

**ANNUAL REPORT
CHECKLIST**
for
FISCAL YEAR ENDED:
2020

PROVIDER: Eskaton
FACILITY(IES): Eskaton Village Carmichael

CONTACT PERSON: Dan Seiler
TELEPHONE NO.: (916) 334-0810

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

- ☒ This cover sheet.
- ☒ Annual Provider Fee in the amount of: \$ 20,820
- ☒ Certification by the provider's chief *executive* officer that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required liquid reserve and refund reserve, if applicable.
- ☒ Evidence of the provider's fidelity bond.
- ☒ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☒ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community.

PART 1
ANNUAL PROVIDER FEES

FORM 1-1
RESIDENT POPULATION

Continuing Care Residents

[1] Number at beginning of fiscal year	418
[2] Number at end of fiscal year	407
[3] Total Lines 1 and 2	825
[4] Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5] Mean number of continuing care residents	413

All Residents

[6] Number at beginning of fiscal year	469
[7] Number at end of fiscal year	430
[8] Total Lines 6 and 7	899
[9] Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10] Mean number of <i>all</i> residents	450

[11] Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (rounded to two decimal places).

0.92

FORM 1-2
ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service-interest only)	28,565,000
[a] Depreciation	4,275,000
[b] Debt Service (Interest Only)	1,660,000
[2] Subtotal (add Line 1a and 1b)	5,935,000
[3] Subtract Line 2 from Line 1 and enter result	22,630,000
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.92
[5] Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	20,820,000
	x .001
[6] Total Amount Due (multiply Line 5 by .001)	20,820

PROVIDER: Eskaton

COMMUNITY: Eskaton Village - Carmichael

ESKATON**Calculation of Nonresident Reimbursement****December 31, 2020**

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/19	376	40	2	418
Contract Residents @ 12/31/20	372	28	7	407
Total	<u>748</u>	<u>68</u>	<u>9</u>	<u>825</u>
Mean	<u>374</u>	<u>34</u>	<u>5</u>	<u>413</u>
All Residents @ 12/31/19	382	54	33	469
All Residents @ 12/31/20	377	44	9	430
Total	<u>759</u>	<u>98</u>	<u>42</u>	<u>899</u>
Mean	<u>380</u>	<u>49</u>	<u>21</u>	<u>450</u>
% Contract Residents to Total Residents	98.55%	69.39%	21.43%	91.77%
% Non Contract residents to Total Residents	1.45%	30.61%	78.57%	8.23%

2020 CASH RECEIPTS

Independent Living (Contract Residents)	19,579,000		
Net Independent Living (Non-Contract Residents)	288,000		
Total Independent Living Cash Receipts	19,867,000		
Assisted Living (Contract Residents)		2,731,000	
Net Assisted Living (Non-Contract Residents)		1,205,000	
Total Assisted Living Cash Receipts		3,936,000	
Skilled Nursing (Contract Residents)			1,316,000
Net Skilled Nursing (Non-Contract Residents)			4,827,000
Total Skilled Nursing Cash Receipts			6,143,000
Total Non-Contract Resident Cash Receipts			<u>6,320,000</u>

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: Apr. 29, 2021

Todd Murch

Todd Murch, Chief Executive Officer

PART 3
EVIDENCE OF FIDELITY BOND



PRIVATE CHOICE ENCORE® FOR HEALTHCARE ORGANIZATIONS DECLARATIONS

HARTFORD ACCIDENT & INDEMNITY

HARTFORD PLAZA, HARTFORD, CT 06115

A stock insurance company, herein called the Insurer

Policy Number: 57 HC 0299726-20

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 1/01/20 Inception Date to 12:01 a.m. on 1/01/21 Expiration Date

4. PREMIUM: \$23,668.00

ITEM 5. LIABILITY COVERAGE PART ELECTIONS:

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

ITEM 5. LIABILITY COVERAGE PART ELECTIONS: (Continued)

☐ "Combined Aggregate Limit of Liability For All **Liability Coverage Parts**" \$N/A

☐ "Defense Outside the Limit of Liability (50%)" for the following coverage parts:

☐ Directors, Officers and Entity Liability Coverage Part

☐ Employment Practices Liability Coverage Part

☐ Fiduciary Liability Coverage Part

☐ Additional Fiduciary Liability Coverage Part Defense Outside the Limit of Liability

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

LIABILITY COVERAGE PART	LIMITS OF LIABILITY	RETENTION	PRIOR OR PENDING DATE
DIRECTORS, OFFICERS AND ENTITY LIABILITY <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	\$ <u>N/A</u> for all Claims in the aggregate	\$ <u>N/A</u> per Employment Practices Claim	<u>N/A</u> for Employment Practices Claims
Third Party Liability Coverage <input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	\$ <u>N/A</u> Third Party Claim Sub-limit of Liability	\$ <u>N/A</u> per Third Party Claim	<u>N/A</u> For Third Party Claims
Fiduciary Liability <input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not Applicable	\$ <u>2,000,000</u> for all Claims in the aggregate	\$ <u>25,000</u> per Claim	<u>01/01/08</u> for Fiduciary Claims
Settlement Program Coverage <input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not Applicable	\$ <u>100,000</u> Sub-Limit of Liability for Settlement Fees		<u>01/01/08</u> for Settlement Program Coverage
HIPAA Coverage			

<input checked="" type="checkbox"/> Applicable	<input type="checkbox"/> Not Applicable	\$100,000 HIPAA Sub-limit of Liability		
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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. <u>HC00H00900 0411</u>	See Crime Coverage Part Dec. Page, Form No. <u>HC00H00900 0411</u>
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. <u>N/A</u>	See Kidnap and Ransom/ Extortion Coverage Part Dec. Page, Form No. <u>N/A</u>

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, 2020 and 2019



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Report of Independent Auditors

To the Board of Directors
Eskaton and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Eskaton and Subsidiaries (the “Organization” or “Eskaton”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eskaton and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules on pages 39 to 51 as of and for the year ended December 31, 2020, for Eskaton and Subsidiaries, Eskaton Properties, Inc., and Eskaton, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information – social responsibility on page 52 for the years ended December 31, 2020 and 2019, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
April 30, 2021

Consolidated Financial Statements

Eskaton and Subsidiaries
Consolidated Balance Sheets
December 31, 2020 and 2019
(in thousands)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,129	\$ 31,225
Assets limited as to use, required for current liabilities	670	837
Investments	70,596	61,967
Accounts receivable, net	5,737	6,747
Other receivables	3,395	2,610
Inventories	656	247
Funded pension obligation	-	224
Deposits and prepaid expenses	1,804	1,380
Total current assets	101,987	105,237
Assets limited as to use, net of amount required for current liabilities	14,209	12,511
Investments	10,145	1,546
Property and equipment, net	128,479	94,973
Other assets:		
Land available for sale	1,830	1,830
Due from liability insurer	5,171	4,978
Associate member/resident/patient deposits	2,041	2,236
Other	6,035	4,765
	15,077	13,809
Total assets	\$ 269,897	\$ 228,076

Eskaton and Subsidiaries
Consolidated Balance Sheets (Continued)
December 31, 2020 and 2019
(in thousands)

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 7,462	\$ 16,106
Current portion of deferred revenue from unamortized CCRC entrance fees	2,902	2,798
Deposits on unoccupied units	27	544
Accounts payable	2,153	2,317
Accrued liabilities:		
Payroll and payroll taxes	2,404	1,800
Vacation	3,130	2,362
Current portion of self-insured workers' compensation	2,222	2,341
Self-insured employee health plan	1,248	1,495
Interest	544	582
Other	1,054	889
Total current liabilities	<u>23,146</u>	<u>31,234</u>
Other liabilities:		
Self-insured workers' compensation, net of current portion	10,983	11,528
Interest rate swap agreements	4,730	3,942
Unfunded pension obligation	684	-
Professional liability	6,126	9,148
Associate member/resident/patient deposits	2,041	2,236
Other	308	458
	<u>24,872</u>	<u>27,312</u>
Long-term debt, net of current maturities	121,422	113,014
Refundable CCRC entrance fees	1,161	2,055
Deferred revenue from unamortized CCRC entrance fees, net of current portion	<u>4,542</u>	<u>4,965</u>
Total liabilities	<u>175,143</u>	<u>178,580</u>
Net assets:		
Without donor restrictions	88,457	47,710
With donor restrictions	<u>6,297</u>	<u>1,786</u>
Total net assets	<u>94,754</u>	<u>49,496</u>
Total liabilities and net assets	<u><u>\$ 269,897</u></u>	<u><u>\$ 228,076</u></u>

Eskaton and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2020 and 2019
(in thousands)

	2020	2019
Net assets without donor restrictions:		
Revenues, gains, and other support:		
Net patient service revenue	\$ 40,932	\$ 47,818
Resident service revenue, including amortization of CCRC membership fees of \$2,924 in 2020 and \$2,777 in 2019	88,088	80,572
Home based services	3,912	4,034
Government grant revenue	3,864	-
Other, net	16,665	16,383
Total revenues, gains, and other support	153,461	148,807
Expenses:		
Salaries and wages	78,433	71,357
Employee benefits	19,507	16,340
Professional fees	11,892	10,434
Supplies	8,954	6,643
Purchased services	10,672	10,336
Ancillary costs	3,200	3,956
Utilities	5,862	5,066
Insurance and other	7,940	8,540
Depreciation	11,908	9,826
Interest and amortization	5,388	5,829
Total operating expenses	163,756	148,327
(Loss) income from operations	(10,295)	480
Nonoperating revenue (expenses):		
Inherent contribution from affiliation	41,182	-
Investment income	10,573	11,173
Interest rate swap activities	(1,339)	(1,206)
Other components of net periodic pension benefit (cost)	476	(941)
Other	603	162
Total nonoperating revenue, net	51,495	9,188
Excess of revenues, gains, and other support over expenses	\$ 41,200	\$ 9,668

Eskaton and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets (Continued)
Years Ended December 31, 2020 and 2019
(in thousands)

	2020	2019
Net assets without donor restrictions:		
Excess of revenues, gains, and other support over expenses (page 6)	\$ 41,200	\$ 9,668
Pension related changes other than net periodic pension cost	(603)	1,977
Reclassification from net assets with donor restrictions	150	-
	<u>40,747</u>	<u>11,645</u>
Change in net assets without donor restrictions	40,747	11,645
Net assets without donor restrictions, beginning of year	<u>47,710</u>	<u>36,065</u>
Net assets without donor restrictions, end of year	<u><u>\$ 88,457</u></u>	<u><u>\$ 47,710</u></u>
Net assets with donor restrictions:		
Contributions	\$ 194	\$ 56
Inherent contribution from affiliation	4,707	-
Change in assets held in trust by others	25	(4)
Investment income	177	233
Reclassification to net assets without donor restrictions	(150)	-
Net assets released from restriction used for operations	<u>(442)</u>	<u>(217)</u>
	4,511	68
Change in net assets with donor restrictions	4,511	68
Net assets with donor restrictions, beginning of year	<u>1,786</u>	<u>1,718</u>
Net assets with donor restrictions, end of year	<u><u>\$ 6,297</u></u>	<u><u>\$ 1,786</u></u>
Change in net assets	\$ 45,258	\$ 11,713
Net assets, beginning of year	<u>49,496</u>	<u>37,783</u>
Net assets, end of year	<u><u>\$ 94,754</u></u>	<u><u>\$ 49,496</u></u>

Eskaton and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(in thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 45,258	\$ 11,713
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	11,908	9,826
Amortization of deferred financing costs and premium	(36)	(39)
Amortization of CCRC entrance fees	(2,924)	(2,777)
Net realized and unrealized gains on assets limited as to use	(139)	(542)
Net realized and unrealized gains on investments	(9,647)	(9,548)
Pension related changes other than net periodic pension cost	603	(1,977)
Change in fair value of interest rate swap agreements	788	831
Inherent contribution from affiliation	(45,889)	-
CCRC resales of nonrefundable contracts	1,056	1,193
CCRC sales of nonrefundable contracts	800	2,005
CCRC sales of refundable contracts	-	125
Gain on disposal of property and equipment	-	(5)
Changes in operating assets and liabilities:		
Change in receivables	1,780	(582)
Change in inventories	(378)	(54)
Change in deposits and prepaid expenses	(390)	(340)
Change in other assets	557	(254)
Change in accounts payable	(555)	435
Change in accrued liabilities	(500)	(1,964)
Change in unfunded pension obligation	305	758
Change in other liabilities	(3,353)	6,423
Net cash (used in) provided by operating activities	(756)	15,227
Cash flows from investing activities:		
Purchases of assets limited as to use	(6,506)	(7,470)
Proceeds from sales of assets limited as to use	7,826	7,412
Purchases of investments	(90,342)	(32,056)
Proceeds from sales of investments	87,785	32,288
Cash received in TRC affiliation	1,611	-
Expenditures for property and equipment	(5,005)	(6,130)
Proceeds from sale of property and equipment	4	6
Investment in InnovAge (PACE)	-	(3,000)
Net cash used in investing activities	\$ (4,627)	\$ (8,950)

Eskaton and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019
(in thousands)

	2020	2019
Cash flows from financing activities:		
CCRC contracts refunded	\$ (94)	\$ (559)
Change in deposits on unoccupied units	(517)	307
Principal payments on long-term debt	(5,250)	(4,874)
Payment of debt issuance costs	(400)	-
	<u>(6,261)</u>	<u>(5,126)</u>
Net cash used in financing activities	(6,261)	(5,126)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(11,644)	1,151
Cash, cash equivalents, and restricted cash, beginning of year	<u>33,334</u>	<u>32,183</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 21,690</u>	<u>\$ 33,334</u>
Supplemental disclosure:		
Cash paid for interest	\$ 5,449	\$ 5,894
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 operates a 91-apartment assisted living community in Orangevale, California.

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 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 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 from April 21, 2020, through December 31, 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 excess of assets over liabilities assumed by Eskaton in the affiliation, of which \$4.7 million represents net assets subject to donor restrictions.

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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
Total assets	<u>52,739</u>
Current liabilities	(1,294)
Deferred revenue from entrance fees	(107)
Mortgage payable, net	<u>(5,449)</u>
Total liabilities	<u>(6,850)</u>
Inherent contribution from affiliation	<u><u>\$ 45,889</u></u>

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:

	2020	2019
Cash and cash equivalents	\$ 19,129	\$ 31,225
Restricted cash included in assets limited as to use	<u>2,561</u>	<u>2,109</u>
Total cash, cash equivalents, and restricted cash balances	<u><u>\$ 21,690</u></u>	<u><u>\$ 33,334</u></u>

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 excess of revenues, gains, and other support over expenses.

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Notes to Consolidated Financial Statements

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

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

Land improvements	10 to 20 years
Buildings and improvements	7 to 40 years
Equipment	3 to 20 years

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

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

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2020 and 2019, land available for sale was recorded in the consolidated balance sheets at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*. The fair value estimate was performed by a third-party specialist using unobservable inputs that are supported by little or no market activity and was therefore classified within Level 3 of the valuation hierarchy.

Land available for sale – Eskaton entered into a purchase and sale agreement effective July 28, 2017, that granted a potential buyer the exclusive option to purchase a parcel of undeveloped land that is approximately 12 acres in Lincoln, California for \$5,600,000. The feasibility period concluded February 28, 2018, and the agreement included optional extensions that were exercised by the prospective buyer through March 2020, upon which time the purchase option was not renewed. A purchase letter of intent was received from another prospective buyer in April 2021 for a purchase price of \$5,150,000. The land is carried at an appraised value of \$1,830,000 as of December 31, 2020 and 2019.

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Notes to Consolidated Financial Statements

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.

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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, 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>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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

	Year Ended December 31, 2019				
	Assisted Living	Memory Care	Independent Living	CCRC	Total
Resident service revenue	<u>\$ 28,838</u>	<u>\$ 8,663</u>	<u>\$ 9,033</u>	<u>\$ 34,038</u>	<u>\$ 80,572</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 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, 2020.

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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, 2020 or 2019. Eskaton recognizes revenue for community management services in accordance with the provisions of ASC 606. Although there are various management and operational activities performed by Eskaton under the contracts, the Company has determined that all community operations management activities are a single performance obligation, which is satisfied over time as the services are rendered.

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

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

Excess of revenues, gains, and other support over expenses – The consolidated statements of operations and changes in net assets include excess of revenues, gains, and other support over expenses. Changes in net assets without donor restrictions, which are excluded from the 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 \$723,000 and \$1,097,000 for the years ended December 31, 2020 and 2019, 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.

FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Recognition of a tax position is determined when it is more likely than not that a tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority. Eskaton recognizes interest and penalties related to income tax matters in operating expenses. As of December 31, 2020 and 2019, there were no such uncertain tax positions.

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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 – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

Recent accounting pronouncements – In August 2018, the FASB issued Accounting Standards Update (“ASU”) No. 2018-13, *Fair Value Measurement – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)* (“ASU 2018-13”), to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles that are most important to users of financial statements through the removal, modification, and addition of disclosure requirements. The adoption is effective for the Organization for the fiscal year ending December 31, 2020. Eskaton adopted this standard for the fiscal year ended December 31, 2020, and the adoption did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Disclosure Framework – Changes to the Disclosure Framework for Defined Benefit Plans (Topic 715-20)* (“ASU 2018-14”), to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles that 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, 2022. Management is currently evaluating the impact of ASU 2018-14 on the consolidated financial statements.

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Notes to 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”) system, beginning October 1, 2019. Eskaton is reimbursed under the PPS system for home health visits on a per 60-day case rate depending on each patient category, which is determined by the Home Health Resource Groups (“HHRG”) system.

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

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

NOTE 4 – ASSETS LIMITED AS TO USE AND INVESTMENTS

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

	2020	2019
Required under bond indenture and HUD regulatory agreements for escrow, principal, interest, reserves, and insurance, held by trustee:		
Cash and short-term investments	\$ 1,861	\$ 2,086
U.S. Treasury notes, government securities, and other corporate debt securities	8,426	8,302
	<u>10,287</u>	<u>10,388</u>
Resident assistance and program funds with donor restrictions:		
Cash and short-term investments	700	23
Equity securities	1,055	347
Mutual funds	2,837	2,590
	<u>4,592</u>	<u>2,960</u>
	14,879	13,348
Less current portion	<u>670</u>	<u>837</u>
	<u>\$ 14,209</u>	<u>\$ 12,511</u>

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Notes to Consolidated Financial Statements

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

	2020	2019
Corporate reserves for capital replacement, liquidity, and growth:		
Cash and short-term investments	\$ 737	\$ 813
U.S. Treasury notes, government securities, and other corporate debt securities	8,171	8,474
Equity securities	42,607	16,220
Mutual funds	19,081	35,698
Alternative investments	-	762
	<u>70,596</u>	<u>61,967</u>
Corporate reserves for resident assistance and charitable gift annuities:		
Cash and short-term investments	2,176	-
U.S. Treasury notes, government securities, and other corporate debt securities	152	184
Equity securities	2,222	231
Mutual funds	<u>5,595</u>	<u>1,131</u>
	<u>10,145</u>	<u>1,546</u>
	80,741	63,513
Less current portion	<u>70,596</u>	<u>61,967</u>
	<u>\$ 10,145</u>	<u>\$ 1,546</u>

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

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

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

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

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

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The fair values of the financial instruments as of December 31, 2020 and 2019, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

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

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

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

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

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

	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 and Subsidiaries

Notes to Consolidated Financial Statements

	December 31, 2019	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	\$ 2,266	\$ 2,266	\$ -	\$ -
Certificates of deposit	48	-	48	-
Money market funds	608	608	-	-
Common stocks	16,798	16,798	-	-
Mutual funds	39,419	39,419	-	-
U.S. Government securities	4,753	4,753	-	-
U.S. Government bonds	8,229	8,229	-	-
Corporate bonds	3,978	3,978	-	-
Total assets in the fair value hierarchy	76,099	\$ 76,051	\$ 48	\$ -
Investments measured at NAV				
Alternative investments	762			
Total investments, at fair value	\$ 76,861			

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

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

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

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

Hedge funds were established for the purpose of achieving consistent, absolute returns in all market environments. These hedge funds are single manager but employ multiple trading teams each specializing in a specific strategy. These strategies include, but are not limited to, fundamental long/short equity, global macro, and credit and statistical arbitrage. Eskaton divested of its hedge fund investments during the fiscal year ended December 31, 2020.

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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, 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 gains 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 income	8,591	2,159	10,750
Less investment income with donor restrictions	-	177	177
Investment income without donor restrictions	<u>\$ 8,591</u>	<u>\$ 1,982</u>	<u>\$ 10,573</u>
Year Ended December 31, 2019			
	Obligated Group	Nonobligated	Total
Investment income:			
Interest and dividend income	\$ 1,594	\$ 87	\$ 1,681
Realized gains on sales of securities	4,030	218	4,248
Unrealized gains on trading securities and alternative investments	5,400	442	5,842
	11,024	747	11,771
Less investment expenses	358	7	365
Total investment income	10,666	740	11,406
Less investment income with donor restrictions	-	233	233
Investment income without donor restrictions	<u>\$ 10,666</u>	<u>\$ 507</u>	<u>\$ 11,173</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

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.

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, 2020 and 2019, the fair values of these derivatives were recorded in the consolidated balance sheets at net liabilities of \$4.7 million and \$3.9 million, respectively. The credit risk assumption, as required under FASB ASC Topic 820, reduced Eskaton's interest rate swap liability by \$0.3 million and \$0.2 million in 2020 and 2019, 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, 2020 and 2019, Eskaton was party to a swap agreement with an aggregate notional principal amount of \$16.9 million and \$17.5 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):

	2020	2019
Net unrealized (loss) gain on interest rate swap agreements	\$ (788)	\$ (831)
Net payments on interest rate swap agreements	(551)	(375)
Total interest rate swap activities	<u>\$ (1,339)</u>	<u>\$ (1,206)</u>

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2020	2019
	<u>2020</u>	<u>2019</u>
Land	\$ 26,685	\$ 16,128
Land improvements	21,835	21,227
Buildings and improvements	226,984	197,652
Equipment	<u>39,167</u>	<u>37,216</u>
	314,671	272,223
Accumulated depreciation	<u>(190,884)</u>	<u>(180,161)</u>
	123,787	92,062
Construction in progress	<u>4,692</u>	<u>2,911</u>
Property and equipment, net	<u><u>\$ 128,479</u></u>	<u><u>\$ 94,973</u></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):

	<u>2020</u>	<u>2019</u>
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.	\$ 41,310	\$ 42,740
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.	29,310	30,455
Series 2006 Tax-Exempt Variable-Rate Demand Revenue Bonds (Series 2006 Bonds) due 2022, principal due in annual installments and variable interest due monthly (1.35% and 2.35% at December 31, 2020 and 2019, respectively); held under a bank direct placement agreement; secured by deeds of trust.	15,460	16,040
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 (1.68% and 3.24% at December 31, 2020 and 2019, respectively); held under a bank direct placement agreement; secured by deeds of trust.	11,025	12,125
Other notes, due through 2021	2,018	2,127

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

	<u>2020</u>	<u>2019</u>
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.	12,372	12,626
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.	7,527	7,722
Note payable to First Republic Bank due 2035, principal and interest of 3.85% due in monthly installments of \$40.	5,411	-
Other notes, due through 2023	<u>3,769</u>	<u>4,029</u>
	128,202	127,864
Unamortized premiums	3,233	3,406
Unamortized deferred financing costs	<u>(2,551)</u>	<u>(2,150)</u>
	128,884	129,120
Less current maturities, net of premiums and deferred financing costs of \$0 in 2020 and \$49 in 2019	<u>7,462</u>	<u>16,106</u>
	<u><u>\$ 121,422</u></u>	<u><u>\$ 113,014</u></u>

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

Year Ending December 31,

2021	\$ 7,462
2022	19,888
2023	8,117
2024	5,120
2025	10,257
Thereafter	<u>77,358</u>
	<u><u>\$ 128,202</u></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, 2020 and 2019, was approximately \$26.5 million and \$28.2 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):

	2020	2019
Obligated Group:		
Interest on bonds and notes	\$ 4,114	\$ 4,638
Letter of credit and other financing fees	34	42
Amortization of debt issuance costs	150	153
Nonobligated:		
Interest on bonds and notes	1,056	970
Amortization of debt issuance costs	34	26
	<u>\$ 5,388</u>	<u>\$ 5,829</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, 2020.

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

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

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	
	2020	2019	2020	2019
Benefit obligation, beginning of year	\$ 31,824	\$ 28,631	\$ 1,789	\$ 1,807
Service cost	906	841	2,343	778
Interest cost	937	1,149	32	58
Benefits paid	(2,363)	(2,704)	(8)	(8)
Plan amendment	1,750	168	-	-
Actuarial (gain) loss	3,609	3,739	(1,743)	(846)
Benefit obligation, end of year	<u>\$ 36,663</u>	<u>\$ 31,824</u>	<u>\$ 2,413</u>	<u>\$ 1,789</u>
Fair value of assets, beginning of year	\$ 33,837	\$ 29,443	\$ -	\$ -
Return on plan assets	4,458	5,295	-	-
Employer contributions	2,460	1,802	8	8
Benefits paid	(2,363)	(2,703)	(8)	(8)
Fair value of assets, end of year	<u>\$ 38,392</u>	<u>\$ 33,837</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status at end of year (recognized in unfunded pension obligations and funded pension obligations in the consolidated balance sheets)	<u>\$ 1,729</u>	<u>\$ 2,013</u>	<u>\$ (2,413)</u>	<u>\$ (1,789)</u>

The accumulated benefit obligation for the pension plan was \$36.1 million and \$31.4 million as of December 31, 2020 and 2019, respectively.

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 excess of revenues, gains, and other support over expenses in 2020 and 2019, are as follows (in thousands):

	Eskaton Retirement Plan		SERP	
	2020	2019	2020	2019
Service cost	\$ (906)	\$ (841)	\$ (2,343)	\$ (778)
Interest cost	(937)	(1,149)	(32)	(58)
Expected return on plan assets	2,340	2,026	-	-
Amortization of prior service cost	(298)	(401)	-	-
Amortization of net gain (loss)	(776)	(986)	179	129
Settlement charge	-	(502)	-	-
Net periodic benefit cost recognized	(577)	(1,853)	(2,196)	(707)
Other changes in plan assets and benefit obligations recognized in net assets (deficit) without donor restrictions:				
Net actuarial gain (loss)	(716)	517	1,565	726
Prior service cost	(1,452)	232	-	-
Impact of settlement accounting	-	502	-	-
Total recognized in net assets (deficit) without donor restrictions	(2,168)	1,251	1,565	726
Total recognized in net periodic benefit cost and net assets (deficit) without donor restrictions	<u>\$ (2,745)</u>	<u>\$ (602)</u>	<u>\$ (631)</u>	<u>\$ 19</u>

The net loss and prior service cost for the Eskaton Retirement Plan that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is \$0.7 million and \$0.6 million, respectively. The net gain and prior service cost for the SERP that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is \$0.3 million and \$0, respectively.

Weighted average assumptions used are as follows:

	Eskaton Retirement Plan		SERP	
	2020	2019	2020	2019
Discount rate - benefit obligation	2.10%	3.00%	2.10%	3.00%
Discount rate - benefit cost	3.00%	4.10%	3.00%	4.10%
Expected rate of return on plan assets	7.00%	7.00%	n/a	n/a
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%

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

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

Cash flows – Eskaton expects to contribute \$1.8 million to the Eskaton Retirement Plan and \$0.3 million to the SERP during the fiscal year ending December 31, 2021.

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>
2021	\$ 2,443	\$ 333
2022	2,423	333
2023	3,159	186
2024	2,420	80
2025	3,880	263
2026-2030	11,803	884

The expected benefits are based on the same assumptions used to measure Eskaton's benefit obligation as of December 31, 2020, 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, 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 assets in the fair value hierarchy	38,392	<u>\$ 38,180</u>	<u>\$ 212</u>	<u>\$ -</u>
Investments measured at NAV				
Alternative investments	-			
Total pension assets, at fair value	<u>\$ 38,392</u>			

	December 31, 2019	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	\$ 573	\$ 573	\$ -	\$ -
Common stocks	9,112	9,112	-	-
Mutual funds	19,338	19,338	-	-
U.S. government bonds	2,345	2,345	-	-
Corporate bonds	1,911	1,911	-	-
Guaranteed investment account	30	-	30	-
Pooled separate account	137	-	137	-
Total assets in the fair value hierarchy	33,446	<u>\$ 33,279</u>	<u>\$ 167</u>	<u>\$ -</u>
Investments measured at NAV				
Alternative investments	391			
Total pension assets, at fair value	<u>\$ 33,837</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, 2020 and 2019.

NOTE 9 – CONTINUING CARE RETIREMENT COMMUNITIES

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 \$1.2 million and \$2.1 million as of December 31, 2020 and 2019, respectively.

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Notes to Consolidated Financial Statements

The change in deferred entrance fees during the years ended December 31, 2020 and 2019, consists of the following activity (in thousands):

	2020	2019
Balance, beginning of year	\$ 7,763	\$ 6,166
New fees received	765	2,130
Appreciation of resale contracts	1,056	1,193
Amortization of fees	(2,924)	(2,777)
Other	784	1,051
Balance, end of year	<u>\$ 7,444</u>	<u>\$ 7,763</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, 2020 and 2019, discounted at 3.5% and 5% for EVC and TRC, respectively. Accordingly, Eskaton has not recorded a liability to provide future services as of December 31, 2020 and 2019.

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

Eskaton is self-insured for employee health and workers' compensation up to \$150,000 and \$1 million per claim, respectively. Eskaton maintains stop-loss insurance policies for employee health and workers' compensation with a limit of \$0 per claim and statutory limits, respectively. Accruals have been made for estimated liabilities, including estimates for incurred but not reported claims. Eskaton has recorded a liability of \$1.2 million and \$1.5 million as of December 31, 2020 and 2019, respectively, in relation to employee health. Eskaton has recorded a liability of \$13.2 million and \$13.9 million as of December 31, 2020 and 2019, 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 \$1.4 million and \$1.3 million for the tail exposure as of December 31, 2020 and 2019, respectively. In accordance with FASB Topic 954-450, *Health Care Entities: Contingencies*, Eskaton has also recorded a liability of \$4.7 million and \$7.8 million as of December 31, 2020 and 2019, 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 \$8.2 million and \$7.5 million in the consolidated statements of operations and changes in net assets for the years ended December 31, 2020 and 2019, respectively.

With these settlements, Eskaton was able to close its \$15.3 million letter of credit with US 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 novel coronavirus ("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 our customers, suppliers, or third-party payers, could adversely impact our results of operations to the extent that COVID-19, or any other epidemic, harms the global economy. The 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):

	2020	2019
Medicare	\$ 890	\$ 745
Medi-Cal	2,557	2,157
Other third-party payors	1,310	2,862
Patients and residents	980	983
	<u>\$ 5,737</u>	<u>\$ 6,747</u>

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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, 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>

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

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 15 – LIQUIDITY DISCLOSURE

As of December 31, 2020 and 2019, Eskaton has a working capital surplus of \$78.9 million and \$74.0 million, and average days' cash on hand of 242 and 251 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:

	2020	2019
Cash and cash equivalents	\$ 19,129	\$ 31,225
Investments	80,741	63,513
Accounts receivable, net	5,737	6,747
Other receivables	3,395	2,610
	<u>\$ 109,002</u>	<u>\$ 104,095</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.

Eskaton FountainWood Lodge – On February 20, 2020, Eskaton executed a letter of intent to sell Eskaton FountainWood Lodge, a 91-bed licensed assisted living and memory care facility, at an agreed-upon sales price of \$7.8 million. The completion of the sale occurred on January 12, 2021. Eskaton FountainWood Lodge has 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.

Subsequent events have been evaluated through April 30, 2021, which is the date the consolidated financial statements were issued.

Supplementary Information

Eskaton and Subsidiaries
Consolidating Schedule – Balance Sheet
December 31, 2020
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	The Reutlinger Community	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Assets																	
Current assets:																	
Cash and cash equivalents	\$ 10,072	\$ 1,573	\$ 1,774	\$ 13,419	\$ -	\$ 13,419	\$ 948	\$ 503	\$ 1,336	\$ 1,545	\$ 291	\$ 881	\$ -	\$ 206	\$ 19,129	\$ -	\$ 19,129
Assets limited as to use, required for current liabilities	383	147	-	530	-	530	-	-	65	75	-	-	-	-	670	-	670
Investments	70,551	-	45	70,596	-	70,596	-	-	-	-	-	-	-	-	70,596	-	70,596
Accounts receivable, net	4,316	90	23	4,429	-	4,429	64	-	(1)	2	10	1,233	-	-	5,737	-	5,737
Other receivables	2,023	69	114	2,206	-	2,206	69	460	170	2	7	476	-	5	3,395	-	3,395
Inventories	573	28	12	613	-	613	-	-	8	14	4	17	-	-	656	-	656
Deposits and prepaid expenses	996	88	27	1,111	-	1,111	30	-	35	77	14	537	-	-	1,804	-	1,804
Due from related parties	6,174	-	-	6,174	744	6,918	(35)	-	-	-	-	-	171	3	7,057	(7,057)	-
Total current assets	95,088	1,995	1,995	99,078	744	99,822	1,076	963	1,613	1,715	326	3,144	171	214	109,044	(7,057)	101,987
Assets limited as to use, net of amount required for current liabilities	6,273	2,087	-	8,360	-	8,360	-	-	375	882	-	2,927	-	1,665	14,209	-	14,209
Investments	-	-	-	-	-	-	-	-	-	-	-	6,574	-	3,571	10,145	-	10,145
Property and equipment, net	46,360	5,781	12,427	64,568	(104)	64,464	1,239	-	8,778	9,255	5,557	38,761	425	-	128,479	-	128,479
Other assets:																	
Land available for sale	1,830	-	-	1,830	-	1,830	-	-	-	-	-	-	-	-	1,830	-	1,830
Due from liability insurer	5,171	-	-	5,171	-	5,171	-	-	-	-	-	-	-	-	5,171	-	5,171
Associate member/resident/patient deposits	2,041	-	-	2,041	-	2,041	-	-	-	-	-	-	-	-	2,041	-	2,041
Other	4,311	-	-	4,311	-	4,311	1,284	-	-	-	-	1,665	-	-	7,260	(1,225)	6,035
Due from related parties, net of current portion	3,147	-	-	3,147	-	3,147	-	-	-	-	-	-	-	-	3,147	(3,147)	-
	69,133	7,868	12,427	89,428	(104)	89,324	2,523	-	9,153	10,137	5,557	49,927	425	5,236	172,282	(4,372)	167,910
Total assets	\$ 164,221	\$ 9,863	\$ 14,422	\$ 188,506	\$ 640	\$ 189,146	\$ 3,599	\$ 963	\$ 10,766	\$ 11,852	\$ 5,883	\$ 53,071	\$ 596	\$ 5,450	\$ 281,326	\$ (11,429)	\$ 269,897

Eskaton and Subsidiaries

Consolidating Schedule – Balance Sheet (Continued)

December 31, 2020

(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	The Reutlinger Community	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)																	
Current liabilities:																	
Current maturities of long-term debt	\$ 5,090	\$ 803	\$ 582	\$ 6,475	\$ -	\$ 6,475	\$ -	\$ -	\$ 189	\$ 246	\$ 278	\$ 274	\$ -	\$ -	\$ 7,462	\$ -	\$ 7,462
Current portion of deferred revenue from unamortized CCRC entrance fees	2,902	-	-	2,902	-	2,902	-	-	-	-	-	-	-	-	2,902	-	2,902
Deposits on unoccupied units	22	5	-	27	-	27	-	-	-	-	-	-	-	-	27	-	27
Accounts payable	1,263	129	75	1,467	-	1,467	2	-	41	105	18	516	-	1	2,150	3	2,153
Accrued liabilities:																	
Payroll and payroll taxes	1,139	119	92	1,350	-	1,350	14	227	79	41	94	599	-	-	2,404	-	2,404
Vacation	1,886	118	121	2,125	-	2,125	24	217	101	75	61	527	-	-	3,130	-	3,130
Current portion of self-insured workers' compensation	2,222	-	-	2,222	-	2,222	-	-	-	-	-	-	-	-	2,222	-	2,222
Self-insured employee health plan	1,248	-	-	1,248	-	1,248	-	-	-	-	-	-	-	-	1,248	-	1,248
Interest	337	128	67	532	-	532	-	-	-	-	12	-	-	-	544	-	544
Other	619	31	13	663	-	663	-	(1)	29	31	12	320	-	-	1,054	-	1,054
Due to related-parties	175	-	(744)	(569)	744	175	3,331	520	940	262	160	1,599	(36)	109	7,060	(7,060)	-
Total current liabilities	16,903	1,333	206	18,442	744	19,186	3,371	963	1,379	760	635	3,835	(36)	110	30,203	(7,057)	23,146
Other liabilities:																	
Self-insured workers' compensation, net of current portion	10,983	-	-	10,983	-	10,983	-	-	-	-	-	-	-	-	10,983	-	10,983
Interest rate swap agreements	-	-	4,730	4,730	-	4,730	-	-	-	-	-	-	-	-	4,730	-	4,730
Unfunded pension obligation	684	-	-	684	-	684	-	-	-	-	-	-	-	-	684	-	684
Professional liability	6,126	-	-	6,126	-	6,126	-	-	-	-	-	-	-	-	6,126	-	6,126
Associate member/resident/patient deposits	2,041	-	-	2,041	-	2,041	-	-	-	-	-	-	-	-	2,041	-	2,041
Other	90	5	35	130	-	130	4	-	32	-	1	-	-	141	308	-	308
Due to related-parties, net of current portion	-	-	-	-	-	-	-	-	-	-	3,147	-	-	-	3,147	(3,147)	-
	19,924	5	4,765	24,694	-	24,694	4	-	32	-	3,148	-	-	141	28,019	(3,147)	24,872
Long-term debt, net of current maturities	58,762	20,605	14,838	94,205	-	94,205	-	-	7,052	11,670	3,491	5,004	-	-	121,422	-	121,422
Refundable CCRC entrance fees	1,161	-	-	1,161	-	1,161	-	-	-	-	-	-	-	-	1,161	-	1,161
Deferred revenue from unamortized CCRC entrance fees, net of current portion	4,421	-	-	4,421	-	4,421	-	-	-	-	-	121	-	-	4,542	-	4,542
Total liabilities	101,171	21,943	19,809	142,923	744	143,667	3,375	963	8,463	12,430	7,274	8,960	(36)	251	185,347	(10,204)	175,143
Net assets (deficit):																	
Net assets (deficit) without donor restrictions	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 with donor restrictions	7	-	-	7	-	7	-	-	-	-	-	4,477	-	1,813	6,297	-	6,297
Total net assets (deficit)	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
Total liabilities and net assets (deficit)	\$ 164,221	\$ 9,863	\$ 14,422	\$ 188,506	\$ 640	\$ 189,146	\$ 3,599	\$ 963	\$ 10,766	\$ 11,852	\$ 5,883	\$ 53,071	\$ 596	\$ 5,450	\$ 281,326	\$ (11,429)	\$ 269,897

Eskaton and Subsidiaries

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

Year Ended December 31, 2020

(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	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	\$ 40,932	\$ -	\$ -	\$ 40,932	\$ -	\$ 40,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,932	\$ -	\$ 40,932
Resident service revenue, including amortization of CCRC entrance fees	45,265	9,039	7,089	61,393	-	61,393	-	-	4,891	6,582	3,433	11,789	-	-	88,088	-	88,088
Home based services	2,931	-	-	2,931	-	2,931	981	-	-	-	-	-	-	-	3,912	-	3,912
Government grant revenue	3,498	-	-	3,498	-	3,498	-	-	-	-	-	366	-	-	3,864	-	3,864
Other, net	8,048	307	727	9,082	(1,085)	7,997	18	9,227	464	27	22	503	32	256	18,546	(1,881)	16,665
Total revenues, gains, and other support	100,674	9,346	7,816	117,836	(1,085)	116,751	999	9,227	5,355	6,609	3,455	12,658	32	256	155,342	(1,881)	153,461
Expenses:																	
Salaries and wages	50,290	3,175	3,077	56,542	-	56,542	1,001	7,076	2,199	2,171	2,282	7,162	-	-	78,433	-	78,433
Employee benefits	10,881	1,061	1,063	13,005	-	13,005	399	2,146	712	739	785	1,721	-	-	19,507	-	19,507
Professional fees	11,249	33	-	11,282	-	11,282	1	-	13	26	40	527	1	2	11,892	-	11,892
Supplies	5,015	930	548	6,493	-	6,493	42	-	343	577	418	1,097	-	-	8,970	(16)	8,954
Purchased services	7,794	1,171	959	9,924	(1,085)	8,839	223	-	669	705	488	1,356	5	-	12,285	(1,613)	10,672
Ancillary costs	2,415	21	19	2,455	-	2,455	1	-	25	13	4	702	-	-	3,200	-	3,200
Utilities	3,806	481	257	4,544	-	4,544	11	3	264	284	283	473	-	-	5,862	-	5,862
Insurance and other	6,023	333	256	6,612	-	6,612	250	2	160	234	183	393	11	347	8,192	(252)	7,940
Depreciation	6,712	748	754	8,214	(9)	8,205	36	-	509	657	401	2,078	22	-	11,908	-	11,908
Interest and amortization	2,997	1,002	298	4,297	-	4,297	-	-	236	481	223	151	-	-	5,388	-	5,388
Total operating expenses	107,182	8,955	7,231	123,368	(1,094)	122,274	1,964	9,227	5,130	5,887	5,107	15,660	39	349	165,637	(1,881)	163,756
(Loss) income from operations	(6,508)	391	585	(5,532)	9	(5,523)	(965)	-	225	722	(1,652)	(3,002)	(7)	(93)	(10,295)	-	(10,295)
Nonoperating revenue (expenses):																	
Inherent contribution from affiliation	-	-	-	-	-	-	-	-	-	-	-	41,182	-	-	41,182	-	41,182
Investment income	8,576	15	-	8,591	-	8,591	-	-	1	1	-	1,557	-	423	10,573	-	10,573
Interest rate swap activities	-	-	(1,339)	(1,339)	-	(1,339)	-	-	-	-	-	-	-	-	(1,339)	-	(1,339)
Other components of net periodic pension benefit	476	-	-	476	-	476	-	-	-	-	-	-	-	-	476	-	476
Other	593	-	125	718	-	718	(4)	-	-	-	-	(103)	-	(8)	603	-	603
Total nonoperating revenue (expenses), net	9,645	15	(1,214)	8,446	-	8,446	(4)	-	1	1	-	42,636	-	415	51,495	-	51,495
Excess (deficiency) of revenues, gains, and other support over expenses	\$ 3,137	\$ 406	\$ (629)	\$ 2,914	\$ 9	\$ 2,923	\$ (969)	\$ -	\$ 226	\$ 723	\$ (1,652)	\$ 39,634	\$ (7)	\$ 322	\$ 41,200	\$ -	\$ 41,200

Eskaton and Subsidiaries
Consolidating Schedule – Operations and Changes in Net Assets (Deficit) (Continued)
Year Ended December 31, 2020
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	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 41)	\$ 3,137	\$ 406	\$ (629)	\$ 2,914	\$ 9	\$ 2,923	\$ (969)	\$ -	\$ 226	\$ 723	\$ (1,652)	\$ 39,634	\$ (7)	\$ 322	\$ 41,200	\$ -	\$ 41,200
Pension related changes other than net periodic pension cost	(603)	-	-	(603)	-	(603)	-	-	-	-	-	-	-	-	(603)	-	(603)
Reclassification from net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	150	150	-	150
Transfers between related entities	2,308	(2,228)	-	80	-	80	-	-	(1,207)	(2,873)	4,000	-	-	-	-	-	-
Change in net assets (deficit) without donor restrictions	4,842	(1,822)	(629)	2,391	9	2,400	(969)	-	(981)	(2,150)	2,348	39,634	(7)	472	40,747	-	40,747
Net assets (deficit) without donor restrictions, beginning of year	58,201	(10,258)	(4,758)	43,185	(113)	43,072	1,193	-	3,284	1,572	(3,739)	-	639	2,914	48,935	(1,225)	47,710
Net assets without donor restrictions, end 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 with donor restrictions:																	
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106	\$ -	\$ 88	\$ 194	\$ -	\$ 194
Inherent contribution from affiliation	-	-	-	-	-	-	-	-	-	-	-	4,707	-	-	4,707	-	4,707
Change in assets held in trust by others	-	-	-	-	-	-	-	-	-	-	-	29	-	(4)	25	-	25
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	177	177	-	177
Reclassification to net assets without donor restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	(150)	(150)	-	(150)
Net assets released from restriction used for operations	-	-	-	-	-	-	-	-	-	-	-	(365)	-	(77)	(442)	-	(442)
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-	-	4,477	-	34	4,511	-	4,511
Net assets with donor restrictions, beginning of year	7	-	-	7	-	7	-	-	-	-	-	-	-	1,779	1,786	-	1,786
Net assets with donor restrictions, end of year	\$ 7	\$ -	\$ -	\$ 7	\$ -	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,477	\$ -	\$ 1,813	\$ 6,297	\$ -	\$ 6,297
Change in net assets (deficit)	\$ 4,842	\$ (1,822)	\$ (629)	\$ 2,391	\$ 9	\$ 2,400	\$ (969)	\$ -	\$ (981)	\$ (2,150)	\$ 2,348	\$ 44,111	\$ (7)	\$ 506	\$ 45,258	\$ -	\$ 45,258
Net assets (deficit), beginning of year	58,208	(10,258)	(4,758)	43,192	(113)	43,079	1,193	-	3,284	1,572	(3,739)	-	639	4,693	50,721	(1,225)	49,496
Net assets (deficit), end 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

Eskaton and Subsidiaries
Consolidating Schedule – Cash Flows
Year Ended December 31, 2020
(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
Change in net assets (deficit)	\$ 4,842	\$ (1,822)	\$ (629)	\$ 2,391	\$ 9	\$ 2,400	\$ (969)	\$ -	\$ (981)	\$ (2,150)	\$ 2,348	\$ 44,111	\$ (7)	\$ 506	\$ 45,258	\$ -	\$ 45,258
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:																	
Depreciation	6,712	748	754	8,214	(9)	8,205	36	-	509	657	401	2,078	22	-	11,908	-	11,908
Amortization of deferred financing costs and premium	(35)	(61)	28	(68)	-	(68)	-	-	11	15	-	6	-	-	(36)	-	(36)
Amortization of CCRC entrance fees	(2,917)	-	-	(2,917)	-	(2,917)	-	-	-	-	-	(7)	-	-	(2,924)	-	(2,924)
Net realized and unrealized gain on assets limited as to use	15	6	-	21	-	21	-	-	-	-	-	-	-	(160)	(139)	-	(139)
Net realized and unrealized gain on investments	(7,813)	-	-	(7,813)	-	(7,813)	-	-	-	-	-	(1,449)	-	(385)	(9,647)	-	(9,647)
Pension related changes other than net periodic pension cost	603	-	-	603	-	603	-	-	-	-	-	-	-	-	603	-	603
Change in fair value of derivative instruments	-	-	788	788	-	788	-	-	-	-	-	-	-	-	788	-	788
Inherent contribution from affiliation	-	-	-	-	-	-	-	-	-	-	-	(45,889)	-	-	(45,889)	-	(45,889)
Transfers between related entities	(2,308)	2,228	-	(80)	-	(80)	-	-	1,207	2,873	(4,000)	-	-	-	-	-	-
CCRC resales of nonrefundable contracts	1,056	-	-	1,056	-	1,056	-	-	-	-	-	-	-	-	1,056	-	1,056
CCRC sales of nonrefundable contracts	765	-	-	765	-	765	-	-	-	-	-	35	-	-	800	-	800
(Gain) loss on disposal of property and equipment	(4)	-	-	(4)	-	(4)	4	-	-	-	-	-	-	-	-	-	-
Change in operating assets and liabilities:																	
Change in receivables	1,777	(101)	(51)	1,625	-	1,625	42	253	(110)	19	110	(154)	-	(5)	1,780	-	1,780
Change in inventories	(372)	(8)	(6)	(386)	-	(386)	-	-	(3)	(3)	-	14	-	-	(378)	-	(378)
Change in deposits and prepaid expenses	61	(44)	28	45	-	45	44	-	(7)	32	(1)	(503)	-	-	(390)	-	(390)
Change in other assets	397	-	-	397	-	397	-	-	-	-	-	160	-	-	557	-	557
Change in accounts payable	(659)	(61)	39	(681)	-	(681)	(7)	(9)	6	19	(11)	128	-	-	(555)	-	(555)
Change in accrued liabilities	(1,101)	3	31	(1,067)	-	(1,067)	(61)	67	22	4	(6)	541	-	-	(500)	-	(500)
Change in unfunded pension obligation	305	-	-	305	-	305	-	-	-	-	-	-	-	-	305	-	305
Change in other liabilities	(3,226)	(17)	(107)	(3,350)	-	(3,350)	(1)	-	4	-	1	-	-	(7)	(3,353)	-	(3,353)
Net cash provided by (used in) operating activities	<u>(1,902)</u>	<u>871</u>	<u>875</u>	<u>(156)</u>	<u>-</u>	<u>(156)</u>	<u>(912)</u>	<u>311</u>	<u>658</u>	<u>1,466</u>	<u>(1,158)</u>	<u>(929)</u>	<u>15</u>	<u>(51)</u>	<u>(756)</u>	<u>-</u>	<u>(756)</u>
Purchases of assets limited as to use	(4,628)	(1,807)	-	(6,435)	-	(6,435)	-	-	-	-	-	-	-	(71)	(6,506)	-	(6,506)
Proceeds from sale of assets limited as to use	4,520	1,770	-	6,290	-	6,290	-	-	-	-	-	-	-	1,536	7,826	-	7,826
Purchase of investments	(88,291)	-	-	(88,291)	-	(88,291)	-	-	-	-	-	(101)	-	(1,950)	(90,342)	-	(90,342)
Proceeds from sale of investments	87,475	-	-	87,475	-	87,475	-	-	-	-	-	-	-	310	87,785	-	87,785
Cash received in TRC affiliation	-	-	-	-	-	-	-	-	-	-	-	1,611	-	-	1,611	-	1,611
Expenditures for property and equipment	(3,586)	(115)	(155)	(3,856)	-	(3,856)	(52)	-	(386)	(231)	(55)	(425)	-	-	(5,005)	-	(5,005)
Proceeds from disposal of property and equipment	4	-	-	4	-	4	-	-	-	-	-	-	-	-	4	-	4
Net cash provided by (used in) investing activities	<u>(4,506)</u>	<u>(152)</u>	<u>(155)</u>	<u>(4,813)</u>	<u>-</u>	<u>(4,813)</u>	<u>(52)</u>	<u>-</u>	<u>(386)</u>	<u>(231)</u>	<u>(55)</u>	<u>1,085</u>	<u>-</u>	<u>(175)</u>	<u>(4,627)</u>	<u>-</u>	<u>(4,627)</u>
CCRC contracts refunded	(65)	-	-	(65)	-	(65)	-	-	-	-	-	(29)	-	-	(94)	-	(94)
Change in deposits on unoccupied units	(519)	1	1	(517)	-	(517)	-	-	-	-	-	-	-	-	(517)	-	(517)
Principal payments on long-term debt	(3,072)	(710)	(580)	(4,362)	-	(4,362)	-	-	(196)	(254)	(260)	(178)	-	-	(5,250)	-	(5,250)
Debt issuance costs	(400)	-	-	(400)	-	(400)	-	-	-	-	-	-	-	-	(400)	-	(400)
Net change in due to/due from related entities	4,239	(2,228)	(1,167)	844	-	844	739	105	(2,026)	(2,850)	1,489	1,599	(15)	115	-	-	-
Net cash provided by (used in) financing activities	<u>183</u>	<u>(2,937)</u>	<u>(1,746)</u>	<u>(4,500)</u>	<u>-</u>	<u>(4,500)</u>	<u>739</u>	<u>105</u>	<u>(2,222)</u>	<u>(3,104)</u>	<u>1,229</u>	<u>1,392</u>	<u>(15)</u>	<u>115</u>	<u>(6,261)</u>	<u>-</u>	<u>(6,261)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(6,225)	(2,218)	(1,026)	(9,469)	-	(9,469)	(225)	416	(1,950)	(1,869)	16	1,548	-	(111)	(11,644)	-	(11,644)
Cash, cash equivalents and restricted cash, beginning of year	16,650	3,902	2,800	23,352	-	23,352	1,173	87	3,726	4,371	275	-	-	350	33,334	-	33,334
Cash, cash equivalents and restricted cash, end of year	<u>\$ 10,425</u>	<u>\$ 1,684</u>	<u>\$ 1,774</u>	<u>\$ 13,883</u>	<u>\$ -</u>	<u>\$ 13,883</u>	<u>\$ 948</u>	<u>\$ 503</u>	<u>\$ 1,776</u>	<u>\$ 2,502</u>	<u>\$ 291</u>	<u>\$ 1,548</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 21,690</u>	<u>\$ -</u>	<u>\$ 21,690</u>
Supplemental disclosure:																	
Cash paid for interest	\$ 3,042	\$ 1,061	\$ 279	\$ 4,382	\$ -	\$ 4,382	\$ -	\$ -	\$ 225	\$ 477	\$ 222	\$ 143	\$ -	\$ -	\$ 5,449	\$ -	\$ 5,449
Noncash portion of inherent contribution from affiliation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,278	\$ -	\$ -	\$ 44,278	\$ -	\$ 44,278

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Balance Sheet
December 31, 2020
(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	\$ 9,950	\$ 3	\$ 1	\$ 1	\$ 112	\$ 1	\$ 1	\$ 1	\$ 2	\$ -	\$ 10,072
Assets limited as to use, required for current liabilities	73	-	-	-	-	-	77	-	233	-	383
Investments	65,284	-	-	-	-	-	-	-	5,267	-	70,551
Accounts receivable, net	7	1,129	1,643	856	5	5	34	377	260	-	4,316
Other receivables	1,639	-	-	-	1	3	2	46	332	-	2,023
Inventories	342	17	26	73	6	7	10	8	84	-	573
Deposits and prepaid expenses	495	18	40	95	21	22	42	18	245	-	996
Due from related parties	6,174	-	-	-	-	-	-	-	-	-	6,174
Total current assets	83,964	1,167	1,710	1,025	145	38	166	450	6,423	-	95,088
Assets limited as to use, net of amount required for current liabilities	1,033	-	-	-	-	-	1,086	-	4,154	-	6,273
Property and equipment, net	1,396	1,304	3,017	3,058	2,422	2,145	6,150	13	26,855	-	46,360
Other assets:											
Land available for sale	1,830	-	-	-	-	-	-	-	-	-	1,830
Due from liability insurer	5,171	-	-	-	-	-	-	-	-	-	5,171
Associate member/resident/patient deposits	-	8	5	9	-	-	-	-	2,019	-	2,041
Other	3,512	-	-	-	-	-	-	-	799	-	4,311
Due from related parties, net of current portion	3,147	-	-	-	-	-	-	-	-	-	3,147
	13,660	8	5	9	-	-	-	-	2,818	-	16,500
Total assets	\$ 100,053	\$ 2,479	\$ 4,732	\$ 4,092	\$ 2,567	\$ 2,183	\$ 7,402	\$ 463	\$ 40,250	\$ -	\$ 164,221

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Balance Sheet (Continued)
December 31, 2020
(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	\$ 2,452	\$ 50	\$ 184	\$ 219	\$ 65	\$ 136	\$ 418	\$ -	\$ 1,566	\$ -	\$ 5,090
Current portion of deferred revenue from unamortized CCRC entrance fees	-	-	-	-	-	-	-	-	2,902	-	2,902
Deposits on unoccupied CCRC units	-	-	-	-	-	-	-	-	22	-	22
Accounts payable	339	71	236	212	28	21	48	8	300	-	1,263
Accrued liabilities:											
Payroll and payroll taxes	400	107	138	152	20	49	54	39	180	-	1,139
Vacation	549	232	333	265	34	33	90	65	285	-	1,886
Current portion of self-insured workers' compensation	2,222	-	-	-	-	-	-	-	-	-	2,222
Self-insured employee health plan	1,248	-	-	-	-	-	-	-	-	-	1,248
Interest	64	1	3	4	1	2	67	-	195	-	337
Other	145	60	143	89	119	21	33	-	9	-	619
Due to related parties	173	-	1	1	-	-	-	-	-	-	175
Total current liabilities	7,592	521	1,038	942	267	262	710	112	5,459	-	16,903
Other liabilities:											
Self-insured workers' compensation, net of current portion	10,983	-	-	-	-	-	-	-	-	-	10,983
Unfunded pension obligation	684	-	-	-	-	-	-	-	-	-	684
Professional liability	6,126	-	-	-	-	-	-	-	-	-	6,126
Associate member/resident/patient deposits	-	8	5	9	-	-	-	-	2,019	-	2,041
Other	2	(2)	4	4	-	1	15	1	65	-	90
	17,795	6	9	13	-	1	15	1	2,084	-	19,924
Long-term debt, net of current maturities	10,555	499	1,830	2,183	650	1,359	10,722	-	30,964	-	58,762
Refundable CCRC entrance fees	-	-	-	-	-	-	-	-	1,161	-	1,161
Deferred revenue from unamortized CCRC entrance fees, net of current portion	-	-	-	-	-	-	-	-	4,421	-	4,421
Total liabilities	35,942	1,026	2,877	3,138	917	1,622	11,447	113	44,089	-	101,171
Net assets (deficit):											
Net assets (deficit) without donor restrictions	64,111	1,453	1,855	954	1,650	561	(4,045)	350	(3,846)	-	63,043
Net assets with donor restrictions	-	-	-	-	-	-	-	-	7	-	7
Total net assets (deficit)	64,111	1,453	1,855	954	1,650	561	(4,045)	350	(3,839)	-	63,050
Total liabilities and net assets (deficit)	\$ 100,053	\$ 2,479	\$ 4,732	\$ 4,092	\$ 2,567	\$ 2,183	\$ 7,402	\$ 463	\$ 40,250	\$ -	\$ 164,221

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2020
(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	\$ -	\$ 10,095	\$ 16,463	\$ 14,374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,932
Resident service revenue, including amortization of CCRC entrance fees	-	-	-	-	3,953	2,454	6,658	-	32,200	-	45,265
Home based services	-	-	-	-	-	-	-	2,931	-	-	2,931
Government grant revenue	-	745	1,080	1,060	-	-	-	162	451	-	3,498
Other, net	13,329	48	6	48	161	109	59	7	811	(6,530)	8,048
Total revenues, gains, and other support	13,329	10,888	17,549	15,482	4,114	2,563	6,717	3,100	33,462	(6,530)	100,674
Expenses:											
Salaries and wages	9,491	6,431	9,046	8,849	1,046	1,260	2,489	2,165	9,513	-	50,290
Employee benefits	(3,562)	2,567	3,122	3,024	376	462	873	825	3,194	-	10,881
Professional fees	9,714	515	743	194	-	2	34	2	45	-	11,249
Supplies	385	750	1,135	819	463	268	555	21	619	-	5,015
Purchased services	2,165	1,139	1,450	1,403	520	381	808	297	6,161	(6,530)	7,794
Ancillary costs	-	707	605	599	-	26	12	32	434	-	2,415
Utilities	227	308	369	306	333	157	311	44	1,751	-	3,806
Insurance and other	989	813	1,332	1,311	150	102	207	201	918	-	6,023
Depreciation	464	178	292	340	333	204	622	4	4,275	-	6,712
Interest and amortization	610	16	59	71	21	44	521	-	1,655	-	2,997
Total operating expenses	20,483	13,424	18,153	16,916	3,242	2,906	6,432	3,591	28,565	(6,530)	107,182
(Loss) income from operations	(7,154)	(2,536)	(604)	(1,434)	872	(343)	285	(491)	4,897	-	(6,508)
Nonoperating revenue:											
Investment income	7,932	-	-	-	-	-	8	-	636	-	8,576
Other components of net periodic pension benefit	476	-	-	-	-	-	-	-	-	-	476
Other	593	-	-	-	-	-	-	-	-	-	593
Total nonoperating revenue, net	9,001	-	-	-	-	-	8	-	636	-	9,645
Excess (deficiency) of revenues, gains, and other support over expenses	\$ 1,847	\$ (2,536)	\$ (604)	\$ (1,434)	\$ 872	\$ (343)	\$ 293	\$ (491)	\$ 5,533	\$ -	\$ 3,137

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Operations and Changes in Net Assets (Deficit) (Continued)
Year Ended December 31, 2020
(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 46)	\$ 1,847	\$ (2,536)	\$ (604)	\$ (1,434)	\$ 872	\$ (343)	\$ 293	\$ (491)	\$ 5,533	\$ -	\$ 3,137
Pension related changes other than net periodic pension cost	(603)	-	-	-	-	-	-	-	-	-	(603)
Transfers between related entities	3,436	2,213	348	1,205	(637)	667	(336)	553	(5,141)	-	2,308
Change in net assets (deficit) without donor restrictions	4,680	(323)	(256)	(229)	235	324	(43)	62	392	-	4,842
Net assets (deficit) without donor restrictions, beginning of year	59,431	1,776	2,111	1,183	1,415	237	(4,002)	288	(4,238)	-	58,201
Net assets (deficit) without donor restrictions, end of year	<u>\$ 64,111</u>	<u>\$ 1,453</u>	<u>\$ 1,855</u>	<u>\$ 954</u>	<u>\$ 1,650</u>	<u>\$ 561</u>	<u>\$ (4,045)</u>	<u>\$ 350</u>	<u>\$ (3,846)</u>	<u>\$ -</u>	<u>\$ 63,043</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)	\$ 4,680	\$ (323)	\$ (256)	\$ (229)	\$ 235	\$ 324	\$ (43)	\$ 62	\$ 392	\$ -	\$ 4,842
Net assets (deficit), beginning of year	59,431	1,776	2,111	1,183	1,415	237	(4,002)	288	(4,231)	-	58,208
Net assets (deficit), end of year	<u>\$ 64,111</u>	<u>\$ 1,453</u>	<u>\$ 1,855</u>	<u>\$ 954</u>	<u>\$ 1,650</u>	<u>\$ 561</u>	<u>\$ (4,045)</u>	<u>\$ 350</u>	<u>\$ (3,839)</u>	<u>\$ -</u>	<u>\$ 63,050</u>

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Cash Flows
Year Ended December 31, 2020
(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Change in net assets (deficit)	\$ 4,680	\$ (323)	\$ (256)	\$ (229)	\$ 235	\$ 324	\$ (43)	\$ 62	\$ 392	\$ -	\$ 4,842
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:											
Depreciation	464	178	292	340	333	204	622	4	4,275	-	6,712
Amortization of deferred financing costs and premium	(29)	2	7	9	3	5	(32)	-	-	-	(35)
Amortization of CCRC entrance fees	-	-	-	-	-	-	-	-	(2,917)	-	(2,917)
Net realized and unrealized gain on assets limited as to use	3	-	-	-	-	-	3	-	9	-	15
Net realized and unrealized gain on investments	(7,285)	-	-	-	-	-	-	-	(528)	-	(7,813)
Pension related changes other than net periodic pension cost	603	-	-	-	-	-	-	-	-	-	603
Transfers between related entities	(3,436)	(2,213)	(348)	(1,205)	637	(667)	336	(553)	5,141	-	(2,308)
CCRC resales of nonrefundable contracts	-	-	-	-	-	-	-	-	1,056	-	1,056
CCRC sales of nonrefundable contracts	-	-	-	-	-	-	-	-	765	-	765
(Gain) loss on disposal of property and equipment	(4)	-	-	-	-	-	-	-	-	-	(4)
Change in operating assets and liabilities:											
Change in receivables	33	450	337	595	8	43	51	(74)	334	-	1,777
Change in inventories	(317)	(8)	2	(54)	(5)	(5)	(1)	-	16	-	(372)
Change in deposits and prepaid expenses	31	96	15	(7)	14	4	(21)	(6)	(65)	-	61
Change in other assets	(510)	-	(2)	(6)	-	-	-	-	915	-	397
Change in accounts payable	(200)	(224)	(18)	(72)	(3)	(4)	14	16	(168)	-	(659)
Change in accrued liabilities	(1,197)	86	161	(2)	9	-	(1)	4	(161)	-	(1,101)
Change in unfunded pension obligation	305	-	-	-	-	-	-	-	-	-	305
Change in other liabilities	(3,024)	(8)	4	6	-	-	3	(5)	(202)	-	(3,226)
Net cash provided by (used in) operating activities	<u>(9,883)</u>	<u>(1,964)</u>	<u>194</u>	<u>(625)</u>	<u>1,231</u>	<u>(96)</u>	<u>931</u>	<u>(552)</u>	<u>8,862</u>	<u>-</u>	<u>(1,902)</u>
Purchases of assets limited as to use	(896)	-	-	-	-	-	(940)	-	(2,792)	-	(4,628)
Proceeds from sale of assets limited as to use	876	-	-	-	-	-	921	-	2,723	-	4,520
Purchase of investments	(86,266)	-	-	-	-	-	-	-	(2,025)	-	(88,291)
Proceeds from sale of investments	85,524	-	-	-	-	-	-	-	1,951	-	87,475
Expenditures for property and equipment	(382)	(169)	(260)	(242)	(492)	(360)	(253)	-	(1,428)	-	(3,586)
Proceeds from disposal of property and equipment	4	-	-	-	-	-	-	-	-	-	4
Net cash used in investing activities	<u>(1,140)</u>	<u>(169)</u>	<u>(260)</u>	<u>(242)</u>	<u>(492)</u>	<u>(360)</u>	<u>(272)</u>	<u>-</u>	<u>(1,571)</u>	<u>-</u>	<u>(4,506)</u>
CCRC contracts refunded	-	-	-	-	-	-	-	-	(65)	-	(65)
Change in deposits on unoccupied units	-	-	-	-	-	-	-	-	(519)	-	(519)
Principal payments on long-term debt	(499)	(57)	(207)	(249)	(75)	(155)	(369)	-	(1,461)	-	(3,072)
Debt issuance costs	(15)	(21)	(76)	(90)	(27)	(56)	-	-	(115)	-	(400)
Net change in due to/due from related entities	5,365	2,213	349	1,206	(637)	667	(336)	553	(5,141)	-	4,239
Net cash provided by (used in) financing activities	<u>4,851</u>	<u>2,135</u>	<u>66</u>	<u>867</u>	<u>(739)</u>	<u>456</u>	<u>(705)</u>	<u>553</u>	<u>(7,301)</u>	<u>-</u>	<u>183</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(6,172)	2	-	-	-	-	(46)	1	(10)	-	(6,225)
Cash, cash equivalents and restricted cash, beginning of year	<u>16,177</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>112</u>	<u>1</u>	<u>105</u>	<u>-</u>	<u>252</u>	<u>-</u>	<u>16,650</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 10,005</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 112</u>	<u>\$ 1</u>	<u>\$ 59</u>	<u>\$ 1</u>	<u>\$ 242</u>	<u>\$ -</u>	<u>\$ 10,425</u>
Supplemental disclosure:											
Cash paid for interest	\$ 636	\$ 15	\$ 54	\$ 65	\$ 19	\$ 41	\$ 552	\$ -	\$ 1,660	\$ -	\$ 3,042

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Balance Sheet
December 31, 2020
(in thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Assets					
Current assets:					
Cash and cash equivalents	\$ 12	\$ 379	\$ 557	\$ -	\$ 948
Accounts receivable, net	-	-	64	-	64
Other receivables	-	-	69	-	69
Deposits and prepaid expenses	-	-	30	-	30
Due from related parties	(35)	-	-	-	(35)
Total current assets	(23)	379	720	-	1,076
Property and equipment, net	1,112	-	127	-	1,239
Other assets	1,284	-	-	-	1,284
	2,396	-	127	-	2,523
Total assets	<u>\$ 2,373</u>	<u>\$ 379</u>	<u>\$ 847</u>	<u>\$ -</u>	<u>\$ 3,599</u>
Liabilities and Net Assets (Deficit)					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ 2	\$ -	\$ 2
Accrued liabilities:					
Payroll and payroll taxes	8	-	6	-	14
Vacation	8	-	16	-	24
Other	-	-	-	-	-
Due to related-parties	755	952	1,624	-	3,331
Total current liabilities	771	952	1,648	-	3,371
Other liabilities	4	-	-	-	4
Total liabilities	775	952	1,648	-	3,375
Net assets (deficit):					
Net assets (deficit) without donor restrictions	1,598	(573)	(801)	-	224
Net assets with donor restrictions	-	-	-	-	-
Total net assets (deficit)	1,598	(573)	(801)	-	224
Total liabilities and net assets (deficit)	<u>\$ 2,373</u>	<u>\$ 379</u>	<u>\$ 847</u>	<u>\$ -</u>	<u>\$ 3,599</u>

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2020
(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	\$ -	\$ 194	\$ 787	\$ -	\$ 981
Other, net	1	17	-	-	18
Total revenues, gains, and other support	1	211	787	-	999
Expenses:					
Salaries and wages	240	251	510	-	1,001
Employee benefits	76	145	178	-	399
Professional fees	-	1	-	-	1
Supplies	20	15	7	-	42
Purchased services	26	49	148	-	223
Ancillary costs	-	1	-	-	1
Utilities	4	1	6	-	11
Insurance and other	33	115	102	-	250
Depreciation	-	11	25	-	36
Total operating expenses	399	589	976	-	1,964
Nonoperating revenue (expenses):					
Other	-	(4)	-	-	(4)
Total nonoperating revenue (expenses), net	-	(4)	-	-	(4)
Change in net assets without donor restrictions	(398)	(382)	(189)	-	(969)
Net assets (deficit) without donor restrictions, beginning of year	1,996	(191)	(612)	-	1,193
Net assets (deficit) without donor restrictions, end of year	<u>\$ 1,598</u>	<u>\$ (573)</u>	<u>\$ (801)</u>	<u>\$ -</u>	<u>\$ 224</u>

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Cash Flows
Year Ended December 31, 2020
(in thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Change in net assets (deficit)	\$ (398)	\$ (382)	\$ (189)	\$ -	\$ (969)
Adjustments to reconcile change in net assets to net cash used in operating activities:					
Depreciation	-	11	25	-	36
Loss on disposal of property and equipment	-	4	-	-	4
Change in operating assets and liabilities:					
Change in receivables	(2)	99	(55)	-	42
Change in deposits and prepaid expenses	-	26	18	-	44
Change in accounts payable	(2)	(5)	-	-	(7)
Change in accrued liabilities	1	(28)	(34)	-	(61)
Change in other liabilities	-	(1)	-	-	(1)
Net cash used in operating activities	(401)	(276)	(235)	-	(912)
Expenditures for property and equipment	(47)	-	(5)	-	(52)
Net cash used in investing activities	(47)	-	(5)	-	(52)
Net change in due to/due from related entities	442	272	25	-	739
Net cash provided by financing activities	442	272	25	-	739
Net decrease in cash, cash equivalents and restricted cash	(6)	(4)	(215)	-	(225)
Cash, cash equivalents and restricted cash, beginning of year	18	383	772	-	1,173
Cash, cash equivalents and restricted cash, end of year	<u>\$ 12</u>	<u>\$ 379</u>	<u>\$ 557</u>	<u>\$ -</u>	<u>\$ 948</u>

Eskaton and Subsidiaries

Supplementary Information – Social Responsibility (Unaudited)

Years Ended December 31, 2020 and 2019

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

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

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

Adult Day Health Care Center (“ADHC”) – Eskaton owned and operated an ADHC program that provides social, recreational, and rehabilitation services to residents of a portion of Sacramento County. The ADHC program accepted Medi-Cal clients despite the shortfall of Medi-Cal reimbursement compared to cost. The ADHC program also accepted uninsured and under-insured clients at rates below actual cost. The operations of ADHC were suspended in early 2020 due to the COVID-19 pandemic, and a decision was made by management to permanently discontinue the program.

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):

	2020	2019
Community sponsorships	\$ 126	\$ 84
Aging services sponsorships	45	59
Resident Assistance Funds	124	107
Telephone Reassurance Program	399	275
ADHC, net of revenue	381	529
Total	<u>\$ 1,075</u>	<u>\$ 1,054</u>

Community service program operating statistics:

Resident Assistance Funds:

Months of assistance	66	77
Residents assisted	7	9

Telephone Reassurance Program:

Telephone calls	51,229	57,123
Home visits	395	2,644
ADHC client days	2,041	9,038

PART 5
LIQUID RESERVES



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

Eskaton and Eskaton Village Carmichael

December 31, 2020



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Report of Independent Auditors

To the Board of Directors
Eskaton and Eskaton Village Carmichael

We have audited the accompanying financial statements of Eskaton and Eskaton Village Carmichael, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2020.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Eskaton and Eskaton Village Carmichael as of and for the year ended December 31, 2020, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

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

Restriction on Use

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

Moss Adams LLP

San Francisco, California
April 30, 2021

Continuing Care Liquid Reserve Schedules

Eskaton and Eskaton Village Carmichael
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	\$ 107,000	\$ 101,000		\$ 208,000
2	12/21/2006	580,000	279,000		859,000
3	4/1/2008	1,100,000	287,000		1,387,000
4	5/22/2012	1,145,000	1,578,000		2,723,000
5	6/6/2013	1,430,000	2,137,000		3,567,000
6					
7					
8					
	TOTAL:	\$ 4,362,000	\$ 4,382,000		\$ 8,744,000

*(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 and Eskaton Village Carmichael
Form 5-2
Long-Term Debt Incurred During Fiscal Year

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

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

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

NOTE:

PROVIDER: Eskaton

Eskaton and Eskaton Village Carmichael
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)	\$ 8,744,000
2	Total from Form 5-2 bottom of Column (e)	\$ -
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$ -
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 8,744,000

PROVIDER: Eskaton

Eskaton and Eskaton Village Carmichael
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		\$ 28,565,000
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 1,660,000	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$ -	
	c. Depreciation	\$ 4,275,000	
	d. Amortization	\$ -	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 7,131,000	
	f. Extraordinary expenses approved by the Department	\$ -	
3	Total Deductions		\$ 13,066,000
4	Net Operating Expenses		\$ 15,499,000
5	Divide Line 4 by 365 and enter the result.		\$ 42,463
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$ 3,185,000
PROVIDER:	<u>Eskaton</u>		
COMMUNITY:	<u>Eskaton Village Carmichael</u>		

Eskaton and Eskaton Village Carmichael
Form 5-5
Annual Reserve Certification

ANNUAL RESERVE CERTIFICATION

Provider Name: Eskaton
 Fiscal Year Ended: December 31, 2020

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2020 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	\$ 8,744,000
[2] Operating Expense Reserve Amount	\$ 3,185,000
[3] Total Liquid Reserve Amount:	\$ 11,929,000

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

	<u>Amount</u>	
<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$ -	\$ 15,104,000
[5] Investment Securities	\$ -	\$ 8,171,000
[6] Equity Securities	\$ -	\$ 61,688,000
[7] Unused/Available Lines of Credit	\$ -	\$ -
[8] Unused/Available Letters of Credit	\$ -	\$ -
[9] Debt Service Reserve	\$ 8,890,000	(not applicable)
[10] Other:	\$ -	\$ -
<hr/>		
(describe qualifying asset)		
<hr/>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$ 8,890,000 [12]	\$ 84,963,000
Reserve Obligation Amount: [13]	\$ 8,744,000 [14]	\$ 3,185,000
Surplus/(Deficiency): [15]	\$ 146,000 [16]	\$ 81,778,000

Signature:



(Authorized Representative)

Date: April 30, 2021

Chief Executive Officer
 (Title)

Eskaton and Eskaton Village Carmichael
Note to Continuing Care Liquid Reserve Schedules
December 31, 2020

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 and Eskaton Village Carmichael's assets, liabilities, revenues, and expenses. Where not otherwise stated, the accompanying reserve reports include Eskaton 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 and Eskaton Village Carmichael
Statement of Cash Flows – Direct Method
December 31, 2020

Cash flows from operating activities:

Cash received from independent living contract residents	\$ 21,790,000
Cash received from assisted living contract residents	2,731,000
Cash received from skilled nursing contract residents	1,316,000
Cash received from noncontract residents	6,320,000
Cash received from other revenue	1,262,000
Cash received from investment income	117,000
Cash paid for interest	(1,660,000)
Cash paid for other operating expenses	<u>(23,014,000)</u>

Net cash provided by operating activities	<u>8,862,000</u>
---	------------------

Cash flows from investing activities:

Purchases of assets limited as to use	(2,792,000)
Proceeds from sales of assets limited as to use	2,723,000
Purchases of investments	(2,025,000)
Proceeds from sales of investments	1,951,000
Expenditures for capital maintenance	<u>(1,428,000)</u>

Net cash used in investing activities	<u>(1,571,000)</u>
---------------------------------------	--------------------

Cash flows from financing activities:

CCRC contracts refunded	(65,000)
Change in deposits on unoccupied CCRC units	(519,000)
Principal payments on long-term debt	(1,461,000)
Debt issuance costs	(115,000)
Change in due from related party - current year cash flow	<u>(5,141,000)</u>

Net cash used in financing activities	<u>(7,301,000)</u>
---------------------------------------	--------------------

Net change in cash	(10,000)
--------------------	----------

Cash, cash equivalents, and restricted cash at December 31, 2019	<u>252,000</u>
--	----------------

Cash, cash equivalents, and restricted cash at December 31, 2020	<u><u>\$ 242,000</u></u>
--	--------------------------

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

Eskaton and Eskaton Village Carmichael
Supplementary Form 5-4 – Calculation of Reimbursement for Services to Nonresidents
December 31, 2020

Cash received from noncontract residents (per Statement of Cash Flows - Direct Method)	\$ 6,320,000
Cash received from other revenue (per Statement of Cash Flows - Direct Method)	1,262,000
Less: Cash receipts from contributions	<u>(451,000)</u>
Reimbursements for services to persons who did not have a CCRC contract	<u><u>\$ 7,131,000</u></u>
Independent living reimbursements for services to noncontract residents	\$ 288,000
Assisted living reimbursements for services to noncontract residents	1,205,000
Skilled nursing reimbursements for services to noncontract residents	4,827,000
Reimbursements for nonresident services	<u>811,000</u>
Reimbursements for services to persons who did not have a CCRC contract	<u><u>\$ 7,131,000</u></u>

PROVIDER: Eskaton
COMMUNITY: Eskaton Village Carmichael

Eskaton and Eskaton Village Carmichael

Supplementary Form 5-5 – Description of Reserves Under SB 1212

December 31, 2020

<u>Financial Statements and Footnote Description</u>	<u>Eskaton</u>	<u>Obligated Group</u>	<u>Total</u>	<u>Qualifying Asset Description (Form 5-5)</u>
Cash and cash equivalents	\$ 948,000	\$ 13,419,000	\$ 14,367,000	Cash and cash equivalents
Investments - cash and short-term investments	-	737,000	737,000	Cash and cash equivalents
Investments - U.S. Treasury notes, government securities, and other corporate debt securities	-	8,171,000	8,171,000	Investment securities
Investments - equity securities and mutual funds	-	61,688,000	61,688,000	Equity securities
Total cash and cash equivalents, investment securities, equity securities and mutual funds	<u>948,000</u>	<u>84,015,000</u>	<u>84,963,000</u>	Operating reserve
Assets limited as to use - cash and short-term investments	-	464,000	464,000	
Assets limited as to use - U.S. Treasury notes, government securities, and other corporate debt securities	-	8,426,000	8,426,000	
Total cash and cash equivalents and assets limited as to use - debt service reserve	<u>-</u>	<u>8,890,000</u>	<u>8,890,000</u>	Debt service reserve
Total	<u>\$ 948,000</u>	<u>\$ 92,905,000</u>	<u>\$ 93,853,000</u>	
<u>Reconciliation to Audited Financial Statements</u>				
Cash and cash equivalents	\$ 948,000	\$ 13,419,000	\$ 14,367,000	
Assets limited as to use, required for current liabilities	-	530,000	530,000	
Assets limited as to use, net of amount required for current liabilities	-	8,360,000	8,360,000	
Investments, current	-	70,596,000	70,596,000	
	<u>\$ 948,000</u>	<u>\$ 92,905,000</u>	<u>\$ 93,853,000</u>	
Total amount of qualifying assets as filed for operating reserve	\$ 948,000	\$ 84,015,000	\$ 84,963,000	
Total amount of qualifying assets as filed for debt service reserve	-	8,890,000	8,890,000	
	<u>\$ 948,000</u>	<u>\$ 92,905,000</u>	<u>\$ 93,853,000</u>	

Eskaton and Eskaton Village Carmichael
Supplementary Form 5-5 – ALATU – Composition of Assets
December 31, 2020

	Total	Cash and ST Investments	U.S. Treasury Notes, Government Securities, and Other Corporate Debt Securities
2012 Bonds	\$ 4,387,000	\$ 240,000	\$ 4,147,000
2013 Bonds	4,503,000	224,000	4,279,000
TOTAL DEBT SERVICE RESERVE	<u>\$ 8,890,000</u>	<u>\$ 464,000</u>	<u>\$ 8,426,000</u>

PROVIDER: Eskaton
COMMUNITY: Eskaton Village Carmichael

PART 6
CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT

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

Date Prepared: 4/30/2021

FACILITY NAME: Eskaton Village Carmichael

ADDRESS: 3939 Walnut Avenue

ZIP CODE: 95608

PHONE: 916-974-2000

PROVIDER NAME: Eskaton

FACILITY OPERATOR: Eskaton Properties, Inc.

RELATED FACILITIES: See attached

RELIGIOUS AFFILIATION: N/A

YEAR # OF ☒ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: 1

OPENED: 1992 ACRES: 37 STORY STORY ☐ OTHER: _____

MILES TO HOSPITAL: 4

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: 0

APARTMENTS — 1 BDRM: 85

APARTMENTS — 2 BDRM: 116

COTTAGES/HOUSES: 94

RLU OCCUPANCY (%) AT YEAR END: 99.0%

HEALTH CARE

ASSISTED LIVING: 38

SKILLED NURSING: 35

SPECIAL CARE: 20

DESCRIPTION: > Secured perimeter unit for care of residents with

> Alzheimer's or related dementia

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: 90% Repayable from Resale proceeds

RANGE OF ENTRANCE FEES: \$ 135,000 - \$ 495,000

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT:

Priority access to ALU, SNF & MCU (income eligible fee for service)

ENTRY REQUIREMENTS: MIN. AGE: 62

PRIOR PROFESSION: N/A

OTHER: N/A

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): > Please see attached disclosure worksheet.

>

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>3</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>24 hour security</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Painting Studio and Gardening Area</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: Eskaton

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<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: Eskaton (Eskaton Village Carmichael)

	2017	2018	2019	2020
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	29,731	30,915	32,464	30,094
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	20,172	20,855	21,891	22,635
NET INCOME FROM OPERATIONS	9,559	10,060	10,577	7,459
LESS INTEREST EXPENSE	(1,792)	(1,784)	(1,724)	(1,655)
PLUS CONTRIBUTIONS	71	1	2	451
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	883	(104)	914	636
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	8,721	8,173	9,769	6,891
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	327	1,849	2,764	1,756

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
See Attached					

FINANCIAL RATIOS (see next page for ratio formulas)

	2017 CCAC Medians 50 th Percentile <i>(optional)</i>	2018	2019	2020
DEBT TO ASSET RATIO		76.43%	67.51%	76.93%
OPERATING RATIO		73.40%	72.90%	79.52%
DEBT SERVICE COVERAGE RATIO		3.70	4.37	3.30
DAYS CASH ON HAND RATIO		79	72	79

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2017	%	2018	%	2019	%	2020	%
STUDIO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ONE BEDROOM	3,975	3.00%	4,126	3.80%	4,280	3.75%	4,430	3.50%
TWO BEDROOM	4,958	3.00%	5,146	3.80%	5,339	3.75%	5,526	3.50%
COTTAGE/HOUSE	5,347	3.00%	5,550	3.80%	5,759	3.75%	5,960	3.50%
ASSISTED LIVING	5,196	4.00%	5,404	4.00%	6,607	3.75%	5,803	3.50%
SKILLED NURSING	10,620	3.00%	11,010	3.80%	11,430	3.75%	12,211	3.50%
SPECIAL CARE	7,791	3.00%	8,087	3.80%	8,390	3.75%	7,527	3.50%

COMMENTS FROM PROVIDER: > _____
 > _____
 > _____

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL DATA & RATIOS (in thousands)
ESKATON AND SUBSIDIARIES, CONSOLIDATED

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 137,551	\$ 139,875	\$ 146,030	\$ 146,673
LESS OPERATING EXPENSES (excluding depreciation, amortization and interest)	114,037	117,881	132,672	146,460
NET INCOME FROM OPERATIONS	23,514	21,994	13,358	213
LESS INTEREST EXPENSE	(5,869)	(5,991)	(5,868)	(5,424)
PLUS CONTRIBUTIONS	-	-	-	3,864
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	7,056	(3,237)	9,188	10,313
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	24,701	12,766	16,678	8,966
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	\$ 327	\$ 1,849	\$ 2,764	\$ 1,762

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	\$ 11,025,000	Variable	Apr-08	2025	21 years
Series 2006 ABAG VRDB's	15,460,000	Variable	Dec-06	2037	31 years
Series 2013 ABAG Fixed Rate Bonds	41,310,000	2% - 5%	Jun-13	2035	22 years
Series 2012 CSCDA Fixed Rate Bonds	29,310,000	2% - 5.25%	May-12	2034	22 years
Wells Fargo Bank	2,018,000	4.75%	Jan-14	2021	25 years

FINANCIAL RATIOS (see next page for ratio formulas)

	CCAC Medians 50th Percentile (optional)	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
DEBT TO ASSET RATIO		63.28%	59.74%	49.55%	44.99%
OPERATING RATIO		87.17%	88.56%	94.87%	100.89%
DEBT SERVICE COVERAGE RATIO		3.03	1.94	2.35	1.51
DAYS CASH-ON-HAND RATIO		240	244	246	216

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL RATIO FORMULAS (in thousands)
ESKATON AND SUBSIDIARIES, CONSOLIDATED

Long-Term Debt to Total Assets Ratio

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Long-Term Debt	\$ 143,430	\$ 138,747	\$ 134,033	\$ 129,120	\$ 128,884
Less: Current Portion	(4,564)	(4,719)	(4,903)	(16,106)	(7,462)
	138,866	134,028	129,130	113,014	121,422
Divided By:					
Total Assets	204,810	211,799	216,166	228,076	269,897
Long-Term Debt to Total Assets Ratios	67.80%	63.28%	59.74%	49.55%	44.99%

Operating Ratio

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Operating Expenses	\$ 129,861	\$ 129,580	\$ 133,840	\$ 148,327	\$ 163,756
Less: Depreciation & Amortization	(9,678)	(9,674)	(9,968)	(9,787)	(11,872)
	120,183	119,906	123,872	138,540	151,884
Divided By:					
Total Operating Revenues	133,467	138,134	141,997	148,807	153,461
Less: Amortization of Deferred Revenue	(2,070)	(583)	(2,122)	(2,777)	(2,924)
	131,397	137,551	139,875	146,030	150,537
Operating Ratio	91.47%	87.17%	88.56%	94.87%	100.89%

Debt Service Coverage Ratio

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Excess of Revenues over Expenses	\$ 7,232	\$ 15,610	\$ 4,920	\$ 9,668	\$ 18
Plus: Interest & amortization	5,886	5,847	5,953	5,829	5,388
Depreciation	9,471	9,696	10,006	9,826	11,908
Net Proceeds from Entrance Fees	216	327	1,849	2,764	1,762
Less: Amortization of Deferred Revenue	(2,070)	(583)	(2,122)	(2,777)	(2,924)
	20,735	30,897	20,606	25,310	16,152
Divided By:					
Annual Debt Service	10,267	10,199	10,603	10,768	10,699
Debt Service Coverage Ratio	2.02	3.03	1.94	2.35	1.51

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL RATIO FORMULAS (in thousands)
ESKATON AND SUBSIDIARIES, CONSOLIDATED

Days Cash On Hand Ratio

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Cash and cash equivalents	\$ 15,849	\$ 21,393	\$ 30,115	\$ 31,225	\$ 19,129
Investments	51,119	57,316	52,588	61,967	70,596
Unrestricted cash and investments	<u>\$ 66,968</u>	<u>\$ 78,709</u>	<u>\$ 82,703</u>	<u>\$ 93,192</u>	<u>\$ 89,725</u>
Operating expenses	\$ 129,861	\$ 129,580	\$ 133,840	\$ 148,327	\$ 163,756
Less: Depreciation and amortization	<u>(9,678)</u>	<u>(9,674)</u>	<u>(9,968)</u>	<u>(9,787)</u>	<u>(11,872)</u>
	<u>\$ 120,183</u>	<u>\$ 119,906</u>	<u>\$ 123,872</u>	<u>\$ 138,540</u>	<u>\$ 151,884</u>
Divided by	366	365	365	365	366
Operating expenses per day	\$ 328	\$ 329	\$ 339	\$ 380	\$ 415
Days cash on hand	<u>204</u>	<u>240</u>	<u>244</u>	<u>246</u>	<u>216</u>

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
SUPPORTING CALCULATIONS (in thousands)
ESKATON AND SUBSIDIARIES, CONSOLIDATED

	2017	2018	2019	2020
Net patient revenues	\$ 47,143	\$ 46,334	\$ 47,818	\$ 40,932
Net resident revenues	72,163	76,300	80,572	88,088
Less amort of entrance fees	(583)	(2,122)	(2,777)	(2,924)
Home based services	7,442	7,088	4,034	3,912
Other	11,386	12,275	16,383	16,665
Income from ongoing operations	137,551	139,875	146,030	146,673
Total expenses	129,580	133,840	148,327	163,756
Less depreciation and amortization	(9,674)	(9,968)	(9,787)	(11,872)
Less interest	(5,869)	(5,991)	(5,868)	(5,424)
Operating expenses	114,037	117,881	132,672	146,460
Net income from operations	23,514	21,994	13,358	213
Interest expense	(5,869)	(5,991)	(5,868)	(5,424)
Contributions				3,864
Non-operating income (expense)	7,056	(3,237)	9,188	10,313
NI before entrance fees, depr and amort	\$ 24,701	\$ 12,766	\$ 16,678	\$ 8,966

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 SERVICE FEES

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

- | | <u>RESIDENTIAL
LIVING</u> | <u>ASSISTED
LIVING</u> | <u>SKILLED
NURSING</u> |
|--|-------------------------------|----------------------------|----------------------------|
| [1] Monthly Care Fees at beginning of reporting period:
(indicate range, if applicable) | _____ | _____ | _____ |
| [2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | _____ | _____ | _____ |
| <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: _____
(If more than one (1) increase was implemented, indicate the dates for each increase.) | | | |
| [4] Check each of the appropriate boxes: | | | |
| <input type="checkbox"/> Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators. | | | |
| <input type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. Date of Notice: _____ Method of Notice: _____ | | | |
| <input 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: _____ | | | |
| <input 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 type="checkbox"/> The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. Date of Notice: _____ | | | |
| <input type="checkbox"/> The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. Date of Posting: _____ Location of Posting: _____ | | | |
| [5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See <u>PART 7 REPORT ON CCRC MONTHLY CARE FEE</u> in the Annual Report Instruction booklet for further instructions. | | | |

PROVIDER: _____
COMMUNITY: _____

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

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.

Monthly service fees were increased in 2020 by 3.5% for all levels of care. The rate increase is derived from a process that considers the increased cost of providing services, and reasonable operating margins necessary to ensure the continuation of the organizational mission. Anticipated cost increases included higher labor costs and normal inflationary cost increases related to purchases of supplies and services.

Labor costs were expected to increase in excess of 6% in 2020 due to minimum wage requirements in California increasing from \$12.00 per hour to \$13.00 per hour (8%), in addition to standard merit-based increases. Expenses related to employee benefits were budgeted to increase in excess of 8% due to increasing employee health benefit expense.

Supply and purchased service costs were estimated to increase commensurate with the consumer price index, which as of October 2019 (the period when the budget was finalized) reflected an increase of 2.5% to 3.0% for San Francisco-Oakland-Hayward and Western Cities with populations under 2.5 million, the market areas most relevant to Sacramento, California.

The projected 2020 net operating income shown on the following page allows the community to reinvest in the physical plant, thereby maintaining the quality of the facility for current residents and ensuring the continued marketability of the community to prospective residents. Additionally, positive net operating income ensures that the community will be able to fund unexpected costs or capital needs, and continue its mission to enhance the quality of life of seniors through innovative health, housing and social services.

FORM 7-1 ATTACHMENT**FISCAL YEAR 2020 MONTHLY CARE FEE INCREASE (MCFI) (in thousands)****ESKATON VILLAGE CARMICHAEL**

		2018	2019	2020
1	2018 Operating Expenses (audited)	(26,938)		
2	2019 Operating Expenses		(28,048)	
3	Projected 2020 Operating Expenses			(29,698)
4	Projected 2020 Revenue without a MCFI			32,163
5	Projected 2020 Net Operating Income without a MCFI			2,465
6	Projected 2020 Revenue with MCFI 3.50%			33,018
7	Projected 2020 Net Operating Income After 3.50% MCFI			3,320

Monthly Care Fee Increase: 3.50%

Notes:

Total increase in revenues related to monthly care fee increase is estimated at \$855,000

Total projected increase in expenses is estimated at \$1,650,000

EVC 2020 principal due on debt was \$1,462,000