

FISCAL YEAR ENDED:

06/30/2021

ANNUAL REPORT CHECKLIST

PROVIDER(S): 099 CHARLESTON

CCRC(S): MOLDAW RESIDENCES

PROVIDER CONTACT PERSON: TERRENCE SCOTT, CORPORATE CONTROLLER

TELEPHONE NO.: (415) 562-2681 EMAIL: tscott@jslg.org

A complete annual report must consist of ² copies of all of the following:

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$ 11,126.00
 - ☐ If applicable, late fee in the amount of: \$ N/A
- ☒ 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*. N/A
- ☐ 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. TO FOLLOW IN NOVEMBER 2021

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	213
[2]	Number at end of fiscal year	193
[3]	Total Lines 1 and 2	406
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	203
All Residents		
[6]	Number at beginning of fiscal year	222
[7]	Number at end of fiscal year	204
[8]	Total Lines 6 and 7	426
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	213
[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).	0.95

FORM 1-2
ANNUAL PROVIDER FEE

Line	TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only) \$18,866,750
[a]	Depreciation \$3,665,256
[b]	Debt Service (Interest Only) \$3,489,457
[2]	Subtotal (add Line 1a and 1b) \$7,154,713
[3]	Subtract Line 2 from Line 1 and enter result. \$11,712,037
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) 95%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) \$11,126,435
	x .001
[6]	Total Amount Due (multiply Line 5 by .001) \$11,126

PROVIDER: 899 Charleston DBA: Moldaw Residences FYE 6/30/2021
COMMUNITY: Moldaw Residences

MOLDAW RESIDENCES

INSPIRED RETIREMENT LIVING

Taube Koret Campus for Jewish Life



October 25, 2021

Continuing Care Branch
California Department of Social Services
744 P Street, M.S. 9-14-91
Sacramento, CA 95814

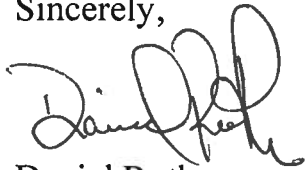
RE: 899 Charleston DBA: Moldaw Residences

Dear Sir/Madam,

This is to certify the following:

- The annual report and disclosure statements are correct to the best of my knowledge.
- The continuing care contracts that are in use and offered to new residents have been approved by the Department.
- We are maintaining the required liquid reserve.

Sincerely,



Daniel Ruth
Chief Executive Officer
Jewish Senior Living Group



EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)
7/13/2021

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

AGENCY HUB International Insurance Services Inc. 3000 Executive Parkway Suite 300 San Ramon, CA 94583		PHONE (A/C, No, Ext): (925) 415-1113	COMPANY Federal Insurance Company 15 Mountain View Road Warren, NJ 07059	
FAX (A/C, No): (925) 905-4284		E-MAIL ADDRESS: christine.walker@hubinternational.com		
CODE: 08703999		SUB CODE:		
AGENCY CUSTOMER ID #: 899CHAR-01		License # 0757776		
INSURED 899 Charleston dba: Moldaw Family Residences @899 Charleston 899 East Charleston Road Palo Alto, CA 94303		LOAN NUMBER		POLICY NUMBER 8251-7370
		EFFECTIVE DATE 7/1/2021	EXPIRATION DATE 7/1/2022	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

PROPERTY INFORMATION

LOCATION/DESCRIPTION

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 EVIDENCE OF PROPERTY INSURANCE 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.

COVERAGE INFORMATION

PERILS INSURED

BASIC

BROAD

SPECIAL

COVERAGE / PERILS / FORMS

AMOUNT OF INSURANCE

DEDUCTIBLE

REMARKS (Including Special Conditions)

Special Conditions:

See attached Crime Protection Plus Declarations for Covered Property/Limits

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.

ADDITIONAL INTEREST

NAME AND ADDRESS

ADDITIONAL INSURED

LENDER'S LOSS PAYABLE

LOSS PAYEE

MORTGAGEE

LOAN #

For Information Purposes Only

AUTHORIZED REPRESENTATIVE

DECLARATIONS

FEDERAL INSURANCE COMPANY
a stock insurance company, incorporated under
the laws of Indiana, herein called the Company.

READ THE ENTIRE POLICY CAREFULLY.

Item 1. Organization:

899 CHARLESTON DBA: MOLDAW RESIDENCES @899
CHARLESTON
899 EAST CHARLESTON
PALO ALTO, CA, 94303

Item 2. Coverage is only available for the following if indicated by X:

<i>Insuring Clauses</i>	<i>Limits of Liability</i>	<i>Retention</i>
(A) <input checked="" type="checkbox"/> Insuring Clause 1 – Employee Theft Coverage:	\$1,000,000.00	\$10,000.00
(B) <input checked="" type="checkbox"/> Insuring Clause 2 – Premises Coverage:	\$1,000,000.00	\$10,000.00
(C) <input checked="" type="checkbox"/> Insuring Clause 3 – In Transit Coverage:	\$1,000,000.00	\$10,000.00
(D) <input checked="" type="checkbox"/> Insuring Clause 4 – Forgery Coverage:	\$1,000,000.00	\$10,000.00
(E) <input checked="" type="checkbox"/> Insuring Clause 5 – Computer Fraud Coverage:	\$1,000,000.00	\$10,000.00
(F) <input checked="" type="checkbox"/> Insuring Clause 6 – Funds Transfer Fraud	\$1,000,000.00	\$10,000.00
(G) <input checked="" type="checkbox"/> Insuring Clause 7 – Money Orders And Counterfeit Currency Fraud Coverage:	\$1,000,000.00	\$10,000.00
(H) <input checked="" type="checkbox"/> Insuring Clause 8 – Credit Card Fraud Coverage:	\$1,000,000.00	\$10,000.00
(I) <input type="checkbox"/> Insuring Clause 9 – Client Coverage:	Not Covered	Not Covered
(J) <input checked="" type="checkbox"/> Insuring Clause 10 – Expense Coverage:	\$100,000.00	Not Applicable



*Report of Independent Auditors and
Financial Statements*

**899 Charleston
dba Moldaw Residences**

June 30, 2021 and 2020

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Report of Independent Auditors

To the Board of Trustees
899 Charleston dba Moldaw Residences

Report on the Financial Statements

We have audited the accompanying financial statements of 899 Charleston dba Moldaw Residences (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of revenues and expenses, changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 899 Charleston dba Moldaw Residences as of June 30, 2021 and 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
October 27, 2021

Financial Statements

899 Charleston dba Moldaw Residences
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,034,065	\$ 11,208,053
Investments	13,828,646	15,001,720
Accounts receivable	49,452	107,440
Notes receivable	4,545	523,800
Interest receivable	10,546	33,181
Related party receivables	158,917	140,150
Prepaid expenses and other current assets	490,503	121,224
Other receivables	<u>329,243</u>	<u>47,190</u>
Total current assets	25,905,917	27,182,758
DEBT SERVICE FUND	4,428,299	4,428,069
DEPOSITS HELD BY HOME OWNERS ASSOCIATION	489,021	709,134
PROPERTY AND EQUIPMENT, NET	103,162,232	104,785,004
BENEFICIAL INTEREST IN JEWISH HOME & SENIOR LIVING FOUNDATION	<u>9,502,395</u>	<u>8,089,314</u>
Total assets	<u><u>\$ 143,487,864</u></u>	<u><u>\$ 145,194,279</u></u>

899 Charleston dba Moldaw Residences
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 1,647,072	\$ 555,547
Entrance fee refund payable	4,089,752	2,749,652
Accrued liabilities	898,159	844,470
Refundable deposits	807,770	971,600
Intercompany payable	7,557	19,000
Loans payable, current portion	300,000	600,000
Bonds payable, current portion	980,000	935,000
	<u>8,730,310</u>	<u>6,675,269</u>
Total current liabilities	8,730,310	6,675,269
LOANS PAYABLE, NET	4,247,371	4,119,476
BONDS PAYABLE, NET	64,186,344	65,169,751
REFUNDABLE ENTRANCE FEES	103,928,154	104,941,186
DEFERRED REVENUE FROM ENTRANCE FEES	7,199,324	8,714,102
FUTURE SERVICE BENEFIT OBLIGATION	1,115,724	-
	<u>189,407,227</u>	<u>189,619,784</u>
Total liabilities	189,407,227	189,619,784
NET DEFICIT		
Without donor restrictions	(55,579,098)	(52,531,903)
With donor restrictions	9,659,735	8,106,398
	<u>(45,919,363)</u>	<u>(44,425,505)</u>
Total net deficit	(45,919,363)	(44,425,505)
Total liabilities and net deficit	<u>\$ 143,487,864</u>	<u>\$ 145,194,279</u>

899 Charleston dba Moldaw Residences
Statements of Revenues and Expenses
Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Resident fees	\$ 12,564,432	\$ 12,895,624
Amortization of entrance fees	2,608,330	2,790,861
Fees for services and other income	591,034	660,582
Interest income	6,168	336,210
Government grant revenue	1,022,015	-
Contributions without donor restrictions	13,159	71,430
Net assets released from restrictions - satisfaction of purpose	130,141	86,704
Change in future service benefit obligation	(1,115,724)	-
	<hr/>	<hr/>
Total operating revenues	15,819,555	16,841,411
	<hr/>	<hr/>
EXPENSES		
Salaries and wages	4,401,679	4,346,612
Employee benefits and payroll taxes	1,225,146	1,148,131
Contract services and professional fees	2,834,405	2,775,037
Supplies, utilities, and maintenance	1,938,488	1,962,518
Interest	3,611,269	3,653,014
Depreciation	3,665,256	3,803,172
Other	1,190,507	804,150
	<hr/>	<hr/>
Total expenses	18,866,750	18,492,634
	<hr/>	<hr/>
DEFICIT OF REVENUES OVER EXPENSES	\$ (3,047,195)	\$ (1,651,223)
	<hr/>	<hr/>

899 Charleston dba Moldaw Residences
Statements of Changes in Net Deficit
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Deficit of revenues over expenses	<u>\$ (3,047,195)</u>	<u>\$ (1,651,223)</u>
Change in net deficit without donor restrictions	<u>(3,047,195)</u>	<u>(1,651,223)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	159,698	38,892
Net assets released from restrictions - satisfaction of purpose	(130,141)	(86,704)
Change in beneficial interest in Jewish Home & Senior Living Foundation	<u>1,523,780</u>	<u>342,464</u>
Change in net assets with donor restrictions	<u>1,553,337</u>	<u>294,652</u>
CHANGE IN NET DEFICIT	(1,493,858)	(1,356,571)
NET DEFICIT, beginning of year	<u>(44,425,505)</u>	<u>(43,068,934)</u>
NET DEFICIT, end of year	<u><u>\$ (45,919,363)</u></u>	<u><u>\$ (44,425,505)</u></u>

899 Charleston dba Moldaw Residences
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from resident fees	\$ 12,733,119	\$ 12,854,092
Cash received from services and other income	566,891	514,513
Interest income received	28,803	261,837
Cash received from contributions and grants	1,035,174	71,430
Cash paid for interest on long-term debt	(3,494,574)	(3,548,201)
Cash paid to suppliers, employees and others	(12,753,968)	(10,365,966)
Net cash used in operating activities	(1,884,555)	(212,295)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,821,346)	(366,280)
Purchase of investments	(5,280,739)	(14,060,544)
Proceeds from sale of investments	6,453,813	11,714,268
Change in refundable deposits	(163,830)	(106,400)
Decrease in interest receivable	22,635	20,119
Investments earnings transfer from Jewish Home & Senior Living Foundation	110,699	-
Net cash used in investing activities	(678,768)	(2,798,837)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bond principal	(935,000)	(890,000)
Payments of loan principal	(300,000)	(300,000)
Entrance fees received	7,771,900	11,203,337
Entrance fees refunded	(4,147,335)	(7,242,056)
Net cash provided by financing activities	2,389,565	2,771,281
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(173,758)	(239,851)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	15,636,122	15,875,973
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 15,462,364	\$ 15,636,122

899 Charleston dba Moldaw Residences
Statements of Cash Flows (continued)
Years Ended June 30, 2021 and 2020

	2021	2020
RECONCILIATION OF CHANGE IN NET DEFICIT TO NET CASH		
USED IN OPERATING ACTIVITIES		
Change in net deficit	\$ (1,493,858)	\$ (1,356,571)
Adjustments to reconcile change in net deficit		
to net cash used in operating activities		
Amortization of entrance fees	(2,608,330)	(2,790,861)
Amortization of bond issuance costs	53,096	53,096
Amortization of bond premium	(56,503)	(68,761)
Amortization of loan discount	127,895	127,894
Depreciation	3,665,256	3,803,172
Change in beneficial interest in Jewish Home &		
Senior Living Foundation	(1,523,780)	(342,464)
Change in future service benefit obligation	1,115,724	-
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	57,988	(41,497)
(Increase) decrease in prepaid expenses and		
other current assets	(369,279)	4,106
Increase in deposits held by home owners association	(1,025)	(168,453)
Increase in related party and other receivables	(300,820)	(30,520)
Increase in accounts payable and		
intercompany payable	1,080,082	101,906
Increase (decrease) in accrued liabilities and deferred		
monthly fees	(1,631,001)	496,658
Net cash used in operating activities	<u>\$ (1,884,555)</u>	<u>\$ (212,295)</u>

899 Charleston dba Moldaw Residences

Notes to Financial Statements

NOTE 1 – NATURE OF ACTIVITIES

899 Charleston dba Moldaw Residences (the “Organization”) was established on March 30, 2006, as a nonprofit public benefit corporation in the State of California. The specific and primary purposes of the Organization are: (1) to provide residential facilities that are specifically designated to meet a combination of physical, emotional, recreation, social, and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well-being of the residents; and (3) to adopt policies and procedures designed to address the need of the residents for protection against financial risks associated with the later years of life.

In 2007, 899 Charleston, LLC (the “LLC”), was formed in order to facilitate the bond financing transaction for the 899 Charleston project (the “Project”). The Project included the construction of 193 continuing care retirement community units in Palo Alto, California, which became part of the network of living options, services, and care associated with the Hebrew Home for Aged Disabled (the “Campus”) dba the San Francisco Campus for Jewish Living. The LLC’s rights and obligations under the bond and the Project were assigned to the Organization after it was recognized by the Internal Revenue Service as a tax-exempt organization. In an agreement with the City of Palo Alto, the Project provides a Below-Market Rate (“BMR”) Program that includes, among other services, providing 24 housing units: 12 assisted living units, and 12 independent living units at entry fee levels that comply with the income and affordability standards prescribed by the BMR Program for 89 years. The Project also established a \$5 million endowment for financial need with the stipulation that the income be restricted exclusively for the support of Jewish residents of 899 Charleston or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs.

In October 2009, the construction of the facility was completed, and the Organization commenced operations. As of June 30, 2021, 140 out of 170 available independent living units are occupied. Additionally, as of June 30, 2021, 12 of the 12 assisted living units are occupied and 11 of the 11 memory support units are occupied.

In March 2020, the World Health Organization declared the COVID-19 virus spread a pandemic and public health emergency. Since the onset of the pandemic, the Organization has experienced difficulty in filling resident units that become vacant and has incurred additional costs in connection with personal protective equipment and other measures undertaken to prevent infection. The duration and intensity of the disruption from the pandemic is uncertain, and therefore the long-term impact, if any, cannot be predicted.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis of presentation – The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent unrestricted resources available to support the Organization’s operations. This includes resources that were originally restricted by the donor that became available for use by the Organization, in accordance with the intentions of donors.

899 Charleston dba Moldaw Residences

Notes to Financial Statements

Net assets with donor restrictions represent contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Organization according to the terms of the contribution. A portion of these contributions is classified as endowments and income from these contributions is primarily available to support the activities of the Organization as directed by the donors (see Note 10). Donor-imposed restrictions are released when a restriction expires; that is, when the stated time has elapsed, when the stated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include deferred revenue from entrance fees, future service benefit obligation and recoverability of long-lived assets. Actual results could differ from those estimates.

Cash, cash equivalents, and restricted cash – Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows as of June 30:

	2021	2020
Cash and cash equivalents	\$ 11,034,065	\$ 11,208,053
Restricted cash included in debt service fund	4,428,299	4,428,069
Total cash, cash equivalents, and restricted cash	<u>\$ 15,462,364</u>	<u>\$ 15,636,122</u>

Amounts included in restricted cash represent those contractually required to be set aside for future debt service payments.

Notes receivable – The Organization enters into continuing care contracts with individuals, of which a portion of the entrance fees are received upon signing of the contracts and notes receivable are issued for the remaining balances due. The notes are noninterest bearing, are due at various dates within a six-month period from the date of issuance and are carried at the unpaid principal balances. Prior to accepting deposits from prospective residents, the Organization does an extensive credit check and verifies the applicant's assets. Based on past collection experiences, the Organization estimated that all the outstanding balances are collectible as of June 30, 2021 and 2020, and no provision of allowance for losses is deemed necessary.

Investments – Investments in debt securities are stated at fair value. Fair value is determined based on quoted market prices. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the statements of revenues and expenses in the period such fluctuations occur. Realized gains or losses on sales of investments are calculated on the average cost basis. Investment sales and purchases are recorded on a trade-date basis and dividends and interest income are recorded when earned on an accrual basis. Investments include money market funds.

899 Charleston dba Moldaw Residences
Notes to Financial Statements

Fair value of financial instruments – Management has elected to value financial instruments at fair value on an instrument by instrument basis. See Note 9 for fair value hierarchy.

Contributions and promises to give – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Promises to give are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year.

Conditional promises to give are recognized when the conditions on which they depend have been substantially met and the promises become unconditional. There were no conditional promises to give as of June 30, 2021.

The Organization uses the allowance method to determine uncollectible pledge receivables. The allowance is based on management's analysis of specific promises made.

Property and equipment – Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and building equipment	10 to 40 years
Land improvements	5 years
Personal property	3 to 10 years

Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Accounting for impairment of long-lived assets – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management determined that no impairment occurred to the long-lived assets as of June 30, 2021 and 2020.

899 Charleston dba Moldaw Residences

Notes to Financial Statements

Revenue recognition – Resident fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for the services provided. In accordance with resident agreements, the Organization provides senior living services to residents for a stated monthly fee. The Organization recognizes revenue for senior living services under the resident agreements for independent living in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 842, *Leases*, for the year ended June 30, 2021 and Topic 840, *Leases*, for the year ended June 30, 2020. The noncancelable term of these resident agreements is less than 12 months; as such, these are accounted for as short-term lease agreements. The Organization recognizes revenue for senior living services under the resident agreements for assisted living and memory support in accordance with the provisions of FASB ASC Topic 606, *Revenue from Contracts with Customers*, which is recognized as the services are performed. Resident fee revenue disaggregated by service line for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020
Independent living	\$ 9,700,433	\$ 10,266,506
Assisted living	1,417,933	1,248,550
Memory support	1,446,066	1,380,568
Total resident fees	<u>\$ 12,564,432</u>	<u>\$ 12,895,624</u>

Fees for services and other income is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing the related services. Revenue is recognized as the services are performed and includes monthly service fees for independent living, assisted living and memory care as well as clinic revenue and other miscellaneous income.

Beneficial interest in Jewish Home & Senior Living Foundation – The Organization follows the FASB ASC Topic 958, *Not-for-Profit Entities*, in recording transactions in which a donor makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization, i.e., the Jewish Home & Senior Living Foundation (the “Foundation”)). The Foundation accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity (the beneficiary, i.e., the Organization) that is specified by the donor. The recipient organization (the Foundation) recognizes the fair value of those assets as a liability to the specified beneficiary (the Organization) concurrent with recognition of the assets received from the donor. The Organization recognizes an asset, beneficial interest in Jewish Home & Senior Living Foundation, with a corresponding change in beneficial interest in the net assets of the Foundation.

The beneficial interest in the Foundation is placed in certain investments that are exposed to various risks, such as changes in interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is possible that the value of the Foundation’s investments and net asset balance could fluctuate by a material amount.

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Continuing care contracts – The Organization has entered into continuing care contracts with the residents of its continuing care facilities. Under the provisions of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) in exchange for services and the right to occupy and use the facilities. Entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly fees, provide for living accommodations. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. The continuing care contracts create a performance obligation to provide residency care and services, which will be satisfied over the resident's remaining stay at the Organization. The nonrefundable portion of the fees is recorded as deferred revenue from entrance fees and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, in accordance with FASB ASC Topic 606. The period of amortization is adjusted annually using the life expectancy table published in the California Continuing Care Contract Statutes. The change in deferred revenue from entrance fees during the years ended June 30, 2021 and 2020, consists of the following activity:

	2021	2020
Balance, beginning of year	\$ 8,714,102	\$ 9,368,449
New entrance fees received	1,389,435	2,225,137
Amortization of entrance fees	(2,608,330)	(2,790,861)
Other	(295,883)	(88,623)
Balance, end of year	<u>\$ 7,199,324</u>	<u>\$ 8,714,102</u>

Refundable entrance fees are primarily noninterest bearing and, depending on the type of contract, can range from 0% to 90% of the total entrance fees. Refundable entrance fees are returned to the resident or the resident's estate depending on the form of the agreement either upon re-occupancy or termination of the care agreement. As of June 30, 2021 and 2020, the Organization is obligated to refund \$108,017,906 and \$107,690,838 in entrance fees, respectively.

Future service benefit obligation – The Organization annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (future service benefit obligation) with the corresponding charge to expense. The obligation is discounted at 5.5% for both 2021 and 2020, based on the expected long-term rate of return on government obligations. As of June 30, 2021 and 2020, the Organization's future service benefit obligation was \$1,115,724 and \$0, respectively.

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

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

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

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

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

The fair values of the financial instruments as of June 30, 2021 and 2020, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

Marketing and advertising expenses – The Organization expenses all marketing and advertising expenses as they are incurred, in accordance with FASB ASC Topic 606. Marketing and advertising expense for the years ended June 30, 2021 and 2020, amounted to \$448,302 and \$447,648, respectively.

Income taxes – The Organization is exempt from federal and California state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

U.S. GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable tax authority. The Organization has reviewed its tax positions for all open tax years and believes that it has appropriate support for the tax positions taken. Therefore, no liability has been recorded.

Functional allocation of expenses – The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the schedule of functional expenses. Expenses for salaries and wages, employee benefits and payroll taxes (except for worker's compensation), contract services and professional fees, supplies, utilities, and maintenance, and other are charged directly to departments within each functional area. Additionally, certain indirect costs have been allocated among the programs and supporting services benefited. Worker's compensation insurance expense is allocated based on salaries and wages for each functional area. Interest related to the bonds used to fund construction of the facility and interest expense on the vehicles used to transport residents are designated as program expense. All other interest expense is designated as management and general expense. Depreciation expense is allocated based on the number of personnel in each function.

Performance indicator – The performance indicator reported in the statements of revenues and expenses is captioned as "deficit of revenues over expenses". Changes in net deficit without donor restrictions that are excluded from the performance indicator include funds released from restriction to purchase capital assets.

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

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Notes to Financial Statements

The Organization has evaluated subsequent events through October 27, 2021, which is the date the financial statements are issued.

Recent accounting pronouncements – In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. The Organization adopted ASU 2016-02 for the fiscal year ended June 30, 2021. The adoption had no material impact on the financial statements.

In June 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements* (“ASU 2018-13”) eliminates, adds and modifies certain disclosure requirements for fair value measurements. The Organization adopted ASU 2018-13 for the fiscal year ended June 30, 2021. The adoption had no impact on the financial statements.

NOTE 3 – GOVERNMENT GRANT REVENUE

The Organization applied for a grant under the U.S. Small Business Administration Paycheck Protection Program (“PPP”) Loan Program. The loan was granted and funded in the amount of \$1,022,015 in April 2021. The Organization subsequently applied for forgiveness and was granted forgiveness in July 2021. The \$1,022,015 of funds received have been accounted for as a government grant. Since the criteria for qualifying forgiveness were met as of June 30, 2021, the entire amount has been recognized as revenue in the year ended June 30, 2021.

NOTE 4– CONCENTRATION OF CREDIT RISK

The Organization has defined its financial instruments that are subject to credit risk as cash and cash equivalents. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 5 – INVESTMENTS

Investments, carried at fair value, are summarized as follows as of June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market funds and short-term investments	\$ 12,222,491	\$ 12,222,491	\$ 8,063,229	\$ 8,063,229
U.S. treasury securities	1,500,759	1,505,925	1,505,233	1,538,440
Debt securities - non-U.S. government	99,914	100,230	5,360,153	5,400,051
	<u>\$ 13,823,164</u>	<u>\$ 13,828,646</u>	<u>\$ 14,928,615</u>	<u>\$ 15,001,720</u>

Investments in securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Organization’s investments and net asset balance could fluctuate materially.

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Notes to Financial Statements

Net unrealized (losses) and gains on investments for the years ended June 30, 2021 and 2020, included in interest income in the statements of revenues and expenses, were \$(53,060) and \$61,435, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of June 30:

	2021	2020
Buildings and building equipment	\$ 127,863,305	\$ 127,718,909
Land improvements	781,717	767,275
Furniture and equipment	8,055,067	7,861,223
Automobiles	323,660	323,660
Artwork	38,559	38,559
Total assets subject to depreciation	137,062,308	136,709,626
Less accumulated depreciation	(48,768,265)	(45,103,009)
Depreciable assets	88,294,043	91,606,617
Land	13,118,538	13,118,538
Construction in progress	1,749,651	59,849
	<u>\$ 103,162,232</u>	<u>\$ 104,785,004</u>

NOTE 7 – BONDS PAYABLE

Outstanding bonds payable as of June 30, 2021 and 2020, represents tax-exempt, fixed rate revenue term bonds (899 Charleston Project), Series 2014A (“2014 Bonds”) issued on November 20, 2014, by the California Statewide Communities Development Authority (the “Authority”) in the amount of \$71,345,000, which will mature on November 1, 2049. The 2014 Bonds are a limited obligation of the California Statewide Communities Development Authority, which were issued pursuant to an Indenture of Trust between the Authority and the Bond Trustee. The proceeds from the 2014 Bonds were loaned to the Organization under a loan agreement between the Authority and the Organization. The Organization used the proceeds from the 2014 Bonds to (1) refund the then existing bonds payable (the 2007 Bonds, described below), (2) to repay all of the term loans outstanding under the Letter of Credit, to repay a portion of the outstanding loan payable to the Foundation, and all of the loan payable to the Campus (see Note 8 for further description of all term loans), and (3) pay the bond issuance cost and set aside required reserve funds. The 2014 Bonds are secured by funds held by the Bond Trustee and a Deed of Trust secured by the land, buildings, revenue from resident payments including entrance fees, and other assets of the Organization.

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The 2014 Bonds, which were issued with six term dates maturing on November 1, 2019, 2024, 2029, 2034, 2044, and 2049, have face value interest rates ranging from 5.000% to 5.375%, but were priced with yields ranging from 2.950% to 5.350%. The average interest cost on the 2014 Bonds is approximately 5.250%. The Organization makes semiannual payments to the Bond Trustee of interest (in May and November) and principal sinking fund payments (in November). The principal sinking fund payments are sufficient to meet the term bond maturities when due. Annual debt service payments vary slightly, with the maximum annual debt service being \$4,449,831. Under the Master Indenture, the Organization covenants that it will, among other requirements, maintain a debt service coverage ratio of 1.25 for each fiscal year. Furthermore, the Organization covenants that it will maintain days cash on hand of 180 days on each June 30 and December 31 while the 2014 Bonds are outstanding. Management believes that the Organization was in compliance with the days cash on hand covenant as of the June 30, 2021 measurement date, but was not in compliance with the debt service coverage ratio requirement.

The Organization requested and received a waiver letter from U.S. Bank related to the debt service coverage ratio noncompliance. The waiver letter states that U.S. Bank, as Bond Trustee and Master Trustee, received a consent and waiver from the majority of the Bondholders to waive the requirement of specific actions by the Organization related to the noncompliance.

As of June 30, the following is reflected in the statements of financial position of the Organization pertaining to the 2014 Bonds:

	2021	2020
Bonds payable, current portion	\$ 980,000	\$ 935,000
Bonds payable, net:		
Long-term portion of bonds payable	\$ 65,420,000	\$ 66,400,000
Unamortized bond premium	270,395	326,898
Unamortized bond issue cost	(1,504,051)	(1,557,147)
	\$ 64,186,344	\$ 65,169,751

Bond issuance costs are deferred and amortized using the effective interest method over the term of the bond liability.

The following provides the current and future principal obligations for the 2014 Bonds:

<u>Year Ending June 30,</u>	
2022	\$ 980,000
2023	1,030,000
2024	1,080,000
2025	1,135,000
2026	1,190,000
Thereafter	60,985,000
	\$ 66,400,000

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NOTE 8 – LOANS PAYABLE

Loans payable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Loans from the Foundation	\$ 5,400,000	\$ 5,700,000
Less discount on loans	<u>(852,629)</u>	<u>(980,524)</u>
Total	4,547,371	4,719,476
Less current portion	<u>300,000</u>	<u>600,000</u>
Noncurrent portion	<u><u>\$ 4,247,371</u></u>	<u><u>\$ 4,119,476</u></u>

During the years ended June 30, 2011 and 2010, the Foundation provided the Organization with loans totaling \$7,000,000 to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. With the issuance of the 2014 Bonds (see Note 7), \$1,000,000 of these loans was repaid to the Foundation. Under the terms of the 2014 Bonds Master Indenture and a Debt Modification Agreement between the Organization and the Foundation, the remaining \$6,000,000 outstanding principal amount of the loan originally due as of June 30, 2016, may be repaid by the Organization in 20 semiannual installments if the Organization meets certain financial requirements and tests. The Organization met these tests during the 12 months ended December 31, 2019, and thus made the first \$300,000 payment on this loan in February 2020. An additional payment in the amount of \$300,000 was made in August 2020 based on the Organization meeting the financial requirements for the 12 months ended June 30, 2020. The Organization did not meet these requirements for the 12 months ended December 31, 2020, or for the 12 months ended June 30, 2021. The loan provides for 0% interest and has been discounted to present value in the financial statements using a rate of 3.25%. The Organization amortized \$127,895 and \$127,894 of this discount in the years ended June 30, 2021 and 2020, respectively, which is reflected as interest expense in the statements of revenues and expenses.

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Notes to Financial Statements

NOTE 9 – FAIR VALUE MEASUREMENTS

The following fair value hierarchy tables present information about the Organization's financial instruments measured at fair value on a recurring basis as of June 30:

Description	Balance as of June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets</u>				
Investments:				
Money market funds and short-term investments	\$ 12,222,491	\$ 12,222,491	\$ -	\$ -
U.S. treasury securities	1,505,925	1,505,925	-	-
Debt securities				
– non-U.S. government	<u>100,230</u>	<u>100,230</u>	<u>-</u>	<u>-</u>
Investments total	13,828,646	13,828,646	-	-
Debt service fund (money market funds)	4,428,299	4,428,299	-	-
Beneficial interest in Jewish Home & Senior Living Foundation	<u>9,502,395</u>	<u>-</u>	<u>-</u>	<u>9,502,395</u>
	<u>\$ 27,759,340</u>	<u>\$ 18,256,945</u>	<u>\$ -</u>	<u>\$ 9,502,395</u>

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Description	Balance as of June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets</u>				
Investments:				
Money market funds and short-term investments	\$ 8,063,229	\$ 8,063,229	\$ -	\$ -
Certificate of deposits	1,538,440	1,538,440	-	-
Debt securities – non-U.S. government	5,400,051	5,400,051	-	-
Investments total	15,001,720	15,001,720	-	-
Debt service fund (money market funds)	4,428,069	4,428,069	-	-
Beneficial interest in Jewish Home & Senior Living Foundation	8,089,314	-	-	8,089,314
	<u>\$ 27,519,103</u>	<u>\$ 19,429,789</u>	<u>\$ -</u>	<u>\$ 8,089,314</u>

The following table summarizes the changes in the Organization's Level 3 financial instruments:

	Beneficial Interest in Jewish Home & Senior Living Foundation
Balance, June 30, 2019	\$ 7,746,850
Change in value	342,464
Balance, June 30, 2020	8,089,314
Change in value	1,523,780
Withdrawals	(110,699)
Balance, June 30, 2021	<u>\$ 9,502,395</u>

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" for fair value measurement reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Organization also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Organization's credit standing, liquidity and, where appropriate, risk margins on unobservable parameters.

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The Organization's management, under the supervision of its Board of Trustees, determines the fair value measurement policies and procedures. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information. In determining the reasonableness of the methodology, management evaluates a variety of factors including a review of existing agreements, economic conditions, and industry and market developments. Certain unobservable inputs are assessed through review of contract terms (duration and payout data) while others are substantiated utilizing available market data (discount rates and mortality table). The following are the techniques used to determine fair values for the financial instruments listed in the above tables.

- Debt service funds consist of cash equivalents, which approximates fair value.
- Beneficial interest in Jewish Home & Senior Living Foundation – the fair value is determined based on the Organization's ownership interest in investments measured at quoted market prices.

Fair values of the Organization's financial instruments as of June 30, 2021 and 2020, which are not measured at fair value on a recurring basis, are as follows:

- Accounts receivable, prepaid expenses and other current assets, notes receivable, other receivables, accounts payable, accrued liabilities, deferred monthly fees and other liabilities, refundable deposits, and refundable entrance fees – the carrying amount approximates fair value due to their short-term nature.
- Loans payable – the carrying value approximates fair value as they are carried at the amounts to be paid discounted to present value.
- Future service benefit obligation – the carrying value approximates fair value as it is carried at the amounts to be paid discounted to present value.

NOTE 10 – ENDOWMENT FUNDS

The Organization follows FASB ASC Topic 958, *Not-for-Profit Entities*, for reporting endowment funds. The standard provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of California adopted a version of the UPMIFA, known as the State Prudent Management of Institutional Funds Act ("SPMIFA").

SPMIFA moves away from the concept of corpus with its "historical dollar value" in an endowment. Charities are encouraged to develop spending policies that are responsive to short term fluctuations in the value of the fund, preserve the value of the fund for future use, and honor the charitable purpose of the fund. The Organization continues to balance the endurance of its funds and the needs of the community in its granting policies and practices.

The Organization's endowment assets are generally donor-restricted endowment funds established to generate support for Jewish residents of the Project or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs. As required by FASB ASC Topic 958, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are approved for appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return objectives and risk parameters – The Organization has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to provide support for the various programs of the Organization while seeking to maintain the original gift value of the endowment asset. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to realize a competitive rate of return comparable to index benchmarks.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a diversified asset investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of investments to achieve its long-term return objectives within prudent risk constraints.

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Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution of income, both current and accrued, from the endowment funds to any resident who needs financial assistance for any aspect of their stay at the facilities of the Organization. The Organization expects to provide annual distributions of 5% of the market value of the endowment assets as determined quarterly and averaged over the preceding 36 months. The investment managers are required to invest funds to ensure that required distributions of income can be met.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency of this nature existed as of June 30, 2021 and 2020.

Endowment net asset composition by type of fund as of June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 9,501,395	\$ 9,501,395
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 8,088,314	\$ 8,088,314

Endowment net asset composition by type of fund as of June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	\$ -	\$ 8,088,314	\$ 8,088,314
Withdrawals - charitable care	-	(110,699)	(110,699)
Investment return - change in beneficial interest	-	1,523,780	1,523,780
Endowment net assets, end of year	\$ -	\$ 9,501,395	\$ 9,501,395
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	\$ -	\$ 7,745,850	\$ 7,745,850
Investment return - change in beneficial interest	-	342,464	342,464
Endowment net assets, end of year	\$ -	\$ 8,088,314	\$ 8,088,314

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, were restricted to the following:

	2021	2020
Earnings on endowment net assets	\$ 4,787,045	\$ 3,373,964
Moldaw library fund/general funds	158,340	18,084
To be held in perpetuity	4,714,350	4,714,350
	<u>\$ 9,659,735</u>	<u>\$ 8,106,398</u>

Net assets were released from restrictions during 2021 and 2020 for the following purposes:

	2021	2020
Satisfaction of purpose	<u>\$ 130,141</u>	<u>\$ 86,704</u>

NOTE 12 – FINANCIALLY INTERRELATED ORGANIZATIONS

Taube-Koret Campus for Jewish Life Owners Association – Certain components of the property, facilities, and operations of the Organization and the Albert L. Schultz Jewish Community Center of Palo Alto (“Jewish Community Center”) are common to both organizations. The Taube-Koret Campus for Jewish Life Owners Association (“TKCJL-OA”) was formed as a partnership between the parties, and administers those functions, properties, and facilities that are common to both. To support the daily operations of TKCJL-OA, both parties fund those activities through annual operating assessments. Operating assessments were \$13,860 and \$18,480 during the years ended June 30, 2021 and 2020, respectively, which are included in general and administrative expense in the statements of revenues and expenses. In addition, and as required by law, the TKCJL-OA is required to prepare a reserve analysis of future capital replacement needs for the common areas of the campus. This reserve analysis projects the amount of funds that are required to be set aside on a current basis to meet future capital needs. The Organization’s statements of financial position reflect a deposit held by TKCJL-OA of \$489,021 and \$709,134 as of June 30, 2021 and 2020, respectively, which is the Organization’s share of such reserve fund deposits.

TKCJL-OA has a separate board of directors over which 899 Charleston does not exercise majority control and, therefore, the operations of TKCJL are not included in the accompanying financial statements.

The Foundation – The Foundation provided the Organization with noninterest bearing loans totaling \$7 million to fund the Organization’s project deficiencies and operational needs as guarantor under a letter of credit agreement. The Foundation fulfilled its obligation under a support and guarantee agreement. Subsequent payments have been made resulting in a remaining balance of \$5,400,000 and \$5,700,000 outstanding as of June 30, 2021 and 2020, respectively (see Note 8).

The Organization’s employees perform various duties related to fundraising. Beginning in the fiscal year ended June 30, 2019, the Organization received reimbursement from the Foundation for these costs incurred in relation to such tasks based on estimated employees’ time and efforts. For the years ended June 30, 2021 and 2020, reimbursement of costs equaled \$158,917 and \$140,150, respectively, which were recorded as a receivable from the Foundation as of June 30, 2021 and 2020, respectively.

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The Foundation holds and invests the endowment funds on behalf of the Organization.

The Foundation has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Foundation are not included in the accompanying financial statements.

The Campus – The Campus has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Campus are not included in the accompanying financial statements.

Jewish Senior Living Group – Jewish Senior Living Group (“JSLG”) was formed to provide supporting activities for the benefit of nonprofit organizations and to provide or promote the provision of Jewish living services, facilities, and/or aging services in Northern California. JSLG is currently a supporting organization to the Organization, the Foundation, and the Campus.

The Organization and JSLG have entered into annual service agreements since 2011, whereby JSLG has provided support services related to finance and accounting, information technology, marketing, human resources, and organizational advancement at a set monthly fee plus any additional services, costs, or expenses pre-approved by the Organization. Effective January 1, 2016, the Organization and JSLG entered into an Operations and Marketing Management Agreement, under which JSLG serves as the management company to the Organization. As such, JSLG has continued to provide the support services as described above, in addition to the management and marketing services as delineated in the agreement. JSLG has been paid an annual amount for the management and marketing services provided (subject to annual adjustments based on inflation) and has provided support services based upon an amount agreed upon at the beginning of each fiscal year. During the years ended June 30, 2021 and 2020, the Organization paid \$326,448 and \$320,616 for management and marketing services, respectively, and \$806,100 and \$834,000 for other support services, respectively. See Note 17 regarding phasing out of this arrangement.

JSLG has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of JSLG are not included in the accompanying financial statements.

NOTE 13 – RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution plan for its employees. The plan covers substantially all employees meeting certain eligibility requirements. Total expenses under the plan were \$50,039 and \$53,097 for the years ended June 30, 2021 and 2020, respectively.

899 Charleston dba Moldaw Residences
Notes to Financial Statements

NOTE 14 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended June 30 were as follows:

	For the Year Ended June 30, 2021			
	Program activities	Management and general	Fundraising	Total
Salaries and wages	\$ 3,815,589	\$ 455,752	\$ 130,338	\$ 4,401,679
Employee benefits and payroll taxes	1,010,735	193,043	21,368	1,225,146
Contract services and professional fees	1,514,467	1,319,938	-	2,834,405
Supplies, utilities, and maintenance	1,916,675	20,084	1,729	1,938,488
Interest	3,611,269	-	-	3,611,269
Depreciation	3,372,035	256,568	36,653	3,665,256
Other	413,787	767,771	8,949	1,190,507
Total	<u>\$ 15,654,557</u>	<u>\$ 3,013,156</u>	<u>\$ 199,037</u>	<u>\$ 18,866,750</u>

	For the Year Ended June 30, 2020			
	Program activities	Management and general	Fundraising	Total
Salaries and wages	\$ 3,709,898	\$ 520,353	\$ 116,361	\$ 4,346,612
Employee benefits and payroll taxes	1,008,125	120,077	19,929	1,148,131
Contract services and professional fees	1,449,924	1,325,113	-	2,775,037
Supplies, utilities, and maintenance	1,925,729	32,815	3,974	1,962,518
Interest	3,653,014	-	-	3,653,014
Depreciation	3,483,706	277,251	42,215	3,803,172
Other	370,550	430,109	3,491	804,150
Total	<u>\$ 15,600,946</u>	<u>\$ 2,705,718</u>	<u>\$ 185,970</u>	<u>\$ 18,492,634</u>

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation – In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory matters – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements.

899 Charleston dba Moldaw Residences

Notes to Financial Statements

NOTE 16 – LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year:

	2021	2020
Cash and cash equivalents	\$ 11,034,065	\$ 11,208,053
Investments	13,828,646	15,001,720
Accounts receivable	49,452	107,440
Notes receivable	4,545	523,800
Interest receivable	10,546	33,181
Related party receivables	158,917	140,150
Other receivables	329,243	47,190
Current financial assets at June 30	<u>25,415,414</u>	<u>27,061,534</u>
Less those unavailable for general expenditure within one year, due to:		
Water Quality Control Board Escrow Account	<u>39,002</u>	<u>41,455</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 25,376,412</u>	<u>\$ 27,020,079</u>

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization reviews its funding level on an ongoing basis to ensure it is adequate to meet its current obligations.

NOTE 17 – SUBSEQUENT EVENT

In August 2021, the Board of Trustees entered into a contract with Life Care Services ("LCS") to provide management services beginning in October 2021. Services previously provided by JSLG will transition to LCS over a period of a few months.



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

**899 Charleston
dba Moldaw Residences**

June 30, 2021



MOSSADAMS

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Report of Independent Auditors

To the Board of Trustees
899 Charleston dba Moldaw Residences

We have audited the accompanying financial statements of 899 Charleston dba Moldaw Residences (the "Organization"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended June 30, 2021.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of 899 Charleston dba Moldaw Residences as of and for the year ended June 30, 2021, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Attachment to Form 5-1: Total Interest Paid During Fiscal Year; Attachment to Form 5-4: Deductions from Operating Expenses; Attachment to Form 5-5: Schedule of Qualifying Assets – Debt Service Reserve and Operating Reserve; and Attachment to Form 5-5: Required Disclosure Under Section 1790 (a)(2); presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Trustees and management of 899 Charleston dba Moldaw Residences 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
October 27, 2021

Continuing Care Liquid Reserve Schedules

899 Charleston dba Moldaw Residences
Form 5-1
Long-term Debt Incurred in Prior Fiscal Year

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	11/17/14	\$935,000	\$3,489,457	\$0	\$4,424,457
2	11/17/14	\$300,000	\$0	\$0	\$300,000
TOTAL:			\$3,489,457	\$0	\$4,724,457

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

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

NOTE: For column (c), amount does not include amortized discount on subordinated note.

NOTE: The debt listed on line 2 of this schedule is a zero interest loan from the Jewish Home & Senior Living Foundation. Principal repayments are contingent on 899 Charleston achieving certain financial milestones. The first principal payment was made in the prior fiscal year.

PROVIDER: 899 Charleston DBA: Moldaw Residences FYE 6/30/2021

899 Charleston dba Moldaw Residences
Form 5-2
Long-term Debt Incurred During Fiscal Year

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

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$0	\$0	\$0

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

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

PROVIDER: 899 Charleston DBA: Moldaw Residences FYE 6/30/2021

899 Charleston dba Moldaw Residences
Form 5-3
Calculation of Long-term Debt Reserve Amount

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$4,724,457</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$0</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$4,724,457</u></u>

PROVIDER: 899 Charleston DBA: Moldaw Residences FYE 6/30/2021

899 Charleston dba Moldaw Residences
Form 5-4
Calculation of Net Operating Expenses

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$ 18,866,750</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$ 3,489,457</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$ -</u>	
c.	Depreciation	<u>\$ 3,665,256</u>	
d.	Amortization	<u>\$ -</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$ 1,701,436</u>	
f.	Extraordinary expenses approved by the Department	<u>\$ -</u>	
3	Total Deductions		<u>\$ 8,856,149</u>
4	Net Operating Expenses		<u>\$ 10,010,601</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$ 27,426</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 2,056,950</u></u>

PROVIDER: 899 Charleston DBA: Moldaw Residences FYE 6/30/2021

COMMUNITY: Moldaw Residences

899 Charleston dba Moldaw Residences
Form 5-5
Annual Reserve Certification

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: 899 Charleston DBA: Moldaw Residences
 Fiscal Year Ended: June 30, 2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended June 30, 2021 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$4,724,457</u>
[2] Operating Expense Reserve Amount	<u>\$2,056,950</u>
[3] Total Liquid Reserve Amount:	<u>\$6,781,407</u>

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

<u>Qualifying Asset Description</u>	<u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$ 4,507,089</u>	<u>\$ 1,629,454</u>
[5] Investment Securities	<u>\$ -</u>	<u>\$ 13,828,646</u>
[6] Equity Securities	<u>\$ -</u>	<u>\$ -</u>
[7] Unused/Available Lines of Credit	<u>\$ -</u>	<u>\$ -</u>
[8] Unused/Available Letters of Credit	<u>\$ -</u>	<u>\$ -</u>
[9] Debt Service Reserve	<u>\$ 4,428,299</u>	(not applicable)
[10] Other:	<u>\$ -</u>	<u>\$ -</u>
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$8,935,388</u> [12]	<u>\$15,458,100</u>
Reserve Obligation Amount: [13]	<u>\$4,724,457</u> [14]	<u>\$2,056,950</u>
Surplus/(Deficiency): [15]	<u>\$4,210,931</u> [16]	<u>\$13,401,150</u>

Signature:


 (Authorized Representative)

Mary Connick, CFO

Date: October 27, 2021

Supplementary Schedules

899 Charleston dba Moldaw Residences

Attachment to Form 5-1: Total Interest Paid During Fiscal Year

899 Charleston DBA:
Moldaw Residences
Support Schedule for Form 5-1
Line 1 (c) Interest Paid During the Fiscal Year
FYE June 30, 2021

Reconciliation of bond interest paid during fiscal year per Form 5-1, line 1 (c) to amount reported in the statement of cash flows:

Interest paid, per the statement of cash flows	\$ 3,494,574
Less: Other interest expense	<u>(5,117)</u>
Total interest paid during the fiscal year, Form 5-1, Line 1 (c)	<u><u>\$ 3,489,457</u></u>

899 Charleston dba Moldaw Residences
Attachment to Form 5-4: Deductions from Operating Expenses

899 Charleston DBA:
Moldaw Family Residences
Support Schedule for Form 5-4 Calculation of Net Operating Expenses, Lines 2a, 2d and 2e
FYE June 30, 2021

Line 2e: Revenues received during the fiscal year for services to persons who did not have a continuing care contract

Cash received from services and other income per statement of cash flows	\$ 566,891
Less: Accounts receivable related to other income as of 6/30/20	(145,885)
Plus: Accounts receivable/ Less: Prepaid related to other income as of 6/30/21	170,028
Other revenues for services to residents (include accrued income)	<u>(410,780)</u>
Total revenues for services to non-residents	\$ 180,254
Revenues from residents without continuing care contract	<u>1,521,182</u>
Total revenues received during the fiscal year for services to persons who did not have a continuing care contract, Form 5-4, line 2e	<u><u>\$ 1,701,436</u></u>
Cash received from resident fees per the statement of cash flows	\$ 12,733,119
Less: Cash received from resident fees with continuing care contracts	<u>11,206,968</u>
Cash received from resident fees without continuing care contracts	1,526,151
Plus: Accounts receivable/Less: Prepaid related to resident fees without continuing care contracts as of 6/30/21	(4,459)
Less: Accounts receivable/Plus: Prepaid related to resident fees without continuing care contracts as of 6/30/20	<u>\$ (511)</u>
Revenues from residents without continuing care contract	<u><u>\$ 1,521,182</u></u>

899 Charleston dba Moldaw Residences

Attachment to Form 5-5: Schedule of Qualifying Assets – Debt Service Reserve and Operating Reserve

899 Charleston DBA:
Moldaw Family Residences
Support Schedule for Form 5-5, Annual Reserve Calculation, line 4, 5, 9 and 11
FYE June 30, 2021

		Amount	
Qualifying Asset Description		DEBT RESERVE	OPERATING RESERVE
	Operating checking accounts	\$ -	\$ 1,343,175
	Capital campaign account	-	284,583
	Depositor account	5,314,859	-
	Turnover entrance fee account	-	4,091,448
	Less: Amount related to entrance fee refunds payable per the statement of financial position	-	(4,089,752)
	Less: Amount related to refundable deposits per the statement of financial position	(807,770)	-
Line 4	Total cash and cash equivalent	\$ 4,507,089	\$ 1,629,454
Line 5	Investment Securities	-	13,828,646
Line 9	Debt service reserve in trust	4,428,299	-
Line 11	Total Amount of Qualifying Assets listed for reserve obligation	<u>\$ 8,935,388</u>	<u>\$ 15,458,100</u>
TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT RESERVE AND OPERATING RESERVE		<u>\$ 24,393,488</u>	
	Cash and cash equivalents per the statement of financial position	\$ 11,034,065	
	Investments	13,828,646	
	Debt service fund per the statement of financial position	<u>4,428,299</u>	
	Total Amount Of Qualifying Assets For Debt Reserve And Operating Reserve	29,291,010	
	Less: Amount related to entrance fee refunds payable per the statement of financial position	(4,089,752)	
	Less: Amount related to refundable deposits to prospective residents and refundable parking deposits	<u>(807,770)</u>	
	Total Amount Of Qualifying Assets For Debt Reserve And Operating Reserve	<u>\$ 24,393,488</u>	

899 Charleston dba Moldaw Residences
Attachment to Form 5-5: Required Disclosure Under Section 1790 (a)(2)

899 Charleston DBA:
Moldaw Family Residences
Fiscal Year Ended June 30, 2021
Support Schedule for Form 5-5, Annual Reserve Calculation (continued)
Required Disclosure under Section 1790(a)(2) of the Health and Safety Code

Escrow Entrance fees – This amount represents entrance fees collected beginning September 1, 2010 that are to be used to make principal payments on the tax exempt bonds pursuant to loan agreements.	\$ 23,589,606
Debt service reserve fund – This amount represents the required reserve fund for the bonds. The moneys are reserve only to be used if other funds are insufficient to satisfy the debt service requirements.	<u>4,428,299</u>
	\$ 28,017,905
Less: Amount related to refundable deposits per the statement of financial position	<u>(4,897,522)</u>
	<u>\$ 23,120,383</u>
Total operating expenses	\$ 18,866,750
Per capita cost	\$ 88,576

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

Date Prepared: _____

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

NUMBER OF UNITS:

RESIDENTIAL LIVING

HEALTH CARE

APARTMENTS — STUDIO: _____

ASSISTED LIVING: _____

APARTMENTS — 1 BDRM: _____

SKILLED NURSING: _____

APARTMENTS — 2 BDRM: _____

SPECIAL CARE: _____

COTTAGES/HOUSES: _____

DESCRIPTION: > _____

RLU OCCUPANCY (%) AT YEAR END: _____

> _____

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

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

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

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

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: _____

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

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

FACILITY SERVICES AND AMENITIES

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

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

PROVIDER NAME: _____

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

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

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

<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

PROVIDER NAME: _____

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

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

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

FINANCIAL RATIOS (see next page for ratio formulas)

2017 CCAC Medians
50th Percentile
(optional)

	2019	2020	2021
DEBT TO ASSET RATIO			
OPERATING RATIO			
DEBT SERVICE COVERAGE RATIO			
DAYS CASH ON HAND RATIO			

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

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

COMMENTS FROM PROVIDER: > _____
> _____
> _____

PROVIDER NAME: _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$3,992 to \$8,251	\$8,500 to \$13,606	N/A
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0%	4.0%	N/A

☐ Check here if monthly service 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:
(If more than 1 increase was implemented, indicate the dates or each increase.) 1/1/2021

[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. **Dates of Notice:** October 1, 2020 and November 1, 2020 **Method of Notice:** letters mailed to all residents and/or their responsible parties.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend. **Date of Meeting:** Aug. 6, 2020 Town Hall meeting
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice:** Meeting notice was posted on July 2, 2020
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. **Date of Notice:** 6/28/2020
Location of Notice : An email is sent to all residents and hard copies of the notice and agenda are placed in the resident in-house mailboxes. Additionally, the Secretary of the Resident Association Council places the Meeting Agenda and Minutes in the Moldaw Community Library shortly after each Town Hall meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the applicable Health and Safety code sections. **See PART 7 REPORT ON CCRC MONTHLY CARE FEE in the Annual Report Instruction booklet for further instructions**

PROVIDER: 899 Charleston, DBA Moldaw Residences FYE 6/30/2021

COMMUNITY: Moldaw Family Residences

FORM 7-1 ATTACHMENT
MONTHLY CARE FEE INCREASE

Dollar Amounts in Thousands				
Line	Fiscal Years	F/Y 2019	F/Y 2020	F/Y 2021
1	F/Y 2019 Operating Expense	(\$18,610)		
2	F/Y 2020 Operating Expense ¹		(\$18,713)	
3	Projected F/Y 2021 Operating Expense ¹			(\$19,371)
4	F/Y 2021 Anticipated Revenue without a MCFI ²			\$16,611
5	Projected F/Y 2021 (net) Operating Results without a MCFI (Line 3 plus Line 4)			(\$2,760)
6	F/Y 2021 Anticipated MCF Revenue with MCFI 4% in January, Month 7 of the Fiscal Year ³			\$17,115
7	Grand Total - Projected F/Y 2021 Net Operating Activity After 4% MCFE in January, Month 7 of the Fiscal Year (Line 3 plus Line 6)			(\$2,256)

Monthly Care Fee Increase:
4.0% in January 2021, Month 7 of F/Y 2021

Adjustments Explained:

F/Y 2019 to F/Y 2020

F/Y 2019 figure is from audited financials. F/Y 2020 figure was projected from F/Y 2020 internal financials through March.

F/Y 2020 to F/Y 2021

F/Y 2021 figure is the budget that was shown to residents and approved by the Board of Trustees in Q4 of F/Y 2020.

The primary driver for the increased expense is labor.

The F/Y 2021 budget reflects 90.4 FTEs, an increase of 1.8 FTEs from F/Y 2020.

The F/Y 2021 budget reflects a 3% wage rate increase and a 3% increase to medical insurance premiums in the first month of F/Y 2021, July 2020.

Depreciation was calculated from known depreciation schedule with depreciation on \$713K of new capital expenses added.

The standard increase for other expenses was 3%, which was adjusted when department heads, the Executive Director, or the Finance Department had better information of expected F/Y 2021 costs.

¹ As presented to residents in Q4 of F/Y 2020

² \$12.6M from monthly fee revenue. \$4.0M was expected from other sources, primarily amortized entrance fees.

³ \$13.1M from monthly fee revenue. \$4.0M was expected from other sources, primarily amortized entrance fees.

899 Charleston DBA
Moldaw Residences
Support Schedule for Form 7-1, Support for Increase in Monthly Fees
FYE June 30, 2021

(5) Attach a page to provide an explanation for the increase in monthly service fees including the amount of increase.

The data utilized in establishing adjustments to monthly service fees include projected increases in costs such as salaries and benefits, food costs, utilities, contract services, supplies and other operating costs in conjunction with an economic analyses of market conditions. The development of the budget, which is ultimately reviewed by the Resident Budget and Finance Council and approved by the Board of Trustees, includes planning for all costs needed to support the community including those specified above. The budgeting process starts in January each year and progresses through several internal reviews (including several with the Resident Budget and Finance Council) until it is finally approved by the Board of Trustees prior to July 1 (the beginning of the fiscal year). This process looks at the expenditures over a prior three-year period as well as the year to date expenditures combined with estimated expenditures for the remaining months of the current fiscal year and considers expected capital expenditures that will be made during the upcoming year, and the need for reserves for future years.

Budgeted service fee revenue for the residential units is calculated by considering current and projected occupancy percentages by type and specific monthly rates for each type of unit.

Revenues generated by monthly service fees are budgeted in amount sufficient to cover all operating costs for the community, pay for capital expenditures, to build a reserve for future years, and generate adequate margin to cover a portion of debt service payments for the community

Adjustments to monthly service fees typically occur on January 1st of each year and are communicated to residents at a Town Hall meeting several months in advance. A 4% increase in monthly service fees took effect on January 1, 2021.

Provider Name: 899 Charleston DBA: Moldaw Family Residences