost revenues attributable to novel coronavirus (“COVID-19”) and treatment of uninsured COVID-19 patients. The PRF funds have been accounted for as conditional contributions under ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*. Because PRF payments can only be used to prevent, prepare for, or respond to COVID-19, they are considered donor-restricted. Due to the linkage of the conditions with the restrictions, the restrictions were simultaneously satisfied upon meeting the conditions, and therefore the PRF funds have been fully recognized as support without donor restrictions in the consolidated statements of operations and changes in net assets during the year ended December 31, 2021 and 2020.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Other revenue – Other revenue is derived from management agreements and other ancillary revenues. Eskaton manages certain communities under contracts that 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, 2021 or 2020. 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.

(Deficiency) excess of revenues, gains, and other support over expenses – The consolidated statements of operations and changes in net assets include (deficiency) excess of revenues, gains, and other support over expenses. Changes in net assets without donor restrictions, which are excluded from the (deficiency) 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 \$1,395,000 and \$723,000 for the years ended December 31, 2021 and 2020, respectively.

Income taxes – Eskaton, EPI, EVGV, EVR, EVP, ELGB, EFWL, TRC, 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.

ASC 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, 2021 and 2020, there were no such uncertain tax positions.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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, accounts receivable allowances, 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 – ASC 820 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. ASC 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. ASC 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 August 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Framework for Defined Benefit Plans* ("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 are 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, 2021. Eskaton adopted this standard for the fiscal year ended December 31, 2021, and the adoption did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software*, to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption is effective for the Organization for the fiscal year ending December 31, 2021. Eskaton adopted this standard for the fiscal year ended December 31, 2021, and the adoption did not have a material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. The amendments in this ASU are elective and provide optional guidance for a limited period to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform. The amendments in this ASU provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The amendments in this ASU may be elected as of March 12, 2020 through December 31, 2022. An entity may choose to elect the amendments in this update at an interim period subsequent to March 12, 2020 with adoption methods varying based on transaction type. The Organization is currently evaluating the impact of ASU 2020-04 on the consolidated financial statements.

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*. The main amendments in this ASU are intended to clarify certain optional expedients and scope of derivative instruments affected in Topic 848. The amendments in this ASU are elective and effective immediately. This ASU was effective upon issuance. Amendments may be elected through December 31, 2022. The Organization is currently evaluating the impact of ASU 2021-01 on the consolidated financial statements.

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"). Eskaton is reimbursed under the PPS system for home health visits on a per 30-day case rate depending on each patient category, which is determined by the Patient Driven Groupings Model ("PDGM").

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.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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):

	2021	2020
Required under bond indenture and HUD regulatory agreements for escrow, principal, interest, reserves, and insurance, held by trustee:		
Cash and short-term investments	\$ 1,789	\$ 1,861
U.S. Treasury notes, government securities, and other corporate debt securities	8,352	8,426
	<u>10,141</u>	<u>10,287</u>
Resident assistance and program funds with donor restrictions:		
Cash and short-term investments	13	700
Equity securities	252	1,055
Mutual funds	1,680	2,837
	<u>1,945</u>	<u>4,592</u>
	12,086	14,879
Less current portion	<u>673</u>	<u>670</u>
	<u>\$ 11,413</u>	<u>\$ 14,209</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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

	2021	2020
Corporate reserves for capital replacement, liquidity, and growth:		
Cash and short-term investments	\$ 4,139	\$ 737
U.S. Treasury notes, government securities, and other corporate debt securities	-	8,171
Equity securities	23,481	42,607
Mutual funds	52,253	19,081
	<u>79,873</u>	<u>70,596</u>
Corporate reserves for resident assistance and charitable gift annuities:		
Cash and short-term investments	117	2,176
U.S. Treasury notes, government securities, and other corporate debt securities	107	152
Equity securities	575	2,222
Mutual funds	3,203	5,595
	<u>4,002</u>	<u>10,145</u>
	83,875	80,741
Less current portion	<u>79,873</u>	<u>70,596</u>
	<u>\$ 4,002</u>	<u>\$ 10,145</u>

ASC 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) and the lowest priority to measurements involving significant unobservable inputs (Level 3). 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.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

The fair values of the financial instruments as of December 31, 2021 and 2020 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.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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

	December 31, 2021	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	\$ 5,607	\$ 5,607	\$ -	\$ -
Money market funds	451	451	-	-
Common stocks	24,308	24,308	-	-
Mutual funds	57,136	57,136	-	-
U.S. government securities	1,813	1,813	-	-
U.S. government bonds	4,992	4,992	-	-
Corporate bonds	1,654	1,654	-	-
Total investments, at fair value	<u>\$ 95,961</u>	<u>\$ 95,961</u>	<u>\$ -</u>	<u>\$ -</u>
	December 31, 2020	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	\$ 2,483	\$ 2,483	\$ -	\$ -
Certificates of deposit	45	-	45	-
Money market funds	2,946	2,946	-	-
Common stocks	45,884	45,884	-	-
Mutual funds	27,513	27,513	-	-
U.S. government securities	3,596	3,596	-	-
U.S. government bonds	10,539	10,539	-	-
Corporate bonds	2,614	2,614	-	-
Total investments, at fair value	<u>\$ 95,620</u>	<u>\$ 95,575</u>	<u>\$ 45</u>	<u>\$ -</u>

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 and Subsidiaries

Notes to Consolidated Financial Statements

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, 2021		
	Obligated Group	Nonobligated	Total
Investment income:			
Interest and dividend income	\$ 1,550	\$ 280	\$ 1,830
Realized gains on sales of securities	11,634	711	12,345
Unrealized gains (losses) on trading securities	(4,322)	772	(3,550)
	8,862	1,763	10,625
Less investment expenses	349	19	368
Total investment income	8,513	1,744	10,257
Less investment income with donor restrictions	-	212	212
Investment income without donor restrictions	<u>\$ 8,513</u>	<u>\$ 1,532</u>	<u>\$ 10,045</u>
Year Ended December 31, 2020			
	Obligated Group	Nonobligated	Total
Investment income:			
Interest and dividend income	\$ 1,159	\$ 172	\$ 1,331
Realized gains on sales of securities	7,237	46	7,283
Unrealized losses on trading securities and alternative investments	555	1,948	2,503
	8,951	2,166	11,117
Less investment expenses	360	7	367
Total investment loss	8,591	2,159	10,750
Less investment loss with donor restrictions	-	177	177
Investment loss without donor restrictions	<u>\$ 8,591</u>	<u>\$ 1,982</u>	<u>\$ 10,573</u>

NOTE 5 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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, 2021 and 2020, the fair values of these derivatives were recorded in the consolidated balance sheets at net liabilities of \$3.7 million and \$4.7 million, respectively. The credit risk assumption, as required under ASC 820, reduced Eskaton's interest rate swap liability by \$0.2 million and \$0.3 million in 2021 and 2020, 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, 2021 and 2020, Eskaton was party to a swap agreement with an aggregate notional principal amount of \$16.3 million and \$16.9 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):

	2021	2020
Net unrealized gain (loss) on interest rate swap agreements	\$ 1,074	\$ (788)
Net payments on interest rate swap agreements	(601)	(551)
Total interest rate swap activities	<u>\$ 473</u>	<u>\$ (1,339)</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 6 – PROPERTY AND EQUIPMENT, NET

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

	2021	2020
Land	\$ 25,403	\$ 26,685
Land improvements	22,145	21,835
Buildings and improvements	226,108	226,984
Equipment	37,664	39,167
	311,320	314,671
Accumulated depreciation	(197,253)	(190,884)
	114,067	123,787
Construction in progress	2,229	4,692
Property and equipment, net	<u>\$ 116,296</u>	<u>\$ 128,479</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 7 – LONG-TERM DEBT

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

	2021	2020
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.	\$ 39,815	\$ 41,310
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.	28,035	29,310
Series 2008A Tax-Exempt Variable-Rate Demand Revenue Refunding Bonds (Series 2008A Bonds) due 2025, principal due in annual installments and variable interest due monthly (1.63% and 1.68% at December 31, 2021 and 2020, respectively); held under a bank direct placement agreement; secured by deeds of trust.	9,975	11,025
Series 2006 Tax-Exempt Variable-Rate Demand Revenue Bonds (Series 2006 Bonds) due 2022, principal due in annual installments and variable interest due monthly (1.31% and 1.35% at December 31, 2021 and 2020, respectively); held under a bank direct placement agreement; secured by deeds of trust.	14,850	15,460
Other notes, due through 2021	-	2,018

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

	2021	2020
Nonobligated:		
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.	12,110	12,372
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.	7,327	7,527
Note payable to First Republic Bank due 2035, principal and interest of 3.85% due in monthly installments of \$40.	5,137	5,411
Other notes, due through 2023, repaid in 2021	-	3,769
	117,249	128,202
Unamortized premiums	3,013	3,233
Unamortized deferred financing costs	(2,321)	(2,551)
	117,941	128,884
Less current maturities, net of premiums and deferred financing costs of \$8 and \$0 in 2021 and 2020, respectively	24,340	7,462
	<u>\$ 93,601</u>	<u>\$ 121,422</u>

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

Year Ending December 31,

2022	\$ 24,447
2023	4,624
2024	4,812
2025	9,937
2026	3,811
Thereafter	69,618
	<u>\$ 117,249</u>

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 2022 and 2025. Maturities exclude unamortized premiums and deferred financing costs.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

The total amount of long-term debt supported by direct placement agreements as of December 31, 2021 and 2020 was approximately \$24.8 million and \$26.5 million, respectively. 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):

	2021	2020
Obligated Group:		
Interest on bonds and notes	\$ 3,735	\$ 4,114
Letter of credit and other financing fees	55	34
Amortization of debt issuance costs	192	150
Nonobligated:		
Interest on bonds and notes	903	1,056
Amortization of debt issuance costs	38	34
	<u>\$ 4,923</u>	<u>\$ 5,388</u>

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, 2021, with the exception of a debt coverage ratio covenant associated with the First Republic Bank note payable related to The Reutlinger Community. Eskaton requested a waiver letter from First Republic Bank, but had not obtained the waiver nor had First Republic Bank requested repayment of the note payable as of the date the financial statements are issued. Therefore, the outstanding balance on the note payable of \$5.0 million has been classified as current maturities of long-term debt on the accompanying balance sheets as of December 31, 2021.

The notes payable to Lument (formerly 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 December 1, 2025.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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	
	2021	2020	2021	2020
Benefit obligation, beginning of year	\$ 36,663	\$ 31,824	\$ 2,413	\$ 1,789
Service cost	1,046	906	32	2,343
Interest cost	759	937	47	32
Benefits paid	(3,444)	(2,363)	-	(8)
Plan amendment	315	1,750	-	-
Actuarial (gain) loss	(352)	3,609	(322)	(1,743)
Benefit obligation, end of year	<u>\$ 34,987</u>	<u>\$ 36,663</u>	<u>\$ 2,170</u>	<u>\$ 2,413</u>
Fair value of assets, beginning of year	\$ 38,392	\$ 33,837	\$ -	\$ -
Return on plan assets	4,154	4,458	-	-
Employer contributions	550	2,460	-	8
Benefits paid	(3,444)	(2,363)	-	(8)
Fair value of assets, end of year	<u>\$ 39,652</u>	<u>\$ 38,392</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status at end of year (recognized in unfunded pension obligation and funded pension obligation in the consolidated balance sheets)	<u>\$ 4,665</u>	<u>\$ 1,729</u>	<u>\$ (2,170)</u>	<u>\$ (2,413)</u>

The accumulated benefit obligation for the pension plan was \$34.2 million and \$36.1 million as of December 31, 2021 and 2020, respectively. For the year ended December 31, 2021, there was not a significant gain or loss related to changes in the benefit obligation. For the year ended December 31, 2020, the Plan experienced a \$3.6 million loss related to changes in the benefit obligation primarily due to a decrease in the discount rate.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Net periodic benefit cost recognized and other changes in plan assets and benefit obligations, which are excluded from (deficiency) excess of revenues, gains, and other support over expenses, in 2021 and 2020 are as follows (in thousands):

	Eskaton Retirement Plan		SERP	
	2021	2020	2021	2020
Service cost	\$ (1,046)	\$ (906)	\$ (32)	\$ (2,343)
Interest cost	(759)	(937)	(47)	(32)
Expected return on plan assets	2,575	2,340	-	-
Amortization of prior service cost	(566)	(298)	-	-
Amortization of net gain (loss)	(848)	(776)	304	179
Settlement charge	(412)	-	-	-
Net periodic benefit cost recognized	<u>(1,056)</u>	<u>(577)</u>	<u>225</u>	<u>(2,196)</u>
Other changes in plan assets and benefit obligations recognized in net assets (deficit) without donor restrictions:				
Net actuarial gain (loss)	2,779	(716)	17	1,565
Prior service cost	251	(1,452)	-	-
Impact of settlement accounting	<u>412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total recognized in net assets (deficit) without donor restrictions	<u>3,442</u>	<u>(2,168)</u>	<u>17</u>	<u>1,565</u>
Total recognized in net periodic benefit cost and net assets (deficit) without donor restrictions	<u>\$ 2,386</u>	<u>\$ (2,745)</u>	<u>\$ 242</u>	<u>\$ (631)</u>

Weighted average assumptions used are as follows:

	Eskaton Retirement Plan		SERP	
	2021	2020	2021	2020
Discount rate - benefit obligation	2.60%	2.10%	2.60%	2.10%
Discount rate - benefit cost	2.10%	3.00%	2.10%	3.00%
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 \$0.5 million to the Eskaton Retirement Plan and \$0.3 million to the SERP during the fiscal year ending December 31, 2022.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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

<u>Year Ending December 31:</u>	<u>Eskaton Retirement Plan</u>	<u>SERP</u>
2022	\$ 2,527	\$ 337
2023	3,251	189
2024	2,590	81
2025	3,866	265
2026	2,800	103
2027-2031	13,399	957

The expected benefits are based on the same assumptions used to measure Eskaton's benefit obligation as of December 31, 2021, 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 the 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

<u>Asset class</u>	<u>Minimum percentage</u>	<u>Target percentage</u>	<u>Maximum percentage</u>
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%

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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

	December 31, 2021	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)
Cash	\$ 1,650	\$ 1,650	\$ -	\$ -
Common stocks	10,503	10,503	-	-
Mutual funds	27,318	27,318	-	-
Guaranteed investment account	27	-	27	-
Pooled separate account	154	-	154	-
Total pension assets, at fair value	<u>\$ 39,652</u>	<u>\$ 39,471</u>	<u>\$ 181</u>	<u>\$ -</u>

	December 31, 2020	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)
Cash	\$ 481	\$ 481	\$ -	\$ -
Common stocks	10,051	10,051	-	-
Mutual funds	23,724	23,724	-	-
U.S. government bonds	2,666	2,666	-	-
Corporate bonds	1,258	1,258	-	-
Guaranteed investment account	88	-	88	-
Pooled separate account	124	-	124	-
Total pension assets, at fair value	<u>\$ 38,392</u>	<u>\$ 38,180</u>	<u>\$ 212</u>	<u>\$ -</u>

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, 2021 and 2020.

NOTE 9 – CONTINUING CARE RETIREMENT COMMUNITIES

Eskaton Village Carmichael

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 EVC’s 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.

The Reutlinger Community

TRC is a 60-bed skilled nursing and 116-unit assisted living and memory care facility in Danville, California. Beginning December 5, 2016, TRC was certified by the State of California Department of Social Services with a provisional license to operate as a CCRC and enter into continuing care contracts with the residents of the community. A permanent license was issued to TRC in 2019.

TRC receives an entrance fee when residents enter into a continuing care agreement. The continuing care agreement is inclusive of care and services, as defined in the agreement. In exchange for a fixed entrance fee and monthly resident service fees, the resident has the right to occupy a unit and continue using the services of the community during his or her lifetime.

CCRC membership and entrance fees provide residents with material rights that are treated as performance obligations satisfied over time as services are rendered. EVC’s 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 totaled \$0.4 million and \$1.2 million as of December 31, 2021 and 2020, respectively.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

The change in deferred entrance fees during the years ended December 31, 2021 and 2020, consists of the following activity (in thousands):

	2021	2020
Balance, beginning of year	\$ 7,444	\$ 7,763
New fees received	800	765
Appreciation of resale contracts	670	1,056
Amortization of fees	(1,958)	(2,924)
Other	490	784
Balance, end of year	<u>\$ 7,446</u>	<u>\$ 7,444</u>

Eskaton is obligated to provide future services and the use of the CCRC communities to residents. Residents are charged monthly maintenance fees, which are used to pay routine operating expenses. Management has determined that the deferred revenue from unamortized membership and entrance fees and future monthly service fees exceeds the present value of the net cost of future services and use of the CCRC communities to be provided to residents as of December 31, 2021 and 2020, discounted at 2.6% and 3.5% for EVC and TRC, respectively. Accordingly, Eskaton has not recorded a liability to provide future services as of December 31, 2021 and 2020.

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 \$2.2 million and \$1.2 million as of December 31, 2021 and 2020, respectively, in relation to employee health. Eskaton has recorded a liability of \$11.7 million and \$13.2 million as of December 31, 2021 and 2020, respectively, in relation to workers’ compensation. 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. Any related insurance recovery receivables are recorded as due from liability insurer in the accompanying consolidated balance sheets.

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 \$1.5 million and \$1.4 million for the tail exposure as of December 31, 2021 and 2020, respectively. In accordance with ASC 954-450, *Health Care Entities—Contingencies*, Eskaton has also recorded a liability of \$5.9 million and \$4.7 million as of December 31, 2021 and 2020, 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

Various legal settlements were reached that resulted in professional fees expense of \$5.5 million and \$8.2 million in the consolidated statements of operations and changes in net assets for the years ended December 31, 2021 and 2020, respectively.

With these settlements, Eskaton was able to close its \$15.3 million letter of credit with U.S. Bank, and the corresponding court-mandated appeal bond of \$25.4 million. Both the standby letter of credit and the appeal bond were closed in October 2020.

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.

In March 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency. The COVID-19 outbreak in the United States has not resulted in an Organization facility closure; however, facility closures or disruption in operations of customers, suppliers, or third-party payers, could adversely impact the Organization's results of operations to the extent that COVID-19, or any other epidemic, harms the global economy. The ultimate duration and intensity of the impact of COVID-19 and resulting disruption to the Organization's operations is uncertain.

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):

	2021	2020
Medicare	\$ 2,139	\$ 890
Medi-Cal	2,308	2,557
Other third-party payors	2,626	1,310
Patients and residents	1,055	980
	<u>\$ 8,128</u>	<u>\$ 5,737</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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, 2021							
	Program Services				Support Services		TOTALS
	Health Services	Residential Services	Community Services	Home Based Services	Fundraising	General & Admin	
Salaries and wages	\$ 28,562	\$ 27,555	\$ 200	\$ 1,615	\$ 104	\$ 19,230	\$ 77,266
Employee benefits	8,937	8,781	69	597	30	3,506	21,920
Professional fees	5,546	951	-	18	-	6,426	12,941
Supplies	2,648	3,689	-	80	-	689	7,106
Purchased services	1,742	6,836	-	-	-	5,105	13,683
Ancillary costs	2,999	246	-	51	-	-	3,296
Utilities	1,063	3,242	2	55	-	1,610	5,972
Insurance and other	2,425	832	33	117	138	5,119	8,664
Depreciation	1,509	9,437	-	-	-	707	11,653
Interest and amortization	295	4,130	-	-	-	498	4,923
Total Expenses	<u>\$ 55,726</u>	<u>\$ 65,699</u>	<u>\$ 304</u>	<u>\$ 2,533</u>	<u>\$ 272</u>	<u>\$ 42,890</u>	<u>\$ 167,424</u>

Year Ended December 31, 2020							
	Program Services				Support Services		TOTALS
	Health Services	Residential Services	Community Services	Home Based Services	Fundraising	General & Admin	
Salaries and wages	\$ 27,448	\$ 29,454	\$ 155	\$ 1,722	\$ 49	\$ 19,605	\$ 78,433
Employee benefits	9,482	9,486	49	703	17	(230)	19,507
Professional fees	1,466	173	-	4	-	10,249	11,892
Supplies	3,149	4,918	-	23	-	864	8,954
Purchased services	984	5,529	-	10	-	4,149	10,672
Ancillary costs	3,012	156	-	32	-	-	3,200
Utilities	1,011	3,380	4	45	-	1,422	5,862
Insurance and other	2,346	710	10	168	141	4,565	7,940
Depreciation	1,205	9,914	-	10	-	779	11,908
Interest and amortization	262	4,514	-	-	-	612	5,388
Total Expenses	<u>\$ 50,365</u>	<u>\$ 68,234</u>	<u>\$ 218</u>	<u>\$ 2,717</u>	<u>\$ 207</u>	<u>\$ 42,015</u>	<u>\$ 163,756</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 15 – LIQUIDITY DISCLOSURE

As of December 31, 2021 and 2020, Eskaton has a working capital surplus of \$72.4 million and \$78.9 million, and average days' cash on hand of 239 and 242 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:

	2021	2020
Cash and cash equivalents	\$ 16,392	\$ 19,129
Investments	83,875	80,741
Accounts receivable, net	8,128	5,737
Other receivables	3,503	3,395
	<u>\$ 111,898</u>	<u>\$ 109,002</u>

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.

Subsequent events have been evaluated through April 22, 2022, which is the date the consolidated financial statements were issued.

Supplementary Information

Eskaton and Subsidiaries

Consolidating Schedule – Balance Sheet

December 31, 2021

(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	The Reutlinger Community	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Assets																	
Current assets:																	
Cash and cash equivalents	\$ 11,074	\$ 306	\$ 1,995	\$ 13,375	\$ -	\$ 13,375	\$ 299	\$ 244	\$ 800	\$ 1,124	\$ 10	\$ 378	\$ -	\$ 162	\$ 16,392	\$ -	\$ 16,392
Assets limited as to use, required for current liabilities	373	148	-	521	-	521	-	-	69	83	-	-	-	-	673	-	673
Investments	69,281	-	-	69,281	-	69,281	-	-	-	-	-	10,592	-	-	79,873	-	79,873
Accounts receivable, net	5,757	49	12	5,818	-	5,818	56	-	18	6	19	2,211	-	-	8,128	-	8,128
Other receivables	2,346	16	128	2,490	-	2,490	69	775	143	10	4	12	-	-	3,503	-	3,503
Inventories	601	20	12	633	-	633	-	-	11	12	4	96	-	-	756	-	756
Funded pension obligation	2,495	-	-	2,495	-	2,495	-	-	-	-	-	-	-	-	2,495	-	2,495
Deposits and prepaid expenses	966	46	31	1,043	-	1,043	-	-	33	74	14	265	-	-	1,429	-	1,429
Due from related parties	11,083	-	-	11,083	(317)	10,766	(46)	-	-	-	-	-	171	15	10,906	(10,906)	-
Total current assets	103,976	585	2,178	106,739	(317)	106,422	378	1,019	1,074	1,309	51	13,554	171	177	124,155	(10,906)	113,249
Assets limited as to use, net of amount required for current liabilities	6,221	2,060	-	8,281	-	8,281	-	-	350	837	-	-	-	1,945	11,413	-	11,413
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	4,002	4,002	-	4,002
Property and equipment, net	42,583	5,202	11,942	59,727	(95)	59,632	1,267	-	8,298	8,716	-	37,971	412	-	116,296	-	116,296
Other assets:																	
Due from liability insurer	3,393	-	-	3,393	-	3,393	-	-	-	-	-	-	-	-	3,393	-	3,393
Associate member/resident/patient deposits	2,001	-	-	2,001	-	2,001	-	-	-	-	-	-	-	-	2,001	-	2,001
Other	4,971	-	-	4,971	-	4,971	1,284	-	-	-	3,900	2,042	-	-	12,197	(1,225)	10,972
Due from related parties, net of current portion	3,147	-	-	3,147	-	3,147	-	-	-	-	-	-	-	-	3,147	(3,147)	-
	13,512	-	-	13,512	-	13,512	1,284	-	-	-	3,900	2,042	-	-	20,738	(4,372)	16,366
Total assets	\$ 166,292	\$ 7,847	\$ 14,120	\$ 188,259	\$ (412)	\$ 187,847	\$ 2,929	\$ 1,019	\$ 9,722	\$ 10,862	\$ 3,951	\$ 53,567	\$ 583	\$ 6,124	\$ 276,604	\$ (15,278)	\$ 261,326

Eskaton and Subsidiaries

Consolidating Schedule – Balance Sheet (Continued)

December 31, 2021

(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	The Reutlinger Community	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)																	
Current liabilities:																	
Current maturities of long-term debt	\$ 3,202	\$ 838	\$ 14,838	\$ 18,878	\$ -	\$ 18,878	\$ -	\$ -	\$ 194	\$ 255	\$ -	\$ 5,013	\$ -	\$ -	\$ 24,340	\$ -	\$ 24,340
Current portion of deferred revenue from unamortized CCRC entrance fees	1,262	-	-	1,262	-	1,262	-	-	-	-	-	13	-	-	1,275	-	1,275
Deposits on unoccupied units	790	5	1	796	-	796	-	-	-	-	-	-	-	-	796	-	796
Accounts payable	2,449	106	127	2,682	-	2,682	3	77	38	88	(2)	453	-	1	3,340	5	3,345
Accrued liabilities:																	
Payroll and payroll taxes	1,296	115	121	1,532	-	1,532	3	270	81	37	(1)	326	-	-	2,248	-	2,248
Vacation	2,182	142	134	2,458	-	2,458	23	226	95	86	61	495	-	-	3,444	-	3,444
Current portion of self-insured workers' compensation	2,093	-	-	2,093	-	2,093	-	-	-	-	-	-	-	-	2,093	-	2,093
Self-insured employee health plan	2,175	-	-	2,175	-	2,175	-	-	-	-	-	-	-	-	2,175	-	2,175
Interest	322	124	65	511	-	511	-	-	-	-	-	17	-	-	528	-	528
Other	552	7	7	566	-	566	-	(1)	12	18	-	(5)	-	-	590	-	590
Due to related-parties	187	-	317	504	(317)	187	3,419	447	280	248	1,145	5,093	(23)	115	10,911	(10,911)	-
Total current liabilities	16,510	1,337	15,610	33,457	(317)	33,140	3,448	1,019	700	732	1,203	11,405	(23)	116	51,740	(10,906)	40,834
Other liabilities:																	
Self-insured workers' compensation, net of current portion	9,628	-	-	9,628	-	9,628	-	-	-	-	-	-	-	-	9,628	-	9,628
Interest rate swap agreements	-	-	3,656	3,656	-	3,656	-	-	-	-	-	-	-	-	3,656	-	3,656
Professional liability	7,388	-	-	7,388	-	7,388	-	-	-	-	-	-	-	-	7,388	-	7,388
Associate member/resident/patient deposits	2,001	-	-	2,001	-	2,001	-	-	-	-	-	-	-	-	2,001	-	2,001
Other	95	5	38	138	-	138	4	-	42	-	1	-	-	134	319	-	319
Due to related-parties, net of current portion	-	-	-	-	-	-	-	-	-	-	3,147	-	-	-	3,147	(3,147)	-
	19,112	5	3,694	22,811	-	22,811	4	-	42	-	3,148	-	-	134	26,139	(3,147)	22,992
Long-term debt, net of current maturities	55,561	19,767	-	75,328	-	75,328	-	-	6,858	11,415	-	-	-	-	93,601	-	93,601
Refundable CCRC entrance fees	367	-	-	367	-	367	-	-	-	-	-	109	-	-	476	-	476
Deferred revenue from unamortized CCRC entrance fees, net of current portion	6,151	-	-	6,151	-	6,151	-	-	-	-	-	20	-	-	6,171	-	6,171
Total liabilities	97,701	21,109	19,304	138,114	(317)	137,797	3,452	1,019	7,600	12,147	4,351	11,534	(23)	250	178,127	(14,053)	164,074
Net assets (deficit):																	
Net assets (deficit) without donor restrictions	68,584	(13,262)	(5,184)	50,138	(95)	50,043	(523)	-	2,122	(1,285)	(400)	37,698	606	3,802	92,063	(1,225)	90,838
Net assets with donor restrictions	7	-	-	7	-	7	-	-	-	-	-	4,335	-	2,072	6,414	-	6,414
Total net assets (deficit)	68,591	(13,262)	(5,184)	50,145	(95)	50,050	(523)	-	2,122	(1,285)	(400)	42,033	606	5,874	98,477	(1,225)	97,252
Total liabilities and net assets (deficit)	\$ 166,292	\$ 7,847	\$ 14,120	\$ 188,259	\$ (412)	\$ 187,847	\$ 2,929	\$ 1,019	\$ 9,722	\$ 10,862	\$ 3,951	\$ 53,567	\$ 583	\$ 6,124	\$ 276,604	\$ (15,278)	\$ 261,326

Eskaton and Subsidiaries

Consolidating Schedule – Operations and Changes in Net Assets (Deficit)

Year Ended December 31, 2021

(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	The Reutlinger Community	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Net assets (deficit) without donor restrictions:																	
Revenue, gains, and other support:																	
Net patient service revenue	\$ 43,623	\$ -	\$ -	\$ 43,623	\$ -	\$ 43,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,623	\$ -	\$ 43,623
Resident service revenue, including amortization of CCRC entrance fees	45,033	9,172	6,371	60,576	-	60,576	-	-	4,190	6,130	101	16,889	-	-	87,886	-	87,886
Home based services revenue	2,895	-	-	2,895	-	2,895	705	-	-	-	-	-	-	-	3,600	-	3,600
Government grant revenue	95	-	-	95	-	95	-	-	-	-	-	95	-	-	190	-	190
Other, net	7,661	285	768	8,714	(1,082)	7,632	9	8,479	478	30	-	643	14	118	17,403	(1,610)	15,793
Total revenues, gains, and other support	99,307	9,457	7,139	115,903	(1,082)	114,821	714	8,479	4,668	6,160	101	17,627	14	118	152,702	(1,610)	151,092
Expenses:																	
Salaries and wages	50,249	3,141	3,159	56,549	-	56,549	772	6,537	1,914	2,044	164	9,286	-	-	77,266	-	77,266
Employee benefits	13,601	1,044	1,032	15,677	-	15,677	286	1,940	685	693	39	2,600	-	-	21,920	-	21,920
Professional fees	11,101	100	63	11,264	-	11,264	-	-	14	289	-	1,374	-	-	12,941	-	12,941
Supplies	4,329	909	516	5,754	-	5,754	24	(1)	318	471	16	522	2	-	7,106	-	7,106
Purchased services	9,126	1,264	1,052	11,442	(1,082)	10,360	202	-	649	699	37	3,231	4	2	15,184	(1,501)	13,683
Ancillary costs	2,845	32	38	2,915	-	2,915	-	-	20	18	-	343	-	-	3,296	-	3,296
Utilities	3,934	472	260	4,666	-	4,666	6	3	252	293	29	723	-	-	5,972	-	5,972
Insurance and other	6,475	349	312	7,136	-	7,136	151	-	178	269	17	871	12	139	8,773	(109)	8,664
Depreciation	7,456	777	735	8,968	(9)	8,959	20	-	515	661	13	1,463	22	-	11,653	-	11,653
Interest and amortization	2,767	969	244	3,980	-	3,980	-	-	230	471	7	235	-	-	4,923	-	4,923
Total operating expenses	111,883	9,057	7,411	128,351	(1,091)	127,260	1,461	8,479	4,775	5,908	322	20,648	40	141	169,034	(1,610)	167,424
(Loss) income from operations	(12,576)	400	(272)	(12,448)	9	(12,439)	(747)	-	(107)	252	(221)	(3,021)	(26)	(23)	(16,332)	-	(16,332)
Nonoperating revenue (expenses):																	
Investment income	8,524	(12)	-	8,512	-	8,512	-	-	-	1	-	1,085	-	447	10,045	-	10,045
Interest rate swap activities	-	-	473	473	-	473	-	-	-	-	-	-	-	-	473	-	473
Other components of net periodic pension (cost) benefit	247	-	-	247	-	247	-	-	-	-	-	-	-	-	247	-	247
Other	3,279	2	2	3,283	-	3,283	-	-	-	2	1,212	-	-	(8)	4,489	-	4,489
Total nonoperating revenue (expenses), net	12,050	(10)	475	12,515	-	12,515	-	-	-	3	1,212	1,085	-	439	15,254	-	15,254
Excess (deficiency) of revenues, gains, and other support over expenses	<u>\$ (526)</u>	<u>\$ 390</u>	<u>\$ 203</u>	<u>\$ 67</u>	<u>\$ 9</u>	<u>\$ 76</u>	<u>\$ (747)</u>	<u>\$ -</u>	<u>\$ (107)</u>	<u>\$ 255</u>	<u>\$ 991</u>	<u>\$ (1,936)</u>	<u>\$ (26)</u>	<u>\$ 416</u>	<u>\$ (1,078)</u>	<u>\$ -</u>	<u>\$ (1,078)</u>

Eskaton and Subsidiaries
Consolidating Schedule – Operations and Changes in Net Assets (Deficit) (Continued)
Year Ended December 31, 2021
(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	The Reutlinger Community	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Net assets without donor restrictions:																	
Excess (deficiency) of revenues, gains, and other support over expenses (page 44)	\$ (526)	\$ 390	\$ 203	\$ 67	\$ 9	\$ 76	\$ (747)	\$ -	\$ (107)	\$ 255	\$ 991	\$ (1,936)	\$ (26)	\$ 416	\$ (1,078)	\$ -	\$ (1,078)
Pension-related changes other than net periodic pension cost	3,459	-	-	3,459	-	3,459	-	-	-	-	-	-	-	-	3,459	-	3,459
Transfers between related entities	2,608	(1,572)	-	1,036	-	1,036	-	-	(74)	(962)	-	-	-	-	-	-	-
Change in net assets (deficit) without donor restrictions	5,541	(1,182)	203	4,562	9	4,571	(747)	-	(181)	(707)	991	(1,936)	(26)	416	2,381	-	2,381
Net assets (deficit) without donor restrictions, beginning of year	63,043	(12,080)	(5,387)	45,576	(104)	45,472	224	-	2,303	(578)	(1,391)	39,634	632	3,386	89,682	(1,225)	88,457
Net assets without donor restrictions, end of year	<u>\$ 68,584</u>	<u>\$ (13,262)</u>	<u>\$ (5,184)</u>	<u>\$ 50,138</u>	<u>\$ (95)</u>	<u>\$ 50,043</u>	<u>\$ (523)</u>	<u>\$ -</u>	<u>\$ 2,122</u>	<u>\$ (1,285)</u>	<u>\$ (400)</u>	<u>\$ 37,698</u>	<u>\$ 606</u>	<u>\$ 3,802</u>	<u>\$ 92,063</u>	<u>\$ (1,225)</u>	<u>\$ 90,838</u>
Net assets with donor restrictions:																	
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86	\$ -	\$ 120	\$ 206	\$ -	\$ 206
Change in assets held in trust by others	-	-	-	-	-	-	-	-	-	-	-	(12)	-	(4)	(16)	-	(16)
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	212	212	-	212
Net assets released from restriction used for operations	-	-	-	-	-	-	-	-	-	-	-	(216)	-	(69)	(285)	-	(285)
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-	-	(142)	-	259	117	-	117
Net assets with donor restrictions, beginning of year	7	-	-	7	-	7	-	-	-	-	-	4,477	-	1,813	6,297	-	6,297
Net assets with donor restrictions, end of year	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,335</u>	<u>\$ -</u>	<u>\$ 2,072</u>	<u>\$ 6,414</u>	<u>\$ -</u>	<u>\$ 6,414</u>
Change in net assets (deficit)	\$ 5,541	\$ (1,182)	\$ 203	\$ 4,562	\$ 9	\$ 4,571	\$ (747)	\$ -	\$ (181)	\$ (707)	\$ 991	\$ (2,078)	\$ (26)	\$ 675	\$ 2,498	\$ -	\$ 2,498
Net assets (deficit), beginning of year	63,050	(12,080)	(5,387)	45,583	(104)	45,479	224	-	2,303	(578)	(1,391)	44,111	632	5,199	95,979	(1,225)	94,754
Net assets (deficit), end of year	<u>\$ 68,591</u>	<u>\$ (13,262)</u>	<u>\$ (5,184)</u>	<u>\$ 50,145</u>	<u>\$ (95)</u>	<u>\$ 50,050</u>	<u>\$ (523)</u>	<u>\$ -</u>	<u>\$ 2,122</u>	<u>\$ (1,285)</u>	<u>\$ (400)</u>	<u>\$ 42,033</u>	<u>\$ 606</u>	<u>\$ 5,874</u>	<u>\$ 98,477</u>	<u>\$ (1,225)</u>	<u>\$ 97,252</u>

Eskaton and Subsidiaries
Consolidating Schedule – Cash Flows
Year Ended December 31, 2021
(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	The Reutlinger Community	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Cash flows from operating activities:																	
Change in net assets (deficit)	\$ 5,541	\$ (1,182)	\$ 203	\$ 4,562	\$ 9	\$ 4,571	\$ (747)	\$ -	\$ (181)	\$ (707)	\$ 991	\$ (2,078)	\$ (26)	\$ 675	\$ 2,498	\$ -	\$ 2,498
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:																	
Depreciation	7,456	777	735	8,968	(9)	8,959	20	-	515	661	13	1,463	22	-	11,653	-	11,653
Amortization of deferred financing costs and premium	8	(61)	28	(25)	-	(25)	-	-	11	15	-	9	-	-	10	-	10
Amortization of CCRC entrance fees	(1,911)	-	-	(1,911)	-	(1,911)	-	-	-	-	-	(47)	-	-	(1,958)	-	(1,958)
Net realized and unrealized gain on assets limited as to use	94	28	-	122	-	122	-	-	-	-	-	-	-	(181)	(59)	-	(59)
Net realized and unrealized gain on investments	(7,434)	-	-	(7,434)	-	(7,434)	-	-	-	-	-	(925)	-	(377)	(8,736)	-	(8,736)
Pension-related changes other than net periodic pension cost	(3,459)	-	-	(3,459)	-	(3,459)	-	-	-	-	-	-	-	-	(3,459)	-	(3,459)
Change in fair value of derivative instruments	-	-	(1,074)	(1,074)	-	(1,074)	-	-	-	-	-	-	-	-	(1,074)	-	(1,074)
Transfers between related entities	(2,608)	1,572	-	(1,036)	-	(1,036)	-	-	74	962	-	-	-	-	-	-	-
CCRC resales of nonrefundable contracts	670	-	-	670	-	670	-	-	-	-	-	-	-	-	670	-	670
CCRC sales of nonrefundable contracts	700	-	-	700	-	700	-	-	-	-	-	100	-	-	800	-	800
Gain on disposal of property and equipment	(4)	(2)	(2)	(8)	-	(8)	-	-	-	(2)	(1,212)	-	-	-	(1,222)	-	(1,222)
Gain on sale of land	(3,170)	-	-	(3,170)	-	(3,170)	-	-	-	-	-	-	-	-	(3,170)	-	(3,170)
Change in operating assets and liabilities:																	
Change in receivables	(1,764)	94	(3)	(1,673)	-	(1,673)	8	(315)	8	(12)	(6)	(514)	-	5	(2,499)	-	(2,499)
Change in inventories	(28)	8	-	(20)	-	(20)	-	-	(3)	2	-	(79)	-	-	(100)	-	(100)
Change in deposits and prepaid expenses	30	42	(4)	68	-	68	30	-	2	3	-	272	-	-	375	-	375
Change in other assets	1,158	-	-	1,158	-	1,158	-	-	-	-	-	(377)	-	-	781	-	781
Change in accounts payable	1,186	(23)	52	1,215	-	1,215	1	77	(3)	(17)	(20)	(63)	-	-	1,190	-	1,190
Change in accrued liabilities	(184)	(8)	36	(156)	-	(156)	(12)	52	(21)	(6)	(119)	(640)	-	-	(902)	-	(902)
Change in unfunded pension obligation	280	-	-	280	-	280	-	-	-	-	-	-	-	-	280	-	280
Change in other liabilities	1,227	-	3	1,230	-	1,230	-	-	10	-	-	-	-	(7)	1,233	-	1,233
Net cash provided by (used in) operating activities	(2,212)	1,245	(26)	(993)	-	(993)	(700)	(186)	412	899	(353)	(2,879)	(4)	115	(3,689)	-	(3,689)
Cash flows from investing activities:																	
Purchases of assets limited as to use	(4,632)	(1,771)	-	(6,403)	-	(6,403)	-	-	-	-	-	-	-	(145)	(6,548)	-	(6,548)
Proceeds from sale of assets limited as to use	4,588	1,767	-	6,355	-	6,355	-	-	-	-	-	-	-	26	6,381	-	6,381
Purchase of investments	(106,795)	-	-	(106,795)	-	(106,795)	-	-	-	-	-	(856)	-	(3,306)	(110,957)	-	(110,957)
Proceeds from sale of investments	115,499	-	45	115,544	-	115,544	-	-	-	-	-	23	-	3,252	118,819	-	118,819
Expenditures for property and equipment	(3,679)	(198)	(250)	(4,127)	-	(4,127)	(48)	-	(35)	(122)	(244)	(673)	(9)	-	(5,258)	-	(5,258)
Proceeds from disposal of property and equipment	4	2	2	8	-	8	-	-	-	2	3,100	-	-	-	3,110	-	3,110
Proceeds from sale of land	5,000	-	-	5,000	-	5,000	-	-	-	-	-	-	-	-	5,000	-	5,000
Net cash provided by (used in) investing activities	9,985	(200)	(203)	9,582	-	9,582	(48)	-	(35)	(120)	2,856	(1,506)	(9)	(173)	10,547	-	10,547
Cash flows from financing activities:																	
CCRC contracts refunded	(165)	-	-	(165)	-	(165)	-	-	-	-	-	(5)	-	-	(170)	-	(170)
Change in deposits on unoccupied units	768	-	1	769	-	769	-	-	-	-	-	-	-	-	769	-	769
Principal payments on long-term debt	(5,097)	(742)	(610)	(6,449)	-	(6,449)	-	-	(200)	(261)	(3,769)	(274)	-	-	(10,953)	-	(10,953)
Net change in due to/due from related entities	(2,289)	(1,572)	1,059	(2,802)	-	(2,802)	99	(73)	(734)	(976)	985	3,494	13	(6)	-	-	-
Net cash provided by (used in) financing activities	(6,783)	(2,314)	450	(8,647)	-	(8,647)	99	(73)	(934)	(1,237)	(2,784)	3,215	13	(6)	(10,354)	-	(10,354)
Net increase (decrease) in cash, cash equivalents and restricted cash	990	(1,269)	221	(58)	-	(58)	(649)	(259)	(557)	(458)	(281)	(1,170)	-	(64)	(3,496)	-	(3,496)
Cash, cash equivalents and restricted cash, beginning of year	10,425	1,684	1,774	13,883	-	13,883	948	503	1,776	2,502	291	1,548	-	239	21,690	-	21,690
Cash, cash equivalents and restricted cash, end of year	\$ 11,415	\$ 415	\$ 1,995	\$ 13,825	\$ -	\$ 13,825	\$ 299	\$ 244	\$ 1,219	\$ 2,044	\$ 10	\$ 378	\$ -	\$ 175	\$ 18,194	\$ -	\$ 18,194
Supplemental disclosure:																	
Cash paid for interest	2,744	1,025	204	3,973	-	3,973	-	-	219	456	19	207	-	-	4,874	-	4,874

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Balance Sheet
December 31, 2021
(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	\$ 10,952	\$ 3	\$ 1	\$ 1	\$ 112	\$ 1	\$ 1	\$ 1	\$ 2	\$ -	\$ 11,074
Assets limited as to use, required for current liabilities	73	-	-	-	-	-	77	-	223	-	373
Investments	63,389	-	-	-	-	-	-	-	5,892	-	69,281
Accounts receivable, net	68	1,300	1,606	1,164	12	9	26	762	810	-	5,757
Other receivables	2,119	-	4	-	1	-	1	-	221	-	2,346
Inventories	368	32	23	57	2	7	6	9	97	-	601
Funded pension obligation	2,495	-	-	-	-	-	-	-	-	-	2,495
Deposits and prepaid expenses	210	130	181	93	25	34	29	23	241	-	966
Due from related parties	11,083	-	-	-	-	-	-	-	-	-	11,083
Total current assets	90,757	1,465	1,815	1,315	152	51	140	795	7,486	-	103,976
Assets limited as to use, net of amount required for current liabilities	1,020	-	-	-	-	-	1,072	-	4,129	-	6,221
Property and equipment, net	1,214	1,223	3,037	3,012	2,482	2,147	5,743	12	23,713	-	42,583
Other assets:											
Due from liability insurer	3,393	-	-	-	-	-	-	-	-	-	3,393
Associate member/resident/patient deposits	-	8	7	34	-	-	-	-	1,952	-	2,001
Other	3,528	-	-	-	-	-	-	-	1,443	-	4,971
Due from related parties, net of current portion	3,147	-	-	-	-	-	-	-	-	-	3,147
	10,068	8	7	34	-	-	-	-	3,395	-	13,512
Total assets	\$ 103,059	\$ 2,696	\$ 4,859	\$ 4,361	\$ 2,634	\$ 2,198	\$ 6,955	\$ 807	\$ 38,723	\$ -	\$ 166,292

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Balance Sheet (Continued)
December 31, 2021
(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	\$ 456	\$ 58	\$ 212	\$ 253	\$ 75	\$ 158	\$ 436	\$ -	\$ 1,554	\$ -	\$ 3,202
Current portion of deferred revenue from unamortized CCRC entrance fees	-	-	-	-	-	-	-	-	1,262	-	1,262
Deposits on unoccupied CCRC units	-	-	-	-	-	-	-	-	790	-	790
Accounts payable	444	248	769	381	84	57	66	13	387	-	2,449
Accrued liabilities:											
Payroll and payroll taxes	540	106	137	122	18	44	89	37	203	-	1,296
Vacation	583	262	338	348	45	34	110	82	380	-	2,182
Current portion of self-insured workers' compensation	2,093	-	-	-	-	-	-	-	-	-	2,093
Self-insured employee health plan	2,175	-	-	-	-	-	-	-	-	-	2,175
Interest	62	1	3	3	1	2	64	-	186	-	322
Other	174	27	53	49	143	12	44	-	50	-	552
Due to related parties	177	1	3	2	-	-	1	1	2	-	187
Total current liabilities	6,704	703	1,515	1,158	366	307	810	133	4,814	-	16,510
Other liabilities:											
Self-insured workers' compensation, net of current portion	9,628	-	-	-	-	-	-	-	-	-	9,628
Professional liability	7,388	-	-	-	-	-	-	-	-	-	7,388
Associate member/resident/patient deposits	-	8	7	34	-	-	-	-	1,952	-	2,001
Other	-	(2)	7	6	-	1	15	1	67	-	95
	17,016	6	14	40	-	1	15	1	2,019	-	19,112
Long-term debt, net of current maturities	10,099	441	1,618	1,930	575	1,202	10,286	-	29,410	-	55,561
Refundable CCRC entrance fees	-	-	-	-	-	-	-	-	367	-	367
Deferred revenue from unamortized CCRC entrance fees, net of current portion	-	-	-	-	-	-	-	-	6,151	-	6,151
Total liabilities	33,819	1,150	3,147	3,128	941	1,510	11,111	134	42,761	-	97,701
Net assets (deficit):											
Net assets (deficit) without donor restrictions	69,240	1,546	1,712	1,233	1,693	688	(4,156)	673	(4,045)	-	68,584
Net assets with donor restrictions	-	-	-	-	-	-	-	-	7	-	7
Total net assets (deficit)	69,240	1,546	1,712	1,233	1,693	688	(4,156)	673	(4,038)	-	68,591
Total liabilities and net assets (deficit)	\$ 103,059	\$ 2,696	\$ 4,859	\$ 4,361	\$ 2,634	\$ 2,198	\$ 6,955	\$ 807	\$ 38,723	\$ -	\$ 166,292

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2021
(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	\$ -	\$ 10,511	\$ 18,710	\$ 14,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,623
Resident service revenue, including amortization of CCRC entrance fees	-	-	-	-	3,931	2,198	5,446	-	33,458	-	45,033
Home based services revenue	-	-	-	-	-	-	-	2,895	-	-	2,895
Government grant revenue	-	23	30	30	-	-	-	-	12	-	95
Other, net	12,483	39	16	7	145	26	62	50	881	(6,048)	7,661
Total revenues, gains, and other support	12,483	10,573	18,756	14,439	4,076	2,224	5,508	2,945	34,351	(6,048)	99,307
Expenses:											
Salaries and wages	9,556	6,432	9,329	8,110	1,111	1,182	2,434	2,108	9,987	-	50,249
Employee benefits	228	2,214	3,015	2,604	353	416	851	773	3,147	-	13,601
Professional fees	6,335	706	2,045	1,675	-	118	58	18	146	-	11,101
Supplies	209	619	983	808	450	196	392	109	563	-	4,329
Purchased services	2,617	1,112	1,488	1,284	564	388	827	336	6,558	(6,048)	9,126
Ancillary costs	-	728	784	635	-	24	10	51	613	-	2,845
Utilities	225	343	366	317	370	149	318	55	1,791	-	3,934
Insurance and other	890	920	1,381	1,303	209	117	308	231	1,116	-	6,475
Depreciation	395	195	284	346	341	226	621	3	5,045	-	7,456
Interest and amortization	500	13	49	59	18	37	504	-	1,587	-	2,767
Total operating expenses	20,955	13,282	19,724	17,141	3,416	2,853	6,323	3,684	30,553	(6,048)	111,883
(Loss) income from operations	(8,472)	(2,709)	(968)	(2,702)	660	(629)	(815)	(739)	3,798	-	(12,576)
Nonoperating revenue (expenses):											
Investment income	7,945	-	-	-	-	-	(6)	-	585	-	8,524
Other components of net periodic pension cost	247	-	-	-	-	-	-	-	-	-	247
Other	3,275	-	-	-	4	-	-	-	-	-	3,279
Total nonoperating revenue (expenses), net	11,467	-	-	-	4	-	(6)	-	585	-	12,050
Excess (deficiency) of revenues, gains, and other support over expenses	\$ 2,995	\$ (2,709)	\$ (968)	\$ (2,702)	\$ 664	\$ (629)	\$ (821)	\$ (739)	\$ 4,383	\$ -	\$ (526)

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Operations and Changes in Net Assets (Deficit) (Continued)
Year Ended December 31, 2021
(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 49)	\$ 2,995	\$ (2,709)	\$ (968)	\$ (2,702)	\$ 664	\$ (629)	\$ (821)	\$ (739)	\$ 4,383	\$ -	\$ (526)
Pension-related changes other than net periodic pension cost	3,459	-	-	-	-	-	-	-	-	-	3,459
Transfers between related entities	(1,325)	2,802	825	2,981	(621)	756	710	1,062	(4,582)	-	2,608
Change in net assets (deficit) without donor restrictions	5,129	93	(143)	279	43	127	(111)	323	(199)	-	5,541
Net assets (deficit) without donor restrictions, beginning of year	64,111	1,453	1,855	954	1,650	561	(4,045)	350	(3,846)	-	63,043
Net assets (deficit) without donor restrictions, end of year	<u>\$ 69,240</u>	<u>\$ 1,546</u>	<u>\$ 1,712</u>	<u>\$ 1,233</u>	<u>\$ 1,693</u>	<u>\$ 688</u>	<u>\$ (4,156)</u>	<u>\$ 673</u>	<u>\$ (4,045)</u>	<u>\$ -</u>	<u>\$ 68,584</u>
Net assets with donor restrictions:											
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-	-
Net assets with donor restrictions, beginning of year	-	-	-	-	-	-	-	-	7	-	7
Net assets with donor restrictions, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>
Change in net assets (deficit)	\$ 5,129	\$ 93	\$ (143)	\$ 279	\$ 43	\$ 127	\$ (111)	\$ 323	\$ (199)	\$ -	\$ 5,541
Net assets (deficit), beginning of year	64,111	1,453	1,855	954	1,650	561	(4,045)	350	(3,839)	-	63,050
Net assets (deficit), end of year	<u>\$ 69,240</u>	<u>\$ 1,546</u>	<u>\$ 1,712</u>	<u>\$ 1,233</u>	<u>\$ 1,693</u>	<u>\$ 688</u>	<u>\$ (4,156)</u>	<u>\$ 673</u>	<u>\$ (4,038)</u>	<u>\$ -</u>	<u>\$ 68,591</u>

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Cash Flows
Year Ended December 31, 2021
(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.
Cash flows from operating activities:											
Change in net assets (deficit)	\$ 5,129	\$ 93	\$ (143)	\$ 279	\$ 43	\$ 127	\$ (111)	\$ 323	\$ (199)	\$ -	\$ 5,541
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:											
Depreciation	395	195	284	346	341	226	621	3	5,045	-	7,456
Amortization of deferred financing costs and premium	(25)	4	15	18	5	11	(32)	-	12	-	8
Amortization of CCRC entrance fees	-	-	-	-	-	-	-	-	(1,911)	-	(1,911)
Net realized and unrealized gain on assets limited as to use	14	-	-	-	-	-	15	-	65	-	94
Net realized and unrealized gain on investments	(6,936)	-	-	-	-	-	-	-	(498)	-	(7,434)
Pension related changes other than net periodic pension cost	(3,459)	-	-	-	-	-	-	-	-	-	(3,459)
Transfers between related entities	1,325	(2,802)	(825)	(2,981)	621	(756)	(710)	(1,062)	4,582	-	(2,608)
CCRC resales of nonrefundable contracts	-	-	-	-	-	-	-	-	670	-	670
CCRC sales of nonrefundable contracts	-	-	-	-	-	-	-	-	700	-	700
Gain on disposal of property and equipment	-	-	-	-	(4)	-	-	-	-	-	(4)
Gain on sale of land	(3,170)	-	-	-	-	-	-	-	-	-	(3,170)
Change in operating assets and liabilities:											
Change in receivables	(541)	(171)	33	(308)	(7)	(1)	9	(339)	(439)	-	(1,764)
Change in inventories	(26)	(15)	3	16	4	-	4	(1)	(13)	-	(28)
Change in deposits and prepaid expenses	285	(112)	(141)	2	(4)	(12)	13	(5)	4	-	30
Change in other assets	1,762	-	(2)	(25)	-	-	-	-	(577)	-	1,158
Change in accounts payable	105	177	533	169	56	36	18	5	87	-	1,186
Change in accrued liabilities	(356)	(4)	(86)	12	33	(13)	63	15	152	-	(184)
Change in unfunded pension obligation	280	-	-	-	-	-	-	-	-	-	280
Change in other liabilities	1,260	-	5	27	-	-	-	-	(65)	-	1,227
Net cash provided by (used in) operating activities	<u>(3,958)</u>	<u>(2,635)</u>	<u>(324)</u>	<u>(2,445)</u>	<u>1,088</u>	<u>(382)</u>	<u>(110)</u>	<u>(1,061)</u>	<u>7,615</u>	<u>-</u>	<u>(2,212)</u>
Cash flows from investing activities:											
Purchases of assets limited as to use	(875)	-	-	-	-	-	(920)	-	(2,837)	-	(4,632)
Proceeds from sale of assets limited as to use	874	-	-	-	-	-	919	-	2,795	-	4,588
Purchase of investments	(99,987)	-	-	-	-	-	-	-	(6,808)	-	(106,795)
Proceeds from sale of investments	108,818	-	-	-	-	-	-	-	6,681	-	115,499
Expenditures for property and equipment	(213)	(114)	(304)	(300)	(401)	(228)	(214)	(2)	(1,903)	-	(3,679)
Proceeds from disposal of property and equipment	-	-	-	-	4	-	-	-	-	-	4
Proceeds from sale of land	5,000	-	-	-	-	-	-	-	-	-	5,000
Net cash provided by (used in) investing activities	<u>13,617</u>	<u>(114)</u>	<u>(304)</u>	<u>(300)</u>	<u>(397)</u>	<u>(228)</u>	<u>(215)</u>	<u>(2)</u>	<u>(2,072)</u>	<u>-</u>	<u>9,985</u>
Cash flows from financing activities:											
CCRC contracts refunded	-	-	-	-	-	-	-	-	(165)	-	(165)
Change in deposits on unoccupied units	-	-	-	-	-	-	-	-	768	-	768
Principal payments on long-term debt	(2,427)	(54)	(199)	(237)	(70)	(146)	(386)	-	(1,578)	-	(5,097)
Net change in due to/due from related entities	(6,230)	2,803	827	2,982	(621)	756	711	1,063	(4,580)	-	(2,289)
Net cash provided by (used in) financing activities	<u>(8,657)</u>	<u>2,749</u>	<u>628</u>	<u>2,745</u>	<u>(691)</u>	<u>610</u>	<u>325</u>	<u>1,063</u>	<u>(5,555)</u>	<u>-</u>	<u>(6,783)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	1,002	-	-	-	-	-	-	-	(12)	-	990
Cash, cash equivalents and restricted cash, beginning of year	10,005	3	1	1	112	1	59	1	242	-	10,425
Cash, cash equivalents and restricted cash, end of year	<u>\$ 11,007</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 112</u>	<u>\$ 1</u>	<u>\$ 59</u>	<u>\$ 1</u>	<u>\$ 230</u>	<u>\$ -</u>	<u>\$ 11,415</u>
Supplemental disclosure:											
Cash paid for interest	521	9	33	40	12	24	534	-	1,571	-	2,744

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Balance Sheet
December 31, 2021
(In Thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Assets					
Current assets:					
Cash and cash equivalents	\$ 35	\$ -	\$ 264	\$ -	\$ 299
Accounts receivable, net	(21)	-	77	-	56
Other receivables	-	-	69	-	69
Due from related parties	(46)	-	-	-	(46)
Total current assets	(32)	-	410	-	378
Property and equipment, net	1,160	-	107	-	1,267
Other assets	1,284	-	-	-	1,284
	2,444	-	107	-	2,551
Total assets	<u>\$ 2,412</u>	<u>\$ -</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ 2,929</u>
Liabilities and Net Assets (Deficit)					
Current liabilities:					
Accounts payable	\$ -	\$ (5)	\$ 8	\$ -	\$ 3
Accrued liabilities:					
Payroll and payroll taxes	5	-	(2)	-	3
Vacation	-	-	23	-	23
Due to related-parties	1,266	578	1,575	-	3,419
Total current liabilities	1,271	573	1,604	-	3,448
Other liabilities	4	-	-	-	4
Total liabilities	1,275	573	1,604	-	3,452
Net assets (deficit):					
Net assets (deficit) without donor restrictions	1,137	(573)	(1,087)	-	(523)
Net assets with donor restrictions	-	-	-	-	-
Total net assets (deficit)	1,137	(573)	(1,087)	-	(523)
Total liabilities and net assets (deficit)	<u>\$ 2,412</u>	<u>\$ -</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ 2,929</u>

Eskaton and Subsidiaries

Eskaton Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2021
(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	\$ -	\$ -	\$ 705	\$ -	\$ 705
Other, net	9	-	-	-	9
Total revenues, gains, and other support	9	-	705	-	714
Expenses:					
Salaries and wages	260	-	512	-	772
Employee benefits	90	2	194	-	286
Supplies	16	-	8	-	24
Purchased services	44	-	158	-	202
Utilities	2	-	4	-	6
Insurance and other	58	(2)	95	-	151
Depreciation	-	-	20	-	20
Total operating expenses	470	-	991	-	1,461
Nonoperating revenue (expenses):					
Other	-	-	-	-	-
Total nonoperating revenue (expenses), net	-	-	-	-	-
Change in net assets without donor restrictions	(461)	-	(286)	-	(747)
Net assets (deficit) without donor restrictions, beginning of year	1,598	(573)	(801)	-	224
Net assets (deficit) without donor restrictions, end of year	<u>\$ 1,137</u>	<u>\$ (573)</u>	<u>\$ (1,087)</u>	<u>\$ -</u>	<u>\$ (523)</u>

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Cash Flows
Year Ended December 31, 2021
(In Thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Cash flows from operating activities:					
Change in net assets (deficit)	\$ (461)	\$ -	\$ (286)	\$ -	\$ (747)
Adjustments to reconcile change in net assets to net cash used in operating activities:					
Depreciation	-	-	20	-	20
Change in operating assets and liabilities:					
Change in receivables	21	-	(13)	-	8
Change in deposits and prepaid expenses	-	-	30	-	30
Change in accounts payable	-	(5)	6	-	1
Change in accrued liabilities	(11)	-	(1)	-	(12)
Net cash used in operating activities	(451)	(5)	(244)	-	(700)
Cash flows from investing activities:					
Expenditures for property and equipment	(48)	-	-	-	(48)
Net cash used in investing activities	(48)	-	-	-	(48)
Cash flows from financing activities:					
Net change in due to/due from related entities	522	(374)	(49)	-	99
Net cash provided by (used in) financing activities	522	(374)	(49)	-	99
Net increase (decrease) in cash, cash equivalents and restricted cash	23	(379)	(293)	-	(649)
Cash, cash equivalents and restricted cash, beginning of year	12	379	557	-	948
Cash, cash equivalents and restricted cash, end of year	\$ 35	\$ -	\$ 264	\$ -	\$ 299

Eskaton and Subsidiaries

Supplementary Information – Social Responsibility (Unaudited)

Years Ended December 31, 2021 and 2020

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. Direct and indirect impacts of the COVID-19 pandemic slowed certain charitable initiatives during 2021. 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.

Scholarship Commitments – During 2021 Eskaton committed \$250,000 of scholarship funds to local colleges and universities to help develop a diverse workforce in the aging services industry. These scholarships are intended to help support and promote future leaders who are majoring in gerontology and nursing programs. These commitments will be paid over five years, including \$25,000 paid in 2021.

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):

	2021	2020
Community sponsorships	\$ 50	\$ 126
Aging services sponsorships	33	45
Resident Assistance Funds	381	124
Telephone Reassurance Program	461	399
Adult Day Health Care, net of revenue	-	381
	<u>925</u>	<u>1,075</u>
Total	<u>\$ 925</u>	<u>\$ 1,075</u>

Community service program operating statistics:

Resident Assistance Funds:

Months of assistance	289	66
Residents assisted	27	7

Telephone Reassurance Program:

Telephone calls	40,042	51,229
Home visits	587	395

Adult Day Health Care client days	-	2,041
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PART 5
LIQUID RESERVES



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

**Eskaton, Eskaton Village Carmichael, and The
Reutlinger Community**

December 31, 2021

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Report of Independent Auditors

To the Board of Directors
Eskaton, Eskaton Village Carmichael, and The Reutlinger Community

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eskaton, Eskaton Village Carmichael, and The Reutlinger Community, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2021.

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care liquid reserves of Eskaton, Eskaton Village Carmichael, and The Reutlinger Community as of and for the year ended December 31, 2021, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis for Opinion

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

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

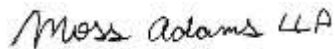
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Statement of Cash Flows – Direct Method; Supplementary Form 5-4 – Reconciliation to Audit Report; 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Eskaton, Eskaton Village Carmichael, and The Reutlinger Community and the California Department of Social Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in dark ink, appearing to read "Moss Adams LLP", is written in a cursive, flowing style.

San Francisco, California
April 28, 2022

Continuing Care Liquid Reserve Schedules

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-1
Long-Term Debt Incurred in Prior Fiscal Year

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	\$ 2,019,000	\$ 9,000	\$ -	\$ 2,028,000
2	12/21/2006	610,000	204,000	-	814,000
3	4/1/2008	1,050,000	174,000	-	1,224,000
4	5/22/2012	1,275,000	1,520,000	-	2,795,000
5	6/6/2013	1,495,000	2,066,000	-	3,561,000
6	12/1/2010	274,000	207,000	-	481,000
7					
8					
TOTAL:		\$ 6,723,000	\$ 4,180,000		\$ 10,903,000

*(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

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-2
Long-Term Debt Incurred During Fiscal Year

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

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-3
Calculation of Long-Term Debt Reserve Amount

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$ 10,903,000</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$ -</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$ -</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$ 10,903,000</u></u>

PROVIDER: Eskaton

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-4
Calculation of Net Operating Expenses

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$ 30,553,000
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 1,571,000	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$ -	
	c. Depreciation	\$ 5,045,000	
	d. Amortization	\$ 12,000	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 6,752,000	
	f. Extraordinary expenses approved by the Department	\$ -	
3	Total Deductions		\$ 13,380,000
4	Net Operating Expenses		\$ 17,173,000
5	Divide Line 4 by 365 and enter the result.		\$ 47,049.32
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$ 3,529,000

PROVIDER: Eskaton

COMMUNITY: Eskaton Village Carmichael

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-4
Calculation of Net Operating Expenses

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1 Total operating expenses from financial statements		\$ 20,648,000
2 Deductions:		
a. Interest paid on long-term debt (see instructions)	\$ 207,000	
b. Credit enhancement premiums paid for long-term debt (see instructions)	\$ -	
c. Depreciation	\$ 1,463,000	
d. Amortization	\$ 9,000	
e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 8,474,000	
f. Extraordinary expenses approved by the Department	\$ -	
3 Total Deductions		\$ 10,153,000
4 Net Operating Expenses		\$ 10,495,000
5 Divide Line 4 by 365 and enter the result.		\$ 28,753.42
6 Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$ 2,157,000
PROVIDER: Eskaton		
COMMUNITY: The Reutlinger Community		

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-5
Annual Reserve Certification

FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: Eskaton
Fiscal Year Ended: December 31, 2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2021 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$ 10,903,000
[2] Operating Expense Reserve Amount	\$ 5,686,000
[3] Total Liquid Reserve Amount:	<u>\$ 16,589,000</u>

Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year where applicable, are held as follows:

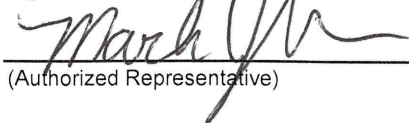
<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$ -	\$ 18,191,000
[5] Investment Securities	\$ -	\$ -
[6] Equity Securities	\$ 3,000,000	\$ 72,734,000
[7] Unused/Available Lines of Credit	\$ -	\$ -
[8] Unused/Available Letters of Credit	\$ -	\$ -
[9] Debt Service Reserve	\$ 8,802,000	(not applicable)
[10] Other:	\$ -	\$ -

Qualifying assets used in these reserves are described as follows:

Total Amount of Qualifying Assets

Listed for Reserve Obligation: [11]	\$ 11,802,000	[12] \$ 90,925,000
Reserve Obligation Amount: [13]	\$ 10,903,000	[14] \$ 5,686,000
Surplus/(Deficiency): [15]	\$ 899,000	[16] \$ 85,239,000

Signature:



(Authorized Representative)

Date: April 28, 2022

Chief Financial Officer
(Title)

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Note to Continuing Care Liquid Reserve Schedules
December 31, 2021

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's, Eskaton Village Carmichael's, and The Reutlinger Community's assets, liabilities, revenues, and expenses. Where not otherwise stated, the accompanying reserve reports include Eskaton, The Reutlinger Community, and the Obligated Group members of 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, Eskaton Village Grass Valley, and Eskaton Village Roseville.

Supplementary Schedules

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Statement of Cash Flows – Direct Method
December 31, 2021

Cash flows from operating activities:

Cash received from ILU contract residents	\$ 21,181,000
Cash received from ALU contract residents	2,189,000
Cash received from SNF contract residents	2,619,000
Cash received from non-contract residents	5,871,000
Cash received from other revenue	893,000
Cash received from investment income	152,000
Cash paid for interest	(1,571,000)
Cash paid for other operating expenses	<u>(23,719,000)</u>

Net cash provided by operating activities	<u>7,615,000</u>
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Cash flows from investing activities:

Purchases of assets limited as to use	(2,837,000)
Proceeds from sale of assets limited as to use	2,795,000
Purchases of investments	(6,808,000)
Proceeds from sale of investments	6,681,000
Expenditures for capital maintenance	<u>(1,903,000)</u>

Net cash used in investing activities	<u>(2,072,000)</u>
---------------------------------------	--------------------

Cash flows from financing activities:

CCRC contracts refunded	(165,000)
Change in deposits on unoccupied CCRC units	768,000
Principal payments on long-term debt	(1,578,000)
Change in due from related party - current year cash flow	<u>(4,580,000)</u>

Net cash used in financing activities	<u>(5,555,000)</u>
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Net change in cash	(12,000)
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Cash, cash equivalents, and restricted cash at December 31, 2020	<u>242,000</u>
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Cash, cash equivalents, and restricted cash at December 31, 2021	<u><u>\$ 230,000</u></u>
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PROVIDER: Eskaton

COMMUNITY: Eskaton Village Carmichael

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Statement of Cash Flows – Direct Method
December 31, 2021

Cash flows from operating activities:

Cash received from ALU contract residents	\$ 7,442,000
Cash received from SNF contract residents	636,000
Cash received from non-contract residents	7,886,000
Cash received from other revenue	683,000
Cash received from investment income	160,000
Cash paid for interest	(207,000)
Cash paid for other operating expenses	<u>(19,479,000)</u>

Net cash used in operating activities	<u>(2,879,000)</u>
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Cash flows from investing activities:

Purchases of investments	(856,000)
Proceeds from sale of investments	23,000
Expenditures for capital maintenance	<u>(673,000)</u>

Net cash used in investing activities	<u>(1,506,000)</u>
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Cash flows from financing activities:

CCRC contracts refunded	(5,000)
Principal payments on long-term debt	(274,000)
Change in due from related party - current year cash flow	<u>3,494,000</u>

Net cash provided by financing activities	<u>3,215,000</u>
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Net change in cash	(1,170,000)
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Cash, cash equivalents, and restricted cash at December 31, 2020	<u>1,548,000</u>
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Cash, cash equivalents, and restricted cash at December 31, 2021	<u><u>\$ 378,000</u></u>
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PROVIDER: Eskaton

COMMUNITY: The Reutlinger Community

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-4 – Reconciliation to Audit Report
December 31, 2021

Cash received from non-contract residents (per Statement of Cash Flows - Direct Method)	\$ 5,871,000
Cash received from other revenue (per Statement of Cash Flows - Direct Method)	893,000
Less: Cash receipts from government grant revenue	<u>(12,000)</u>
Reimbursements for services to persons who did not have a CCRC contract	<u>\$ 6,752,000</u>
Independent living reimbursements for services to non-contract residents	\$ 332,000
Assisted living reimbursements for services to non-contract residents	1,775,000
Skilled nursing reimbursements for services to non-contract residents	3,764,000
Reimbursements for non-resident services	<u>881,000</u>
Reimbursements for services to persons who did not have a CCRC contract	<u>\$ 6,752,000</u>

PROVIDER:	<u>Eskaton</u>
COMMUNITY:	<u>Eskaton Village Carmichael</u>

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-4 – Reconciliation to Audit Report
December 31, 2021

Cash received from non-contract residents (per Statement of Cash Flows - Direct Method)	\$ 7,886,000
Cash received from other revenue (per Statement of Cash Flows - Direct Method)	683,000
Less: Cash receipts from government grant revenue	<u>(95,000)</u>
Reimbursements for services to persons who did not have a CCRC contract	<u><u>\$ 8,474,000</u></u>
Assisted living reimbursements for services to non-contract residents	\$ 437,000
Skilled nursing reimbursements for services to non-contract residents	7,449,000
Reimbursements for non-resident services	<u>588,000</u>
Reimbursements for services to persons who did not have a CCRC contract	<u><u>\$ 8,474,000</u></u>

PROVIDER:	<u>Eskaton</u>
COMMUNITY:	<u>The Reutlinger Community</u>

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-5 – Description of Reserves Under SB 1212
December 31, 2021

Financial Statements and Footnote Description	Eskaton	Obligated Group	The Reutlinger Community	Total	Qualifying Asset Description (Form 5-5)
Cash and cash equivalents	\$ 299,000	\$ 13,375,000	\$ 378,000	\$ 14,052,000	[4] Cash and cash equivalents
Investments - cash and short-term investments	-	1,318,000	2,821,000	4,139,000	[4] Cash and cash equivalents
Investments - equity securities and mutual funds	-	64,963,000	7,771,000	72,734,000	[6] Equity securities
	<u>\$ 299,000</u>	<u>\$ 79,656,000</u>	<u>\$ 10,970,000</u>	<u>\$ 90,925,000</u>	Operating Reserve
Investments - equity securities and mutual funds	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	[6] Equity securities
Assets limited as to use - cash and short-term investments	-	451,000	-	451,000	[9] Debt service reserve
Assets limited as to use - U.S. Treasury notes, government securities, and other corporate debt securities	-	8,351,000	-	8,351,000	[9] Debt service reserve
	<u>\$ -</u>	<u>\$ 11,802,000</u>	<u>\$ -</u>	<u>\$ 11,802,000</u>	Debt Service Reserve
Total	<u>\$ 299,000</u>	<u>\$ 91,458,000</u>	<u>\$ 10,970,000</u>	<u>\$ 102,727,000</u>	
Reconciliation to Audited Financial Statements	Eskaton	Obligated Group	The Reutlinger Community	Total	
Cash and cash equivalents	\$ 299,000	\$ 13,375,000	\$ 378,000	\$ 14,052,000	
Assets limited as to use, required for current liabilities	-	521,000	-	521,000	
Assets limited as to use, net of amount required for current liabilities	-	8,281,000	-	8,281,000	
Investments, current	-	69,281,000	10,592,000	79,873,000	
	<u>\$ 299,000</u>	<u>\$ 91,458,000</u>	<u>\$ 10,970,000</u>	<u>\$ 102,727,000</u>	
Total amount of qualifying assets as filed for operating reserve	\$ 299,000	\$ 79,656,000	\$ 10,970,000	\$ 90,925,000	
Total amount of qualifying assets as filed for debt service reserve	-	11,802,000	-	11,802,000	
	<u>\$ 299,000</u>	<u>\$ 91,458,000</u>	<u>\$ 10,970,000</u>	<u>\$ 102,727,000</u>	
Per Capita Cost of Operations	Eskaton Village Carmichael	The Reutlinger Community			
Operating expenses (Form 5-4, line 1)	\$ 30,553,000	\$ 20,648,000			
Mean Number of CCRC Residents	440.50	116.00			
Per Capita Cost of Operations	<u>\$ 69,360</u>	<u>\$ 178,000</u>			

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-5 – ALATU – Composition of Assets
December 31, 2021

ALATU - Composition of Assets
As of December 31, 2021

	Total	Cash and ST Investments	U.S. Treasury Notes, Government Securities, and Other Corporate Debt Securities
2012 Bonds	\$ 4,351,000	\$ 227,000	\$ 4,124,000
2013 Bonds	4,451,000	224,000	4,227,000
TOTAL DEBT SERVICE RESERVE	<u>\$ 8,802,000</u>	<u>\$ 451,000</u>	<u>\$ 8,351,000</u>

PROVIDER: Eskaton

PART 6
CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT

**Continuing Care Retirement Community
Disclosure Statement
General Information**

Date Prepared: _____

FACILITY NAME: _____
ADDRESS: _____ ZIP CODE: _____ PHONE: _____
PROVIDER NAME: _____ FACILITY OPERATOR: _____
RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: _____
YEAR _____ # OF ☐ SINGLE ☐ MULTI- MILES TO SHOPPING CTR: _____
OPENED: _____ ACRES: _____ STORY STORY ☐ OTHER: _____ MILES TO HOSPITAL: _____

NUMBER OF UNITS:

RESIDENTIAL LIVING

HEALTH CARE

APARTMENTS — STUDIO: _____

ASSISTED LIVING: _____

APARTMENTS — 1 BDRM: _____

SKILLED NURSING: _____

APARTMENTS — 2 BDRM: _____

SPECIAL CARE: _____

COTTAGES/HOUSES: _____

DESCRIPTION: > _____

RLU OCCUPANCY (%) AT YEAR END: _____

> _____

TYPE OF OWNERSHIP: ☐ NOT-FOR-PROFIT ☐ FOR-PROFIT **ACCREDITED?:** ☐ YES ☐ NO **BY:** _____

FORM OF CONTRACT:

☐ CONTINUING CARE

☐ LIFE CARE

☐ ENTRANCE FEE

☐ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☐ RENTAL

REFUND PROVISIONS: *(Check all that apply)* ☐ 90% ☐ 75% ☐ 50% ☐ FULLY AMORTIZED ☐ OTHER: _____

RANGE OF ENTRANCE FEES: \$ _____ - \$ _____ **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☐ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: _____

ENTRY REQUIREMENTS: MIN. AGE: _____ PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): > _____

> _____

FACILITY SERVICES AND AMENITIES

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

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

PROVIDER NAME: ESKATON

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
The Reutlinger Community	Danville, CA	925-648-2800
<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
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
Eskaton Lodge Granite Bay	Granite Bay, CA	916-789-0326
<u>INDEPENDENT LIVING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Eskaton Monroe Lodge	Sacramento, CA	916-441-1015
<u>FREE-STANDING ASSISTED LIVING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Eskaton Lodge Gold River	Gold River, CA	916-852-7900
Eskaton Lodge Cameron Park	Cameron Park, CA	530-672-8900
<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
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
<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

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

PROVIDER NAME: _____

	2018	2019	2020	2021
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)				
NET INCOME FROM OPERATIONS				
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION				
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)				

* * * * *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

* * * * *

FINANCIAL RATIOS (see next page for ratio formulas)

	2017 CCAC Medians 50 th Percentile <i>(optional)</i>	2019	2020	2021
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

* * * * *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2018	%	2019	%	2020	%	2021	%
STUDIO								
ONE BEDROOM								
TWO BEDROOM								
COTTAGE/HOUSE								
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

* * * * *

COMMENTS FROM PROVIDER: > _____
 > _____
 > _____

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL DATA & RATIOS
ESKATON

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	\$ 9,975,000	Variable	Apr-08	2025	21 years
Series 2006 ABAG VRDB's	14,850,000	Variable	Dec-06	2037	31 years
Series 2013 ABAG Fixed Rate Bonds	39,815,000	2% - 5%	Jun-13	2035	22 years
Series 2012 CSCDA Fixed Rate Bonds	28,035,000	2% - 5.25%	May-12	2034	22 years
First Republic Bank	5,137,000	3.85%	Dec-10	2035	25 years

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

Long-Term Debt to Total Assets Ratio

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Long-Term Debt	\$ 129,120	\$ 128,884	\$ 117,941
Less: Current Portion	(16,106)	(7,462)	(24,340)
	<u>113,014</u>	<u>121,422</u>	<u>93,601</u>
Divided By:			
Total Assets	228,076	269,897	261,326
Long-Term Debt to Total Assets Ratios	49.55%	44.99%	35.82%

Operating Ratio

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Operating Expenses	\$ 148,327	\$ 163,756	\$ 167,424
Less: Depreciation & Amortization	(9,787)	(11,872)	(11,663)
	<u>138,540</u>	<u>151,884</u>	<u>155,761</u>
Divided By:			
Total Operating Revenues (excl Contributions)	148,663	149,418	150,530
Less: Amortization of Deferred Revenue	(2,777)	(2,924)	(1,958)
	<u>145,886</u>	<u>146,494</u>	<u>148,572</u>
Operating Ratio	94.96%	103.68%	104.84%

Debt Service Coverage Ratio

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Excess of Revenues over Expenses	\$ 9,668	\$ 18	\$ (1,078)
Plus: Interest & amortization	5,829	5,388	4,923
Depreciation	9,826	11,908	11,653
Net Proceeds from Entrance Fees	2,764	1,762	1,300
Less: Amortization of Deferred Revenue	(2,777)	(2,924)	(1,958)
	<u>25,310</u>	<u>16,152</u>	<u>14,840</u>
Divided By:			
Annual Required Debt Service	10,768	10,699	12,058
Debt Service Coverage Ratio	2.35	1.51	1.23

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

Days Cash On Hand Ratio

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash and cash equivalents	\$ 31,225	\$ 19,129	\$ 16,392
Investments	61,967	70,596	79,873
Unrestricted cash and investments	<u>\$ 93,192</u>	<u>\$ 89,725</u>	<u>\$ 96,265</u>
Operating expenses	\$ 148,327	\$ 163,756	\$ 167,424
Less: Depreciation and amortization	<u>(9,787)</u>	<u>(11,872)</u>	<u>(11,663)</u>
	<u>\$ 138,540</u>	<u>\$ 151,884</u>	<u>\$ 155,761</u>
Divided by	365	366	365
Operating expenses per day	\$ 380	\$ 415	\$ 427
Days cash on hand	<u>246</u>	<u>216</u>	<u>226</u>

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

	2018	2019	2020	2021
Net patient revenues	\$ 46,334	\$ 47,818	\$ 40,932	\$ 43,623
Net resident revenues	76,300	80,572	88,088	87,886
Less amort of entrance fees	(2,122)	(2,777)	(2,924)	(1,958)
Home based services	7,088	4,034	3,912	3,600
Other	12,275	16,383	16,665	15,793
Less: Contributions	(179)	(144)	(4,043)	(562)
Income from ongoing operations	139,696	145,886	142,630	148,382
Total expenses	134,112	148,327	163,756	167,424
Less depreciation and amortization	(9,968)	(9,787)	(11,872)	(11,663)
Less interest	(5,991)	(5,868)	(5,424)	(4,913)
Operating expenses	118,153	132,672	146,460	150,848
Net income from operations	21,543	13,214	(3,830)	(2,466)
Interest expense	(5,991)	(5,868)	(5,424)	(4,913)
Contributions	179	144	4,043	562
Non-operating income (expense)	(2,965)	9,188	10,313	15,254
NI before entrance fees, depr and amort	\$ 12,766	\$ 16,678	\$ 5,102	\$ 8,437

PROVIDER NAME: _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

**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 CARE FEES

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

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

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

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

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

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

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

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

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$4,278-6,562</u>	<u>\$5,854-6,992</u>	<u>\$7866-10,134</u>	<u>12360-14730</u>
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>
<input type="checkbox"/> Check here if monthly care fees at this community were <u>not</u> 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: <u>01/01/2021</u> (If more than one (1) increase was implemented, indicate the dates for each increase.)				
4. Check each of the appropriate boxes: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators. <input checked="" type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. Date of Notice: <u>11/02/2020</u> Method of Notice: <u>Letters to residents</u> <input checked="" type="checkbox"/> 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: <u>10/30/2020</u> <input checked="" type="checkbox"/> 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. <input checked="" type="checkbox"/> The Provider distributed the documents to all residents by [check all that apply]: <ul style="list-style-type: none"> <input type="checkbox"/> Emailed the documents to those residents for whom the provider had email addresses on file <input checked="" type="checkbox"/> Placed hard copies in resident cubby <input checked="" type="checkbox"/> Placed hard copies at designated locations <input checked="" type="checkbox"/> Provided hard copies to residents upon request, and/or <input type="checkbox"/> Other: [please describe] _____ <input checked="" type="checkbox"/> Date of Notice: <u>11/02/2020</u> 				

- ☒ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

Date of Notice: 10/15/2020

- ☒ 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: 10/15/2020 **Location of Posting:** Resident Mail Room

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

Date of Posting: _____ **Location of Posting:** _____

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

PROVIDER: Eskaton **COMMUNITY:** Eskaton Village Carmichael

ATTACHMENT TO FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES
EXPLANATION FOR INCREASE IN MONTHLY CARE FEES
ESKATON VILLAGE CARMICHAEL

The goal of Eskaton Village Carmichael'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.

Eskaton Village Carmichael's rate setting methodology is derived from a process that considers the cost of providing services, reasonable operating margins necessary to ensure the sustainability of the community, and the organizational mission. The cost of providing services is analyzed in the annual budget process. This budget process starts with the historic costs of providing care, which are then adjusted for known and anticipated changes expected in the budget period. Contractual obligations and market factors are considered when estimating the costs of providing care. After the expense budget is established, an analysis of monthly rates is performed to ensure that the rates are adequately adjusted to cover the anticipated changes in future operating costs. Monthly care fees were increased by 4.5% for all levels of care in 2021. Anticipated cost increases included higher labor costs and normal inflationary cost increases related to purchases of supplies and services.

Labor costs were expected to increase in excess of 4.25% in 2021 due to minimum wage requirements in California increasing from \$13.00 per hour to \$14.00 per hour (8%), in addition to standard merit-based increases.

Supply and purchased service costs were estimated to increase commensurate with the consumer price index, which as of October 2020 (the period when the budget was finalized) reflected an increase of 1.1% to 1.6% for San Francisco-Oakland-Hayward and Western Cities with populations under 2.5 million, the market areas most relevant to Sacramento, California.

The projected 2021 net operating income shown on the following page allows the community to reinvest in the physical plant, thereby maintaining the quality of the facilities 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 2021 MONTHLY CARE FEE INCREASE (MCFI) (in thousands)****ESKATON VILLAGE CARMICHAEL**

		2019	2020	2021
1	2019 Operating Expenses (audited)	(27,994)		
2	2020 Operating Expenses		(28,322)	
3	Projected 2021 Operating Expenses			(29,402)
4	Projected 2021 Revenue without a MCFI			31,448
5	Projected 2021 Net Operating Income without a MCFI			2,046
6	Projected 2021 Revenue with MCFI 4.50%			32,578
7	Projected 2021 Net Operating Income After 4.50% MCFI			3,176

Monthly Care Fee Increase: 4.50%

Notes:

Total increase in revenues related to monthly care fee increase is estimated at \$1,130,000

Total projected increase in expenses is estimated at \$1,080,000

EVC 2021 principal due on debt was \$1,578,000



Welcome

Eskaton Village Carmichael 2021 Budget Review Meeting

October 30, 2020



2021 Budget Review Meeting

AGENDA

1. Budget Development Considerations
2. Occupancy Statistics
3. Final 2021 Budget vs. 2020 Budget
4. Capital Overview 2021
5. 8-year Rate History
6. Increase for 2021
7. Questions





2021 Budget Review Meeting

Budget Development Considerations

Revenue



2021 Budget Review Meeting

Budget Development Considerations

ILU Revenue

- Despite COVID-19, in ILU, strong census during 2020 keeps us optimistic for 2021 – though we err on the side of caution when budgeting
- YTD occupancy is 99.5% versus budget of 96.3%
- YTD as of 9/30/20 there have been 13 resales – 21 less than budget
- Number of ILU memberships for sale is currently 5



2021 Budget Review Meeting

Budget Development Considerations

ILU Revenue

- Last year at this time there were 0 memberships for sale. The year before that there were 3 for sale.
- Very strong pipeline
- For 2021, we are budgeting for occupancy of 97%, which is higher than the 96.3%, budgeted last year. (9 empty units versus 11 vacant units)



2021 Budget Review Meeting

Budget Development Considerations

ALU Revenue

- Despite COVID-19, in ALU, we're optimistic census will be strong in 2021 as residents continue to recognize value of transferring for assistance with ADLs
- YTD as of 9/30/20 census has been 90.8% versus a budgeted census of 97.4%. Temporary suspension of new admissions due to COVID-19 caused a decrease, but we have since recovered.
- For 2021, we are budgeting for occupancy of 94.7% for the first six months and 97.4% for the last six months, which equals 2 and 1 vacant unit respectively.



2021 Budget Review Meeting

Budget Development Considerations

MCU Revenue

- ILU and ALU residents continue to recognize value of the care and programming in MCU
- In MCU, census dipped to 50% due to COVID-19 suspension on new admissions, but we're optimistic census will recover in 2021
- YTD as of 9/30/20 census has been 75.8% versus a budgeted census of 95.1%
- For 2021, we are budgeting for gradual increase in occupancy from 75% to 95%



2021 Budget Review Meeting

Budget Development Considerations

Care Center Census/Revenue

- The COVID-19 situation has had a big impact on skilled nursing
- Year-to-date, census has been 72.9% versus budget of 94.3%



2021 Budget Review Meeting

Budget Development Considerations

Care Center Census/Revenue

- Primary reasons for COVID-19-related drop in census include:
- *State mandate to place only one patient per room*
- *Hospitals holding-off on elective surgeries to keep beds available for COVID patients*
- *"No visitation" policy caused hospital patients to discharge to home rather than a SNF*



2021 Budget Review Meeting

Budget Development Considerations

Care Center Census/Revenue

- Very minimal increase and decrease in Medicare and Medi-Cal reimbursement rates (SNF) respectively:
 - Medicare \$842 to \$859
 - Medi-Cal \$340 to \$316
- For 2021, we are budgeting for gradual increase in census from January (71%) to December (89%)
 - As a point of reference, we budgeted 94.3% every month for 2020 (33 of 35 beds occupied)



2021 Budget Review Meeting

Budget Development Considerations

Expenses



2021 Budget Review Meeting

Budget Development Considerations

Expenses

- Department managers continue to practice good expense control
- 2021 budget based upon 2020 actual experience, as well as various assumptions, including:
 - Impact of COVID-19
 - Projected inflationary factors
 - Governmental mandates for employee wages and benefits



2021 Budget Review Meeting

Budget Development Considerations

Expenses

- Additional important considerations:
 - No reduction in programs or services in 2021
 - Some modifications due to COVID-19
 - No increase in Home Office overhead



2021 Budget Review Meeting

Budget Development Considerations

Expenses

- Wages & Salaries: Budgeting for an overall 4.5% increase for existing positions. Impacted by:





2021 Budget Review Meeting

Budget Development Considerations

Expenses

- *Wages & Salaries impacted by:*
- Minimum wage rising from \$13.00 to \$14.00 on January 1
- "Ripple effect"



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Budget Development Considerations

Expenses

- *Wages & Salaries impacted by (cont.):*
- Longevity Increases
- Market rate increases when appropriate
- Standard 3% annual increase for employees





2021 Budget Review Meeting

Budget Development Considerations

Expenses - Staffing

- For 2021, no positions being added or eliminated
 - Skilled nursing labor hours adjusted for census



2021 Budget Review Meeting

Budget Development Considerations

Expenses

- California Paid Sick Leave, which requires 24 hours of paid sick leave for all employees, is still in effect.





2021 Budget Review Meeting

Budget Development Considerations

Expenses

- All told:
- Wages and salaries increasing by \$413,111
- Payroll taxes and benefits increasing by \$56,585



2021 Budget Review Meeting

Budget Development Considerations

Expenses

- Other expenses:
 - Eskaton Health Plan: 14.75% of salaries.
In 2020 it was 15%
 - Worker's Compensation: 6.75% of salaries.
In 2020 it was 7%



2021 Budget Review Meeting

Budget Development Considerations

Expenses

- Other expenses:
 - Supplies: Increasing budget by 2.5% due to increased supply needs due to high ILU census and COVID-19
 - YTD 2020 supply costs are above budget, mostly due to COVID-19, such as PPE, dining containers, cleaning supplies



2021 Budget Review Meeting

Budget Development Considerations

Expenses

- Other expenses:
 - Food: Working with Morrison to keep increases in food service costs minimal in 2021
 - Continue to exploring opportunities for greater efficiency
 - No changes in quality
 - Total Morrison contract cost about \$4M





2021 Budget Review Meeting

Budget Development Considerations

Expenses

- Other expenses:
 - Purchased Services: 2.8% increase.
 - Reduced reliance on outside vendors for repair work by hiring certified maintenance technicians
 - Purchase of new/replacement equipment decreases maintenance costs
 - Cost of K4 Connect is about \$130,000 per year.
 - Utilities: 3.2% increase primarily due to rising utility costs. Total utility budget for 2021 is over \$1.7M



2021 Budget Review Meeting

Budget Development Considerations

Expenses

- Other expenses:
 - Management Fees: 6% for all communities. No change from last year.
 - All operations are expected to pay for themselves without relying on investment income.
 - Each of The Village's four levels of care cover their own operating expenses and YTD have positive net operating incomes



2021 Budget Review Meeting

Eskaton Village Carmichael

2020 to 2021 Final Budget Comparison

	2020 Budget	2021 Budget	% Change
Revenue	35,278,616	33,930,494	(3.88%)
Operating Expenses	23,229,472	23,631,656	2.24%
Operating Margin	12,049,144	10,298,838	(15.48%)
Total Fixed Expenses	6,597,073	5,769,906	(4.25%)
Net Operating Income	6,159,279	4,528,932	(26.47%)



2021 Budget Review Meeting

Capital Budget Plan





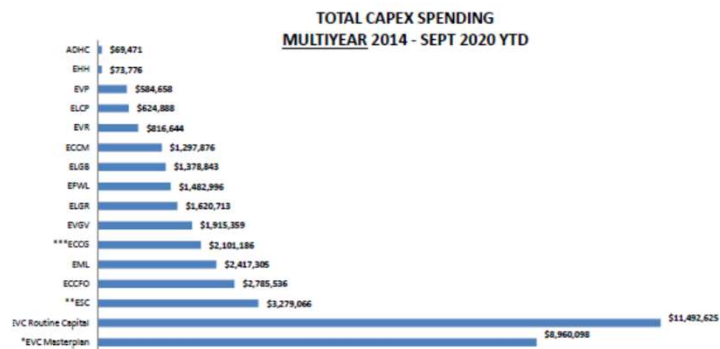
2021 Budget Review Meeting

Capital Budget Plan

- Fewer indoor capital projects in 2020 due to COVID-19
- Capital projects and related expenses are performed without impacting monthly fees
- EVC's net income funds capital projects, which is why we budget to a 30% EBITDA



2021 Budget Review Meeting

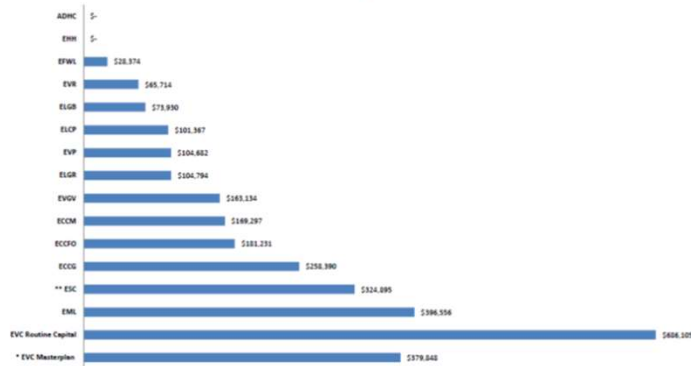


\$20,452,723



2021 Budget Review Meeting

Consolidated Capital Spending By Location - SEPTEMBER YTD 2020



\$1,065,953



2021 Budget Review Meeting

Capital Budget Plan

- Projects completed or in-progress for 2020 include but not limited too:
- ILU cottage and apartment renovations. (\$322K)
- Landscape improvements (\$31K)
- New Outdoor furniture (\$13K)
- New kitchen equipment (\$20K)



2021 Budget Review Meeting

Capital Budget Plan

- Projects completed or in-progress for 2020 include but not limited too (continued):
- Main kitchen dishwasher. (\$53K)
- New vehicles and golf carts(\$50K)
- Unit turns (\$20K)



2021 Budget Review Meeting

Capital Budget Plan

- Projects completed or in-progress for 2020 include but not limited too (continued):
- Emergency Repairs. (\$157K)
 - CC generator panel
 - HVAC 7
 - Commercial Dryer
 - Fitness Center Boiler
 - Pond Pump
 - Air Scrubbers
 - Chiller compressor



2021 Budget Review Meeting

Capital Budget Plan

- Projects completed or in-progress for 2020 include but not limited too (continued):
- Unplanned. (\$115K)
 - New pond electrical
 - Portable generators (4)
 - iWave Air Purification System



2021 Budget Review Meeting

Capital Budget Plan

- Priorities for 2021 may include:
- Continue ILU cottage and apartment renovations. About 25 left to remodel.
- Continued landscape improvements
- New ALU building and parking lot by MCU
- Refurbishing of art studio, chapel, TV room



2021 Budget Review Meeting

Capital Budget Plan

- **Priorities for 2021 may include:**
- Refurbishing of life enrichment office
- Refurbishing of resident meeting room(s)
- More automatic doors
- Drainage and concrete repair projects



2021 Budget Review Meeting

Capital Budget Plan

- **Priorities for 2021 may include:**
- Replacement of aged kitchen equipment
- Additional floor care equipment
- Proactive replacement of HVAC units
- Replacement indoor and outdoor signage
- Electric Vehicle Charging Stations



2021 Budget Review Meeting

Capital Budget Plan

- **Priorities for 2021 may include:**
- Refurbishment of patient rooms in care center
- Refurbishment of ALU dining room and library
- Replace MCU Living Room furniture
- Replacement vehicles and golf carts
- Replace Boilers in Apartment Building



2021 Budget Review Meeting

Eskaton Village Carmichael 8-Year Historical Summary Annual Rate Increases

2013	4.00%
2014	2.90%
2015	3.50%
2016	4.50%
2017	3.00%
2018	3.80%
2019	3.75%
2020	3.50%

Average 3.62%



2021 Budget Review Meeting



2021 Budget Review Meeting

Rate Increase for 2021

4.50%

ILU, ALU, MCU and Care Center



2021 Budget Review Meeting

Ancillary Fee Increase for 2021

Approximately 4.50%

ILU, ALU, MCU and Care Center
(i.e., Guest meals, guest rooms, extra
housekeeping/maintenance, etc.)



Thank You