

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2023

PROVIDER(S):

O'Connor Woods Housing Corporation

CCRC(S):

O'Connor Woods

PROVIDER CONTACT PERSON:

Carey Howell

TELEPHONE NUMBER:

(916) 334-0810

E-MAIL ADDRESS:

Carey.Howell@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: \$ 8,270
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

PART 1
RESIDENT POPULATION AND ANNUAL
PROVIDER FEE

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	95
[2]	Number at end of fiscal year	107
[3]	Total Lines 1 and 2	202
		x.50
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	
[5]	Mean number of continuing care residents	101
All Residents		
[6]	Number at beginning of fiscal year	395
[7]	Number at end of fiscal year	405
[8]	Total Lines 6 and 7	800
		x.50
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	400
[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).	25

O'Connor Woods
Calculation of Non-Contract Resident Reimbursement
December 31, 2023

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/22	90	5	-	95
Contract Residents @ 12/31/23	99	7	1	107
Total	189	12	1	202
Mean	94.5	6.0	0.5	101.0
All Residents @ 12/31/22	225	97	73	395
All Residents @ 12/31/23	243	97	65	405
Total	468	194	138	800
Mean	234.0	97.0	69.0	400.0
% Contract Residents to Total Residents	40.38%	6.19%	0.72%	25.25%
% Non-Contract Residents to Total Residents	59.62%	93.81%	99.28%	74.75%

2023 CASH RECEIPTS

Independent Living (Contract Residents)	4,437,000		
Net Independent Living (Non-Contract Residents)	6,550,000		
Total Independent Living Cash Receipts	10,987,000		
Assisted Living (Contract Residents)	552,000		
Net Assisted Living (Non-Contract Residents)	8,372,000		
Total Assisted Living Cash Receipts	8,924,000		
Skilled Nursing (Contract Residents)		93,000	
Net Skilled Nursing (Non-Contract Residents)		12,787,000	
Total Skilled Nursing Cash Receipts		12,880,000	
Total Non-Contract Resident Cash Receipts			27,709,000

FORM 1-2: ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	39,095,000.00
[a] Depreciation	4,968,000.00
[b] Debt Service (Interest Only)	1,047,000.00
[2] Subtotal (add Line 1a and 1b)	6,015,000.00
[3] Subtract Line 2 from Line 1 and enter result.	33,080,000.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.25
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	8,270,000.00
[6] Total Amount Due (multiply Line 5 by .001)	\$ 8,270.00

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 19, 2024

 _____

Penny Mallette, Executive Director

PART 3
EVIDENCE OF FIDELITY BOND



CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)
7/6/2022

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.

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

COVERAGES CERTIFICATE NUMBER: 1172645306 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
	PROPERTY					
	CAUSES OF LOSS	DEDUCTIBLES			BUILDING	\$
	BASIC	BUILDING			PERSONAL PROPERTY	\$
	BROAD	CONTENTS			BUSINESS INCOME	\$
	SPECIAL				EXTRA EXPENSE	\$
	EARTHQUAKE				RENTAL VALUE	\$
	WIND			BLANKET BUILDING	\$	
	FLOOD			BLANKET PERS PROP	\$	
				BLANKET BLDG & PP	\$	
					\$	
					\$	
					\$	
	INLAND MARINE	TYPE OF POLICY				\$
	CAUSES OF LOSS	POLICY NUMBER				\$
	NAMED PERILS					\$
						\$
A	CRIME	P00100059594602	6/15/2022	6/15/2023	X Fidelity Bond	\$ \$5,000,000
	TYPE OF POLICY				X Deductible	\$ \$25,000
	Fidelity/Dishonesty					\$
						\$
	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.

CERTIFICATE HOLDER

Eskaton Properties, Inc.
5105 Manzanita Ave.
Carmichael, CA 95608

CANCELLATION
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

PART 4
AUDITED FINANCIAL STATEMENTS



Report of Independent Auditors and
Financial Statements

O'Connor Woods Housing Corporation

December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.



San Francisco, California
April 19, 2024

Financial Statements

O'Connor Woods Housing Corporation
Balance Sheets
December 31, 2023 and 2022
(In Thousands)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,481	\$ 4,038
Investments	16,168	16,477
Tenant and patient receivables, net	1,827	2,208
Other receivables	1,217	1,265
Prepaid expenses and deposits	649	622
Inventories	113	156
Assets limited as to use, required for current liabilities - debt service reserves	2,051	850
Total current assets	25,506	25,616
ASSETS LIMITED AS TO USE, net of current portion		
Debt service reserves, net of current portion	1,419	1,358
Donor-restricted cash and investments	3,468	2,994
Total assets limited as to use, net of current portion	4,887	4,352
PROPERTY AND EQUIPMENT, net	45,591	47,763
Total assets	\$ 75,984	\$ 77,731

See accompanying notes.

O'Connor Woods Housing Corporation
Balance Sheets (Continued)
December 31, 2023 and 2022
(In Thousands)

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,455	\$ 2,724
Accrued payroll and payroll-related expenses	1,267	1,237
Accrued interest expense	703	344
Long-term debt, current portion	1,553	697
Deferred entrance fees, current portion	479	417
Refundable CCRC contracts, current portion	304	-
Deferred income and tenant deposits	1,011	950
Total current liabilities	6,772	6,369
NONCURRENT LIABILITIES		
Deferred entrance fees, net of current portion	1,957	1,992
Refundable CCRC contracts, net of current portion	13,342	12,027
Other long-term liabilities	-	15
Long-term debt, net of current portion	36,707	38,261
Total noncurrent liabilities	52,006	52,295
Total liabilities	58,778	58,664
NET ASSETS		
Without donor restrictions	13,720	15,977
With donor restrictions	3,486	3,090
Total net assets	17,206	19,067
Total liabilities and net assets	\$ 75,984	\$ 77,731

See accompanying notes.

O'Connor Woods Housing Corporation
Statements of Operations and Changes in Net Assets
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND OTHER SUPPORT		
Rental revenue, including amortization of CCRC entrance fees of \$623 and \$464 in 2023 and 2022, respectively	\$ 20,530	\$ 19,660
Net patient service revenue	12,677	10,971
Other revenue	659	506
Contributions	11	4
Net assets released from restrictions for operations	82	88
Total revenue and other support	33,959	31,229
EXPENSES		
Salaries and wages	15,187	13,828
Employee benefits	3,614	3,519
Professional fees	997	1,556
Supplies	782	740
Purchased services	5,456	5,050
Ancillary costs	1,900	1,436
Utilities	2,344	2,204
Insurance and other	969	1,025
Management and support services fees	1,698	1,562
Depreciation	4,968	4,683
Interest and amortization	1,180	1,861
Total expenses	39,095	37,464
Operating loss	(5,136)	(6,235)
NONOPERATING REVENUE		
Investment income (loss)	2,892	(3,649)
Loss on refinancing	-	(508)
Loss on asset disposal	(13)	-
Total nonoperating revenue	2,879	(4,157)
Deficiency of revenue and other support over expenses	\$ (2,257)	\$ (10,392)

See accompanying notes.

O'Connor Woods Housing Corporation
Statements of Operations and Changes in Net Assets (Continued)
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	\$ 60	71
Investment income (loss)	416	(416)
Charitable annuity trust valuation adjustment	2	(15)
Net assets released from restrictions for operations	(82)	(88)
Change in net assets with donor restrictions	396	(448)
CHANGE IN NET ASSETS	(1,861)	(10,840)
NET ASSETS, beginning of year	19,067	29,907
NET ASSETS, end of year	\$ 17,206	\$ 19,067

See accompanying notes.

O'Connor Woods Housing Corporation
Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from rental revenue	\$ 19,968	\$ 19,236
Cash receipts from sales of CCRC contracts	1,066	862
Cash receipts from patients	12,386	10,036
Cash receipts from other revenue	1,231	1,039
Cash payments for salaries and benefits	(18,771)	(17,195)
Cash payments for other operating expenses	(14,740)	(11,693)
Cash payments for interest	(1,069)	(2,638)
	71	(353)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,105)	(9,073)
Net proceeds from retirement of 2013 Bonds reserves	-	3,139
Proceeds from sale of investments	10,873	12,239
Purchase of property and equipment	(2,809)	(4,594)
	(41)	1,711
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(450)	(1,095)
Proceeds from issuance of 2022 Bonds	-	35,595
Payment of debt issuance costs	-	(1,092)
Cash loss on refinancing of 2013 Bonds	-	(585)
Donor-restricted contributions	60	71
Sales of refundable CCRC contracts	1,801	1,062
Refunded CCRC contracts	(550)	(455)
Proceeds from issuance of 2022 Bonds premium	-	5,290
Retirement of 2013 Bonds	-	(41,135)
	861	(2,344)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	891	(986)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	6,328	7,314
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 7,219	\$ 6,328
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash investing activity during the year for property and equipment acquired through accounts payable	\$ 5	\$ 565

See accompanying notes.

O'Connor Woods Housing Corporation
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (1,861)	\$ (10,840)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,968	4,683
Loss on asset disposal	13	-
Amortization of deferred financing costs	156	124
Amortization of bond premium	(404)	(189)
Amortization of CCRC entrance fees	(623)	(464)
Loss on retirement of 2013 Bonds	-	508
Restricted contributions received	(60)	(71)
Net realized and unrealized (gains) losses on investments	(2,747)	4,594
Charitable annuity trust valuation adjustment	(2)	15
Changes in assets and liabilities:		
Tenant and patient receivables	(291)	(935)
Other receivables	48	(1,110)
Prepaid expenses and deposits	(27)	(19)
Inventories	43	4
Accounts payable and accrued expenses	(1,269)	1,922
Accrued payroll and payroll-related expenses	30	152
Accrued interest expense	359	(712)
Deferred income and tenant deposits	61	40
Other long-term liabilities	(13)	(27)
Deferred entrance fees	650	1,082
Refundable CCRC contracts	368	890
Net cash provided by (used in) operating activities	<u>\$ 71</u>	<u>\$ (353)</u>

See accompanying notes.

O'Connor Woods Housing Corporation

Notes to Financial Statements

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. If any of the financial institutions with whom the Corporation does business were to be placed into receivership with the Federal Deposit Insurance Corporation, the Corporation may be unable to access the cash they have on deposit with such institutions. If the Corporation was unable to access its cash and cash equivalents as needed, the Corporation's financial position and ability to operate its business could be adversely affected.

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 credit 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 years ended December 31, as this best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors:

	Year Ended December 31, 2023				
	Private Pay	Other Insurance	Medicare	Medi-Cal	Total
Net Patient Service Revenue	\$ 132	\$ 3,286	\$ 4,261	\$ 4,998	\$ 12,677

	Year Ended December 31, 2023				
	Assisted Living	Memory Care	Independent Living	CCRC Entrance Fees	Total
Rental Revenue	\$ 6,235	\$ 2,689	\$ 10,983	\$ 623	\$ 20,530

O'Connor Woods Housing Corporation Notes to Financial Statements

	Year Ended December 31, 2022				
	Private Pay	Other Insurance	Medicare	Medi-Cal	Total
Net Patient Service Revenue	\$ 1,170	\$ 2,257	\$ 3,323	\$ 4,221	\$ 10,971

	Year Ended December 31, 2022				
	Assisted Living	Memory Care	Independent Living	CCRC Entrance Fees	Total
Rental Revenue	\$ 6,294	\$ 2,800	\$ 10,102	\$ 464	\$ 19,660

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

	2023	2022
Commercial and other	34%	27%
Medicare	19%	23%
Medi-Cal	16%	21%
Self pay	31%	29%
	100%	100%

The following represents beginning and ending accounts receivable, net as of December 31 (in thousands):

	2023	2022	2021
Tenant and patient receivables, net	\$ 1,827	\$ 2,208	\$ 1,273

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	3 to 40 years
Land improvements	10 to 20 years
Furniture and equipment	3 to 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.

O'Connor Woods Housing Corporation

Notes to Financial Statements

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 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, 2023 and 2022, was \$156,000 and \$124,000, respectively. Accumulated amortization totaled \$194,000 and \$38,000 as of December 31, 2023 and 2022, respectively. Bond premiums are amortized over the life of the bonds using the effective interest method. The amortization of bond premium was \$404,000 and \$189,000 for the years ended December 31, 2023 and 2022, 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.

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 accompanying 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.

O'Connor Woods Housing Corporation

Notes to Financial Statements

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, 2023 and 2022, the balance of deferred entrance fees was \$2,436,000 and \$2,409,000, respectively, and the balance of refundable CCRC contracts was \$13,646,000 and \$12,027,000, 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 4.5%. 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, 2023 and 2022.

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 of revenue and other support over expenses – The statements of operations and changes in net assets include deficiency of revenue and other support over expenses as the performance indicator. Changes in net assets without donor restrictions that are excluded from deficiency of revenue and other support over expenses include contributions of long-lived assets.

Reclassification – Certain prior year amounts were reclassified to conform to the current year presentation.

O'Connor Woods Housing Corporation

Notes to Financial Statements

Recent accounting pronouncements – In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which changed how entities will measure credit losses for most financial assets and certain other instruments. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under Topic 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Corporation that are subject to the guidance in FASB ASC 326 were tenant and patient receivables and other receivables.

The Corporation adopted the standard effective January 1, 2023. The impact of the adoption was not significant to the 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 accompanying balance sheets that sum to the total of the same such amounts shown in the accompanying statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,481	\$ 4,038
Restricted cash included in assets limited as to use	<u>3,738</u>	<u>2,290</u>
Total cash, cash equivalents, and restricted cash balances	<u>\$ 7,219</u>	<u>\$ 6,328</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.

O'Connor Woods Housing Corporation
Notes to Financial Statements

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):

	2023	2022
Required under bond indenture for principal, interest, and reserves:		
Cash and cash equivalents	\$ 3,470	\$ 2,208
	3,470	2,208
Donor-restricted assets:		
Cash and cash equivalents	268	82
Equity securities	1,254	1,177
Debt securities	268	474
Mutual funds	1,678	1,261
	3,468	2,994
Less current portion	6,938 (2,051)	5,202 (850)
	\$ 4,887	\$ 4,352

Note 4 – Investments

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

	2023	2022
Investments:		
Cash and cash equivalents	\$ 217	\$ 235
Debt securities	1,028	1,208
Mutual funds	5,530	4,212
Equity securities	9,393	10,822
	\$ 16,168	\$ 16,477

O'Connor Woods Housing Corporation
Notes to Financial Statements

Investment income (loss), 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):

	Year Ended December 31, 2023		
	Assets Limited as to Use	Cash Equivalents and Investments	Total
Investment income:			
Interest and dividend income	\$ 200	\$ 482	\$ 682
Realized (losses) gains on sales of securities	(17)	823	806
Unrealized gains on securities	358	1,583	1,941
	541	2,888	3,429
Less investment expenses	(16)	(105)	(121)
Total investment income	525	2,783	3,308
Less investment income with donor restrictions	(416)	-	(416)
Investment income without donor restrictions	\$ 109	\$ 2,783	\$ 2,892

	Year Ended December 31, 2022		
	Assets Limited as to Use	Cash Equivalents and Investments	Total
Investment loss:			
Interest and dividend income	\$ 120	\$ 556	\$ 676
Realized (losses) gains on sales of securities	(138)	1,383	1,245
Unrealized losses on securities	(483)	(5,356)	(5,839)
	(501)	(3,417)	(3,918)
Less investment expenses	(23)	(124)	(147)
Total investment loss	(524)	(3,541)	(4,065)
Less investment loss with donor restrictions	416	-	416
Investment loss without donor restrictions	\$ (108)	\$ (3,541)	\$ (3,649)

O'Connor Woods Housing Corporation

Notes to Financial Statements

Note 5 – Fair Value of Financial Instruments

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

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

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

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

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

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

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

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 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.

O'Connor Woods Housing Corporation

Notes to Financial Statements

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

Description	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (including assets limited as to use):				
Cash and money market funds	\$ 3,955	\$ 3,955	\$ -	\$ -
Common stocks	10,647	10,647	-	-
Mutual funds	7,208	7,208	-	-
U.S. government agency securities	148	148	-	-
U.S. government bonds/notes	190	190	-	-
Municipal bonds/notes	268	-	268	-
Corporate bonds/notes	690	690	-	-
Total	<u>\$ 23,106</u>	<u>\$ 22,838</u>	<u>\$ 268</u>	<u>\$ -</u>

Description	December 31, 2022	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	\$ 2,525	\$ 2,525	\$ -	\$ -
Common stocks	11,999	11,999	-	-
Mutual funds	5,473	5,473	-	-
U.S. government agency securities	161	161	-	-
U.S. government bonds/notes	352	352	-	-
Municipal bonds/notes	474	-	474	-
Corporate bonds/notes	695	695	-	-
Total	<u>\$ 21,679</u>	<u>\$ 21,205</u>	<u>\$ 474</u>	<u>\$ -</u>

Note 6 – Property and Equipment, net

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

	2023	2022
Buildings and improvements	\$ 94,294	\$ 90,993
Furniture and equipment	10,821	10,663
Land improvements	4,143	4,024
	<u>109,258</u>	<u>105,680</u>
Less accumulated depreciation	<u>(68,931)</u>	<u>(63,963)</u>
	<u>40,327</u>	<u>41,717</u>
Land	4,325	4,325
Construction in progress	939	1,721
Property and equipment, net	<u>\$ 45,591</u>	<u>\$ 47,763</u>

O'Connor Woods Housing Corporation
Notes to Financial Statements

Note 7 – Long-Term Debt

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

	2023	2022
Series 2022 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.	35,145	35,595
Bond issuance premium, net of accumulated amortization of \$503 and \$99 as of December 31, 2023 and 2022, respectively.	4,788	5,192
Debt issuance costs, net of accumulated amortization of \$194 and \$38 as of December 31, 2023 and 2022, respectively.	<u>(1,673)</u>	<u>(1,829)</u>
	38,260	38,958
Less: current maturities, net of premiums and deferred financing costs of \$243 and \$5 at December 31, 2023 and 2022, respectively.	<u>(1,553)</u>	<u>(697)</u>
Long-term debt, net of current portion	<u><u>\$ 36,707</u></u>	<u><u>\$ 38,261</u></u>

Maturities of long-term debt, excluding premium and deferred financing costs, are as follows (in thousands):

<u>Years Ended December 31,</u>		
2024	\$	1,310
2025		1,320
2026		1,320
2027		1,315
2028		1,370
Thereafter		<u>28,510</u>
	<u>\$</u>	<u><u>35,145</u></u>

O'Connor Woods Housing Corporation

Notes to Financial Statements

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

	2023	2022
Interest on bonds	\$ 1,428	\$ 1,926
Amortization of bond premium	(404)	(189)
Amortization of debt issuance costs	156	124
Total	\$ 1,180	\$ 1,861

On October 4, 2022, the Corporation issued Series 2022 Revenue Bonds (“Series 2022 Bonds”) at a coupon rate of 4% at a premium. The effective interest rate is 2.96%. The Bonds mature on January 1, 2043. The Corporation received total proceeds of \$40,885,000, which were used to defease the Series 2013 Bonds. The defeasement of the Series 2013 Bonds resulted in a \$508,000 loss on refinancing. The Series 2013 Bonds were subsequently retired on January 1, 2023. The Corporation incurred \$1,092,000 in debt issuance costs related to the bond issuance during the year ended December 31, 2022.

The Series 2022 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, 2023.

Note 8 – Deferred Entrance Fees

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

	2023	2022
Balance, beginning of year	\$ 2,409	\$ 2,246
New fees received	168	227
Amortization of fees	(464)	(405)
Contract terminations	(159)	(59)
Other	482	400
Balance, end of year	\$ 2,436	\$ 2,409

O'Connor Woods Housing Corporation

Notes to Financial Statements

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, 2023 and 2022.

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. There were no unfunded liabilities as of December 31, 2023 and 2022.

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, \$1,698,000 and \$1,562,000, 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, 2023 and 2022, 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, 2023 and 2022, were \$67,000 and \$91,000, respectively.

O'Connor Woods Housing Corporation

Notes to Financial Statements

Note 12 – Commitments and Contingencies

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

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

Note 13 – Health and Safety Code Section 1790(a)(3) Disclosure

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

Note 14 – Liquidity Disclosure

The Corporation had a working capital surplus of approximately \$18,734,000 and \$19,247,000 as of December 31, 2023 and 2022, respectively.

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

	2023	2022
Cash and cash equivalents	\$ 3,481	\$ 4,038
Investments	16,168	16,477
Tenant and patient receivables, net	1,827	2,208
Other receivables	1,217	1,265
	<u>\$ 22,693</u>	<u>\$ 23,988</u>

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

O'Connor Woods Housing Corporation

Notes to Financial Statements

Note 15 – Natural and Functional Expenses

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

	Year Ended December 31, 2023				
	Program Services		Support Services		
	Health Services	Residential Services	Fundraising	General & Admin	Total
Salaries and wages	\$ 6,037	\$ 7,635	\$ 81	\$ 1,434	\$ 15,187
Employee benefits	1,434	1,846	6	328	3,614
Professional fees	613	156	-	228	997
Supplies	288	284	-	210	782
Purchased services	1,118	3,822	-	516	5,456
Ancillary costs	1,896	4	-	-	1,900
Utilities	392	1,620	-	332	2,344
Insurance and other	138	277	1	553	969
Management and support services fees	-	-	-	1,698	1,698
Depreciation	914	4,016	-	38	4,968
Interest and amortization	219	961	-	-	1,180
	<u>\$ 13,049</u>	<u>\$ 20,621</u>	<u>\$ 88</u>	<u>\$ 5,337</u>	<u>\$ 39,095</u>
	Year Ended December 31, 2022				
	Program Services		Support Services		
	Health Services	Residential Services	Fundraising	General & Admin	Total
Salaries and wages	\$ 5,236	\$ 6,984	\$ 6	\$ 1,602	\$ 13,828
Employee benefits	1,363	1,761	-	395	3,519
Professional fees	1,885	248	-	298	2,431
Supplies	313	328	-	99	740
Purchased services	1,069	3,384	-	597	5,050
Ancillary costs	558	3	-	-	561
Utilities	387	1,422	-	395	2,204
Insurance and other	151	250	3	621	1,025
Management and support services fees	-	-	-	1,562	1,562
Depreciation	786	3,851	-	46	4,683
Interest and amortization	315	1,546	-	-	1,861
	<u>\$ 12,063</u>	<u>\$ 19,777</u>	<u>\$ 9</u>	<u>\$ 5,615</u>	<u>\$ 37,464</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.

O'Connor Woods Housing Corporation

Notes to Financial Statements

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 19, 2024, 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, 2023

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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 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, 2023.

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, 2023, 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 GAAS. 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 19, 2024

Continuing Care Liquid Reserve Schedules

O'Connor Woods Housing Corporation
Form 5-1
Long-Term Debt Incurred In A Prior Fiscal Year
Year Ended December 31, 2023

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

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid in Fiscal Year	Total Paid (Columns (b) + (c) + (d))
1	10/4/2022	\$ 450,000	\$ 1,047,000	-	\$ 1,497,000
2					
3					
4					
5					
6					
7					
8					
TOTAL:		\$ 450,000	\$ 1,047,000	-	\$ 1,497,000

Provider: O'Connor Woods

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

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

O'Connor Woods Housing Corporation
Form 5-2
Long-Term Debt Incurred During Fiscal Year
Year Ended December 31, 2023

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

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

Provider: O'Connor Woods

O'Connor Woods Housing Corporation
Form 5-3
Calculation Of Long-Term Debt Reserve Amount
Year Ended December 31, 2023

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

Line		TOTAL
1	Total from 5-1 bottom of column (e)	\$ 1,497,000
2	Total from 5-2 bottom of column (e)	-
3	Facility leasehold or rental payment paid by the provider during fiscal year (including related payments such as lease insurance)	-
4	Total amount required for long-term debt reserve	\$ 1,497,000
Provider:	<u>O'Connor Woods</u>	

O'Connor Woods Housing Corporation
Form 5-4
Calculation Of Net Operating Expenses
Year Ended December 31, 2023

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

<u>Line</u>	<u>Amounts</u>	<u>Total</u>
1 Total operating expenses from financial statements		\$ 39,095,000
2 Deductions:		
a. Interest paid on long-term debt (see instructions)	\$ 1,047,000	
b. Credit enhancement premiums paid for long-term debt (see instructions)	\$ -	
c. Depreciation	\$ 4,968,000	
d. Amortization	\$ (248,000)	
e. Revenues received during the fiscal year for services for persons who did not have a continuing care contract	\$ 27,709,000	
f. Extraordinary expenses approved by the Department	\$ -	
3 Total deductions		\$ 33,476,000
4 Net operating expenses		\$ 5,619,000
5 Divide Line 4 by 365 and enter the result.		\$ 15,395
6 Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$ 1,155,000

Provider: O'Connor Woods

O'Connor Woods Housing Corporation
Form 5-5
Annual Reserve Certification
Year Ended December 31, 2023

FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: O'Connor Woods Housing Corporation
 Fiscal Year Ended: December 31, 2023

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2023 and are in compliance with those requirements. Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	Amount
[1] Debt service reserve amount	\$ 1,497,000
[2] Operating expense reserve amount	\$ 1,155,000
[3] Total liquid reserve amount	\$ 2,652,000

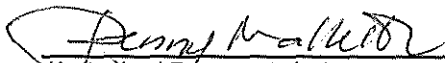
Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year where applicable, are held as follows:

Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4] Cash and cash equivalents	\$ -	\$ 3,698,000
[5] Investment securities	\$ -	\$ 1,028,000
[6] Equity securities	\$ 1,000,000	\$ 14,923,000
[7] Unused/available lines of credit	\$ -	\$ -
[8] Unused/available letters of credit	\$ -	\$ -
[9] Debt service reserve	\$ 3,470,000	(Not Applicable)
[10] Other:	\$ -	\$ -

Qualifying assets used in these reserves are described as follows:

Total Amount of Qualifying Assets			
Listed for Reserve Obligation:	[11]	\$ 4,470,000	[12] \$ 19,649,000
Reserve Obligation Amount:	[13]	\$ 1,497,000	[14] \$ 1,155,000
Surplus/(Deficiency):	[15]	\$ 2,973,000	[16] \$ 18,494,000

Signature



 (Authorized Representative)

Date: April 19, 2024

Executive Director

(Title)

O'Connor Woods Housing Corporation
Note to Reserve Reports
Year Ended December 31, 2023

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

O'Connor Woods Housing Corporation
Supplementary Schedule to Form 5-1
Reconciliation to Audit Report
Year Ended December 31, 2023

Cash payments for interest (per financial statements)	\$ 1,069,000
Less: Cash payments for finance fees	<u>(22,000)</u>
Cash paid for interest	<u><u>\$ 1,047,000</u></u>

O'Connor Woods Housing Corporation
Supplementary Schedule to Form 5-4
Reconciliation to Audit Report
Year Ended December 31, 2023

Financial Statements Description

Cash receipts from rental revenue	\$ 19,968,000
Cash receipts from patients	12,386,000
Less: Reimbursements for services to contract residents	<u>(4,645,000)</u>
Reimbursements for services to non-contract residents	<u>\$ 27,709,000</u>
ILU reimbursements for services to non-contract residents	\$ 6,550,000
ALU reimbursements for services to non-contract residents	8,372,000
Skilled nursing reimbursements for services to non-contract residents	<u>12,787,000</u>
Reimbursements for services to non-contract residents	<u>\$ 27,709,000</u>

O'Connor Woods Housing Corporation
Supplementary Schedule to Form 5-5
Reconciliation to Audit Report
Year Ended December 31, 2023

Financial Statements and Footnotes Description		Qualifying Asset Description (Form 5-5)
Cash and cash equivalents	\$ 3,481,000	
Investments - cash and cash equivalents	<u>217,000</u>	
	<u>3,698,000</u>	[4] Cash and cash equivalents
Investments - debt securities	<u>1,028,000</u>	[5] Investment securities
Investments - mutual funds	5,530,000	
Investments - equity securities	<u>9,393,000</u>	
	<u>14,923,000</u>	[6] Equity securities - operating reserve
	<u>\$ 19,649,000</u>	Operating Reserve
Debt service reserves	\$ 3,470,000	[9] Debt service reserve
	<u>\$ 3,470,000</u>	Debt Service Reserve
 Reconciliation to Audited Financial Statements		
Cash and cash equivalents	\$ 3,481,000	
Investments	16,168,000	
Assets limited as to use, required for current liabilities - debt service reserves	2,051,000	
Debt service reserves, net of current portion	<u>1,419,000</u>	
	<u>\$ 23,119,000</u>	
Total qualifying assets as filed for operating reserve	\$ 19,649,000	
Total qualifying assets as filed for debt service reserve	<u>3,470,000</u>	
	<u>\$ 23,119,000</u>	
 Per Capita Cost of Operations		
Operating expenses (Form 5-4, line 1)	\$ 39,095,000	
Mean Number of CCRC Residents	<u>400</u>	
Per Capita Cost of Operations	<u>\$ 97,738</u>	

PART 6
CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Date Prepared: 4/19/2024

Facility Name: O'Connor Woods Housing Corporation

Address: 3400 Wagner Heights Road

Zip Code: 95209

Phone: 209.477.4030

Provider Name:

O'Connor Woods

Facility Operator: O'Connor Woods

Religious Affiliation: N/A

Year Opened: 1990 # of Acres: 34

Miles to Shopping Center: 1.3

Miles to Hospital: 7.3

 Single Story Multi-Story Other:**Number of Units: 436**

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:	4	Assisted Living:	85
Apartments – 1 Bdrm:	111	Skilled Nursing:	75
Apartments – 2 Bdrm:	102	Special Care:	31
Cottages/Houses:	28	Description:	Memory Care Units

RLU Occupancy (%) at Year End: 82.0%

Type of Ownership: Not for Profit For Profit**Accredited?** Yes By: No**Form of Contact:** Continuing Care Life Care Entrance Fee Fee for Service(Check all that apply) Assignment of Assets Equity Membership Rental**Refund Provisions:** Refundable 90% 50%(Check all that apply) Repayable 75% Other: Fully Amortized**Range of Entrance Fees:** \$ 83,000 - \$ 473,000**Long-Term Care Insurance Required?** Yes No**Health Care Benefits Included in Contract:** 10% discount on Assisted Living & Skilled Nursing**Entry Requirements:** Min Age: 62 Prior Profession: N/A Other: N/A**Resident Representative(s) to, and Resident Members on, the Board:**

(briefly describe provider's compliance and residents' roles): Resident Council selects a non-voting rep. to attend Board meetings and report back to the Resident Council. OCW Board vets and approves a resident as voting member after recommendation from the Resident Council.

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.

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service	Services Available	Included in Fee	For Extra Charge
Beauty/Barber Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Housekeeping (<u>2</u> Times/ Month at \$_____each)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billiard Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Bowling Green	<input type="checkbox"/>	<input type="checkbox"/>	Meals (<u>1</u> /Day)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chapel	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All Utilities Except Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Putting Green	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input type="checkbox"/>	<input type="checkbox"/>
Shuffleboard	<input type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Spa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Medication Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool – Indoor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swimming Pool – Outdoor	<input type="checkbox"/>	<input type="checkbox"/>	Personal Home Care	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Tennis Court	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workshop	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Transportation – Prearranged	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other: <u>Greenhouse</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other: _____	<input type="checkbox"/>	<input type="checkbox"/>

Provider Name: O'Connor Woods

Affiliated 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: O'Connor Woods

Income and Expenses [Year]	2020	2021	2022	2023
Income from Ongoing Operations				
Operating Income (Excluding amortization of entrance fee income)	34,820	29,971	30,765	33,336
Less Operating Expenses (Excluding depreciation, amortization, and interest)	28,222	27,848	30,920	32,947
Net Income From Operations	6,598	2,123	(155)	389
Less Interest Expense	(2,189)	(2,138)	(1,909)	(1,406)
Plus Contributions	1	1	4	11
Plus Non-Operating Income (Expenses) (Excluding extraordinary items)	3,069	2,934	(4,157)	2,879
Net Income (Loss) Before Entrance Fees, Depreciation And Amortization	7,479	2,920	(6,217)	1,873
Net Cash Flow From Entrance Fees (Total Deposits Less Refunds)	1,660	1,195	1,469	2,317

Description of Secured Debt (as of most recent fiscal year end)

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
2022 Bonds	35,145,000	4%	Oct-22	Jan-43	20.25 years

Financial Ratios (see last page for ratio formulas)

Financial Ratios [Year]	CCAC Medians 50th Percentile (optional)	2021	2022	2023
Debt to Asset Ratio		46.09%	49.22%	48.31%
Operating Ratio		100.01%	106.76%	103.12%
Debt Service Coverage Ratio		1.96	(1.05)	3.73
Days Cash On Hand Ratio		346	228	209

Provider Name: O'Connor Woods

Historical Monthly Service Fees (Average Fee and Change Percentage)

Residence/Service [Year]	2020	%	2021	%	2022	%	2023	%
Studio	2,484	4.00%	2,703	5.00%	2,838	5.00%	3,036	7.00%
One Bedroom	3,660	4.00%	3,842	5.00%	4,035	5.00%	4,318	7.00%
Cottage/House	6,292	4.00%	6,606	5.00%	6,936	5.00%	7,422	7.00%
Assisted Living	5,671	4.00%	5,955	5.00%	6,231	5.00%	6,667	7.00%
Skilled Living	10,860	4.00%	11,402	5.00%	11,974	5.00%	13,030	7.00%
Special Care	7,899	6.00%	8,294	5.00%	8,709	5.00%	9,319	7.00%

Comments from Provider:

Financial Ratio Formulas

Long-Term Debt to Total Assets Ratio

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

Operating Ratio

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

Debt Service Coverage Ratio

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

Days Cash On Hand Ratio

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

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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Long-term debt	\$ 44,363	\$ 43,362	\$ 41,537	\$ 38,958	\$ 38,260
Less: Current portion	(1,001)	(1,051)	(1,100)	(697)	(1,553)
	<u>43,362</u>	<u>42,311</u>	<u>40,437</u>	<u>38,261</u>	<u>36,707</u>
Divided by:					
Total assets	<u>85,289</u>	<u>90,397</u>	<u>87,737</u>	<u>77,731</u>	<u>75,984</u>
Long-term debt to total assets ratio	<u>50.84%</u>	<u>46.81%</u>	<u>46.09%</u>	<u>49.22%</u>	<u>48.31%</u>

Operating Ratio

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total operating expenses	\$ 34,339	\$ 34,266	\$ 34,729	\$ 37,464	\$ 39,095
Less: Depreciation and amortization	(3,940)	(3,866)	(4,755)	(4,618)	(4,719)
	<u>30,399</u>	<u>30,400</u>	<u>29,974</u>	<u>32,846</u>	<u>34,376</u>
Divided by:					
Total operating revenues	32,853	35,286	30,478	31,229	33,959
Less: Amortization of deferred revenue	(332)	(466)	(507)	(464)	(623)
	<u>32,521</u>	<u>34,820</u>	<u>29,971</u>	<u>30,765</u>	<u>33,336</u>
Operating ratio	<u>93.47%</u>	<u>87.31%</u>	<u>100.01%</u>	<u>106.76%</u>	<u>103.12%</u>

Debt Service Coverage Ratio

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total excess of revenues over expenses	\$ 1,661	\$ 4,089	\$ (1,315)	\$ (10,392)	\$ (2,257)
Plus: Interest and amortization	2,220	2,172	2,120	1,861	1,180
Plus: Depreciation	3,947	3,872	4,761	4,683	4,968
Plus: Net proceeds from entrance fees	4,090	1,660	1,195	1,469	2,317
Less: Amortization of deferred revenue	(332)	(466)	(507)	(464)	(623)
	<u>11,586</u>	<u>11,327</u>	<u>6,254</u>	<u>(2,843)</u>	<u>5,585</u>
Divided by:					
Annual debt service	<u>3,201</u>	<u>3,184</u>	<u>3,183</u>	<u>2,716</u>	<u>1,497</u>
Debt service coverage ratio	<u>3.62</u>	<u>3.56</u>	<u>1.96</u>	<u>(1.05)</u>	<u>3.73</u>

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

Days Cash On Hand Ratio

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash and cash equivalents	\$ 6,072	\$ 6,223	\$ 4,653	\$ 4,038	\$ 3,481
Investments	19,301	23,779	23,775	16,477	16,168
Unrestricted cash and investments	<u>25,373</u>	<u>30,002</u>	<u>28,428</u>	<u>20,515</u>	<u>19,649</u>
Operating expenses	34,339	34,266	34,729	37,464	39,095
Less: Depreciation and amortization	(3,940)	(3,866)	(4,755)	(4,618)	(4,719)
	<u>30,399</u>	<u>30,400</u>	<u>29,974</u>	<u>32,846</u>	<u>34,376</u>
Divided by calendar days	<u>365</u>	<u>366</u>	<u>365</u>	<u>365</u>	<u>365</u>
Operating expenses per day	\$ 83	\$ 83	\$ 82	\$ 90	\$ 94
Days cash on hand	<u>305</u>	<u>361</u>	<u>346</u>	<u>228</u>	<u>209</u>

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total operating revenues	32,853	35,286	30,478	31,229	33,959
Less: Amortization of deferred revenue	(332)	(466)	(507)	(464)	(623)
	<u>32,521</u>	<u>34,820</u>	<u>29,971</u>	<u>30,765</u>	<u>33,336</u>
Total operating expenses	34,339	34,266	34,729	37,464	39,095
Less: Depreciation	(3,947)	(3,872)	(4,761)	(4,683)	(4,968)
Less: Interest and amortization	(2,220)	(2,172)	(2,120)	(1,861)	(1,180)
	<u>28,172</u>	<u>28,222</u>	<u>27,848</u>	<u>30,920</u>	<u>32,947</u>
Net income from operations	<u>4,349</u>	<u>6,598</u>	<u>2,123</u>	<u>(155)</u>	<u>389</u>
Less: Interest expense	(2,166)	(2,189)	(2,138)	(1,909)	(1,406)
Plus: Contributions	260	1	1	4	11
Plus: Non-operating income (expense)	<u>3,147</u>	<u>3,069</u>	<u>2,934</u>	<u>(4,157)</u>	<u>2,879</u>
Net income (loss) before entrance fees, depreciation and amortization	<u>5,590</u>	<u>7,479</u>	<u>2,920</u>	<u>(6,217)</u>	<u>1,873</u>
Net cash flow from entrance fees	<u>4,090</u>	<u>1,660</u>	<u>1,195</u>	<u>1,469</u>	<u>2,317</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

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

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

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

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

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

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

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,986-7,768</u>	<u>\$5,515-8,003</u>	<u>6,681-10,690</u>	<u>12030-15510</u>
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>

Check here if monthly care fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

3. Indicate the date the fee increase was implemented: 01/01/2023
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

- Each fee increase is based on the Provider’s projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
Date of Notice: 11/01/2022 **Method of Notice:** Special town hall meeting
- At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 10/31/2022
- At the meeting with residents, the Provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The Provider distributed the documents to all residents by [Optional - check all that apply]:
 - Emailed the documents to those residents for whom the provider had email addresses on file
 - Placed hard copies in resident cubby
 - Placed hard copies at designated locations
 - Provided hard copies to residents upon request, and/or
 - Other: [please describe] _____
 - Date of Notice:** 11/01/2022

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

Date of Notice: 10/10/2022

- 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: 10/10/2022 **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 the 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 2023 by 7.0% for most levels of care (9.0% for assisted living care fees). 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. Rate increases for independent living residents are applied on the anniversary of the resident's move-in date, so the full impact of the 2023 increase was not necessarily realized in 2023.

Labor costs per employee were budgeted to increase by approximately 5% in 2023 due to minimum wage requirements in California increasing from \$15.00 per hour to \$15.50 per hour (3.3%), in addition to standard merit-based increases. Expenses related to employee health benefits were budgeted to increase by approximately 10.5% per employee labor dollar (on top of the 5% wage increase described above) due to the increasing rate of monthly premiums.

Supplies and purchased services costs were estimated to increase commensurate with the consumer price index, which as of October 2022 (the period when the budget was finalized) reflected an increase of 6.0% to 8.3% for San Francisco-Oakland-Hayward and Western Cities with populations under 2.5 million, the market areas most relevant to Stockton, California.

The projected 2023 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 and/or reduce expenses 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 2023 MONTHLY CARE FEE INCREASE (MCFI) (in thousands)
O'CONNOR WOODS

		2021	2022	2023
1	2021 Operating Expenses (audited)	(34,729)		
2	2022 Operating Expenses		(37,545)	
3	Projected 2023 Operating Expenses			(40,735)
4	Projected 2023 Revenue without a MCFI			37,887
5	Projected 2023 Net Operating Loss without a MCFI			(2,848)
6	Projected 2023 Revenue with MCFI 7.0%-9.0%			39,100
7	Projected 2023 Net Operating Loss After 7.0%-9.0% MCFI			(1,635)

Monthly Care Fee Increase: 7.0%-9.0%

Notes:

2022 to 2023: 5.0% average increase in labor costs

Total increase in revenues related to monthly care fee increase is estimated at \$1,213,000

Total projected increase in expenses estimated at \$3,190,000

OCW 2023 principal due on debt was \$1,310,000



O'CONNOR WOODS

2023 BUDGET REVIEW

2023 BUDGET CONSIDERATIONS

- Budget Assumptions
- Occupancy by level of care
- Capital budget (in progress)
- Rate increase (in progress)
 - Resident Communication Plan
- Key Metrics

2023 BUDGET ASSUMPTIONS

- **Salaries – 5% increase for existing positions, which includes merit based increases and market adjustments.**
 - 2022 Market rate salary adjustments of \$600k
 - Minimum wage is increasing from \$15 to \$15.50 per hour
 - Remaining competitive in market with higher starting pay
 - Employee retention & turnover
 - Temp Staffing costs
 - Key Positions
- **Employee Benefits Expense 10% increase over prior year**
- **Utilities 8% increase for PG&E, 5% increase for others**
- **Insurance 10-20% increase**
- **Inflationary factors – (increases of 5-6%)**
 - 5-6% Professional fees, purchased services, supplies and other
 - 5% Food service contractor
 - 2023 Social security increase of 8.7%

OCCUPANCY BY LEVEL OF CARE

Level of Care	Sept 30, 2022	2023 Average Budgeted
Independent	75.3%	86.5%
Assisted Living	84.9%	91.7%
Memory Care	82.4%	95%
SNF	67.7%	83.6%

2023 CAPITAL BUDGET

- **\$2M Routine Maintenance**
- **\$2M Capital Improvements**
 - **\$1.5M IL Unit Renovations**
 - **\$200k IL Apartment Roofs**

MULTI-YEAR RATE HISTORY

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
INDEPENDENT LIVING	3.5%	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%	5%	5%
ASSISTED LIVING	4%	5%	5%	5%	4%	2%	3%	4%	4%	3%	3%	5%	5%	3%	3.75%	4%	5%	5%
MEMORY CARE											0%	5%	6%	3%	3.75%	6%	5%	5%
SKILLED NURSING	3.4%	4%	4%	5%	6%	4%	3%	4%	5%	4%	3%	4.5%	4.5%	3%	3.75%	4%	5%	5%

2023 RATE INCREASES

■ 2023 Rate Increases:

- | | |
|------------------------|-----------------------|
| ■ Independent Living | 7% |
| ■ Assisted Living | 7% (Care fees 9%) |
| ■ Memory Care | 7% |
| ■ SNF | 7% |
| ■ 2022 Rate Increase : | 5% all levels of care |

* Shared with residents on 11/1

KEY METRICS

- New 2022 Bonds issued on Oct 4th
- Budgeted Debt Service Coverage Ratio:
 - Required Ratio: 1.25x
- Changes under 2022 Bonds:
 - Lower annual debt services
 - Inclusion of Entrance Fees