

**ANNUAL REPORT CHECKLIST**

FISCAL YEAR ENDED: 12/31/2021

PROVIDER(S):

O'Connor Woods Housing Corporation

CCRC(S):

O'Connor Woods

PROVIDER CONTACT PERSON:

Dan Seiler

TELEPHONE NUMBER:

(916) 334-0810

E-MAIL ADDRESS:

Dan.Seiler@eskaton.org

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$6,123 \_\_\_\_\_
  - If applicable, late fee in the amount of: \$ \_\_\_\_\_
- Certification by the provider's **Chief Executive Officer** that:
  - The reports are correct to the best of his/her knowledge.
  - Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

**PART 1**  
RESIDENT POPULATION AND ANNUAL  
PROVIDER FEE

**FORM 1-1:RESIDENT POPULATION**

<b>Line</b>	<b>Continuing Care Residents</b>	<b>TOTAL</b>
[1]	Number at beginning of fiscal year	84
[2]	Number at end of fiscal year	86
[3]	Total Lines 1 and 2	170
		x.50
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	
[5]	Mean number of continuing care residents	85
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	397
[7]	Number at end of fiscal year	388
[8]	Total Lines 6 and 7	785
		x.50
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	393
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	22

**O'Connor Woods**  
**Calculation of Non-Contract Resident Reimbursement**  
**December 31, 2021**

	<b>Independent</b>	<b>Assisted</b>	<b>Skilled</b>	<b>Total</b>
<b>Contract Residents @ 12/31/20</b>	78	6	-	84
<b>Contract Residents @ 12/31/21</b>	80	5	1	86
<b>Total</b>	<u>158</u>	<u>11</u>	<u>1</u>	<u>170</u>
<b>Mean</b>	<u>79</u>	<u>6</u>	<u>1</u>	<u>85</u>
<b>All Residents @ 12/31/20</b>	227	102	68	397
<b>All Residents @ 12/31/21</b>	229	93	66	388
<b>Total</b>	<u>456</u>	<u>195</u>	<u>134</u>	<u>785</u>
<b>Mean</b>	<u>228</u>	<u>98</u>	<u>67</u>	<u>393</u>
<b>% Contract Residents to Total Residents</b>	34.65%	5.64%	0.75%	21.66%
<b>% Non-Contract Residents to Total Residents</b>	65.35%	94.36%	99.25%	78.34%

**2021 CASH RECEIPTS**

Independent Living (Contract Residents)	3,376,000			
Net Independent Living (Non-Contract Residents)	<b>6,367,000</b>			
Total Independent Living Cash Receipts	9,743,000			
Assisted Living (Contract Residents)		481,000		
Net Assisted Living (Non-Contract Residents)		<b>8,052,000</b>		
Total Assisted Living Cash Receipts		8,533,000		
Skilled Nursing (Contract Residents)			80,000	
Net Skilled Nursing (Non-Contract Residents)			<b>10,646,000</b>	
Total Skilled Nursing Cash Receipts			10,726,000	
Total Non-Contract Resident Cash Receipts				<b><u>25,065,000</u></b>

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

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	34,729,000.00
[a] Depreciation	4,761,000.00
[b] Debt Service (Interest Only)	2,138,000.00
[2] Subtotal (add Line 1a and 1b)	6,899,000.00
[3] Subtract Line 2 from Line 1 and enter result.	27,830,000.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.22
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	6,123,000.00
[6] <b>Total Amount Due</b> (multiply Line 5 by .001)	<b>\$ 6,123.00</b>

**PROVIDER:** O'Connor Woods Housing Corporation

**COMMUNITY:** O'Connor Woods

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

## CERTIFICATION BY CHIEF EXECUTIVE OFFICER

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

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

Dated: April 26, 2022

  
\_\_\_\_\_

Penny Mallette, Executive Director

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





# CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
8/20/2021

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

<b>PRODUCER</b> (WC) Heffernan Insurance Brokers 1350 Carlback Avenue Walnut Creek CA 94596  License#: 0564249	<b>CONTACT NAME:</b> PHONE (A/C, No, Ext): 925-934-8500      FAX (A/C, No): 925-934-8278 E-MAIL ADDRESS: PRODUCER CUSTOMER ID: OCONWOO-01	
	<b>INSURER(S) AFFORDING COVERAGE</b> NAIC #	
<b>INSURED</b> O'Connor Woods Housing Corporation 3400 Wagner Heights Rd Stockton CA 95209	<b>INSURER A:</b> Axis Insurance Company      37273	
	<b>INSURER B:</b>	
	<b>INSURER C:</b>	
	<b>INSURER D:</b>	
	<b>INSURER E:</b>	
	<b>INSURER F:</b>	


**COVERAGES**      **CERTIFICATE NUMBER:** 836055206      **REVISION NUMBER:**

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

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

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	<input type="checkbox"/> PROPERTY <input type="checkbox"/> CAUSES OF LOSS <input type="checkbox"/> DEDUCTIBLES <input type="checkbox"/> BASIC <input type="checkbox"/> BUILDING <input type="checkbox"/> BROAD <input type="checkbox"/> CONTENTS <input type="checkbox"/> SPECIAL <input type="checkbox"/> EARTHQUAKE <input type="checkbox"/> WIND <input type="checkbox"/> FLOOD				<input type="checkbox"/> BUILDING <input type="checkbox"/> PERSONAL PROPERTY <input type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> EXTRA EXPENSE <input type="checkbox"/> RENTAL VALUE <input type="checkbox"/> BLANKET BUILDING <input type="checkbox"/> BLANKET PERS PROP <input type="checkbox"/> BLANKET BLDG & PP	\$
	<input type="checkbox"/> INLAND MARINE <input type="checkbox"/> CAUSES OF LOSS <input type="checkbox"/> NAMED PERILS	TYPE OF POLICY  POLICY NUMBER				\$
A	<input type="checkbox"/> CRIME TYPE OF POLICY Fidelity/Dishonesty	P00100059594601	6/15/2021	6/15/2022	<input checked="" type="checkbox"/> Fidelity Bond <input checked="" type="checkbox"/> Deductible	\$ \$4,800,000 \$ \$25,000 \$ \$
	<input type="checkbox"/> BOILER & MACHINERY / EQUIPMENT BREAKDOWN					\$
						\$
						\$

SPECIAL CONDITIONS / OTHER COVERAGES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
Re: As Per Contract or Agreement on File with Insured.

<b>CERTIFICATE HOLDER</b>  Eskaton Properties, Inc. 5105 Manzanita Ave. Carmichael, CA 95608	<b>CANCELLATION</b> SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE 
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# CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
3/19/2021

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

<b>PRODUCER</b> (WC) Heffernan Insurance Brokers 1350 Carback Avenue Walnut Creek CA 94596  License#: 0564249	<b>CONTACT NAME:</b> PHONE (A/C. No. Ext): 925-934-8500		FAX (A/C. No): 925-934-8278
	<b>E-MAIL ADDRESS:</b> PRODUCER CUSTOMER ID: OCONWOO-01		
<b>INSURED</b> O'Connor Woods Housing Corporation 3400 Wagner Heights Rd Stockton CA 95209	<b>INSURER(S) AFFORDING COVERAGE</b>		<b>NAIC #</b>
	<b>INSURER A :</b> Liberty Surplus Insurance Corporation		10725
	<b>INSURER B :</b>		
	<b>INSURER C :</b>		
	<b>INSURER D :</b>		
	<b>INSURER E :</b>		
<b>INSURER F :</b>			


**COVERAGES** **CERTIFICATE NUMBER:** 996878081 **REVISION NUMBER:**

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

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

INSR LTR	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS	
	<input type="checkbox"/>	PROPERTY				BUILDING	\$	
		CAUSES OF LOSS				DEDUCTIBLES	PERSONAL PROPERTY	\$
	<input type="checkbox"/>	BASIC				BUILDING	BUSINESS INCOME	\$
	<input type="checkbox"/>	BROAD				CONTENTS	EXTRA EXPENSE	\$
	<input type="checkbox"/>	SPECIAL					RENTAL VALUE	\$
	<input type="checkbox"/>	EARTHQUAKE				BLANKET BUILDING	\$	
	<input type="checkbox"/>	WIND				BLANKET PERS PROP	\$	
	<input type="checkbox"/>	FLOOD				BLANKET BLDG & PP	\$	
	<input type="checkbox"/>						\$	
<input type="checkbox"/>			\$					
	<input type="checkbox"/>	INLAND MARINE	TYPE OF POLICY				\$	
		CAUSES OF LOSS	POLICY NUMBER				\$	
	<input type="checkbox"/>	NAMED PERILS					\$	
A	<input checked="" type="checkbox"/>	CRIME	F14NAB0X6I001	6/16/2020	6/16/2021	X Fidelity Bond	\$ \$4,800,000	
		TYPE OF POLICY				X Deductible	\$ \$25,000	
		Fidelity/Dishonesty					\$	
	<input type="checkbox"/>	BOILER & MACHINERY / EQUIPMENT BREAKDOWN					\$	
							\$	
							\$	
							\$	

SPECIAL CONDITIONS / OTHER COVERAGES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
 Re: As Per Contract or Agreement on File with Insured.

<b>CERTIFICATE HOLDER</b>  Eskaton Properties, Inc. 5105 Manzanita Ave. Carmichael, CA 95608	<b>CANCELLATION</b> SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	<b>AUTHORIZED REPRESENTATIVE</b> 

**PART 4**  
AUDITED FINANCIAL STATEMENTS



*Report of Independent Auditors and  
Financial Statements*

**O'Connor Woods Housing Corporation**

*December 31, 2021 and 2020*

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## **Report of Independent Auditors**

The Board of Directors  
O'Connor Woods Housing Corporation

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

#### ***Opinion***

We have audited the financial statements of O'Connor Woods Housing Corporation, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about O'Connor Woods Housing Corporation's ability to continue as a going concern within one year after the date that the financial statements are issued.

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

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

In performing an audit in accordance with GAAS, we:

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

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

*Moss Adams LLP*

San Francisco, California

April 22, 2022



## **Financial Statements**

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**O'Connor Woods Housing Corporation**  
**Balance Sheets**  
**December 31, 2021 and 2020**  
**(In Thousands)**

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,653	\$ 6,223
Investments	23,775	23,779
Tenant and patient receivables, net	1,273	1,138
Other receivables	155	384
Prepaid expenses and deposits	603	763
Inventories	160	133
Assets limited as to use, required for current liabilities - debt service reserves	<u>2,359</u>	<u>2,129</u>
Total current assets	<u>32,978</u>	<u>34,549</u>
<b>ASSETS LIMITED AS TO USE, net of current portion</b>		
Debt service reserves, net of current portion	3,204	3,431
Donor-restricted cash and investments	<u>3,611</u>	<u>3,262</u>
Total assets limited as to use, net of current portion	<u>6,815</u>	<u>6,693</u>
<b>PROPERTY AND EQUIPMENT, net</b>		
	<u>47,944</u>	<u>49,155</u>
Total assets	<u>\$ 87,737</u>	<u>\$ 90,397</u>

**O'Connor Woods Housing Corporation**  
**Balance Sheets (Continued)**  
**December 31, 2021 and 2020**  
**(In Thousands)**

	<b>2021</b>	<b>2020</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 894	\$ 1,195
Accrued payroll and payroll-related expenses	1,085	1,095
Accrued interest expense	1,056	1,082
Long-term debt, current portion	1,100	1,051
Deferred entrance fees, current portion	391	390
Refundable CCRC contracts, current portion	-	418
Deferred rent and tenant deposits	910	850
	<b>5,436</b>	<b>6,081</b>
<b>NONCURRENT LIABILITIES</b>		
Deferred entrance fees, net of current portion	1,855	1,777
Refundable CCRC contracts, net of current portion	10,075	9,324
Other long-term liabilities	27	29
Long-term debt, net of current portion	40,437	42,311
	<b>52,394</b>	<b>53,441</b>
Total noncurrent liabilities	<b>52,394</b>	<b>53,441</b>
Total liabilities	<b>57,830</b>	<b>59,522</b>
<b>NET ASSETS</b>		
Without donor restrictions	26,369	27,684
With donor restrictions	3,538	3,191
	<b>29,907</b>	<b>30,875</b>
Total net assets	<b>29,907</b>	<b>30,875</b>
Total liabilities and net assets	<b>\$ 87,737</b>	<b>\$ 90,397</b>

**O'Connor Woods Housing Corporation**  
**Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2021 and 2020**  
**(In Thousands)**

	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUE AND OTHER SUPPORT</b>		
Rental revenue, including amortization of CCRC entrance fees of \$507 and \$466 in 2021 and 2020, respectively	\$ 18,723	\$ 19,491
Net patient service revenue	10,861	10,990
Government grant revenue	285	4,160
Other revenue	556	593
Contributions	1	1
Net assets released from restrictions for operations	<u>53</u>	<u>51</u>
 Total revenue and other support	 <u>30,479</u>	 <u>35,286</u>
 <b>EXPENSES</b>		
Salaries and wages	12,810	13,280
Employee benefits	3,328	3,361
Professional fees	1,340	1,473
Supplies	1,002	1,060
Purchased services	4,511	4,037
Ancillary costs	642	560
Utilities	1,865	1,829
Insurance and other	818	859
Management and support services fees	1,532	1,763
Depreciation	4,761	3,872
Interest and amortization	<u>2,120</u>	<u>2,172</u>
 Total expenses	 <u>34,729</u>	 <u>34,266</u>
 Operating (loss) income	 (4,250)	 1,020
 <b>NONOPERATING REVENUE</b>		
Investment income	<u>2,935</u>	<u>3,069</u>
 (Deficiency) excess of revenue and other support over expenses	 <u>\$ (1,315)</u>	 <u>\$ 4,089</u>

**O'Connor Woods Housing Corporation**  
**Statements of Operations and Changes in Net Assets (Continued)**  
**Years Ended December 31, 2021 and 2020**  
**(In Thousands)**

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	<b>2021</b>	<b>2020</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	23	1,561
Investment income	367	148
Charitable annuity trust valuation adjustment	10	(11)
Net assets released from restrictions for operations	(53)	(51)
Change in net assets with donor restrictions	347	1,647
<b>CHANGE IN NET ASSETS</b>	(968)	5,736
<b>NET ASSETS</b> , beginning of year	30,875	25,139
<b>NET ASSETS</b> , end of year	\$ 29,907	\$ 30,875

**O'Connor Woods Housing Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**  
**(In Thousands)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from rental revenue	\$ 18,276	\$ 18,944
Cash receipts from sales of CCRC contracts	2,080	1,670
Cash receipts from patients	10,726	11,520
Cash receipts from government grant revenue	285	4,160
Cash receipts from other revenue	985	993
Cash payments for salaries and benefits	(16,148)	(16,588)
Cash payments for other operating expenses	(11,271)	(12,627)
Cash payments for interest	(2,152)	(2,203)
	<u>2,781</u>	<u>5,869</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(14,225)	(18,466)
Proceeds from sale of investments	17,159	14,861
Purchase of property and equipment	(4,159)	(2,923)
	<u>(1,225)</u>	<u>(6,528)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(1,045)	(995)
Payment of debt issuance costs	(774)	-
Refunded CCRC contracts	(885)	(10)
Donor-restricted contributions	23	1,561
	<u>(2,681)</u>	<u>556</u>
Net cash (used in) provided by financing activities		
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<u>(1,125)</u>	<u>(103)</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year</b>	<u>8,439</u>	<u>8,542</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year</b>	<u>\$ 7,314</u>	<u>\$ 8,439</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash investing activity during the year for property and equipment acquired through accounts payable	<u>\$ 48</u>	<u>\$ 657</u>

**O'Connor Woods Housing Corporation**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**  
**(In Thousands)**

	<b>2021</b>	<b>2020</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (968)	\$ 5,736
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,761	3,872
Amortization of deferred financing costs	123	132
Amortization of bond premium	(129)	(138)
Amortization of CCRC entrance fees	(507)	(466)
Restricted contributions received	(23)	(1,561)
Net realized and unrealized gains on investments	(2,827)	(2,844)
Charitable annuity trust valuation adjustment	(10)	11
Changes in assets and liabilities:		
Tenant and patient receivables	(135)	530
Other receivables	229	383
Prepaid expenses and deposits	160	(138)
Inventories	(27)	(105)
Accounts payable and accrued expenses	308	(801)
Accrued payroll and payroll-related expenses	(10)	53
Accrued interest expense	(26)	(25)
Deferred rent and tenant deposits	60	(81)
Other long-term liabilities	(2)	(2)
Deferred entrance fees	1,471	716
Refundable CCRC contracts	333	597
	<u>\$ 2,781</u>	<u>\$ 5,869</u>
Net cash provided by operating activities	<u>\$ 2,781</u>	<u>\$ 5,869</u>

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

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

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

A summary of significant accounting policies follows:

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

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

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



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

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

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

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

	<b>Year Ended December 31, 2021</b>				
	<b>Private Pay</b>	<b>Other Insurance</b>	<b>Medicare</b>	<b>Medi-Cal</b>	<b>Total</b>
Net Patient Service Revenue	\$ 1,117	\$ 1,759	\$ 3,388	\$ 4,597	\$ 10,861

	<b>Year Ended December 31, 2021</b>				
	<b>Assisted Living</b>	<b>Memory Care</b>	<b>Independent Living</b>	<b>CCRC Entrance Fees</b>	<b>Total</b>
Rental Revenue	\$ 5,829	\$ 2,704	\$ 9,683	\$ 507	\$ 18,723

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

	Year Ended December 31, 2020				Total
	Private Pay	Other Insurance	Medicare	Medi-Cal	
Net Patient Service Revenue	\$ 1,408	\$ 1,327	\$ 3,378	\$ 4,877	\$ 10,990

	Year Ended December 31, 2020				Total
	Assisted Living	Memory Care	Independent Living	CCRC Entrance Fees	
Rental Revenue	\$ 6,496	\$ 2,811	\$ 9,718	\$ 466	\$ 19,491

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

	2021	2020
Commercial and other	23%	25%
Medicare	33%	25%
Medi-Cal	21%	16%
Self pay	23%	34%
	100%	100%

**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 health care entities in connection with health care-related expenses or lost revenues attributable to novel coronavirus (“COVID-19”) and treatment of uninsured COVID-19 patients. The PRF funds have been accounted for as conditional contributions under ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*. Because PRF payments can only be used to prevent, prepare for, or respond to COVID-19, they are considered donor-restricted. Due to the linkage of the conditions with the restrictions, the restrictions were simultaneously satisfied upon meeting the conditions, and therefore, PRF funds totaling \$285,000 and \$812,000 have been recognized as government grant revenue without donor restrictions in the statements of operations and changes in net assets during the years ended December 31, 2021 and 2020, respectively.

## O'Connor Woods Housing Corporation

### Notes to Financial Statements

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On April 15, 2020, the Corporation was approved for a loan of \$3,348,000 under the Paycheck Protection Program (“PPP”), which is administered by the U.S. Small Business Administration (“SBA”) under authority from the CARES Act. The loan accrues interest at an annual rate of 1%, with payments deferred for 10 months, and all outstanding principal and interest due April 15, 2022. The PPP provides for the forgiveness of amounts borrowed under the program provided that the borrower meets certain criteria, with the amount of loan forgiveness reduced by a factor determined by reductions in personnel during the eight or 24-week period beginning on the loan date. The Corporation did not experience a significant change in employee headcount during the 24-week coverage period chosen for its PPP loan forgiveness application, and therefore, management believes that all relevant criteria for forgiveness have been met. The Corporation applied for full forgiveness of the \$3,348,000 loan on November 10, 2020 and the SBA forgave the loan in full on June 8, 2021. The PPP loan amount of \$3,348,000 has been recognized as government grant revenue without donor restrictions in the statements of operations and changes in net assets during the year ended December 31, 2020.

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

Buildings and improvements	5–50 years
Land improvements	5–50 years
Furniture and equipment	3–20 years

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

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

**Debt issuance costs and bond premiums** – Debt issuance costs are amortized over the term of the related long-term debt using the effective interest method. Amortization expense for the years ended December 31, 2021 and 2020 was \$123,000 and \$132,000, respectively. Accumulated amortization totaled \$1,501,000 and \$1,378,000 as of December 31, 2021 and 2020, respectively. Bond premiums are amortized over the life of the bonds using the effective interest method. The amortization of bond premium was \$129,000 and \$138,000 for the years ended December 31, 2021 and 2020, respectively. Debt issuance costs and bond premiums are netted against the long-term debt balance in the accompanying balance sheets. Amortization of debt issuance costs and bond premiums is included as a component of interest and amortization in the accompanying statements of operations and changes in net assets.

## O'Connor Woods Housing Corporation

### Notes to Financial Statements

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

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

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

**CCRC contracts** – The Corporation began accepting CCRC contracts in 2014. The entrance fees for CCRC contracts are paid by residents upon entering into a continuing care residence and services agreement, and are recorded as deferred entrance fees (for the nonrefundable portion) and refundable CCRC contracts (for the refundable portion). The Corporation's continuing care residence and services agreements are either (i) amortizing contracts that have the right to a refund of the entrance fee, less 1/36 for each month of residency up to 36 months, where the entire amount is amortized to revenue on a straight-line basis over the life expectancy of the resident; or (ii) 90% refundable contracts, where 90% of the entrance fee is refundable upon termination of the contract and the sale of a similar unit, and the remaining 10% is nonrefundable and is amortized to revenue on a straight-line basis over the resident's life expectancy. As of December 31, 2021 and 2020, the balance of deferred entrance fees was \$2,246,000 and \$2,167,000, respectively, and the balance of refundable CCRC contracts was \$10,075,000 and \$9,742,000, respectively.

**Obligation to provide future services** – Management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the CCRC to be provided to current residents and compares the amount with the balance of deferred entrance fees and refundable CCRC contracts, discounted at 2.6%. If the present value of the net cost of future services and use of the CCRC exceeds the deferred entrance fees and refundable CCRC contracts, a liability and a corresponding charge to income are recorded. No liability was recorded as of December 31, 2021 and 2020.

## O'Connor Woods Housing Corporation

### Notes to Financial Statements

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

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

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

**Recent accounting pronouncements** – In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software*, to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption is effective for the Corporation for the fiscal year ending December 31, 2021. The Corporation adopted ASU 2018-15 for the fiscal year ended December 31, 2021, and the adoption did not have a material impact on the financial statements.

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

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

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

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

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,653	\$ 6,223
Restricted cash included in assets limited as to use	<u>2,661</u>	<u>2,216</u>
Total cash, cash equivalents, and restricted cash balances	<u>\$ 7,314</u>	<u>\$ 8,439</u>

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

### NOTE 3 – ASSETS LIMITED AS TO USE

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

	<u>2021</u>	<u>2020</u>
Required under bond indenture for principal, interest, and reserves:		
Cash and cash equivalents	\$ 2,365	\$ 2,161
Debt securities	<u>3,198</u>	<u>3,399</u>
	<u>5,563</u>	<u>5,560</u>
Donor-restricted assets:		
Cash and cash equivalents	296	55
Certificates of deposit	-	210
Equity securities	1,445	1,016
Debt securities	631	1,148
Mutual funds	<u>1,239</u>	<u>833</u>
	<u>3,611</u>	<u>3,262</u>
	9,174	8,822
Less current portion	<u>(2,359)</u>	<u>(2,129)</u>
	<u>\$ 6,815</u>	<u>\$ 6,693</u>

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

**NOTE 4 – INVESTMENTS**

Investments consist of the following as of December 31 (in thousands):

	<u>2021</u>	<u>2020</u>
Investments:		
Cash and cash equivalents	\$ 325	\$ 3,958
Debt securities	1,797	2,343
Mutual funds	9,072	8,131
Equity securities	12,581	9,347
	<u>\$ 23,775</u>	<u>\$ 23,779</u>

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

	<u>Year Ended December 31, 2021</u>		
	<u>Assets limited as to use</u>	<u>Cash equivalents and Investments</u>	<u>Total</u>
Investment income:			
Interest and dividend income	\$ 130	\$ 527	\$ 657
Realized gains on sales of securities	72	1,706	1,778
Unrealized gains on securities	162	887	1,049
	364	3,120	3,484
Less investment expenses	(28)	(154)	(182)
	336	2,966	3,302
Less investment income with donor restrictions	(367)	-	(367)
	Investment (loss) income without donor restrictions	\$ 2,966	\$ 2,935
	<u>\$ (31)</u>	<u>\$ 2,966</u>	<u>\$ 2,935</u>

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

	<b>Year Ended December 31, 2020</b>		
	<b>Assets limited as to use</b>	<b>Cash equivalents and Investments</b>	<b>Total</b>
Investment income:			
Interest and dividend income	\$ 90	\$ 419	\$ 509
Realized gains on sales of securities	46	1,720	1,766
Unrealized gains on securities	115	963	1,078
	251	3,102	3,353
Less investment expenses	(23)	(113)	(136)
Total investment income	228	2,989	3,217
Less investment income with donor restrictions	(148)	-	(148)
Investment income without donor restrictions	<u>\$ 80</u>	<u>\$ 2,989</u>	<u>\$ 3,069</u>

**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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



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

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

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

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

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

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

Description	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (including assets limited as to use):				
Cash and money market funds	\$ 2,986	\$ 2,986	\$ -	\$ -
Certificates of deposit	-	-	-	-
Common stocks	14,026	14,026	-	-
Mutual funds	10,311	10,311	-	-
U.S. government agency securities	1,448	1,448	-	-
U.S. government bonds/notes	2,470	2,470	-	-
Municipal bonds/notes	631	-	631	-
Corporate bonds/notes	1,077	1,077	-	-
Total	<u>\$ 32,949</u>	<u>\$ 32,318</u>	<u>\$ 631</u>	<u>\$ -</u>

Description	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (including assets limited as to use):				
Cash and money market funds	\$ 6,174	\$ 6,174	\$ -	\$ -
Certificates of deposit	210	-	210	-
Common stocks	10,363	10,363	-	-
Mutual funds	8,964	8,964	-	-
U.S. government agency securities	1,947	1,947	-	-
U.S. government bonds/notes	2,426	2,426	-	-
Municipal bonds/notes	1,250	-	1,250	-
Corporate bonds/notes	1,267	1,267	-	-
Total	<u>\$ 32,601</u>	<u>\$ 31,141</u>	<u>\$ 1,460</u>	<u>\$ -</u>

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

### NOTE 6 – PROPERTY AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 87,508	\$ 82,265
Furniture and equipment	10,368	10,105
Land improvements	<u>3,834</u>	<u>3,667</u>
	101,710	96,037
Less accumulated depreciation	<u>(59,280)</u>	<u>(54,519)</u>
	<u>42,430</u>	<u>41,518</u>
Land	4,325	4,325
Construction in progress	<u>1,189</u>	<u>3,312</u>
Property and equipment, net	<u>\$ 47,944</u>	<u>\$ 49,155</u>

### NOTE 7 – LONG-TERM DEBT

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

	<u>2021</u>	<u>2020</u>
Series 2013 Insured Revenue Bonds, principal due in annual installments and fixed interest due semi-annually. Interest ranges from 2.0% to 5.0%, final payment due in January 2043, secured by a first deed of trust on the property and equipment of the Corporation.	\$ 42,230	\$ 43,275
Bond issuance premium, net of accumulated amortization of \$1,572 and \$1,443 as of December 31, 2021 and 2020, respectively.	1,809	1,938
Debt issuance costs, net of accumulated amortization of \$1,501 and \$1,378 as of December 31, 2021 and 2020, respectively.	<u>(2,502)</u>	<u>(1,851)</u>
	41,537	43,362
Less: current maturities, net of premiums and deferred financing costs of \$5 and \$6 at December 31, 2021 and 2020, respectively.	<u>(1,100)</u>	<u>(1,051)</u>
Long-term debt, net of current portion	<u>\$ 40,437</u>	<u>\$ 42,311</u>

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

Maturities of long-term debt, excluding the current portion of premiums and deferred financing costs of \$5,000 are as follows (in thousands):

<u>Years ended December 31,</u>	
2022	\$ 1,095
2023	1,155
2024	1,205
2025	1,270
2026	1,330
Thereafter	<u>36,175</u>
	<u><u>\$ 42,230</u></u>

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

	<b>2021</b>	<b>2020</b>
Interest on bonds and leases	\$ 2,126	\$ 2,178
Amortization of bond premium	(129)	(138)
Amortization of debt issuance costs	<u>123</u>	<u>132</u>
 Total	 <u><u>\$ 2,120</u></u>	 <u><u>\$ 2,172</u></u>

The Series 2013 Bonds are subject to restrictive covenants contained in a regulatory agreement. Under the regulatory agreement, the Corporation is required to maintain certain deposits with a trustee that are included in assets limited as to use. The regulatory agreement also, among other things, requires the Corporation to maintain a specified debt service coverage ratio, current ratio, and days cash on hand; places limits on the Corporation on the incurrence of additional long-term debt; and requires the Corporation to report material adverse changes. Management believes the Corporation was in compliance with the various covenants as of and for the year ended December 31, 2021.

During the year ended December 31, 2021, the Corporation entered into a new bond commitment, for which bond issuance will occur in 2022. The Corporation incurred \$774,000 in debt issuance costs related to the bond issuance during the year ended December 31, 2021.

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

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### NOTE 8 – DEFERRED ENTRANCE FEES

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 2,167	\$ 1,927
New fees received	486	236
Amortization of fees	(507)	(466)
Contract terminations	-	(10)
Other	100	480
	<u>100</u>	<u>480</u>
Balance, end of year	<u>\$ 2,246</u>	<u>\$ 2,167</u>

### NOTE 9 – RISK MANAGEMENT

The Corporation's professional liability insurance is a claims-made policy. Under the policy, insurance premiums cover only those claims actually reported during the policy term. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, may be uninsured. The deductible on the claims-made policy was \$50,000 as of December 31, 2021 and 2020.

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

The Corporation purchased its workers' compensation benefits through a risk retention group plan. A capital contribution deposit of \$110,000 was held by the plan as of December 31, 2021 and 2020. The Corporation's pro rata share of the plan's unfunded liabilities totaled \$0 as of December 31, 2021 and 2020.

### NOTE 10 – MANAGEMENT AND SUPPORT SERVICES AGREEMENTS

Starting January 1, 2015, the Corporation has a contractual agreement (the "Agreement") with Eskaton Properties, Inc. ("EPI"), a not-for-profit corporation that provides management and support services for the Corporation. EPI provides such services for a fee and processes pass-through expenditures on behalf of the Corporation. Under the terms of the Agreement, \$1,532,000 and \$1,763,000, exclusive of pass-through activity, was recognized as expense for services provided by EPI and is included in management and support services fees in the Corporation's accompanying statements of operations and changes in net assets for the years ended December 31, 2021 and 2020, respectively.

**NOTE 11 – EMPLOYEE BENEFIT PLAN**

The Corporation sponsors a 403(b) retirement plan (the “Plan”) covering substantially all employees. Employees are immediately eligible to participate in the Plan and defer compensation under the Plan provisions. Employee deferral amounts are subject to Internal Revenue Service annual limitations. The Plan provides for employer-matching contributions. Employees who are at least 21 years of age and have completed one year of service are generally eligible to participate in employer-matching contributions. The Corporation will match 33.33% of the employee’s deferral for deferral amounts not exceeding 6% of the employee’s annual compensation. Employees vest 100% in employer-matching contributions after completing three years of service. Employer contributions to the Plan for the years ended December 31, 2021 and 2020 were \$81,000 and \$86,000, respectively.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

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

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

In March 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency. The COVID-19 outbreak in the United States has not resulted in a Corporation 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 Corporation’s operations is uncertain.

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

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

**NOTE 14 – LIQUIDITY DISCLOSURE**

The Corporation had a working capital surplus of approximately \$27,542,000 and \$28,500,000 as of December 31, 2021 and 2020, respectively.

# O'Connor Woods Housing Corporation

## Notes to Financial Statements

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,653	\$ 6,223
Investments	23,775	23,779
Tenant and patient receivables, net	1,273	1,138
Other receivables	<u>155</u>	<u>384</u>
	<u>\$ 29,856</u>	<u>\$ 31,524</u>

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

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

### NOTE 15 – NATURAL AND FUNCTIONAL EXPENSES

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

	<u>Year Ended December 31, 2021</u>				
	<u>Program Services</u>		<u>Support Services</u>		<u>Total</u>
	<u>Health Services</u>	<u>Residential Services</u>	<u>Fundraising</u>	<u>General &amp; Admin</u>	
Salaries and wages	\$ 4,801	\$ 6,520	\$ 43	\$ 1,446	\$ 12,810
Employee benefits	1,297	1,709	3	319	3,328
Professional fees	1,085	84	-	171	1,340
Supplies	495	395	1	111	1,002
Purchased services	953	3,005	-	553	4,511
Ancillary costs	639	3	-	-	642
Utilities	324	1,201	-	340	1,865
Insurance and other	138	322	-	358	818
Management and support services fees	-	-	-	1,532	1,532
Depreciation	847	3,866	-	48	4,761
Interest and amortization	381	1,739	-	-	2,120
	<u>\$ 10,960</u>	<u>\$ 18,844</u>	<u>\$ 47</u>	<u>\$ 4,878</u>	<u>\$ 34,729</u>

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

	Year Ended December 31, 2020				
	Program Services		Support Services		Total
	Health Services	Residential Services	Fundraising	General & Admin	
Salaries and wages	\$ 5,159	\$ 6,712	\$ -	\$ 1,409	\$ 13,280
Employee benefits	1,333	1,681	-	347	3,361
Professional fees	1,153	69	-	251	1,473
Supplies	475	457	-	128	1,060
Purchased services	870	2,860	-	307	4,037
Ancillary costs	558	2	-	-	560
Utilities	314	1,240	-	275	1,829
Insurance and other	124	156	51	528	859
Management and support services fees	-	-	-	1,763	1,763
Depreciation	675	3,156	-	41	3,872
Interest and amortization	383	1,789	-	-	2,172
	<u>\$ 11,044</u>	<u>\$ 18,122</u>	<u>\$ 51</u>	<u>\$ 5,049</u>	<u>\$ 34,266</u>

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

**NOTE 16 – SUBSEQUENT EVENTS**

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

The Corporation has evaluated subsequent events through April 22, 2022, which is the date the financial statements were issued.





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



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

**O'Connor Woods Housing Corporation**

*December 31, 2021*

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## **Report of Independent Auditors**

To the Board of Directors  
O'Connor Woods Housing Corporation

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

#### ***Opinion***

We have audited the accompanying financial statements of O'Connor Woods Housing Corporation, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, for the year ended December 31, 2021.

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care liquid reserves of O'Connor Woods Housing Corporation as of and for the year ended December 31, 2021, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

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

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Supplementary Form 5-1, Reconciliation to Audit Report; Supplementary Form 5-4, Reconciliation to Audit Report; and Supplementary Form 5-5, Reconciliation to Audit Report, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

***Restriction on Use***

Our report is intended solely for the information and use of the Board of Directors and management of O'Connor Woods Housing Corporation and the California Department of Social Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moss Adams LLP*

San Francisco, California  
April 28, 2022

**Continuing Care Liquid Reserve Schedules**

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**O'Connor Woods Housing Corporation**  
**Form 5-1**  
**Long-Term Debt Incurred In A Prior Fiscal Year**  
**Year Ended December 31, 2021**

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (Columns (b) + (c) + (d))
1	6/12/2013	\$ 1,045,000	\$ 2,138,000	-	\$ 3,183,000
2					
3					
4					
5					
6					
7					
8					
<b>TOTAL:</b>		<b>\$ 1,045,000</b>	<b>\$ 2,138,000</b>	<b>-</b>	<b>\$ 3,183,000</b>

**Provider:** O'Connor Woods

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

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



**O'Connor Woods Housing Corporation**  
**Form 5-2**  
**Long-Term Debt Incurred During Fiscal Year**  
**Year Ended December 31, 2021**

**FORM 5-2: LONG-TERM DEBT INCURRED DURING FISCAL YEAR (INCLUDING BALLOON DEBT)**

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

**Provider:** O'Connor Woods

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

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

**O'Connor Woods Housing Corporation**  
**Form 5-3**  
**Calculation Of Long-Term Debt Reserve Amount**  
**Year Ended December 31, 2021**

---

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

<u>Line</u>		<u>TOTAL</u>
1	Total from 5-1 bottom of column (e)	<u>\$ 3,183,000</u>
2	Total from 5-2 bottom of column (e)	<u>-</u>
3	Facility leasehold or rental payment paid by the provider during fiscal year (including related payments such as lease insurance)	<u>-</u>
4	Total amount required for long-term debt reserve	<u>\$ 3,183,000</u>

**Provider:** O'Connor Woods

**O'Connor Woods Housing Corporation**  
**Form 5-4**  
**Calculation Of Net Operating Expenses**  
**Year Ended December 31, 2021**

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

<b>Line</b>		<b>Amounts</b>	<b>Total</b>
1	Total operating expenses from financial statements		\$ 34,729,000
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	\$ 2,138,000	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$ -	
c.	Depreciation	\$ 4,761,000	
d.	Amortization	\$ (6,000)	
e.	Revenues received during the fiscal year for services for persons who did not have a continuing care contract	\$ 25,065,000	
f.	Extraordinary expenses approved by the Department	\$ -	
3	Total deductions		\$ 31,958,000
4	Net operating expenses		\$ 2,771,000
5	Divide Line 4 by 365 and enter the result.		\$ 7,592
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		\$ 569,000

**Provider:** O'Connor Woods

**O'Connor Woods Housing Corporation**  
**Form 5-5**  
**Annual Reserve Certification**  
**Year Ended December 31, 2021**

---

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

Provider Name: O'Connor Woods Housing Corporation  
 Fiscal Year Ended: December 31, 2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2021 and are in compliance with those requirements. Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	<u>Amount</u>
[1] Debt service reserve amount	\$ 3,183,000
[2] Operating expense reserve amount	\$ 569,000
[3] <b>Total liquid reserve amount</b>	<b>\$ 3,752,000</b>

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

<b>Qualifying Asset Description</b>	<b>Debt Service Reserve</b>	<b>Operating Reserve</b>
[4] Cash and cash equivalents	\$ -	\$ 4,978,000
[5] Investment securities	\$ -	\$ 1,797,000
[6] Equity securities	\$ -	\$ 21,653,000
[7] Unused/available lines of credit	\$ -	\$ -
[8] Unused/available letters of credit	\$ -	\$ -
[9] Debt service reserve	\$ 5,563,000	(Not Applicable)
[10] Other:	\$ -	\$ -

Qualifying assets used in these reserves are described as follows:

\_\_\_\_\_

\_\_\_\_\_

**Total Amount of Qualifying Assets**

Listed for Reserve Obligation:	[11] \$ 5,563,000	[12] \$ 28,428,000
Reserve Obligation Amount:	[13] \$ 3,183,000	[14] \$ 569,000
Surplus/(Deficiency):	[15] \$ 2,380,000	[16] \$ 27,859,000

Signature

  
 \_\_\_\_\_  
 (Authorized Representative)

Date: April 28, 2022

Executive Director  
 \_\_\_\_\_  
 (Title)

**O'Connor Woods Housing Corporation**  
**Note to Reserve Reports**  
**Year Ended December 31, 2021**

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**NOTE 1 – BASIS OF ACCOUNTING**

The accompanying reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of O'Connor Woods Housing Corporation's assets, liabilities, revenues, and expenses.

## **Supplementary Schedules**

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**O'Connor Woods Housing Corporation**  
**Supplementary Schedule to Form 5-1**  
**Reconciliation to Audit Report**  
**Year Ended December 31, 2021**

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Cash payments for interest (per financial statements)	\$ 2,152,000
Less: Cash payments for finance fees	<u>(14,000)</u>
Cash paid for interest	<u><u>\$ 2,138,000</u></u>

**O'Connor Woods Housing Corporation**  
**Supplementary Schedule to Form 5-4**  
**Reconciliation to Audit Report**  
**Year Ended December 31, 2021**

---

**Financial Statements Description**

Cash receipts from rental revenue	\$ 18,276,000
Cash receipts from patients	10,726,000
Less: Reimbursements for services to contract residents	<u>(3,937,000)</u>
Reimbursements for services to non-contract residents	<u>\$ 25,065,000</u>
ILU reimbursements for services to non-contract residents	\$ 6,367,000
ALU reimbursements for services to non-contract residents	8,052,000
Skilled nursing reimbursements for services to non-contract residents	<u>10,646,000</u>
Reimbursements for services to non-contract residents	<u>\$ 25,065,000</u>



**O'Connor Woods Housing Corporation**  
**Supplementary Schedule to Form 5-5**  
**Reconciliation to Audit Report**  
**Year Ended December 31, 2021**

---

<u>Financial Statements and Footnotes Description</u>		<u>Qualifying Asset Description (Form 5-5)</u>
Cash and cash equivalents	\$ 4,653,000	
Investments - cash and cash equivalents	<u>325,000</u>	
	<u>4,978,000</u>	[4] Cash and cash equivalents
Investments - debt securities	<u>1,797,000</u>	[5] Investment securities
Investments - mutual funds	9,072,000	
Investments - equity securities	<u>12,581,000</u>	
	<u>21,653,000</u>	[6] Equity securities
	<u>\$ 28,428,000</u>	<b>Operating Reserve</b>
Debt service reserves	<u>\$ 5,563,000</u>	[9] Debt service reserve
	<u>\$ 5,563,000</u>	<b>Debt Service Reserve</b>
 <b>Reconciliation to Audited Financial Statements</b>		
Cash and cash equivalents	\$ 4,653,000	
Investments	23,775,000	
Assets limited as to use, required for current liabilities - debt service reserves	2,359,000	
Debt service reserves, net of current portion	<u>3,204,000</u>	
	<u>\$ 33,991,000</u>	
Total qualifying assets as filed for operating reserve	\$ 28,428,000	
Total qualifying assets as filed for debt service reserve	<u>5,563,000</u>	
	<u>\$ 33,991,000</u>	
 <b>Per Capita Cost of Operations</b>		
Operating expenses (Form 5-4, line 1)	\$ 34,729,000	
Mean Number of CCRC Residents	<u>392.50</u>	
Per Capita Cost of Operations	<u>\$ 88,482</u>	



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

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

Date Prepared: \_\_\_\_\_

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

**NUMBER OF UNITS:**

<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
APARTMENTS — STUDIO: _____	ASSISTED LIVING: _____
APARTMENTS — 1 BDRM: _____	SKILLED NURSING: _____
APARTMENTS — 2 BDRM: _____	SPECIAL CARE: _____
COTTAGES/HOUSES: _____	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: _____	> _____

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

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

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

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

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** \_\_\_\_\_

**ENTRY REQUIREMENTS:** MIN. AGE: \_\_\_\_\_ PRIOR PROFESSION: \_\_\_\_\_ OTHER: \_\_\_\_\_

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

> \_\_\_\_\_

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

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

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

**OTHER CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**MULTI-LEVEL RETIREMENT COMMUNITIES**

**LOCATION (City, State)**

**PHONE (with area code)**

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**

_____	_____	_____
_____	_____	_____
_____	_____	_____

**SUBSIDIZED SENIOR HOUSING**

**LOCATION (City, State)**

**PHONE (with area code)**

_____	_____	_____
_____	_____	_____
_____	_____	_____

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

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

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

\*\*\*\*\*

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

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

\*\*\*\*\*

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

	2018 CCAC Medians 50 <sup>th</sup> Percentile	2019	2020	2021
<b>DEBT TO ASSET RATIO</b>				
<b>OPERATING RATIO</b>				
<b>DEBT SERVICE COVERAGE RATIO</b>				
<b>DAYS CASH ON HAND RATIO</b>				

\*\*\*\*\*

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

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

\*\*\*\*\*

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

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

### **FINANCIAL RATIO FORMULAS**

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

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

#### **OPERATING RATIO**

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

#### **DEBT SERVICE COVERAGE RATIO**

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

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

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

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

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Long-term debt	\$ 46,257	\$ 45,325	\$ 44,363	\$ 43,362	\$ 41,537
Less: Current portion	(932)	(962)	(1,001)	(1,051)	(1,100)
	<u>45,325</u>	<u>44,363</u>	<u>43,362</u>	<u>42,311</u>	<u>40,437</u>
Divided by:					
Total assets	<u>81,193</u>	<u>81,346</u>	<u>85,289</u>	<u>90,397</u>	<u>87,737</u>
<b>Long-term debt to total assets ratio</b>	<b><u>55.82%</u></b>	<b><u>54.54%</u></b>	<b><u>50.84%</u></b>	<b><u>46.81%</u></b>	<b><u>46.09%</u></b>

**Operating Ratio**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total operating expenses	\$ 32,557	\$ 32,728	\$ 34,339	\$ 34,266	\$ 34,729
Less: Depreciation and amortization	(3,855)	(3,872)	(3,940)	(3,866)	(4,755)
	<u>28,702</u>	<u>28,856</u>	<u>30,399</u>	<u>30,400</u>	<u>29,974</u>
Divided by:					
Total operating revenues	32,388	32,993	32,853	35,286	30,478
Less: Amortization of deferred revenue	(272)	(210)	(332)	(466)	(507)
	<u>32,116</u>	<u>32,783</u>	<u>32,521</u>	<u>34,820</u>	<u>29,971</u>
<b>Operating ratio</b>	<b><u>89.37%</u></b>	<b><u>88.02%</u></b>	<b><u>93.47%</u></b>	<b><u>87.31%</u></b>	<b><u>100.01%</u></b>

**Debt Service Coverage Ratio**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total excess of revenues over expenses	\$ 1,225	\$ (724)	\$ 1,661	\$ 4,089	\$ (1,315)
Plus: Interest and amortization	2,284	2,253	2,220	2,172	2,120
Plus: Depreciation	3,863	3,879	3,947	3,872	4,761
Plus: Net proceeds from entrance fees	1,758	1,208	4,090	1,660	1,195
Less: Amortization of deferred revenue	(272)	(210)	(332)	(466)	(507)
	<u>8,858</u>	<u>6,406</u>	<u>11,586</u>	<u>11,327</u>	<u>6,254</u>
Divided by:					
Annual debt service	<u>3,196</u>	<u>3,203</u>	<u>3,201</u>	<u>3,184</u>	<u>3,183</u>
<b>Debt service coverage ratio</b>	<b><u>2.77</u></b>	<b><u>2.00</u></b>	<b><u>3.62</u></b>	<b><u>3.56</u></b>	<b><u>1.96</u></b>



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

**Days Cash On Hand Ratio**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,137	\$ 3,842	\$ 6,072	\$ 6,223	\$ 4,653
Investments	11,499	16,318	19,301	23,779	23,775
Unrestricted cash and investments	<u>17,636</u>	<u>20,160</u>	<u>25,373</u>	<u>30,002</u>	<u>28,428</u>
Operating expenses	32,557	32,728	34,339	34,266	34,729
Less: Depreciation and amortization	(3,855)	(3,872)	(3,940)	(3,866)	(4,755)
	<u>28,702</u>	<u>28,856</u>	<u>30,399</u>	<u>30,400</u>	<u>29,974</u>
Divided by calendar days	<u>365</u>	<u>365</u>	<u>365</u>	<u>366</u>	<u>365</u>
Operating expenses per day	\$ 79	\$ 79	\$ 83	\$ 83	\$ 82
<b>Days cash on hand</b>	<b><u>224</u></b>	<b><u>255</u></b>	<b><u>305</u></b>	<b><u>361</u></b>	<b><u>346</u></b>

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total operating revenues	32,388	32,993	32,853	35,286	30,478
Less: Amortization of deferred revenue	(272)	(210)	(332)	(466)	(507)
	<u>32,116</u>	<u>32,783</u>	<u>32,521</u>	<u>34,820</u>	<u>29,971</u>
Total operating expenses	32,557	32,728	34,339	34,266	34,729
Less: Depreciation	(3,863)	(3,879)	(3,947)	(3,872)	(4,761)
Less: Interest and amortization	(2,284)	(2,253)	(2,220)	(2,158)	(2,120)
	<u>26,410</u>	<u>26,596</u>	<u>28,172</u>	<u>28,236</u>	<u>27,848</u>
Net income from operations	<u>5,706</u>	<u>6,187</u>	<u>4,349</u>	<u>6,584</u>	<u>2,123</u>
Less: Interest expense	(2,230)	(2,199)	(2,166)	(2,189)	(2,138)
Plus: Contributions	123	30	260	1	1
Plus: Non-operating income (expense)	<u>1,394</u>	<u>(989)</u>	<u>3,147</u>	<u>3,069</u>	<u>2,934</u>
Net income (loss) before entrance fees, depreciation and amortization	<u>4,993</u>	<u>3,029</u>	<u>5,590</u>	<u>7,465</u>	<u>2,920</u>
Net cash flow from entrance fees	<u>1,758</u>	<u>1,208</u>	<u>4,090</u>	<u>1,660</u>	<u>1,195</u>

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

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

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

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

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

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

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

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

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

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

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

	<b>RESIDENTIAL LIVING</b>	<b>ASSISTED LIVING</b>	<b>MEMORY CARE</b>	<b>SKILLED NURSING</b>
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,658-6,914</u>	<u>\$4,909-7,123</u>	<u>\$5,947-9,515</u>	<u>10710-13800</u>
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>
<input type="checkbox"/> Check here if monthly care fees at this community were <u>not</u> increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)				
3. Indicate the date the fee increase was implemented: <u>01/01/2021</u> (If more than one (1) increase was implemented, indicate the dates for each increase.)				
4. Check each of the appropriate boxes:				
<input checked="" type="checkbox"/> Each fee increase is based on the Provider’s projected costs, prior year per capita costs, and economic indicators.				
<input checked="" type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. <b>Date of Notice:</b> <u>11/01/2020</u> <b>Method of Notice:</b> <u>Special town hall meeting</u>				
<input checked="" type="checkbox"/> At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. <b>Date of Meeting:</b> <u>11/01/2020</u>				
<input checked="" type="checkbox"/> At the meeting with residents, the Provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.				
<input checked="" type="checkbox"/> The Provider distributed the documents to all residents by [check all that apply]:				
<input type="checkbox"/> Emailed the documents to those residents for whom the provider had email addresses on file				
<input checked="" type="checkbox"/> Placed hard copies in resident cubby				
<input checked="" type="checkbox"/> Placed hard copies at designated locations				
<input checked="" type="checkbox"/> Provided hard copies to residents upon request, and/or				
<input type="checkbox"/> Other: [please describe] _____				
<input checked="" type="checkbox"/> <b>Date of Notice:</b> <u>11/01/2020</u>				

- The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.  
**Date of Notice:** 10/11/2020
  
- The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.  
**Date of Posting:** 10/11/2020      **Location of Posting:** Letter sent to residents/responsible parties
  
- Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.  
**Date of Posting:** \_\_\_\_\_ **Location of Posting:** \_\_\_\_\_

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

**PROVIDER:** O'Connor Woods Housing Corporation      **COMMUNITY:** O'Connor Woods

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

The goal of O'Connor Woods' 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 care fees were increased in 2021 by 5.0% 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 and insurance costs, and normal inflationary cost increases related to purchases of supplies and services.

Labor costs were budgeted to increase by approximately 4.5% in 2021 due to minimum wage requirements in California increasing from \$13.00 per hour to \$14.00 per hour (8%), in addition to standard merit-based increases. Expenses related to employee benefits were budgeted to increase by approximately 4.5% due to increasing employee health benefit expense.

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

The projected 2021 net operating deficit shown on the following page is expected to be remedied by the community's ongoing multi-year repositioning plan, which will gradually increase monthly care fees until positive net operating income is achieved. Having positive net operating income will allow 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 provide exceptional living and a network of services for seniors in the region to support and inspire the human spirit by nurturing well-being, independence and a sense of community.

**FORM 7-1 ATTACHMENT**  
**FISCAL YEAR 2021 MONTHLY CARE FEE INCREASE (MCFI) (in thousands)**  
**O'CONNOR WOODS**

		<b>2019</b>	<b>2020</b>	<b>2021</b>
1	2019 Operating Expenses (audited)	(34,339)		
2	2020 Operating Expenses		(34,477)	
3	Projected 2021 Operating Expenses			(36,978)
4	Projected 2021 Revenue without a MCFI			34,433
5	Projected 2021 Net Operating Loss without a MCFI			(2,545)
6	Projected 2021 Revenue with MCFI 5.0%			35,253
7	Projected 2021 Net Operating Loss After 5.0% MCFI			(1,725)

**Monthly Care Fee Increase: 5.0%**

**Notes:**

2020 to 2021: 4.5% average increase in labor costs

Total increase in revenues related to monthly care fee increase is estimated at \$820,000

Total projected increase in expenses is estimated at \$2,501,000

OCW 2021 principal due on debt was \$1,045,000





**O'CONNOR WOODS**  
**2021 BUDGET REVIEW**  
**AND RATE INCREASE**



## MEETING AGENDA

1. Budget Development Considerations
2. Occupancy Year to Date and 2021 Budget
3. 2020 Vs. 2021 Budgets
4. Capital Overview 2021
5. 15-year Rate History
6. Rate Increase 2021

# BUDGET CONSIDERATIONS

- **Salaries – 4.5% increase for existing positions (includes merit based increases and market adjustments).**
  - Minimum wage is increasing from \$13 to \$14 per hour
  - Wage compression from minimum wage increase
  - Remaining competitive in market (employee retention)
- **Employee Benefits Expense 3-5% increase over prior year**
- **Utilities 3-6% increase variable by provider**
- **Insurance 10%+**
- **Inflationary factors – 3-5% (Food, supplies, etc.)**

## OCCUPANCY BY LEVEL OF CARE

Level of Care	September 2020 YTD Average	September 2020 Actual	2021 Average Budgeted
Independent	82.0%	76.9%	86.9% (81.6-92.2%)
Assisted Living	91.2%	88.2%	92.6% (90.6-94.1%)
Memory Care	96.2%	92.0%	93.5%
SNF	76.8%	63.9%	82.5% (72.0-90.0%)

## 2021 BUDGET VS. 2020 BUDGET

	2020 Budget	2021 Budget	% Change
Net Operating Revenue	\$ 36.9M	\$ 35.7	-3.3%
Expenses			
Salaries and Benefits	\$17.6M	\$18.0 M	2.7%
Purchased Services	\$3.9	\$4.5	5.8%
Management Fee	\$1.8M	\$1.7	4.1%
Utilities	\$1.8M	\$1.9	3.27%
Other	\$4.6	\$4.6	1.4%
<u>Fixed Expenses</u>	<u>\$6.8 M</u>	<u>\$6.4 M</u>	<u>8.1%</u>
Total Expenses	\$36.5M	\$36.9	4.6%
Net Operating Income	\$ .374	(\$ 1.2)	5.4%

# MARKETING AND OUTREACH EFFORTS

- **Enhanced Independent Living Strategy**
  - Progressive marketing
  - Expanded Digital marketing
  - Sales training and accountability
- **Master Plan campus projects**
  - Dining Room, Main Entry, Porte Cochere(lobby entry)
- **Meadowood**
  - 5 Star quality
  - Improved admissions process
  - Expand outreach to outlying hospitals.

# 15-YEAR RATE HISTORY

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
INDEPENDENT LIVING	4%	4%	4%	3.90%	1.5% to 2.5%	2.5%	3%	2.5%	2.5%	2.5%	3%	3%	3%	3.75%	4%
ASSISTED LIVING	5%	5%	5%	4%	2%	3%	4%	4%	3%	3%	4%	5%	3%	3%	4%
MEMORY CARE										0%	5%	5%	3%	6%	6%
SKILLED NURSING	4%	4%	5%	6%	4%	3%	4%	5%	4%	3%	4.5%	3%	3%	3.75%	4%

## 2021 CAPITAL BUDGET

- **\$4.3M potential 2021 capital spend**
  - **\$1M Routine Maintenance**
    - \$125k Grounds (Concrete, Landscape, Fencing)
    - \$220k Technology Initiatives
    - \$300k AL Building Improvements
  - **\$1.9M Capital Improvements**
    - \$1M IL Unit Renovations
    - \$450k Entry Gate Relocation
    - \$250k Porte Cochere
  - **\$1.4M – Dining Room Renovation (carry over 2021 impact)**



## 2021 RATE INCREASES

- **2021 Proposed Rate Increases:**

- **Independent Living** 5%
- **Assisted Living** 5%
- **Memory Care** 5%
- **SNF** 5%