FISCAL YEAR ENDED: 12/31/2020

ANNUAL REPORT CHECKLIST

PROVIDER(S): Casa Pacifica

CCRC(S): Freedom Village

PROVIDER CONTACT PERSON: Debra Hill

TELEPHONE NO.: (949) 340-8238 **EMAIL:** dhill@freedomvillage.org

● ●

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

☑ Annual Report Checklist.

☑ Annual Provider Fee in the amount of: $ $15,271
- ☐ If applicable, late fee in the amount of: $________

☑ Certification by the provider's ***Chief Executive Officer*** that:
- ☑ The reports are correct to the best of his/her knowledge.
- ☑ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ☑ The provider is maintaining the required *liquid* reserves and, *when applicable*, the required refund reserve.

☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).

☑ "Continuing Care Retirement Community Disclosure Statement" for ***each*** community.

☑ Form 7-1, "Report on CCRC Monthly Service Fees" for ***each*** community.

☑ Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*.

☑ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	355
[2]	Number at end of fiscal year	329
[3]	Total Lines 1 and 2	684
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	342
	All Residents	
[6]	Number at beginning of fiscal year	414
[7]	Number at end of fiscal year	363
[8]	Total Lines 6 and 7	777
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	388.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.88

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including debt service)		$18,835,460
	[a]	Depreciation	$1,478,429	
	[b]	Debt Service (Interest Only)	$10,101	
[2]		Subtotal (add Line 1a and 1b)		$1,488,530
[3]		Subtract Line 2 from Line 1 and enter result.		$17,346,930
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		88%
[5]		Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$15,270,657
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$15,271

PROVIDER: Casa Pacifica
COMMUNITY: Freedom Village

Freedom Village

Continuing Care Retirement Living

May 25, 2021

Department of Social Services
Continuing Care Contracts Program
744 P Street, M/S 17-90
Sacramento, CA 95814

RE: Casa Pacifica, dba Freedom Village

Enclosed is the 2020 annual report for Freedom Village. As Chief Executive Officer, I certify to the following:

1. That the annual report and any amendments thereto are correct to the best of my knowledge,

2. That each continuing care contract in use for new residents has been approved by the Department,

3. Freedom Village is maintaining the required liquid reserves,

4. A line of credit exists to cover the agreed amount of the refund reserve requirement under the Health and Safety Code Section 1793c.

Sincerely,

Cheryl Roskamp
Chief Executive Officer
Freedom Village

CR/js

23442 El Toro Rd. • Lake Forest, CA 92630
Telephone **(949) 472-4700** • Fax (949) 587-9711
Lic. # 300606831 COA 143 • www.freedomvillage.org

ACORD® CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 6/15/2020

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

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Robert Bell Insurance Brokers Inc.
605 East Alvarado Street
Suite 200
Fallbrook CA 92028

CONTACT NAME: Cheryl Gayk
PHONE (A/C, No, Ext): (760) 451-8556 FAX (A/C, No): (760) 451-8613
E-MAIL ADDRESS: cgayk@robertbellinsurance.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Columbia Casualty Company	31127
INSURER B: The Continental Insurance Company	42625
INSURER C: RUS - Starr Indemnity & Liability Compa	38318
INSURER D:	
INSURER E:	
INSURER F:	

INSURED
Casa Pacifica dba, DBA
Freedom Village - The Village - Freedom Management
27134 Paseo Espada, Ste. A321
San Juan Capistrano CA 92675

COVERAGES CERTIFICATE NUMBER: 2020-2021 REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	COMMERCIAL GENERAL LIABILITY; X CLAIMS-MADE; OCCUR; Professional Included; GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY; PRO-JECT; LOC; OTHER:	X		4022531770	6/15/2020	6/15/2021	EACH OCCURRENCE	$
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
							MED EXP (Any one person)	$ 5,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 3,000,000
							PRODUCTS - COMP/OP AGG	$
							Professional Liability Agg	$ 3,000,000
B	AUTOMOBILE LIABILITY; X ANY AUTO; ALL OWNED AUTOS; SCHEDULED AUTOS; X HIRED AUTOS; X NON-OWNED AUTOS			4022531767	6/15/2020	6/15/2021	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
A	UMBRELLA LIAB; OCCUR			4022531798 - Excess GL/PL	6/15/2020	6/15/2021	EACH OCCURRENCE	$ 4,000,000
A	X EXCESS LIAB; X CLAIMS-MADE						AGGREGATE	$ 4,000,000
	DED; X RETENTION $ 10,000			4022531784 - Excess Auto	6/15/2020	6/15/2021	Excess Auto Aggregate	$ $5,000,000
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N; ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH); If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		Not with Agency			PER STATUTE / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
C	D&O/EPLI			1000620846201	4/25/2020	4/25/2021	D&O Limit / EPLI Limit	$2 Mil/$1 Mil
B	Crime			4022531753	6/15/2020	6/15/2021	Crime Limit	$50,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Certificate holder is listed as an Additional Insured under the general liability policy

NAMED INSURED SCHEDULE

Casa Pacifica DBA The Village Healthcare Center
Freedom Management Company
Freedom Properties Hemet

CERTIFICATE HOLDER

bjohnston@freedomvillage.org

State of CA, Health & Welfare
Agency, Office of Statewide
Health Planning & Development

CANCELLATION

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

AUTHORIZED REPRESENTATIVE
Michael Bell/CG

COMMENTS/REMARKS

Freedom Properties Hemet LLC DBA The Village Healthcare
Freedom Village
Freedom Village Health Center
Freedom Properties Hemet LLC DBA The Village Healthcare Center

INVALID MAILING ADDRESS-RTS: 1800 9th Street Sacramento CA 96814

CASA PACIFICA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

WITH INDEPENDENT AUDITORS' REPORT

CASA PACIFICA
TABLE OF CONTENTS
DECEMBER 31, 2020

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Partners
Casa Pacifica
Lake Forest, California

We have audited the accompanying financial statements of Casa Pacifica (a California general partnership) (the Partnership), which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in partners' equity, and cash flows for the year 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.

Auditors' 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 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 auditors' 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 auditors consider internal control relevant to the Partnership'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 Partnership'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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the Partnership recognizes income from nonrefundable deferred entrance fees when the funds are constructively received, and the Partnership expenses incremental costs of obtaining long-term contracts with customers when incurred. In our opinion, accounting principles generally accepted in the United States of America (U.S. GAAP) require that revenues from nonrefundable deferred entrance fees be recognized when future goods or services are transferred during optional future periods covering a resident's life expectancy. Further, U.S. GAAP requires that the incremental costs of obtaining a contract should be deferred and amortized on a systematic basis consistent with the pattern in which revenue related to the contract is being recognized. If the financial statements were corrected for these departures from U.S. GAAP, assets would increase by approximately $13,893,000; liabilities would increase by approximately $16,397,000; beginning partners' equity would increase by approximately $4,692,000; revenue from resident services, including deferred entrance fees and nonrefundable advance fees, would increase by approximately $2,225,000; and expenses would increase by approximately $37,000.

Qualified Opinion

In our opinion, except for the effects of recognition of deferred entrance fees as income upon constructive receipt of payment and expensing of incremental costs of obtaining customer contracts as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Casa Pacifica as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
May 28, 2021

CASA PACIFICA
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

Current Assets:	
Cash and cash equivalents	$ 5,104,897
Accounts receivable	1,094,766
Inventories	182,024
Prepaid expenses	226,001
Related-party receivable	233,592
Total Current Assets	6,841,280
Property and Equipment:	
Land	5,705,268
Building and improvements	22,302,552
Machinery and equipment	5,591,171
Furniture and fixtures	13,487,431
Vehicles	484,447
Construction in progress	188,804
Total Property and Equipment, at Cost	47,759,673
Less: Accumulated depreciation	(32,855,677)
Property and Equipment, at Net Book Value	14,903,996
Other Assets:	
Restricted cash	2,010,960
Total Other Assets	2,010,960
Total Assets	$ 23,756,236

The accompanying notes are an integral part of these financial statements.

CASA PACIFICA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020

LIABILITIES AND PARTNERS' EQUITY

Current Liabilities:	
Accounts payable	$ 803,832
Accrued expenses	949,097
Current portion of note payable to Master Trust	975,000
Line of credit	1,500,000
Paycheck Protection Program loan	2,137,000
Total Current Liabilities	6,364,929
Long-Term Liabilities:	
Note payable to Master Trust, net of current portion	15,960,000
Deposits from residents	275,800
Notes payable to partners	799,200
Due to others	15,000
Total Long-Term Liabilities	17,050,000
Total Liabilities	23,414,929
Partners' Equity	341,307
Total Liabilities and Partners' Equity	$ 23,756,236

The accompanying notes are an integral part of these financial statements.

CASA PACIFICA
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2020

Revenues:	
Resident services	$ 14,532,302
Patient services, net	10,144,486
Nonresident services	140,582
Total Revenues	24,817,370
Caregiver and Ancillary Service Costs	2,165,210
Net Revenues	22,652,160
Operating Expenses:	
Resident care	3,889,505
Dietary	3,319,622
Housekeeping	993,064
Plant facility operating costs	2,339,566
General and administrative expenses	6,815,274
Depreciation and amortization	1,478,429
Total Operating Expenses	18,835,460
Income from Operations	3,816,700
Other Income (Expense):	
Interest expense	(10,101)
Interest income	24,544
Other income	480,217
Total Other Income (Expense)	494,660
Net Income	$ 4,311,360

The accompanying notes are an integral part of these financial statements.

CASA PACIFICA
STATEMENT OF CHANGES IN PARTNERS' EQUITY
YEAR ENDED DECEMBER 31, 2020

Balance, December 31, 2019	$ (820,053)
Net income	4,311,360
Distributions to partners	(3,150,000)
Balance, December 31, 2020	$ 341,307

The accompanying notes are an integral part of these financial statements.

CASA PACIFICA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:	
Cash received from residents	$ 20,125,084
Interest expense	(10,101)
Interest income	24,544
Other income	480,217
Reimbursements for services to nonresidents	4,747,864
Cash paid to suppliers and employees	(19,746,582)
Net Cash and Cash Equivalents and Restricted Cash Provided by Operating Activities	5,621,026
Cash Flows from Investing Activities:	
Purchase of property and equipment	(1,784,212)
Net Cash and Cash Equivalents and Restricted Cash Used in Investing Activities	(1,784,212)
Cash Flows from Financing Activities:	
Proceeds from note payable to Master Trust	525,000
Payments on note payable to Master Trust	(950,000)
Proceeds from Paycheck Protection Program loan	2,137,000
Proceeds from line of credit	1,500,000
Proceeds from notes payable to partners	799,200
Distributions to partners	(3,150,000)
Net Cash and Cash Equivalents and Restricted Cash Provided by Financing Activities	861,200
Net Increase in Cash and Cash Equivalents and Restricted Cash	4,698,014
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	2,417,843
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 7,115,857

The accompanying notes are an integral part of these financial statements.

CASA PACIFICA
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

Reconciliation of Net Income to Cash and Cash Equivalents and Restricted Cash Provided by Operating Activities:	
Net Income	$ 4,311,360
Noncash Item Included in Net Income:	
Depreciation and amortization	1,478,429
Changes in:	
Accounts receivable	44,483
Inventories	(9,358)
Prepaid expenses	(164,370)
Related-party receivable	(194,666)
Accounts payable	125,798
Accrued expenses	18,250
Deposits from residents	20,350
Due to others	(9,250)
Net Cash and Cash Equivalents and Restricted Cash Provided by Operating Activities	$ 5,621,026

The accompanying notes are an integral part of these financial statements.

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Casa Pacifica (the Partnership) is a California general partnership that owns and operates a continuing care retirement community (CCRC) known as Freedom Village.

Freedom Village provides permanent living, assisted living, skilled nursing, and other ancillary services through the operation of a retirement facility (the Retirement Center), which includes 257 residential units and a health-care care facility (the Health Care Center), which includes 118 beds and 6 memory care units. The Partnership operates under the continuing care concept whereby residents enter into agreements that require payment of a onetime entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), with the exception of the effects of recognition of deferred entrance fees and costs of acquiring contracts with customers, as discussed in Revenue Recognition from Contracts with Customers. References to the ASC hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, as well as restricted cash.

As of December 31, 2020, in accordance with requirements from the State of California Department of Social Services, the Partnership holds $2,010,960 in a reserve account established and maintained for the benefit of residents of Freedom Village who are entitled to receive a refund of any portion of their initial loan deposit payment that remains payable after the sixth year of residency.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows for the year ended December 31, 2020:

Cash and cash equivalents	$ 5,104,897
Restricted cash	2,010,960
Total Cash and Cash Equivalents and Restricted Cash as Shown on Statement of Cash Flows	$ 7,115,857

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consist of amounts due from residents, occupants, or third-party payors for which the Partnership has an unconditional right to receive payment and represent receivables for monthly service fees, skilled nursing services, assisted living services, and other ancillary services, net of contractual allowances, as well as amounts due from residents for obligations related to accrued additional costs. Receivables for monthly service fees and health-care services rendered are primarily due on a net 30-day term. Accounts for which no payments have been received after 60 days are considered delinquent, and customary collection efforts are taken. Accounts receivable are periodically evaluated for collectability based on past credit history with residents, occupants, or third-party payors and their current financial condition. After six months of unsatisfactory contact, the Partnership writes off what it believes will be uncollectible after obtaining approval from management. Receivables for resident obligations are generally collected upon cancellation of contracts, which is estimated to occur long term.

The Partnership provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. An allowance was not deemed necessary at December 31, 2020.

Inventories

Inventories consist of food, service ware, linen, and other necessary supplies. These inventories are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Property and equipment are depreciated over estimated useful lives ranging from 5 to 40 years. Depreciation is computed using the straight-line method for financial purposes and accelerated methods for income tax purposes.

The estimated useful lives of the related assets are as follows:

Buildings and improvements	7-40 years
Machinery and equipment	5-12 years
Furniture and fixtures	7-12 years
Vehicles	5 years

Depreciation and amortization expense for the year ended December 31, 2020, totaled $1,478,429. At December 31, 2020, fully depreciated property and equipment totaled $18,422,089, which are still in use.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

The Partnership accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment.* FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of value of such assets for the year ended December 31, 2020.

Revenue Recognition from Contracts with Customers

The Partnership recognizes income from nonrefundable deferred entrance fees when the funds are constructively received, which is a departure from FASB ASC 606, *Revenue from Contracts with Customers*, as more specifically described below. The Partnership recognizes revenue from assistance with activities of daily living, memory care services, inpatient therapy, health care, and related personalized health services in accordance with the provisions of FASB ASC 606.

The Partnership enters into residency agreements (the Resident Agreement) with all of its customers. Prior to actual occupancy by a resident, a contribution may be required pursuant to each Resident Agreement. The provisions of the Resident Agreement include, but are not limited to, such items as the unit to be occupied, initial monthly fee, amount of entrance fee, basic services to be provided during the duration of the agreement, and methods of cancellation and refunds or contingent repayments subject to resale of the residence.

Generally, the Partnership is deemed to have Type A life care contracts with residents that are all-inclusive continuing care contracts that include residential facilities, other amenities, and access to health-care services, primarily assisted living and nursing care. Type A contracts are deemed to have one performance obligation, which is that the CCRC is standing ready each month to provide a service; each resident can continue to live in the CCRC and access the appropriate level of care based on his or her needs. A Type A contract also allows a resident the ability to cancel the Resident Agreement at any time. Thus, the resident agreement for a Type A life care contract is generally deemed to be a monthly contract with the option to renew.

The Type A life care contract provides a material right to occupy an appropriate-level living unit for life and to receive certain services for which residents are required to pay an entrance fee. Prior to actual occupancy by the resident, a contribution (referred to as a Loan Deposit) is required to be deposited with the Master Trust (as defined in Note 7) pursuant to a Resident Agreement.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition from Contracts with Customers (Continued)

Under the Resident Agreement, the contribution received will be refundable under the following terms and conditions:

A. Cancellation During the Trial Residence Period - Under California law, there is a probationary period of 90 days after the date of the signed agreement during which either the Partnership or the resident may cancel the agreement with or without cause. Death of the resident during the period will cancel the agreement. In the event of cancellation, the resident shall be entitled to a refund in accordance with California law, which states that the Partnership may deduct from the contribution amount a reasonable fee to cover costs and any charges incurred but not paid.

B. Cancellation After 90 Days and Before 2 Years - A resident may cancel his or her agreement at any time after the trial residence period for any reason by giving the Partnership 90 days' written notice. Death of the resident will cancel the agreement. However, if an agreement applies to more than one resident, it will remain in effect after the death of one of the residents and be adjusted as described in the agreement. The Partnership may cancel the agreement at any time after the trial residence period for good cause upon 90 days' written notice to the resident. Examples of good cause are defined in the agreement. Upon termination of the agreement, during the period from 90 days to 2 years of occupancy, the resident or his or her estate will be entitled to a repayment of a portion of his or her Loan Deposit, less a predetermined percentage per month of occupancy and any charges incurred but not paid, as determined by the terms and conditions of the individual agreements.

C. Cancellation After 2 Years - The criteria for cancellation after 2 years is the same as the criteria described above for cancellation after 90 days and before 2 years. If termination occurs after 2 years, the resident or his or her estate may be entitled to a portion of his or her Loan Deposit, less any charges incurred but not paid, as determined by the terms and conditions of the individual agreements.

Contract Revenues

The following are descriptions of the services provided and the accounting policies related to the contracted services in accordance with the provisions of current U.S. GAAP.

Resident Fees - Resident living service fees, which are for basic support services, are paid on a monthly basis. Monthly fees are established at the inception of occupancy and may be increased at most annually by the Partnership, with appropriate notice as specified in the individual agreements, generally based on increases in operating costs or inflationary increases. Revenue for resident fees is recognized as the Partnership satisfies the performance obligation, which is monthly.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition from Contracts with Customers (Continued)

Patient Services - The Partnership also receives revenue for health-care services from residents and various third-party insurance payors for patient services. Patient services fees are generally assessed at a predetermined fixed daily rate contracted with the third-party payors and private-pay residents and are recorded net of the provision for contractual allowances, which represents the difference between established rates and per diem reimbursement. Revenue for patient services fees is recognized when the transfer of control of the services provided to the resident occurs, which is generally at a point in time.

Nonresident Services - Nonresident services are revenues recognized at a point in time primarily for nonresident guest meals, catering, and short-term guest accommodations.

The following is a description of a service provided and the accounting policy related to the contracted service that is a departure from the provisions of current U.S. GAAP.

Revenue from Entrance Fees - U.S. GAAP requires that a deferred entrance fee be amortized to income over future periods based on the estimated life expectancy of the resident. The Partnership recognizes income from deferred entrance fees upon constructive receipt of payment or on the cash-basis method. The amount of the fee constructively received by the Partnership is, at that time, recognized as income and is considered a net payment upon termination.

<u>Contract Assets and Contract Liabilities</u>

The following are contract liabilities resulting from contracts with customers in accordance with the provisions of current U.S. GAAP.

Deposits from Residents - Deposits from residents represent refundable security deposits from residents, as well as deposits on future contracts from prospective residents that are fully refundable upon demand.

Due to Others - Due to others represents refundable security deposits from patients.

The following is a description of the accounting policy for a contract-related balance that is a departure from the provisions of current U.S. GAAP.

<u>Costs of Acquiring Contracts</u>

Costs of Acquiring Contracts - U.S. GAAP requires that incremental costs of obtaining a contract should be deferred and amortized on a systematic basis consistent with the pattern in which revenue related to the contract is being recognized. Costs of acquiring contracts are the incremental costs of acquiring long-term contracts with customers, which primarily consist of commissions paid to salespeople. These costs are expensed as incurred and are included in the accompanying statement of operations as general and administrative expenses.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the year ended December 31, 2020, advertising and promotional costs and related expenses totaled $856,287 and are included in general and administrative expenses in the accompanying statement of operations.

Income Taxes

Casa Pacifica is taxed as a partnership for federal tax purposes and accordingly pays no federal taxes. For state purposes, Casa Pacifica is deemed to be a pass-through entity whereby the taxable income or loss is recognized on the individual income tax returns of the member. The Partnership's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of December 31, 2020.

The Partnership files income tax returns in U.S. federal and state of California jurisdictions. Years prior to 2017 are no longer subject to U.S. federal income tax examinations, and the Partnership is no longer subject to major state income tax examinations for years before 2016.

Use of Estimates

The process of preparing financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Recent Accounting Pronouncement – Pending

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses on Financial Instruments*, with subsequent improvements issued in ASU 2018-19, ASU 2019-10, and ASU 2019-11. ASU 2016-13 requires that credit losses on most financial assets measured at amortized cost and certain other instruments be measured using an expected credit loss model. The ASU also replaces the current accounting model for purchased credit-impaired loans and makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2022. The Partnership is currently evaluating the impact of the provisions of this pronouncement and its various amendments on the presentation of its financial statements.

Note 2: Revenue from Contracts with Customers

The following table presents the Partnership's revenue disaggregated by service and payor type for the year ended December 31, 2020:

Revenues from Contracts with Customers:	
Resident Services:	
Entrance fees (cash basis)	$ 3,608,624
Resident fee revenue for monthly fees and ancillary charges (over time)	10,923,678
	$ 14,532,302
Patient Service Revenue for Health-Care Services (over time):	
Third-party payors (net of contractual allowances and discounts of $814,642)	$ 3,731,125
Self-pay (net of discounts of $1,117,641)	6,413,361
Patient services, net of contractual allowances and discounts	$ 10,144,486
Nonresident Revenue (point in time)	$ 140,582
Total Revenues from Contracts with Customers	$ 24,817,370

The beginning and end of year balances of the Partnership's various contract-related balances were as follows:

	January 1, 2020	December 31, 2020
Accounts Receivable	$ 1,139,249	$ 1,094,766
Deposits from Residents	$ 255,450	$ 275,800
Due to Others	$ 24,250	$ 15,000

Note 3: Concentrations, Risks, and Uncertainties

The Partnership maintains a restricted cash account and cash balances at several banks. At December 31, 2020, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. The Partnership's deposits in these financial institutions at times exceeded the amount insured by the FDIC. The risk is managed by maintaining deposits in high-quality financial institutions.

Credit is extended to all residents based on financial condition, and generally, collateral is not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

CASA PACIFICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4: Prepaid Expenses

Prepaid expenses at December 31, 2020, consist of the following:

Prepaid insurance	$	192,316
Other		33,685
Total Prepaid Expenses	$	226,001

Note 5: Accrued Expenses

Accrued expenses at December 31, 2020, consist of the following:

Accrued salaries and wages	$	383,716
Accrued payroll taxes		131,576
Accrued vacation		248,236
Workers' compensation reserve		185,569
Total Accrued Expenses	$	949,097

Note 6: Line of Credit

The Partnership has an unsecured revolving line of credit with a bank whereby the Partnership may borrow a maximum of $1,500,000 with an interest rate at prime less 0.25%. At December 31, 2020, there was an outstanding balance of $1,500,00 under this line of credit. The line of credit expires in July 2021 and is guaranteed by all partners of the Partnership. The Partnership has agreed to certain covenants with the bank in connection with the line of credit. As of December 31, 2020, the Partnership was in compliance or has obtained a waiver with respect to the terms of the covenants.

Note 7: Note Payable to Master Trust and Trust Arrangement

The residents of Freedom Village established a trust fund for the purpose of providing permanent financing, operating capital, and statutory reserves for the benefit of the Retirement Center. The residents sign a Joinder in Master Trust Agreement, joining in and becoming grantors under a Master Trust Agreement (Master Trust) between the trustee and the grantors.

In addition, each grantor upon execution of a Joinder in Master Trust Agreement must deposit with the trustee the contribution amount required of such grantor as set forth in the Resident Agreement and the Deposit Subscription Agreement. The grantors deposit the required contribution amount into the trust and acknowledge in a commitment letter that the trustee of the Master Trust is directed to transfer all requested funds in the form of an interest-free loan to the Partnership for the purpose of providing permanent financing and operating capital for the Retirement Center, subject to availability and specific loan limits described below.

Note 7: Note Payable to Master Trust and Trust Arrangement (Continued)

This loan is secured by the following:

A. A first priority deed of trust on Freedom Village Retirement Center's real property and improvements.

B. A security agreement creating a fast security interest in all the improvements, fixtures, and personal property associated and used in connection with Freedom Village Retirement Center.

C. An assignment of rent, leases, profits, and contracts including, but not limited to, any residence agreement and any management agreement entered into in conjunction with the operation of Freedom Village Retirement Center.

The security shall also include any after-acquired collateral, as well as any insurance proceeds recovered for the loss of any property serving as collateral for this loan.

At December 31, 2020, the Master Trust note payable balance outstanding was $16,935,000.

Upon the resale of a resident's unit, any proceeds over and above the departing resident's loan balance remaining in the trust after admission of a new resident may be loaned to the Partnership. The total loans to the Partnership shall not exceed the lesser of $28,000,000 or 80% of the appraised value of the property. Payments of principal are made on an annual basis and are calculated based on a 40-year loan amortization with the final payment due March 31, 2038. The Partnership is required to make minimum annual principal payments of approximately $900,000 for each of the next five years.

A resident's balance is repaid upon termination of the Resident Agreement. In accordance with the Joinder in Master Trust Agreement, the residents request and direct that all principal payments received be paid directly to the Partnership for the benefit of the resident. The purpose of this provision is to effectuate partial payment of the deferred entrance fee amount owed by the resident to the Partnership under the Resident Agreement.

The Master Trust also distributes to the Partnership any excess funds that are not invested in the form of an interest-free loan to the Partnership. Distributions of this kind also serve to effectuate partial payment of the deferred entrance fee amount owed by the resident to the Partnership under the Resident Agreement. Since the Partnership receives an unsecured promise from the residents to pay the deferred entrance fee at the termination of the agreement, the fee does not become due until all the other services required to be rendered under the contract have, in fact, been fulfilled.

Upon termination of the Resident Agreement, the grantor or his or her estate instructs the Master Trust to distribute the balance of the grantor's Loan Deposit, partially to the grantor and partially to the Partnership, as a deferred entrance fee as previously described in Note 1.

Note 8: Commitments and Contingencies

Obligation to Provide Future Services

The Partnership annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of the monthly service fees and revenue from deferred entrance fees based upon the cash-basis method. If the present value of the net cost of future services and use of facilities exceeds the present value of the future cash inflows from the monthly service fees and revenue from deferred entrance fees, a liability is recorded. Using a discount rate of 8%, the anticipated revenues are estimated to exceed the anticipated cost of future services for the year ended December 31, 2020; therefore, no liability was accrued.

The obligation of the Partnership to provide future health-care services will probably increase as some residents may experience financial difficulties and may be unable to pay 100% of their health-care charges. Management has identified five residents experiencing financial difficulties. Management has reasonably estimated that the Partnership's total future revenues might be reduced by $502,874 over 4.5 years, which is the average life expectancy of these residents.

Reservations and Designations

At December 31, 2020, there are no cash reserves maintained for contingencies or accumulated for specific projects or purposes, other than as previously disclosed in Note 1.

Litigation

The Partnership experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

Note 9: Related-Party Transactions

Pursuant to the provisions of FASB ASU 2018-17, *Consolidation (Topic 810)*, the Partnership has elected to not apply variable interest entity guidance to legal entities under common control. The Partnership is not aware of any exposure to loss as a result of its involvement with these entities.

Freedom Properties West, an affiliate of Casa Pacifica, functions as the management company of the Partnership under a formal management agreement. Under the agreement, the Partnership pays Freedom Properties West compensation equal to 5% of the gross monthly receipts of the Partnership's operations and deferred entrance fees. There are also other factors that may affect the calculation of the management fees. Included in accounts payable in the accompanying balance sheet is $78,569, which represents management fees due to Freedom Properties West at December 31, 2020. Management fees expensed during 2020 in the amount of $1,084,489 are included in general and administrative expenses in the accompanying statement of operations.

Note 9: Related-Party Transactions (Continued)

At December 31, 2020, the Partnership has notes outstanding with five partners. The notes currently bear interest at 3.25% and are due in monthly payments of interest only through August 1, 2022, at which time any unpaid principal and interest are due. Prior to maturity, principal payments may be made at the Partnership's discretion. Any payments made during a month will be deemed to have been made on the last day of that month for purposes of calculating interest due. As of December 31, 2020, the outstanding balances on the notes payable totaled $799,200 and are included in notes payable to partners in the accompanying balance sheet. The interest expense paid to the partners during the year ended December 31, 2020, was $10,101 and is included in interest expense in the accompanying statement of operations.

The Partnership shares certain expenses with a commonly owned company. At December 31, 2020, the Partnership had a net current receivable from this company for certain shared expenses totaling $233,592, which is included in related-party receivable in the accompanying balance sheet.

Note 10: Employee Benefit Plan

The Partnership sponsors a qualified 401(k) plan for all eligible employees. Employees may contribute a percentage of their compensation for up to the maximum amounts as prescribed by law, with the employer matching a discretionary contribution equal to a percentage of the amount of the employee deferral as determined each year by the employer. Also, the Partnership may make a discretionary profit-sharing contribution as determined each year by the employer. There were no employer-matching or profit-sharing contributions for the year ended December 31, 2020. Plan administrative expenses totaled $4,564 for the year ended December 31, 2020, and are included in general and administrative expenses in the accompanying statement of operations.

Note 11: Coronavirus

On March 11, 2020, the World Health Organization declared the spread of coronavirus (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had a significant impact on global markets, supply chains, businesses, and communities. Specific to the Partnership, COVID-19 has impacted various parts of its 2020 operations and financial results, including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of health-care personnel, and loss of revenue due to reductions in certain revenue streams, and this may continue into 2021. As a result of the COVID-19 pandemic, management believes that it has taken the appropriate actions to mitigate the negative impact on the Partnership. As a result of the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). As a result of the CARES Act, various programs have been established to help organizations mitigate the negative impact on their operations and business.

Note 11: Coronavirus (Continued)

Provider Relief Funds

Under the CARES Act, along with the Paycheck Protection Program and Health Care Enhancement Act, the U.S. Department of Health & Human Services (HHS) was allocated $175 billion in relief funds to be given to hospitals and other health-care providers on the front lines of the COVID-19 response. These funds are also known as Provider Relief Funds (PRF). Payments from PRF are being distributed by HHS through various general distributions and targeted distributions. PRF payments may be used to cover lost revenue attributable to COVID-19 or health-related expenses, which include purchasing supplies and equipment, workforce training, reporting COVID-19 test results to federal, state, or local government, building or constructing temporary structures for COVID-19 patient care or non-COVID-19 patients, acquiring additional resourcing, and developing and staffing emergency operation centers. The Partnership received PRF payments totaling $448,806. For the year ended December 31, 2020, the Partnership recognized $480,217 of other income for PRF payments and other grants in the accompanying statement of operations.

Paycheck Protection Program (PPP)

On May 12, 2020, the Partnership entered into a loan agreement with Citizens Business Bank in the amount of $2,137,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (enacted June 5) and was due over 24 months, deferred for 6 months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act of 2020 and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first 6 months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Partnership fails to apply for forgiveness within 10 months after the covered period, payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Partnership will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and, commencing in August 2021, principal and interest payments will be required through the maturity date in May 2022.

Note 12: Subsequent Events

Events occurring after December 31, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of May 28, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Partners
Casa Pacifica
Lake Forest, California

We have audited the financial statements of Casa Pacifica (the Partnership) as of and for the year ended December 31, 2020, and our report thereon dated May 28, 2021, which appears on pages 1 and 2, was qualified, as the Partnership recognizes income from deferred entrance fees when the funds are constructively received and expenses incremental costs of obtaining long-term contracts with customers when incurred; however, accounting principles generally accepted in the United States of America require that revenues from nonrefundable deferred entrance fees be recognized when future goods or services are transferred during optional future periods covering a resident's life expectancy, and the incremental costs of obtaining a contract should be deferred and amortized on a systematic basis consistent with the pattern in which revenue related to the contract is being recognized. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules Form 5-1 through Form 5-5 and Form 7-1 are prepared for filing with the State of California Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of 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 auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the financial statements due to the departures from accounting principles generally accepted in the United States of America described above, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the partners and management of the Partnership and for filing with the State of California Department of Social Services and is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
May 28, 2021

A member of Nexia International

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	06/01/87	$950,000	$0		$950,000
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$0	$0	$950,000

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

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

PROVIDER: Casa Pacifica

FORM 5-1 TWO-WAY RECONCILIATION
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(Two-way Reconciliation of Principal Paid)

Long-Term Debt Obligation	(a) Date Incurred	(b) Required Principal Payments Paid During Fiscal Year per Form 5-1 Column (b)	(c) Voluntary Principal Payments Made in 2020	(d) Total Principal Paid Per Audited Financial Statements ((b) + (c))	General Ledger Account Number	General Ledger Account Name
1	06/01/87	$950,000	$0	$950,000	11.00.2500.0	Master Trust Loan
2						
3						
4						
5						
6						
7						
8						
	TOTAL	$950,000	$0	$950,000		

PROVIDER: Casa Pacifica

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	08/01/20	$10,101	$2,165	12	$25,974
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$10,101	$2,165	12	$25,974

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

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

PROVIDER: Casa Pacifica

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$950,000
2	Total from Form 5-2 bottom of Column (e)	$25,974
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$975,974

PROVIDER: Casa Pacifica

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$18,835,460
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$10,101	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$1,478,429	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$4,747,864	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$6,236,394
4		Net Operating Expenses		$12,599,066
5		Divide Line 4 by 365 and enter the result.		$34,518
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,588,849

PROVIDER: Casa Pacifica
COMMUNITY: Freedom Village

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Casa Pacifica
Fiscal Year Ended: 12/31/2020

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2020 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 2020 are as follows:

		Amount
[1]	Debt Service Reserve Amount	$25,974
[2]	Operating Expense Reserve Amount	$2,588,849
[3]	**Total Liquid Reserve Amount:**	$2,614,823

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

	Qualifying Asset Description	Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$1,000,000		$4,104,897
[5]	Investment Securities			$0
[6]	Equity Securities			$0
[7]	Unused/Available Lines of Credit			$0
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve			(not applicable)
[10]	Other: Note Receivable from related party $233,592 (see Auditor's Note 9)	$0		$233,592
	Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	$1,000,000	[12]	$4,338,489
	Reserve Obligation Amount: [13]	$25,974	[14]	$2,588,849
	Surplus/(Deficiency): [15]	$974,026	[16]	$1,749,640

Signature:

(Authorized Representative)

Date: 5/25/2021

Partner/Chief Executive Officer
(Title)

Provider Name:	Casa Pacifica	
Fiscal Year Ended:	12/31/2020	

DSS - Reserve Report - Part of Form 5-5
Description of Reserves under SB 1212

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	$ 5,104,897	
Other	$ 233,592	Note Receivable from related party $233,592 (See Auditor's Note 9).
Total Qualifying Assets as Filed	$ 5,338,489	
Reservations and Designations:	None	

Per Capita Cost of Operations Operating Expenses (Form 5-4 line #1)	$ 18,835,460
Mean # of All Residents (Form 1-1 line #10)	389
Per Capita Cost of Operations	$ 48,483

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	**$2,172-$4,700**	**$6,600**	**$10,500**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.7%	4.0%	4.0%

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

[3] Indicate the date the fee increase was implemented: April 1, 2020
(If more than one (1) increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. **Date of Notice:** 1/31/2020 **Method of Notice:** letter

☒ At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 1/28/2020

☒ 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:** 1/14/2020

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. **Date of Posting:** 1/14/2020 **Location of Posting:** community bulletin board

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

PROVIDER: Casa Pacifica
COMMUNITY: Freedom Village, Lake Forest, California

FORM 7-1

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES
Supporting Explanation for Line 5

Freedom Village's annual budgeting and rate setting process is conducted annually to establish a financial plan for the community that meets the needs of its residents and maintains the community's long-term viability. It provides a roadmap for Freedom Village's financial and operational decisions for the upcoming fiscal year.

For 2020, monthly service fees were increased on April 1 for residential living apartments by 3.7% and for Healthcare Center rooms by 4.0%. These rate increases were derived from a process that considers both the increased cost of providing services and the need to preserve reasonable operating margins to ensure the economic viability of Freedom Village. Anticipated cost increases included higher labor costs (including wages and benefits), increased insurance costs, and normal inflationary cost increases related to purchases of supplies and services.

Labor costs were expected to increase by approximately 6.3% beginning January 1, 2020 due to: the increase in the California minimum wage to $13.00 from $12.00 per hour (an 8.3% increase); the compression-related impact of the minimum wage increase on the wage tiers above the minimum wage level (calculated to result in a 2-4% increase depending on tier); increases in hours in the kitchen, dining room, and housekeeping to support the residential living apartments and the increase in costs to provide employee benefits (expected to increase 4.9%. These calculations are consistent with Employment Cost Index published by the Bureau of Labor Statistics (NAICS) for the Los Angeles area and reflect the increasing competition for labor throughout the Southern California region. Wages and taxes represent approximately 56% of Freedom Village's operating expenses and that share of operating costs has increased slightly each year over the past six years.

Supply and purchased service costs were estimated to increase by amounts commensurate with the 1.0% consumer price index for the Los Angeles area at the end of 2019 (as measured by the Consumer Price Index for all Urban Consumers, Los Angeles-Long Beach-Anaheim). This index was trending higher during the first part of 2020.

The projected 2020 net operating income shown in Freedom Village's Form 7-1 information is considered by management to be both reasonable and essential for the community to remain financially healthy and viable. Positive net operating income affords Freedom Village the resources to reinvest in the community as necessary to maintain the quality of the community for benefit of current residents and to ensure the community's marketability to prospective residents as a desirable place to live. Net operating income is also essential for Freedom Village to remain able to fund unexpected costs as they arise.

PROVIDER: Casa Pacifica
COMMUNITY: Freedom Village, Lake Forest, California

FORM 7-1 ATTACHMENT
MONTHLY CARE FEE INCREASE

FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING FISCAL YEAR (F/Y) 2020

Dollar Amounts in Thousands

Line	Fiscal Years	2018	2019	2020
1	F/Y 2018 Operating Expenses	(15,657)		
2	F/Y 2019 Operating Expenses		(17,441)	
3	Projected 2020 Results of Operations			(18,174)
4	F/Y 2020 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			19,761
5	Projected F/Y 2020 (Net) Operating Results without a MCFI (Line 3 plus Line 4)			1,587
6	Projected F/Y 2020 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 3.7%			20,240
7	Grand Total - Projected F/Y 2020 Net Operating Activity after 3.7% MCFI (Line 3 plus Line 6)			2,066

Monthly Care Fee Increase: 3.7% IL and 4% AL/SNF

Notes:

1. F/Y 2018 to 2019
   (i) Non-cash expenses such as depreciation have been eliminated

2. F/Y 2019 to 2020
   (i) Operating expenses projected to increase $733k over 2019 (4.2%)
   (ii) Operating cost increase factors: min wage increase by 8.3% along with need to maintain competitive wages in a tight labor market drive an overall expected wage/tax increase of 6.3%. Health insurance rates and participation have continued to climb and we project a 4.9% increase in employer cost. Additionally, costs increases are evident across the organization and are reflective of a 1% overall CPI increase between Oct 2018 and Oct 2019 along with a 2.4% CPI increase in medical services over that period.

3. F/Y 2020 Budgeted Increases

(i) Projected increase in operating costs:	$733,000
(ii) Projected revenue w/o MSFI:	$19,761,000
(iii) Nominal MSFI required to offset increase in operating expenses assuming no fluctuation in community occupancy rate [(i) / (ii)]	3.7%
(iv) Actual MSFI determined for Current Year	3.7% IL and 4% AL/SNF
(v) Projected revenue increase with MSFI based on projected occupancy mix	$479,000
(vi) Projected increase in operating expenses not funded by MSFI (and funded by other sources such as accumulated operating reserves, anticipated revenue from non-residents sources, and margin reduction) [(i) - (v)]	$254,000

Continuing Care Retirement Community
Disclosure Statement

Date Prepared: 05/24/21

FACILITY NAME: Freedom Village

ADDRESS: 23442 El Toro Road, Lake Forest, CA ZIP CODE: 92630 PHONE: (949) 472-4700

PROVIDER NAME: Casa Pacifica FACILITY OPERATOR: Freedom Management Company

RELATED FACILITIES: The Village RELIGIOUS AFFILIATION: None

YEAR OPENED: 1987 # OF ACRES: 8.8 ☐ SINGLE STORY ☒ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 2.5

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	7	ASSISTED LIVING:	58
APARTMENTS – 1 BDRM:	127	SKILLED NURSING:	52
APARTMENTS – 2 BDRM:	121	SPECIAL CARE:	6
COTTAGES/HOUSES:	0	DESCRIPTION: >	Extended Care
RLU OCCUPANCY (%) AT YEAR END:	89.8%		

* *

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

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

REFUND PROVISIONS: *(Check all that apply)* ☒ Refundable ☐ Repayable ☐ 90% ☒ 75% ☒ 50% ☒ OTHER: Fully Amortized

RANGE OF ENTRANCE FEES: $ 103,000 - $ 276,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 25% Discount

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER: ______

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:
(briefly describe provider's compliance and residents' roles) > One resident, nominated by the residents' council,
> joins the table at each partnership meeting to offer feedback, advice and resident perspective on all agenda items.

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☐	☒	HOUSEKEEPING (4 TIMES/MONTH)	☒	☐
BILLIARD ROOM	☒	☐	MEALS (1 /DAY)	☒	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☒	☐
CARD ROOMS	☒	☐			
CHAPEL	☒	☐	24-HOUR EMERGENCY RESPONSE	☒	☐
COFFEE SHOP	☐	☒	ACTIVITIES PROGRAM	☒	☐
CRAFT ROOMS	☒	☐	ALL UTILITIES EXCEPT PHONE	☒	☐
EXERCISE ROOM	☒	☐	APARTMENT MAINTENANCE	☒	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☒	☐
LIBRARY	☒	☐	LINENS FURNISHED	☒	☐
PUTTING GREEN	☒	☐	LINENS LAUNDERED	☒	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☐	☒
SPA	☒	☐	NURSING/WELLNESS CLINIC	☒	☐
SWIMMING POOL-INDOOR	☐	☐	PERSONAL HOME CARE	☐	☒
SWIMMING POOL-OUTDOOR	☒	☐	TRANSPORTATION-PERSONAL	☒	☐
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☒	☐
WORKSHOP	☐	☐	OTHER Extended Transportation	☐	☒
OTHER ______	☐	☐			

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: Casa Pacifica

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

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

PROVIDER NAME: Casa Pacifica

	2017	2018	2019	2020
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	17,384,277	18,424,219	18,968,715	19,043,536
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	-14,995,250	-15,657,105	-17,440,716	-17,346,930
NET INCOME FROM OPERATIONS	2,389,027	2,767,114	1,527,999	1,696,606
LESS INTEREST EXPENSE	-15,962	0	0	-10,101
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	782	3,447	28,835	504,761
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	2,373,847	2,770,561	1,554,834	2,191,266
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	5,131,530	5,827,605	4,859,525	2,839,314

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
FV of CA Master Trust	16,935,000	0%	01/01/1989	03/31/2038	40 yrs.

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2017 CCAC Medians 50th Percentile *(optional)*	2018	2019	2020
DEBT TO ASSET RATIO		97%	91%	72%
OPERATING RATIO		85%	92%	91%
DEBT SERVICE COVERAGE RATIO		955%	803%	531%
DAYS CASH ON HAND RATIO		57	52	112

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2017	%	2018	%	2019	%	2020
STUDIO	2,084	3.4	2,144	3.9	2,226	3.7	2,310
ONE BEDROOM	2,773	3.4	2,874	3.9	2,986	3.7	3,080
TWO BEDROOM	3,729	3.4	3,867	3.9	4,021	3.7	4,229
COTTAGE/HOUSE							
ASSISTED LIVING	6,093	3.4	6,300	4.8	6,600	4.0	6,864
SKILLED NURSING	323	3.4	334	4.8	350	4.0	364
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: > 1. Freedom Village's Resident Master Trust holds a first trust deed against the Retirement Center. Of the $16.9 MM

> Note Payable, approximately $4.5 MM is refundable to residents. Therefore , the true liabilities represent a debt to asset ratio of 24%. 2. In 2019, the

> company adopted a federally approved accounting method which accelerated the recognition of $582 of capital purchases as operating expenses.

PROVIDER NAME: Casa Pacifica

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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 9-1
CALCULATION OF REFUND RESERVE AMOUNT

[1] Resident Name	[2] Sex	[3] Entrance Fee	[4] Refund %	[5] Refund Amount (promised after 6 yrs)	[6] Age	[7] Life Exp.	[8] Present Value Multiplier	[9] Present Value of Refund
						7.950	0.629	$151,018
						7.440	0.648	$221,206
						5.200	0.739	$80,323
						9.620	0.571	$101,366
						3.960	0.794	$200,127
						5.480	0.727	$88,288
						6.050	0.703	$200,495
						8.500	0.609	$207,957
						4.510	0.769	$83,618
						6.050	0.703	$84,349
						5.480	0.727	$187,985
						3.860	0.799	$195,852
								$0
								$0
								$0
								$0
								$0
								$0
								$0
								$0
								$0
								$0
							TOTAL AMOUNT REQUIRED FOR REFUND RESERVE :	$1,802,584

PROVIDER: Casa Pacifica
COMMUNITY: Freedom Village, Lake Forest, California

KEY INDICATORS REPORT

Casa Pacifica

Chief Executive Officer Signature

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

	2016	2017	2018	2019	2020	Projected 2021	2022	2023	2024	2025
OPERATIONAL STATISTICS										
1. Average Annual Occupancy by Site (%)	88.9%	90.8%	92.5%	94.0%	89.3%	90.3%	91.3%	92.3%	93.3%	94.3%
MARGIN (PROFITABILITY) INDICATORS										
2. Net Operating Margin (%)	14%	14%	15%	8%	9%	10%	10%	10%	10%	10%
3. Net Operating Margin - Adjusted (%)	35%	37%	36%	34%	23%	30%	30%	30%	30%	30%
LIQUIDITY INDICATORS										
4. Unrestricted Cash and Investments ($000)	$2,182	$2,565	$2,427	$2,483	$5,338	$5,000	$5,000	$5,000	$5,000	$5,000
5. Days Cash on Hand (Unrestricted)	54	62	57	52	112	105	105	105	105	105
CAPITAL STRUCTURE INDICATORS										
6. Deferred Revenue from Entrance Fees ($000)	$5,566	$6,628	$6,105	$7,266	$3,609	$5,000	$5,100	$5,200	$5,300	$5,400
7. Net Annual E/F proceeds ($000)	$7,424	$5,079	$5,828	$5,676	$2,839	$5,000	$5,000	$5,000	$5,000	$5,000
8. Unrestricted Assets Net of Liabilities ($000)	$8,133	$9,566	$8,949	$9,901	$10,763	$10,000	$10,000	$10,000	$10,000	$10,000
9. Annual Capital Asset Expenditure ($000)	$1,114	$1,229	$1,459	$2,719	$1,784	$2,000	$1,500	$1,500	$1,500	$1,500
10. Annual Debt Service Coverage Revenue Basis (x)	263%	295%	307%	170%	179%	175%	175%	175%	175%	175%
11. Annual Debt Service Coverage (x)	1048%	921%	955%	800%	477%	500%	600%	700%	700%	700%
12. Annual Debt Service/Revenue (%)	4.1%	3.1%	3.3%	3.1%	3.8%	3.5%	3.5%	3.5%	3.5%	3.5%
13. Average Annual Effective Interest Rate (%)	0.5%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	13.6%	14.7%	14.6%	14.8%	31.3%	30.0%	30.0%	30.0%	30.0%	30.0%
15. Average Age of Facility (years)	18.67	18.97	19.10	19.93	22.22	22.42	22.62	22.82	23.02	23.22