

ANNUAL REPORT CHECKLIST

PROVIDER(S): Compass Health, Inc.

CCRC(S): Bayside Care Center and Casa de Flores

Arroyo Grande Care Center and Wyndham Residence

PROVIDER CONTACT PERSON: Patricia Beattie

TELEPHONE NO.: (805) 474-7010 x 115 EMAIL: Patricia@compass-health.com



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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 9,832
N/A 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.
- N/A** 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. **Will be sent separately**

April 23, 2020

Continuing Care Contracts Branch

California Department of Social Services

To Whom It May Concern:

I, Darren Smith, certify that the annual audit, reports and any amendments thereto submitted for December 31, 2020 for Compass Health, Inc., dba Bayside Care Center, Casa de Flores as well as Arroyo Grande Care Center and Wyndham Residence have been audited by a Certified Public Accountant and are true and correct to the best of my knowledge.

The continuing care contract forms currently in use and offered to new residents at Bayside Care Center, Casa de Flores, Arroyo Grande Care Center and Wyndham Residence have been approved by the Department of Social Services.

Compass Health, Inc. is maintaining the required liquid reserve of \$3,819,607.

Sincerely,



Darren Smith, CEO
Compass Health, Inc.
(805) 474-7010 x 109



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

5/1/2021

4/28/2020

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 have ADDITIONAL INSURED provisions or 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 Lockton Insurance Brokers, LLC 777 S. Figueroa Street, 52nd Fl. CA License #0F15767 Los Angeles CA 90017 (213) 689-0065 | CONTACT NAME: _____ | |
| | PHONE (A/C, No, Ext): _____ | FAX (A/C, No): _____ |
| E-MAIL ADDRESS: _____ | | |
| INSURER(S) AFFORDING COVERAGE | | NAIC # |
| INSURER A : Admiral Insurance Company | | 24856 |
| INSURER B : Liberty Insurance Corporation | | 42404 |
| INSURER C : _____ | | _____ |
| INSURER E : _____ | | _____ |
| INSURER F : _____ | | _____ |

COVERAGES COMHE01 **CERTIFICATE NUMBER:** 16566701 **REVISION NUMBER:** XXXXXXXX

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 | <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Professional Liab <input checked="" type="checkbox"/> SIR 250K GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER: _____ | N | N | 257AL20A1106AN | 5/1/2020 | 5/1/2021 | EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 50,000 MED EXP (Any one person) \$ Not Applicable PERSONAL & ADV INJURY \$ XXXXXXXX GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COM/OP AGG \$ XXXXXXXX \$ |
| | AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS ONLY | | | NOT APPLICABLE | | | COMBINED SINGLE LIMIT (Ea accident) \$ XXXXXXXX BODILY INJURY (Per person) \$ XXXXXXXX BODILY INJURY (Per accident) \$ XXXXXXXX PROPERTY DAMAGE (Per accident) \$ XXXXXXXX \$ XXXXXXXX |
| | UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$ | | | NOT APPLICABLE | | | EACH OCCURRENCE \$ XXXXXXXX AGGREGATE \$ XXXXXXXX \$ XXXXXXXX |
| B | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below | Y/N | N/A | EW7-64N-445459-010 | 5/1/2020 | 5/1/2021 | <input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

| | |
|---|--|
| CERTIFICATE HOLDER 16566701 Evidence of Insurance | CANCELLATION See Attachments SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE  |
|---|--|

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COMPASS HEALTH, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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SETO KIRAKOSIAN

Accountancy, Corp

To the Board of Directors of
Compass Health, Inc. and Subsidiary
Grover Beach, California

Independent Auditors' Report

We have audited the accompanying consolidated financial statements of Compass Health, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and shareholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Auditors' Responsibility - Continued

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

Opinion

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

A handwritten signature in blue ink, appearing to read "Set K", is positioned above the location and date information.

Sierra Madre, California

April 27, 2021

COMPASS HEALTH, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

| | ASSETS | |
|---|---------------|---------------|
| | 2020 | 2019 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 23,106,900 | \$ 7,531,700 |
| Accounts receivable, net | 9,116,500 | 9,218,600 |
| Supplies | 2,900 | 2,900 |
| Prepaid expenses | 838,300 | 878,700 |
| Due from related parties, net | 1,599,200 | 1,513,500 |
| Total current assets | 34,663,800 | 19,145,400 |
| INVESTMENTS | 478,300 | 343,900 |
| PLANT, PROPERTY, AND EQUIPMENT, net | 5,032,200 | 5,542,300 |
| INTANGIBLE ASSETS, net | 58,600 | 66,000 |
| DEPOSITS AND OTHER ASSETS | 65,000 | 65,000 |
| Total assets | \$ 40,297,900 | \$ 25,162,600 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 2,072,400 | \$ 1,557,200 |
| Accrued compensation and related expenses | 7,094,300 | 5,636,500 |
| Income taxes payable | 208,500 | 150,000 |
| Security deposits and other liabilities | 8,689,000 | 1,539,700 |
| Current portion of long-term debt | 217,600 | 194,000 |
| Total current liabilities | 18,281,800 | 9,077,400 |
| LONG-TERM DEBT, net of current portion | 534,000 | 707,200 |
| DEFERRED RENT | - | 916,000 |
| Total liabilities | 18,815,800 | 10,700,600 |
| COMMITMENTS AND CONTINGENCIES | - | - |
| SHAREHOLDER'S EQUITY: | | |
| Controlling interests: | | |
| Common stock, no par value; 1,000 shares authorized; 1,000 shares issued and outstanding | 31,900 | 31,900 |
| Paid-in-capital | 1,979,900 | 1,979,900 |
| Retained earnings | 16,382,300 | 10,184,400 |
| Total controlling interests | 18,394,100 | 12,196,200 |
| Minority interest | 3,088,000 | 2,265,800 |
| Total shareholder's equity | 21,482,100 | 14,462,000 |
| Total liabilities and shareholder's equity | \$ 40,297,900 | \$ 25,162,600 |

The accompanying notes are an integral part
of the consolidated financial statements

COMPASS HEALTH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
AND SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| REVENUES: | | |
| Net patient service revenue | \$ 64,523,800 | \$ 69,705,000 |
| Net residential board and care revenue | 5,828,200 | 6,126,000 |
| Net other revenue | <u>6,247,700</u> | <u>-</u> |
| Total revenues | <u>76,599,700</u> | <u>75,831,000</u> |
| EXPENSES: | | |
| Nursing services | 27,950,900 | 29,958,300 |
| Plant operations and maintenance | 3,385,300 | 3,736,600 |
| Housekeeping and laundry | 2,842,300 | 2,676,600 |
| Dietary | 6,195,000 | 6,518,100 |
| Social services and activities | 1,504,700 | 1,685,800 |
| Education | 512,200 | 587,200 |
| General and administrative | 20,463,200 | 19,820,400 |
| Interest expense | 43,200 | 57,400 |
| Pharmacy | 1,428,500 | 1,809,100 |
| Laboratory | 282,700 | 183,000 |
| Other expenses | - | 137,700 |
| X-ray | <u>188,700</u> | <u>247,900</u> |
| Total expenses | <u>64,796,700</u> | <u>67,418,100</u> |
| INCOME BEFORE MINORITY INTEREST AND INCOME TAX PROVISION | 11,803,000 | 8,412,900 |
| MINORITY INTEREST | <u>(1,069,200)</u> | <u>(629,700)</u> |
| INCOME BEFORE INCOME TAX PROVISION | 10,733,800 | 7,783,200 |
| INCOME TAX PROVISION | <u>(221,100)</u> | <u>(162,000)</u> |
| NET INCOME | 10,512,700 | 7,621,200 |
| DISTRIBUTIONS TO SHAREHOLDER | (4,314,800) | (5,820,500) |
| RETAINED EARNINGS, beginning of year | <u>10,184,400</u> | <u>8,383,700</u> |
| RETAINED EARNINGS, end of year | \$ <u>16,382,300</u> | \$ <u>10,184,400</u> |

The accompanying notes are an integral part
of the consolidated financial statements

COMPASS HEALTH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 10,512,700 | \$ 7,621,200 |
| Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities: | | |
| Minority interest | 1,069,200 | 629,700 |
| Depreciation and amortization | 649,300 | 732,500 |
| (Gain) on sale of plant, property, and equipment | - | (51,800) |
| Deferred rent | (916,000) | (862,900) |
| (Gain) from investments | (175,900) | (60,700) |
| Changes in assets and liabilities: | | |
| Decrease (increase) in accounts receivable, net | 102,100 | (1,041,600) |
| Decrease in supplies | - | 200 |
| Decrease (increase) in prepaid expenses | 40,400 | (168,500) |
| (Increase) in due from related parties, net | (85,700) | (4,000) |
| Decrease in deposits and other assets | - | 40,000 |
| Increase in accounts payable | 515,200 | 171,300 |
| Increase in accrued compensation and related expenses | 1,457,800 | 112,400 |
| Increase in income taxes payable | 58,500 | 5,300 |
| Increase (decrease) in security deposits and other liabilities | <u>7,149,300</u> | <u>(1,219,100)</u> |
| Net cash and cash equivalents provided by operating activities | <u>20,376,900</u> | <u>5,904,000</u> |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of plant, property, and equipment | (131,800) | (280,800) |
| Proceeds from (purchase of) investments, net | <u>41,500</u> | <u>(9,800)</u> |
| Net cash and cash equivalents (used in) investing activities | <u>(90,300)</u> | <u>(290,600)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| (Principal payments on) long-term debt | (149,600) | (184,000) |
| Distributions to minority interest | (247,000) | (850,000) |
| Distributions to shareholder | <u>(4,314,800)</u> | <u>(5,820,500)</u> |
| Net cash and cash equivalents (used in) financing activities | <u>(4,711,400)</u> | <u>(6,854,500)</u> |
| Net change in cash and cash equivalents | 15,575,200 | (1,241,100) |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>7,531,700</u> | <u>8,772,800</u> |
| CASH AND CASH EQUIVALENTS, end of year | \$ <u>23,106,900</u> | \$ <u>7,531,700</u> |

The accompanying notes are an integral part
of the consolidated financial statements

COMPASS HEALTH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------|-------------------|
| Cash paid during the year for: | | |
| Income taxes | \$ <u>162,600</u> | \$ <u>156,600</u> |
| Interest paid | \$ <u>43,200</u> | \$ <u>57,400</u> |

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING
ACTIVITIES:

During 2019, the Company exchanged equipment with net book value in the amount of \$260,200 for equipment and other intangibles with fair market value in the amount of \$312,000 and recognized a gain on the exchange in the amount of \$51,800.

The accompanying notes are an integral part
of the consolidated financial statements

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Nature of Operations

Compass Health, Inc. and Subsidiary (the “Company”), was incorporated in the state of California on January 5, 1995. The Company was formed with a view to consolidate various health care businesses in San Luis Obispo County, including Arroyo Grande Care Center, Danish Care Center, and SeaShell Communities (Pacific Care Center, Inc.).

On or around February 1, 1995, the Company entered into binding purchase agreement with each of the above named entities under which it agreed to acquire all of the assets of each entity, subject to all liabilities, solely in exchange for voting common stock of the Company.

As of December 31, 2007, the Company is 100% subsidiary of Compass Holding, Inc. Through a reverse triangular merger, Compass Health Inc. became a wholly owned subsidiary of Compass Holding, Inc. The board of Compass Health Inc. declared a shareholder distribution of its Compass Media Group, Inc. and The Old Custom House, Inc. to Compass Holding, Inc. as of the closing of business on December 31, 2007.

The Company currently employs in excess of 853 employees, with approximately 683 of them being full time employees. The Company manages and operates the following facilities:

1. Vineyard Hills Health Center in Templeton, California (99-bed skilled nursing facility)
2. Danish Care Center in Atascadero, California (65-bed skilled nursing facility)
3. Bayside Care Center in Morro Bay, California (145-bed skilled nursing facility) and Casa de Flores in Morro Bay, California (100-bed residential care facility for the elderly)
4. Arroyo Grande Care Center in Arroyo Grande, California (99-bed skilled nursing facility)
5. Wyndham Residence in Arroyo Grande, California (62-bed residential care facility for the elderly)
6. San Luis Transitional Care Center in San Luis Obispo, California (23-bed skilled nursing facility)

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION – CONTINUED

Nature of Operations - Continued

7. Mission View Health Care Center in San Luis Obispo, California (162-bed skilled nursing facility)
8. Alto Lucero Transitional Care Center in Santa Barbara, California (156-bed skilled nursing facility). On November 1, 2019, Alto Lucero Transitional Care Center was exchanged with San Luis Post Acute Center. These facilities have similar operation, including bed capacity.
9. San Luis Post Acute Center in San Luis Obispo, California (162-bed skilled nursing facility).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Compass Health, Inc. (a California S Corporation), and a 50% owned subsidiary Coastal, LLC, which operates Vineyard Hills Health Center and Danish Care Center, (the "Subsidiary"). All significant intercompany accounts and material transactions have been eliminated in consolidation.

Basis of Accounting

The Company's consolidated financial statements are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Revenues

Patient service revenue is reported as services are performed and is net of contractual allowances. The Company provides services to certain patients covered by various third-party payer programs, including the federal Medicare and state Medi-Cal programs. Billings for services under these third-party payer programs are included in revenues, net of allowance for estimated differences between list prices and allowable program rates. Total contractual allowances, which increased revenues during the years ended December 31, 2020 and 2019 were \$4,979,800 and \$6,183,700, respectively.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenues - Continued

Revenues from direct billings under federal Medicare program and state Medi-Cal program, net of contractual allowances, during the years ended December 31, 2020 and 2019 were approximately 88% and 91%, respectively, of net patient service revenue. At December 31, 2020 and 2019, the amounts due from federal and state third-party payors were approximately \$7,004,300 and \$7,534,100, respectively, and are included in accounts receivable in the accompanying consolidated financial statements.

Residential board and care revenue is recognized on a monthly basis over the period of the leases. The Company rents out the units on a month-to-month basis and therefore, does not account for rental abatements and escalations as deferred rent.

The provision for bad debts is considered an implicit price concession and is recognized as a reduction to patient service and residential board and care revenues. Subsequent changes in the estimate of collectability due to an adverse change in the financial status or ability to pay of a payor is recognized as bad debt expense.

The Company's initial estimate of the transaction price subject to revenue recognition is determined by reducing the total standard charges for patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, retroactive adjustments, and other reductions to the Company's standard charges. Transaction price associated with services provided to patients who have third-party payor coverage is determined on the basis of contractual or formula-driven rates for the services rendered.

Estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private health care coverage and other collection indicators. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

Revenue from patient service and residential board and care is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided.

Through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Program and Health Care Enhancement Act (PPPCHE), the federal government has allocated funds to be distributed through the Provider Relief Fund (PRF).

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenues - Continued

PRF supports healthcare providers in the battle against the COVID-19 pandemic. Qualified providers of health care, services, and support may receive Provider Relief Fund payments for healthcare-related expenses or lost revenue due to COVID-19. These distributions do not need to be repaid to the US government, assuming providers comply with the terms and conditions. During the year ended December 31, 2020, The Company received \$5,990,450 from the Provider Relief Fund, which is included in net other revenue. The management believes the Company is in compliance with the terms and conditions of the PRF.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, or that are convertible to cash on demand, and are subject to an insignificant risk of changes in fair value. These amounts are recorded at cost, which approximates fair value.

Accounts Receivable

Accounts receivable consists of amounts billed to patients and tenants less price concessions relating to allowances for the excess of established charges over the payments to be received on behalf of patients covered by Medicare, Medi-Cal and other insurers. The Company analyzes historical collection trends, reimbursement experience, and revenue adjustment trends by third-party payors as an integral part of the estimation process related to determining the adequacy of price concessions and the valuation allowance for accounts receivable. The Company does not charge interest on accounts receivable. At December 31, 2020 and 2019, allowance for price concessions and doubtful accounts were \$271,500 and \$272,200, respectively.

In addition, the Company assesses the current state of its billing functions on a monthly basis in order to identify any known collection or reimbursement issues to determine the impact, if any, on its price concessions and valuation allowance estimates, which involve judgment.

Investments

The Company evaluates its investments in a limited liability companies (“LLCs”) to determine whether the LLCs may be a variable interest entity (VIE), and if a VIE, whether the Company is the primary beneficiary. The primary beneficiary is the entity that will absorb the majority of expected losses or receive the majority of the expected returns of the VIE, or both.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments – Continued

The obligation to absorb expected losses and the right to receive expected returns when a reporting entity is affiliated with a VIE must be based on ownership, contractual, and/or other pecuniary interests in that VIE.

If the above conditions do not apply, the Company considers whether a managing member controls the LLC. The managing member in a LLC is presumed to control that LLC. However, the presumption may be overcome if the limited members have either (1) the substantive ability to dissolve the LLC or otherwise remove the managing member without cause or (2) substantive participating rights, which provide the limited members with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the LLC's business and thereby preclude the managing member from exercising unilateral control over the LLC. If these criteria are not met and the Company is the managing member, the consolidation of the LLC is required.

The Company accounts for investments in HLH Coastal Living Holdings, LLC and Quality Placement for Seniors, LLC over which it exercises significant influence, but does not control, under the equity method of accounting. Under the equity method of accounting, the investment is recorded initially at cost and subsequently adjusted for the Company's share of net income or loss, less distributions, if any. The Company discontinues applying the equity method if the investment is reduced to zero.

On a periodic basis, management assesses whether there are any indicators that the carrying value of the Company's investments in the unconsolidated LLCs may be impaired on a more than temporary basis. An investment is impaired only if management's estimate of the fair-value of the investment is less than the carrying value of the investment on a more than temporary basis. To the extent impairment has occurred, the loss is measured as the excess of the carrying value of the investment over the fair-value of the investment. Management does not believe that the value of the Company's unconsolidated investments in the LLCs was impaired as of December 31, 2020.

Plant, Property, and Equipment

Plant, property, and equipment are carried on the accompanying consolidated balance sheets at cost. Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the respective assets. Useful lives range from 5 to 40 years. Leasehold improvements are amortized over shorter of the life of the lease or the leasehold improvement. Additions, renewals, and betterments expected to extend the lives of the assets are capitalized, while routine repairs and maintenance are charged to expense when incurred.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of Long-Lived Assets

In accordance with GAAP, the Company 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. If such review indicates an asset may not be recoverable, an impairment loss is recognized for the excess of the carrying amount over the fair value of an asset to be held and used or over the fair value less cost to sell an asset to be disposed. During the years ended December 31, 2020 and 2019, there were no events or changes in circumstances indicating that the carrying amount of the long-lived assets may not be recoverable.

Intangible Assets

Intangible assets are carried on the accompanying consolidated balance sheets at amortized cost. These assets consisted of deferred financing, contract and software costs. Amortization is computed for financial statement purposes using the straight-line method over the terms of the respective agreements. Useful lives range from 5 to 15 years.

Fair Value of Financial Instruments

Substantially all of the financial instruments are carried at fair value or amounts approximating fair value. For cash and cash equivalents, accounts receivables, accounts payable, and other current assets and liabilities, the carrying amounts approximate fair value due to their short-term maturity. It was not practical to estimate the fair value of investments in the equity of non-traded LLCs. The investments in HLH Coastal Living Holdings, LLC and Quality Placement for Seniors, LLC is carried at the original cost and adjusted annually for the Company's proportionate share of the LLCs' income and losses, less distributions, if any. The fair value of long-term debt is determined using current applicable rates for similar instruments and approximates its carrying value.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high-quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) up to \$250,000 and \$500,000, respectively. The Company has cash and cash equivalents balances at December 31, 2020 and 2019 that exceed the balance insured by the FDIC and SIPC in the amount of \$23,355,900 and \$7,855,900, respectively.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Concentrations of Credit Risk - Continued

With respect to patient accounts receivable, the Company performs ongoing evaluations of its customers and maintains reserves for potential credit losses. The Company does not require collateral for its services.

Workers' Compensation Payable

Workers' compensation payable predominantly consists of the reserves to cover the Company's estimated liabilities for its workers' compensation claims. The determination of these reserves is based upon a number of factors, including current and historical claims activity, claims payment patterns, and medical cost trends and developments in existing claims. Reserves are adjusted from time to time to reflect new claims, claim developments, or systemic changes, and such adjustments are reflected in the results of operations in the periods in which the reserves are changed.

Workers' Compensation Costs

As of May 1, 2007, the Company's workers' compensation coverage is provided through Safety National Casualty Corporation (the "SNCC Plan"), as a Self-Insurer Specific Excess Workers' Compensation and Employers' Liability Insurance. Under the SNCC Plan in effect through May 1, 2019, workers' compensation losses were subject to a deductible amount of \$600,000 for each occurrence, accident, loss, or claim, with a combined minimum aggregate amount of \$25,000,000 based on an inception payroll of \$40,633,700. This represents the minimum amount of premium to be paid by the Company.

As of May 1, 2019, the Company's workers' compensation coverage is provided through Liberty Mutual Insurance Corporation (the "LMIC Plan"), as a Self-Insurer Specific Excess Workers' Compensation and Employers' Liability Insurance. Under the LMIC Plan in effect through May 1, 2020, workers' compensation losses were subject to a deductible amount of \$600,000 for each occurrence, accident, loss, or claim, with no upper aggregate amount, based on an inception payroll of \$41,341,500. This represents the minimum amount of premium to be paid by the Company.

Under the LMIC Plan in effect through May 1, 2021, workers' compensation losses were subject to a deductible amount of \$600,000 for each occurrence, accident, loss, or claim, with no upper aggregate amount, based on an inception payroll of \$50,185,825. This represents the minimum amount of premium to be paid by the Company.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Workers' Compensation Costs - Continued

Because the Company bears the economic burden under these plans, the claims, which are the primary component of the Company's workers' compensation costs, are recorded in the period incurred. Workers compensation insurance includes ongoing healthcare and indemnity coverage whereby claims are paid over numerous years following the date of injury. Accordingly, the accrual of related incurred costs during each reporting period includes estimates calculated by applying an aggregate loss development rate to worksite employee payroll levels.

Deferred Rent

The Company recognizes rent expense for operating lease, including the effect of rent escalations, on a straight-line basis over the lease term. The difference between the cash paid to landlord and the amount recognized as rent expense on a straight-line basis is included in deferred rent.

Management Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company elected Subchapter S status of the Internal Revenue Code (IRC) for federal and state income tax purposes. Under the applicable statutory rules, income and losses of an S-corporation flow through to the shareholder of the Company and are not taxed at the corporate level. However, the Company is responsible for California franchise tax amounting to the greater of \$800 or 1.5% of taxable income of the Subchapter S-corporation.

The Company recognizes a financial statement benefit of a tax position only after determining that the relevant tax authority would be more likely than not to sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes - Continued

The Company believes its income tax filing positions and deductions will be sustained upon examination, and, accordingly, no reserves or related accruals for interest and penalties have been recorded as of December 31, 2020 and 2019. The Company's tax returns are no longer subject to income tax examinations by taxing authorities for years before 2017 for their federal and 2016 for their state tax filings.

Risks and Uncertainties

The Company is subject to risks and uncertainties as a result of the outbreak of a novel strain of coronavirus (COVID-19) that was declared to be a pandemic in March 2020. The severity of the continued impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, how long the pandemic will last, whether/when recurrences of the virus may arise, what restrictions may be enacted or re-enacted, the availability and acceptance of vaccines, all of which are uncertain and cannot be predicted. As such, the extent to which the COVID-19 pandemic may materially impact the Company's financial condition, liquidity, or results of operations remains highly uncertain.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. Upon adoption of ASU 2016-02, the operating leases disclosed in Note 9 will be reported on the consolidated balance sheets as gross-up assets and liabilities. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date of the new standard to annual periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact that this guidance will have on its consolidated balance sheets or consolidated financial statement disclosures.

The Company reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to its operations or that no material effect is expected on its consolidated financial statements as a result of future adoption.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

The Company evaluated events occurring between December 31, 2020 and April 27, 2021, the date these consolidated financial statements were available to be issued, and determined that there were no material subsequent events that required recognition or disclosure in these consolidated financial statements.

NOTE 3 - INVESTMENTS

The accompanying consolidated financial statements include investments in HLH Coastal Living Holdings, LLC (“HLH”) and Quality Placement for Seniors, LLC (“QPS”). The Company accounts for the investments in HLH and QPS under the equity method of accounting as the Company does not control these entities. Significant accounting policies used by these entities are similar to those used by the Company. At December 31, 2020 and 2019, Company’s ownership interest in HLH was 40.00%. At December 31, 2020 and 2019, Company’s ownership interest in QPS was 50.00%.

The following is a summary of investment activity for the years ended December 31, 2020 and 2019:

| | <u>HLH</u> | <u>QPS</u> |
|------------------------------|-------------------|------------------|
| Balance at December 31, 2018 | \$ 273,400 | \$ - |
| Plus: contributions | - | 15,000 |
| Less: distributions | (5,300) | - |
| Less: (loss) from investment | <u>59,000</u> | <u>1,800</u> |
| Balance at December 31, 2019 | \$ 327,100 | \$ 16,800 |
| Plus: contributions | - | - |
| Less: distributions | (41,500) | - |
| Less: income from investment | <u>171,000</u> | <u>4,900</u> |
| Balance at December 31, 2020 | \$ <u>456,600</u> | \$ <u>21,700</u> |

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - PLANT, PROPERTY, AND EQUIPMENT

At December 31, 2020 and 2019, plant, property, and equipment consisted of the following:

| | 2020 | 2019 |
|--|--------------|--------------|
| Land | \$ 966,000 | \$ 966,000 |
| Facility buildings | 5,412,200 | 5,412,200 |
| Parking structure | 309,100 | 309,100 |
| Fixed equipment | 385,300 | 385,300 |
| Leasehold improvements | 3,269,300 | 3,076,000 |
| Major movable | 1,934,400 | 1,900,100 |
| Minor movable | 1,443,400 | 1,425,500 |
| Furniture and fixtures | 1,944,600 | 1,944,600 |
| Construction-in-progress | 19,200 | 145,100 |
| | 15,683,500 | 15,563,900 |
| Less: accumulated depreciation and amortization | (10,651,300) | (10,021,600) |
| | \$ 5,032,200 | \$ 5,542,300 |

Depreciation and amortization expense on plant, property and equipment for the years ended December 31, 2020 and 2019 were \$641,900 and \$718,200, respectively.

NOTE 5 - INTANGIBLE ASSETS

At December 31, 2020 and 2019, intangible assets consisted of the following:

| | 2020 | 2019 |
|--------------------------------|-----------|-----------|
| Deferred financing costs | \$ 48,600 | \$ 48,600 |
| Other | 95,800 | 95,800 |
| | 144,400 | 144,400 |
| Less: accumulated amortization | (85,800) | (78,400) |
| | \$ 58,600 | \$ 66,000 |

Amortization expense related to intangible assets for the years ended December 31, 2020 and 2019 were \$7,400 and \$14,300, respectively.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LINE OF CREDIT

The Company has a line of credit with Rabobank, which permits maximum borrowings up to \$2,000,000 and bears interest at 1-Month Libor rate plus 2.75%, with a floor of 2.75% (2.89% and 4.51%, respectively, at December 31, 2020 and 2019). The line of credit matured on November 30, 2020. During the year ended December 31, 2020, the line of credit was renewed and is set to mature on May 31, 2021. The line of credit is secured essentially by all assets of the Company and is guaranteed by a shareholder. As of December 31, 2020 and 2019, there was no amount outstanding under this line of credit.

NOTE 7 - ACCRUED COMPENSATION AND RELATED EXPENSES

At December 31, 2020 and 2019, accrued compensation and related expenses consisted of the following:

| | 2020 | 2019 |
|-------------------------------------|---------------------|---------------------|
| Accrued payroll | \$ 1,777,400 | \$ 1,915,200 |
| Accrued vacation, holiday, and sick | 2,864,200 | 1,366,000 |
| Workers' compensation payable | 2,230,500 | 2,071,500 |
| Other accrued liabilities | 222,200 | 283,800 |
| | <u>\$ 7,094,300</u> | <u>\$ 5,636,500</u> |

NOTE 8 - LONG-TERM DEBT

At December 31, 2020 and 2019, long-term debt consisted of the following:

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Note payable to a financial institution in the amount of \$2,100,000, secured by a first trust deed on Vineyard Hills Health Center, payable monthly in the amount of \$19,800 with interest at 5.35% per annum, due March 2024. As a result of the note payable amendment on May 20, 2020, three monthly principal payments were deferred and new monthly payments effective August 1, 2020 are \$21,000. | \$ 751,600 | \$ 901,200 |
| Less: current portion | (217,600) | (194,000) |
| | <u>\$ 534,000</u> | <u>\$ 707,200</u> |

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT – CONTINUED

Principal maturities of long-term debt subsequent to December 31, 2020 are as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Amount</u> |
|---|-------------------|
| 2021 | \$ 217,600 |
| 2022 | 229,500 |
| 2023 | 242,100 |
| 2024 | <u>62,400</u> |
| | \$ <u>751,600</u> |

NOTE 9 - COMMITMENTS AND CONTINGENCIES

a) Lease Commitments

The Company leases its Bayside Care Center and Casa de Flores facilities in Morro Bay, California under an operating lease with related party. The lease agreement expires in July 2025 and has five option to extend for five years each. The minimum monthly rent payments total approximately \$150,000 with an annual increase of 3.25%.

The Company leases its Arroyo Grande Care Center facility in Arroyo Grande, California under an operating lease with related parties. The lease agreement expires in January 2029 and has one extension for five years. The premises are owned by shareholders of Compass Holding, Inc. The minimum monthly rent payments total approximately \$48,500, with an annual increase of 3.25%.

The Company leases its Wyndham Residence facility in Arroyo Grande, California under an operating lease with a related party. The lease agreement expires in May 2045. The minimum monthly rent payments total approximately \$42,000. It also has an operating ground lease with a related party. The ground lease agreement expires in December 2054. The minimum monthly rent payments total approximately \$4,900.

The Company leases its San Luis Transitional Care Center facility in San Luis Obispo, California under an operating lease with a related party. The lease agreement expires in August 2025 and has one option to extend until January 2033. The minimum monthly rent payments total approximately \$24,000 with an increase every two years based on consumer price index, with maximum of 5.00%.

The Company leases its Mission View Health Care Center facility in San Luis Obispo, California under an operating lease with a related party. The lease agreement expires in June 2026 and has one option to extend for ten years and two options to extend for five years each. The minimum monthly rent payments total approximately \$58,700, with an annual increase of 3.25%.

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - COMMITMENTS AND CONTINGENCIES – CONTINUED

a) Lease Commitments – Continued

The Company leases an office facility in Grover Beach, California under an operating lease with a related party. The lease agreement expires in February 2023. The minimum monthly rent payments total \$11,700, with an increase every year based on consumer price index, with a minimum increase of 3.00% and maximum of 5.00%.

The Company leases its San Luis Post Acute Center facility in San Luis Obispo, California under an operating lease with an unrelated party. The lease agreement expires in January 2024 and has two options to extend for five years each. The minimum monthly rent payments total approximately \$39,200, with an annual maximum increase of 6.00%.

The following is a schedule of future minimum annual rental payments required under those operating lease agreements:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|-------------------------------------|----------------------|
| 2021 | \$ 4,630,500 |
| 2022 | 4,757,500 |
| 2023 | 4,748,400 |
| 2024 | 4,376,000 |
| 2025 | 2,644,500 |
| 2026 and thereafter | <u>14,877,200</u> |
| | \$ <u>36,034,100</u> |

For the years ended December 31, 2020 and 2019, the Company incurred rent expense of \$3,650,100 and \$3,886,600, respectively.

b) Litigation

During the normal course of business, the Company is involved in litigations. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Company's future consolidated financial position or result of its operations.

c) Guarantor

The Company is a guarantor for three loans on real property owned by related parties. At December 31, 2020, the contingent liabilities guaranteed by these three loans consisted of the following:

COMPASS HEALTH, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - COMMITMENTS AND CONTINGENCIES – CONTINUED

d) Guarantor – Continued

| | <u>Guarantor Value</u> |
|--|------------------------|
| Real property located at 404 Front St., Avila Beach, CA owned by Playa Dulce, LLC and operated by Old Custom House, Inc. | \$ 4,297,000 |
| Real property located at 1575 Bishop Street, San Luis Obispo, CA owned by Playa Dulce, LLC and operated by the Company. | \$ 742,900 |
| Real property located at 1405 Teresa Drive, Morro Bay, CA owned by 1405 Teresa Drive, LLC and operated by the Company. | \$ 14,142,000 |

NOTE 10 - 401(k) PROFIT SHARING PLAN

The Company has adopted a 401(k) profit sharing plan (the “Plan”) covering all employees who are at least eighteen years of age and have completed one year of employment. Participating employees may elect to defer up to 19% of their compensation, subject to certain limitations. The Company may make matching contributions equal to a discretionary percentage of the participant’s elective deferral. For the years ended December 31, 2020 and 2019, the Company’s matching contribution to the Plan amounted to \$174,200 and \$193,000, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Company has eight operating lease agreements with related parties (See also Note 9). For the years ended December 31, 2020 and 2019, the Company recorded approximately \$2,823,100 and \$2,028,500, respectively, in rent expense. There was no amount due to related parties at December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the Company had advances of \$1,599,200 and \$1,513,500 due from related parties, net. The advances are unsecured, non-interest bearing and due on demand.

Amounts due from related parties, net are as follows as of December 31:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|---------------------|---------------------|
| The Old Custom House Inc. | \$ 1,521,100 | \$ 1,521,100 |
| Playa Dulce LLC | 3,700 | 2,100 |
| Various | 74,400 | (9,700) |
| | <u>\$ 1,599,200</u> | <u>\$ 1,513,500</u> |

COMPASS HEALTH, INC. AND SUBSIDIARY

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020



SETO KIRAKOSIAN

Accountancy, Corp

To the Board of Directors of
Compass Health, Inc. and Subsidiary
Grover Beach, California

Independent Auditors' Report on Supplementary Information

We have audited the consolidated financial statements of Compass Health, Inc. and Subsidiary (the "Company"), as of and for the years ended December 31, 2020 and 2019, and our report thereon dated April 27, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 23 to 25 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. The supplementary information on page 26 to 41 has been 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 is presented for purpose of additional analysis and is not a required part of the consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole and presents fairly in all material respects the continuing care reserve requirements of the Company at December 31, 2020, in conformity with the report preparation provisions of the California Health and Safety Code Section 1792.

A handwritten signature in blue ink, appearing to read 'Seto K.', is written over a light blue horizontal line.

April 27, 2021

COMPASS HEALTH, INC. AND SUBSIDIARY

SUPPLEMENTARY INFORMATION

CONSOLIDATING BALANCE SHEETS

DECEMBER 31, 2020

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

| | AGCC | ALTC | BCC | CDF | CHI | DCC | MVHC | SLPA | SLTC | TPY | VHHC | WYND | Eliminations | Total |
|---|---------------------|-------------|----------------------|------------------------|----------------------|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|-------------------|-----------------------|----------------------|
| CURRENT ASSETS: | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ (84,000) | \$ - | \$ (12,300) | \$ (3,500) | \$ 17,164,200 | \$ 1,970,000 | \$ (64,500) | \$ (75,000) | \$ (2,100) | \$ (7,600) | \$ 3,954,200 | \$ 267,500 | \$ - | \$ 23,106,900 |
| Accounts receivable, net | 2,029,500 | - | 1,401,300 | 15,700 | (8,500) | 851,400 | 2,033,600 | 1,593,100 | (1,800) | - | 1,181,200 | 21,000 | - | 9,116,500 |
| Supplies | - | - | - | - | - | - | - | - | - | - | - | 2,900 | - | 2,900 |
| Prepaid expenses | 145,700 | - | 152,300 | 18,400 | 58,800 | 83,000 | 47,600 | 161,300 | 32,500 | - | 133,100 | 5,600 | - | 838,300 |
| Due from related parties, net | - | - | 27,470,000 | (27,470,000) | 5,814,300 | (2,829,700) | 1,000 | - | - | - | 1,734,700 | - | (3,121,100) | 1,599,200 |
| Total current assets | 2,091,200 | - | 29,011,300 | (27,439,400) | 23,028,800 | 74,700 | 2,017,700 | 1,679,400 | 28,600 | (7,600) | 7,003,200 | 297,000 | (3,121,100) | 34,663,800 |
| INVESTMENTS | - | - | - | - | 478,300 | - | - | - | - | - | - | - | - | 478,300 |
| PLANT, PROPERTY, AND EQUIPMENT, net | 184,100 | - | 319,800 | 955,300 | 63,800 | 1,105,100 | - | 281,700 | 75,900 | - | 2,046,500 | - | - | 5,032,200 |
| INTANGIBLE ASSETS, net | - | - | - | - | - | - | - | 46,100 | - | - | 12,500 | - | - | 58,600 |
| DEPOSITS AND OTHER ASSETS | 18,000 | - | - | - | 13,000 | - | 34,000 | - | - | - | - | - | - | 65,000 |
| Total assets | \$ 2,293,300 | \$ - | \$ 29,331,100 | \$ (26,484,100) | \$ 23,583,900 | \$ 1,179,800 | \$ 2,051,700 | \$ 2,007,200 | \$ 104,500 | \$ (7,600) | \$ 9,062,200 | \$ 297,000 | \$ (3,121,100) | \$ 40,297,900 |
| CURRENT LIABILITIES: | | | | | | | | | | | | | | |
| Accounts payable | \$ 261,000 | \$ - | \$ 385,200 | \$ 89,000 | \$ 334,300 | \$ 183,400 | \$ 358,000 | \$ 162,500 | \$ 16,000 | \$ - | \$ 234,400 | \$ 48,600 | \$ - | \$ 2,072,400 |
| Accrued compensation and related expenses | 1,004,200 | - | 740,200 | 82,000 | 2,071,800 | 373,400 | 882,800 | 625,700 | 56,800 | 581,200 | 531,700 | 144,500 | - | 7,094,300 |
| Income taxes payable | - | - | - | - | 208,500 | - | - | - | - | - | - | - | - | 208,500 |
| Security deposits and other liabilities | 2,157,000 | - | 1,289,900 | 28,800 | 701,500 | 907,900 | 1,493,600 | 50,200 | 1,003,700 | (6,300) | 1,050,600 | 12,100 | - | 8,689,000 |
| Current portion of long-term debt | - | - | - | - | - | - | - | - | - | - | 217,600 | - | - | 217,600 |
| Total current liabilities | 3,422,200 | - | 2,415,300 | 199,800 | 3,316,100 | 1,464,700 | 2,734,400 | 838,400 | 1,076,500 | 574,900 | 2,034,300 | 205,200 | - | 18,281,800 |
| LONG-TERM DEBT, net of current portion | - | - | - | - | - | - | - | - | - | - | 534,000 | - | - | 534,000 |
| DEFERRED RENT | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | 3,422,200 | - | 2,415,300 | 199,800 | 3,316,100 | 1,464,700 | 2,734,400 | 838,400 | 1,076,500 | 574,900 | 2,568,300 | 205,200 | - | 18,815,800 |
| COMMITMENTS AND CONTINGENCIES | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| SHAREHOLDER'S EQUITY: | | | | | | | | | | | | | | |
| Controlling interests: | | | | | | | | | | | | | | |
| Common stock, no par value; 1,000 shares authorized; 1,000 shares issued and outstanding | 900 | - | 30,000 | - | 1,000 | - | - | - | - | - | - | - | - | 31,900 |
| Paid-in-capital | 209,300 | - | - | - | 1,770,600 | (1,380,100) | - | - | - | - | 3,431,900 | - | (2,051,800) | 1,979,900 |
| Retained earnings | (1,339,100) | - | 26,885,800 | (26,683,900) | 18,496,200 | 1,331,900 | (682,700) | 1,168,800 | (972,000) | (582,500) | 806,600 | 91,800 | (2,138,600) | 16,382,300 |
| | (1,128,900) | - | 26,915,800 | (26,683,900) | 20,267,800 | (48,200) | (682,700) | 1,168,800 | (972,000) | (582,500) | 4,238,500 | 91,800 | (4,190,400) | 18,394,100 |
| Minority interest | - | - | - | - | - | (236,700) | - | - | - | - | 2,255,400 | - | 1,069,300 | 3,088,000 |
| Total shareholder's equity | (1,128,900) | - | 26,915,800 | (26,683,900) | 20,267,800 | (284,900) | (682,700) | 1,168,800 | (972,000) | (582,500) | 6,493,900 | 91,800 | (3,121,100) | 21,482,100 |
| Total liabilities and shareholder's equity | \$ 2,293,300 | \$ - | \$ 29,331,100 | \$ (26,484,100) | \$ 23,583,900 | \$ 1,179,800 | \$ 2,051,700 | \$ 2,007,200 | \$ 104,500 | \$ (7,600) | \$ 9,062,200 | \$ 297,000 | \$ (3,121,100) | \$ 40,297,900 |

COMPASS HEALTH, INC. AND SUBSIDIARY

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENTS OF OPERATIONS AND SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

| | AGCC | ALTC | BCC | CDF | CHI | DCC | MVHC | SLPA | SLTC | TPY | VHHC | WYND | Eliminations | Total |
|---|-----------------------|--------------------|----------------------|------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-----------------------|----------------------|
| REVENUES: | | | | | | | | | | | | | | |
| Net patient service revenue | \$ 9,955,500 | \$ 944,400 | \$ 10,356,700 | \$ - | \$ - | \$ 6,769,500 | \$ 15,165,900 | \$ 8,075,400 | \$ 1,034,000 | \$ 3,853,300 | \$ 8,369,100 | \$ - | \$ - | \$ 64,523,800 |
| Net residential board and care revenue | - | - | - | 3,041,900 | - | - | - | - | - | - | - | 2,786,300 | - | 5,828,200 |
| Net other revenue | 71,800 | 700 | 75,300 | - | 4,497,600 | 601,700 | 91,000 | 52,500 | 5,100 | - | 852,000 | - | - | 6,247,700 |
| Management fees | (569,500) | - | (566,300) | (152,800) | 4,011,600 | (378,100) | (820,700) | (449,600) | (68,900) | (392,400) | (474,400) | (138,900) | - | - |
| Total revenues | 9,457,800 | 945,100 | 9,865,700 | 2,889,100 | 8,509,200 | 6,993,100 | 14,436,200 | 7,678,300 | 970,200 | 3,460,900 | 8,746,700 | 2,647,400 | - | 76,599,700 |
| EXPENSES: | | | | | | | | | | | | | | |
| Nursing services | 4,401,100 | (4,100) | 4,782,700 | 906,100 | 52,900 | 2,622,000 | 6,487,200 | 3,744,100 | 450,800 | 1,500 | 3,760,500 | 746,100 | - | 27,950,900 |
| Plant operations and maintenance | 341,100 | 1,600 | 651,100 | 391,000 | 45,500 | 262,900 | 499,900 | 518,700 | 83,800 | - | 406,000 | 183,700 | - | 3,385,300 |
| Housekeeping and laundry | 383,900 | - | 524,500 | 142,300 | - | 272,300 | 488,900 | 432,000 | 22,900 | - | 409,300 | 166,200 | - | 2,842,300 |
| Dietary | 901,700 | (1,800) | 870,200 | 685,300 | 3,500 | 538,000 | 999,100 | 760,800 | 93,700 | - | 838,500 | 506,000 | - | 6,195,000 |
| Social services and activities | 257,600 | 200 | 154,800 | 144,500 | - | 130,500 | 309,000 | 187,900 | 21,500 | - | 180,800 | 117,900 | - | 1,504,700 |
| Education | 83,400 | - | 106,100 | - | - | 70,700 | 118,600 | 58,800 | 200 | - | 74,400 | - | - | 512,200 |
| General and administrative | 2,299,100 | 28,600 | 2,337,900 | 982,200 | 2,917,000 | 1,585,600 | 3,665,700 | 2,522,000 | 581,400 | 533,400 | 1,965,400 | 1,044,900 | - | 20,463,200 |
| Interest expense | - | - | - | - | (1,500) | - | - | - | - | - | 44,700 | - | - | 43,200 |
| Pharmacy | 256,400 | - | 166,700 | - | - | 129,900 | 503,200 | 134,000 | 75,200 | - | 163,100 | - | - | 1,428,500 |
| Laboratory | 33,300 | - | 37,500 | - | - | 28,700 | 68,000 | 44,500 | 6,600 | - | 64,100 | - | - | 282,700 |
| X-ray | 38,000 | - | 24,300 | - | - | 20,500 | 50,300 | 19,000 | 15,900 | - | 20,700 | - | - | 188,700 |
| Total expenses | 8,995,600 | 24,500 | 9,655,800 | 3,251,400 | 3,017,400 | 5,661,100 | 13,189,900 | 8,421,800 | 1,352,000 | 534,900 | 7,927,500 | 2,764,800 | - | 64,796,700 |
| INCOME BEFORE MINORITY INTEREST AND INCOME TAX PROVISION | 462,200 | 920,600 | 209,900 | (362,300) | 5,491,800 | 1,332,000 | 1,246,300 | (743,500) | (381,800) | 2,926,000 | 819,200 | (117,400) | - | 11,803,000 |
| MINORITY INTEREST | - | - | - | - | (1,069,200) | - | - | - | - | - | - | - | - | (1,069,200) |
| INCOME BEFORE INCOME TAX PROVISION | 462,200 | 920,600 | 209,900 | (362,300) | 4,422,600 | 1,332,000 | 1,246,300 | (743,500) | (381,800) | 2,926,000 | 819,200 | (117,400) | - | 10,733,800 |
| INCOME TAX PROVISION | - | - | - | - | (208,500) | - | - | - | - | - | (12,600) | - | - | (221,100) |
| NET INCOME | 462,200 | 920,600 | 209,900 | (362,300) | 4,214,100 | 1,332,000 | 1,246,300 | (743,500) | (381,800) | 2,926,000 | 806,600 | (117,400) | - | 10,512,700 |
| DISTRIBUTIONS TO SHAREHOLDER | - | - | - | - | (4,314,800) | - | - | - | - | - | - | - | - | (4,314,800) |
| INTERCOMPANY TRANSFERS | (1,811,800) | (1,269,100) | 538,300 | (1,242,500) | 11,720,100 | (641,600) | (2,957,100) | 1,019,400 | (985,500) | (2,953,100) | (617,800) | 84,500 | (883,800) | - |
| RETAINED EARNINGS, beginning of year | 10,500 | \$ 348,500 | \$ 26,137,600 | \$ (25,079,100) | \$ 6,876,800 | \$ 641,500 | \$ 1,028,100 | \$ 892,900 | \$ 395,300 | \$ (555,400) | \$ 617,800 | \$ 124,700 | \$ (1,254,800) | \$ 10,184,400 |
| RETAINED EARNINGS, end of year | \$ (1,339,100) | \$ - | \$ 26,885,800 | \$ (26,683,900) | \$ 18,496,200 | \$ 1,331,900 | \$ (682,700) | \$ 1,168,800 | \$ (972,000) | \$ (582,500) | \$ 806,600 | \$ 91,800 | \$ (2,138,600) | \$ 16,382,300 |

COMPASS HEALTH, INC. AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF CASH FLOWS – DIRECT METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
SEE INDEPENDENT AUDITORS’ REPORT ON SUPPLEMENTARY INFORMATION

| | |
|--|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | |
| Cash received from patients and third-party payers | \$ 70,995,300 |
| Other cash received | 6,012,200 |
| Cash paid for operating expenses | (19,887,100) |
| Cash paid to employees | (36,597,200) |
| Interest received | 59,500 |
| Interest paid | (43,200) |
| Income taxes paid | <u>(162,600)</u> |
| Net cash and cash equivalents provided by operating activities | <u>20,376,900</u> |
| CASH FLOW FROM INVESTING ACTIVITIES: | |
| Purchase of plant, property, and equipment | (131,800) |
| Proceeds from investments, net | <u>41,500</u> |
| Net cash and cash equivalents (used in) investing activities | <u>(90,300)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES: | |
| Principal payments on long-term debt | (149,600) |
| Distributions to minority interest | (247,000) |
| Distributions to shareholder | <u>(4,314,800)</u> |
| Net cash and cash equivalents (used in) financing activities | <u>(4,711,400)</u> |
| Net change in cash and cash equivalents | 15,575,200 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>7,531,700</u> |
| CASH AND CASH EQUIVALENTS, end of year | \$ <u>23,106,900</u> |

FORM 1-1
RESIDENT POPULATION

| <u>Line</u> | Continuing Care Residents | <u>TOTAL</u> |
|----------------------|---|--------------|
| [1] | Number at beginning of fiscal year | 59 |
| [2] | Number at end of fiscal year | 79 |
| [3] | Total Lines 1 and 2 | 138 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 69 |
| All Residents | | |
| [6] | Number at beginning of fiscal year | 164 |
| [7] | Number at end of fiscal year | 186 |
| [8] | Total Lines 6 and 7 | 350 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of <i>all</i> residents | 175 |
| [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). | 0.39 |

FORM 1-2
ANNUAL PROVIDER FEE

| <u>Line</u> | | <u>TOTAL</u> |
|-------------|--|-------------------|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | \$12,907,200 |
| [a] | Depreciation | \$209,975 |
| [b] | Debt Service (Interest Only) | \$0 |
| [2] | Subtotal (add Line 1a and 1b) | \$209,975 |
| [3] | Subtract Line 2 from Line 1 and enter result. | \$12,697,225 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | 39% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | \$5,006,334 |
| [6] | Total Amount Due (multiply Line 5 by .001) | x .001 \$5,006 |

PROVIDER: Compass Health, Inc.
COMMUNIT Bayside Care Center and Casa de Flores

**FORM 1-1
RESIDENT POPULATION**

| <u>Line</u> | <u>Continuing Care Residents</u> | <u>TOTAL</u> |
|----------------------|---|--------------|
| [1] | Number at beginning of fiscal year | 52 |
| [2] | Number at end of fiscal year | 48 |
| [3] | Total Lines 1 and 2 | 100 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 50 |
| All Residents | | |
| [6] | Number at beginning of fiscal year | 144 |
| [7] | Number at end of fiscal year | 98 |
| [8] | Total Lines 6 and 7 | 242 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of <i>all</i> residents | 121 |
| [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). | 0.41 |

**FORM 1-2
ANNUAL PROVIDER FEE**

| <u>Line</u> | <u>TOTAL</u> |
|-------------|--|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) \$11,760,400 |
| [a] | Depreciation \$81,946 |
| [b] | Debt Service (Interest Only) \$0 |
| [2] | Subtotal (add Line 1a and 1b) \$81,946 |
| [3] | Subtract Line 2 from Line 1 and enter result. \$11,678,454 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) 41% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) \$4,825,807 |
| [6] | Total Amount Due (multiply Line 5 by .001) \$4,826 |

PROVIDER | Compass Health, Inc.

COMMUNITY | Arroyo Grande Care Center and Wyndham Residence

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

| | (a) | (b) | (c) | (d) | (e) |
|---------------------------|---------------|-----------------------------------|----------------------------------|---|--------------------------------------|
| Long-Term Debt Obligation | Date Incurred | Principal Paid During Fiscal Year | Interest Paid During Fiscal Year | Credit Enhancement Premiums Paid in Fiscal Year | Total Paid (columns (b) + (c) + (d)) |
| 1 | 03/01/12 | \$149,602 | \$44,700 | \$0 | \$194,302 |
| 2 | | | | | \$0 |
| 3 | | | | | \$0 |
| 4 | | | | | \$0 |
| 5 | | | | | \$0 |
| 6 | | | | | \$0 |
| 7 | | | | | \$0 |
| 8 | | | | | \$0 |
| TOTAL: | | | \$44,700 | \$0 | \$194,302 |

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

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

PROVIDER: Compass Health, Inc.

**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 | N/A | | | | \$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: Compass Health, Inc.

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

| Line | | TOTAL |
|-------------|--|----------------------------------|
| 1 | Total from Form 5-1 bottom of Column (e) | <u>\$194,302</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>\$3,167,055</u> |
| 4 | TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: | <u><u>\$3,361,357</u></u> |

PROVIDER: Compass Health, Inc.

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

| Line | | Amounts | TOTAL |
|------|---|---------------------|-------------------------|
| 1 | Total operating expenses from financial statements | | <u>\$12,907,200</u> |
| 2 | Deductions: | | |
| | a. Interest paid on long-term debt (see instructions) | <u>\$0</u> | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | <u>\$0</u> | |
| | c. Depreciation | <u>\$209,975</u> | |
| | d. Amortization | <u>\$0</u> | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | <u>\$11,105,507</u> | |
| | f. Extraordinary expenses approved by the Department | <u>\$0</u> | |
| 3 | Total Deductions | | <u>\$11,315,482</u> |
| 4 | Net Operating Expenses | | <u>\$1,591,718</u> |
| 5 | Divide Line 4 by 365 and enter the result. | | <u>\$4,361</u> |
| 6 | Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. | | <u><u>\$327,075</u></u> |

PROVIDER: Compass Health, Inc.

COMMUNITY: Bayside Care Center and Casa de Flores

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

| Line | | Amounts | TOTAL |
|-------------|---|---------------------|-------------------------|
| 1 | Total operating expenses from financial statements | | <u>\$11,760,400</u> |
| 2 | Deductions: | | |
| | a. Interest paid on long-term debt (see instructions) | <u>\$0</u> | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | <u>\$0</u> | |
| | c. Depreciation | <u>\$81,946</u> | |
| | d. Amortization | <u>\$0</u> | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | <u>\$11,040,168</u> | |
| | f. Extraordinary expenses approved by the Department | <u>\$0</u> | |
| 3 | Total Deductions | | <u>\$11,122,115</u> |
| 4 | Net Operating Expenses | | <u>\$638,285</u> |
| 5 | Divide Line 4 by 365 and enter the result. | | <u>\$1,749</u> |
| 6 | Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. | | <u><u>\$131,175</u></u> |

PROVIDER: Compass Health, Inc.

COMMUNITY: Arroyo Grande Care Center and Wyndham Residence

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Compass Health, Inc.

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 are as follows:

| | <u>Amount</u> |
|---|---------------------------|
| [1] Debt Service Reserve Amount | <u>\$3,361,357</u> |
| [2] Operating Expense Reserve Amount | <u>\$458,250</u> |
| [3] Total Liquid Reserve Amount: | <u>\$3,819,607</u> |

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

| <u>Qualifying Asset Description</u> | Amount (market value at end of quarter) | |
|--|--|---------------------------------|
| | <u>Debt Service Reserve</u> | <u>Operating Reserve</u> |
| [4] Cash and Cash Equivalents | <u>\$22,648,650</u> | <u>\$458,250</u> |
| [5] Investment Securities | | |
| [6] Equity Securities | | |
| [7] Unused/Available Lines of Credit | | |
| [8] Unused/Available Letters of Credit | | |
| [9] Debt Service Reserve | | (not applicable) |
| [10] Other: _____ _____ (describe qualifying asset) | | |
| Total Amount of Qualifying Assets Listed for Reserve Obligation: [11] | <u>\$22,648,650</u> [12] | <u>\$458,250</u> |
| Reserve Obligation Amount: [13] | <u>\$3,361,357</u> [14] | <u>\$458,250</u> |
| Surplus/(Deficiency): [15] | <u>\$19,287,293</u> [16] | <u>\$0</u> |

Signature:

(Authorized Representative)

Date: _____

(Controller
(Title))

Provider Name: COMPASS HEALTH, INC.
Fiscal Year End: 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 | \$23,106,900 |
| Line of Credit | |
| Other | \$0 |
| Less Funds Reserved for Specific Designations | \$0 |
| Total Qualifying Assets as Filed | <u><u>\$23,106,900</u></u> |

Provider: COMPASS HEALTH, INC.
Community: BAYSIDE CARE CENTER & CASA DE FLORES

| | |
|---|----------------------|
| Per Capita Cost of Operations Operating Expenses (Form 5-4 (1) line #1) | 12,907,200 |
| Mean # of All Residents (Form 1-1 line #10) | 175 |
| Per Capita Cost of Operations | <u><u>73,755</u></u> |

** No funds have been set aside for capital improvements or any other reserves outside of the CCRC Liquid Reserve Requirement

Provider Name: COMPASS HEALTH, INC.
Fiscal Year End: 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 | \$23,106,900 |
| Line of Credit | |
| Other | \$0 |
| Less Funds Reserved for Specific Designations | \$0 |
| Total Qualifying Assets as Filed | <u><u>\$23,106,900</u></u> |

Provider: COMPASS HEALTH, INC.
Community: ARROYO GRANDE CARE CENTER & WYNDHAM RESIDENCE

Per Capita Cost of Operations Operating Expenses (Form 5-4 (2) line #1) 11,760,400

Mean # of All Residents (Form 1-1 (2) line #10) 121

Per Capita Cost of Operations 97,193

** No funds have been set aside for capital improvements or any other reserves outside of the CCRC Liquid Reserve Requirement

Reconciliation to Audited Financial Statements

Form 1-2, Line 1a - Reconciliation

| Account Detail | BCC | CDF | |
|---|------------------|----------------|---|
| SNF - General & Admin | 1,634,011 | | |
| RCF General & Admin | | 308,928 | |
| SNF Depreciation & Amortization | 108,276 | | |
| RCF Depreciation & Amortization | | 101,699 | |
| SNF - Leases & Rentals | 413,871 | | |
| RCF - Leases & Rentals | | 471,678 | |
| SNF - Property Taxes | 78,180 | | |
| RCF - Property Taxes | | 63,972 | |
| SNF - Property Insurance | 66,021 | | |
| RCF - Property Insurance | | 39,144 | |
| SNF - Misc | - | | |
| RCF - Misc | | (3,231) | |
| Patient Supplies | 70 | | |
| Priv Other Ancillaries 7300.45 | 11,028 | | |
| Mcare Other Ancillaries 7300.46 | 75 | | |
| Mcal Other Ancillaries 7300.47 | 26,368 | | |
| Total General & Administrative Costs | 2,337,900 | 982,190 | Ties to Audited FS pg. 24 line 11 under BCC & CDF respectively |
| From Audited FS pg 24 | | | |
| SNF Depreciation & Amortization | 108,276 | | |
| RCF Depreciation & Amortization | 101,699 | | |
| Total Depreciation from FS | 209,975 | | Ties to Form 1-2 Line 1a. |

Form 5-1 Reconciliation

| Account Detail | VHHC | |
|---|---------|---|
| Principal Paid During Fiscal Year | 149,602 | Form 5-1 Line 1b May 2020 amendment deferred principal payments for three months, resulting in an altered current portion since the 2019 audit was completed. \$149,602 ties to the difference between \$751,600 and \$901,200 found on 2020 Audited FS, pg. 18, Note 8- Long Term Debt. |
| Interest Expense related to long term debt - VHHC | 44,700 | Form 5-1 Line 1c |
| Accounts Payable Finance Charges - VHHC | 44,700 | Ties to Audited FS pg. 24, line 12 under VHHC |

Form 5-3 Line 3 - Reconciliation

| Account Detail | Consolidated | | | | |
|--|--------------|---|------------------------------------|-----------|------------------------------------|
| SNF - General & Admin | 14,185,345 | | | | |
| RCF General & Admin | 757,620 | | | | |
| SNF Depreciation & Amortization | 549,230 | | | | |
| RCF Depreciation & Amortization | 101,699 | | | | |
| SNF - Leases & Rentals | 2,723,801 | | | | |
| RCF - Leases & Rentals | 1,034,206 | | | | |
| SNF - Property Taxes | 313,118 | | | | |
| RCF - Property Taxes | 63,972 | | | | |
| SNF - Property Insurance | 409,226 | | | | |
| RCF - Property Insurance | 60,893 | | | | |
| SNF - Misc | - | | | | |
| RCF - Misc | 15,675 | | | | |
| Patient Supplies | 46,010 | | | | |
| Priv Other Ancillaries | 40,866 | | | | |
| Mcare Other Ancillaries | 15,254 | | | | |
| Mcal Other Ancillaries | 146,193 | | | | |
| Total General & Administrative Costs | 20,463,108 | Ties to Audited FS pg. 24 line 11 under Total | | | |
| SNF - Leases & Rentals | | | RCFE - Leases & Rentals | | |
| Lease - Buildings | 2,616,395 | | Lease - Buildings | 1,033,683 | |
| Lease - Equipment | 8,567 | | Lease - Equipment | 523 | |
| Lease - Auto | 98,839 | | Lease - Auto | - | |
| | 2,723,801 | Ties to SNF Leases & Rentals Above | | 1,034,206 | Ties to RCF Leases & Rentals Above |
| SNF Leases - Buildings | | | RCFE Leases - Buildings | | |
| AGCC | 582,164 | | CDF | 471,155 | |
| ALTC | - | | Wynd | 562,528 | |
| BCC | 410,243 | | | 1,033,683 | |
| CHI | 169,029 | | | | |
| MVHC | 698,794 | | | | |
| SLPA | 470,391 | | | | |
| SLTC | 285,774 | | | | |
| | 2,616,395 | | | | |
| SNF Leases - Buildings | 2,616,395 | | | | |
| RCFE Leases - Buildings | 1,033,683 | | | | |
| Total SNF & RCF Building Leases | 3,650,078 | | | | |
| Deferred Rent | 915,960 | | | | |
| | 4,566,038 | | | | |
| Less Portion Paid to Related Parties (Not applicable to long-term debt) | (1,398,983) | | | | |
| Facility Leasehold/Rental Payments | 3,167,055 | Ties to Form 5-3 line 3 | | | |

Form 5-4 (1) Lines 1 2(c) & 2(e) - Reconciliation

| | | |
|---|-------------------|--|
| Total Operating Expense (BCC & CDF) | 12,907,200 | Form 5-4 (1) Line 1 |
| BCC Total Expenses | 9,655,800 | Audited FS pg. 24, line 17 under BCC |
| CDF Total Expenses | 3,251,400 | Audited FS pg. 24, line 17 under CDF |
| | 12,907,200 | Ties to Form 5-4 (1) Line 1 |
| Variance | - | |
| Depreciation | 209,975 | Form 5-4 (1) Line 2c See Form 5-1 Reconciliation Above. Ties to Audited FS pg. 24, line 11 |
| Revenue from Persons not under CCRC Contract | | |
| See separate reconciliation to Consolidated Statement of Cash Flows (Direct Method) | | |

Reconciliation to Audited Financial Statements

Form 1-2, Line 1a - Reconciliation

| Account Detail | AGCC | WYND | |
|---|------------------|------------------|---|
| SNF - General & Admin | 1,491,101 | | |
| RCF General & Admin | | 441,618 | |
| SNF Depreciation & Amortization | 81,946 | | |
| RCF Depreciation & Amortization | | - | |
| SNF - Leases & Rentals | 582,549 | | |
| RCF - Leases & Rentals | | 562,528 | |
| SNF - Property Taxes | 41,315 | | |
| RCF - Property Taxes | | - | |
| SNF - Property Insurance | 54,771 | | |
| RCF - Property Insurance | | 21,749 | |
| SNF - Misc | - | | |
| RCF - Misc | | 18,958 | |
| Patient Supplies | 4,030 | | |
| Priv Other Ancillaries 7300.45 | 12,865 | | |
| Mcare Other Ancillaries 7300.46 | 10,788 | | |
| Mcal Other Ancillaries 7300.47 | 19,782 | | |
| Total General & Administrative Costs | 2,299,147 | 1,044,853 | Ties to Audited FS pg. 24 line 11 under AGCC & Wynd respectively |
| From Audited FS pg 22 | | | |
| SNF Depreciation & Amortization | 81,946 | | |
| RCF Depreciation & Amortization | - | | |
| Total Depreciation from FS | 81,946 | | Ties to Form 1-2 Line 1a. |

Form 5-4 (2) Lines 1, 2(c) & 2(e) - Reconciliation

| | | |
|---|-------------------|--|
| Total Operating Expense (AGCC & WYND) | 11,760,400 | Form 5-4 (2) Line 1 |
| AGCC Total Expenses | 8,995,600 | Audited FS pg. 24, line 17 under AGCC |
| WYND Total Expenses | 2,764,800 | Audited FS pg. 24, line 17 under Wynd |
| | 11,760,400 | Ties to Form 5-4 (2) Line 1 |
| Variance | - | |
| Depreciation | 81,946 | Form 5-4 (2) Line 2c See Form 5-1 Reconciliation Above. Ties to Audited FS pg. 24, line 12 |
| AGCC Revenue from Persons not under CCRC Contract | | |
| See separate reconciliation to Consolidated Statement of Cash Flows (Direct Method) | | |

RECONCILIATION OF REVENUE TO CONSOLIDATED STATEMENT OF CASH FLOWS

| | |
|---------------|--------------------------------------|
| 11,040,168.20 | AGCC/WYD non-CCRC Revenue (A7 + A26) |
| | Ties to Form 5-4 (2) line 2 (e) |
| 211,186.80 | AGCC CCRC Revenue |
| 11,039,930.20 | AGCC Non-CCRC Revenue |
| 11,251,117.00 | AGCC Room & Board Revenue |
| 11,251,117.00 | AGCC Room & Board |
| 443,105.00 | AGCC Other Rev + Contractual Adj. |
| 11,694,222.00 | AGCC Revenue |
| 2,731,785.00 | WYN CCRC Revenue |
| 238.00 | Non-CCRC |
| 2,732,023.00 | WYND Room & Board Revenue |

| | |
|---------------|--------------------------------------|
| 11,105,507.17 | BCC/CDF non-CCRC Revenue (H19 + H26) |
| | Ties to Form 5-4 (1) line 2 (e) |
| 205,363.14 | BCC CCRC Revenue |
| 11,067,128.58 | BCC Non-CCRC Revenue |
| 11,272,491.72 | BCC Room & Board Revenue |
| 11,272,491.72 | BCC Room & Board |
| 74,280.28 | BCC Other Rev + Contractual Adj. |
| 11,346,772.00 | BCC Revenue |
| 2,994,007.41 | CCRC |
| 38,378.59 | Non-CCRC |
| 3,032,386.00 | CDF Room & Board Revenue |

| | |
|---------------|----------------------------|
| 11,346,772.00 | BCC Revenue |
| 11,694,222.00 | AGCC Revenue |
| 46,027,903.00 | Other SNFS |
| 69,068,897.00 | SNF Revenues |
| 3,032,386.00 | CDF Revenue |
| 2,732,023.00 | WYND Revenue |
| 5,764,409.00 | RESIDENTIAL & BOARD & CARE |

| | |
|--------------|----------------------------|
| 35,056.00 | RESIDENTIAL & BOARD & CARE |
| 5,729,353.00 | SSI REVENUES |
| 5,764,409.00 | |
| 225.00 | MEALS-GUESTS & EMPLOYEES |
| 20,369.00 | BARBER & BEAUTICIAN |
| 7,441.00 | MEAL TRAY |
| 6,865.00 | PAY TELEPHONE |
| 38,500.00 | ADMIT. PROCESSING FEE |
| 1,115.00 | OTHER REVENUE |
| 5,838,924.00 | RCFE Revenues |

| | |
|----------------|-----------------------|
| 69,068,897.00 | SNF Revenues |
| 5,838,924.00 | RCFE Revenues |
| (4,014,657.00) | Less Therapy Revenues |
| 70,893,164.00 | 2020 Revenues |

| | |
|----------------|---|
| 70,893,164.00 | 2020 SNF + RCFE Revenues + Therapy Revenues |
| 9,218,641.00 | 2019 Ending AR |
| (9,116,480.00) | Less 2020 AR |
| 70,995,325.00 | Ties to Cash Received from patients and third-party payers from Statement of Cash Flows - Direct Method (page 25 audited FS) |

FORM 1-1
RESIDENT POPULATION

| <u>Line</u> | Continuing Care Residents | <u>TOTAL</u> |
|----------------------|---|--------------|
| [1] | Number at beginning of fiscal year | 59 |
| [2] | Number at end of fiscal year | 79 |
| [3] | Total Lines 1 and 2 | 138 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 69 |
| All Residents | | |
| [6] | Number at beginning of fiscal year | 164 |
| [7] | Number at end of fiscal year | 186 |
| [8] | Total Lines 6 and 7 | 350 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of <i>all</i> residents | 175 |
| [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). | 0.39 |

FORM 1-2
ANNUAL PROVIDER FEE

| <u>Line</u> | <u>TOTAL</u> |
|--|-------------------|
| [1] Total Operating Expenses (including depreciation and debt service - interest only) | \$12,907,200 |
| [a] Depreciation | \$209,975 |
| [b] Debt Service (Interest Only) | \$0 |
| [2] Subtotal (add Line 1a and 1b) | \$209,975 |
| [3] Subtract Line 2 from Line 1 and enter result. | \$12,697,225 |
| [4] Percentage allocated to continuing care residents (Form 1-1, Line 11) | 39% |
| [5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | \$5,006,334 |
| [6] Total Amount Due (multiply Line 5 by .001) | x .001 \$5,006 |

PROVIDER: Compass Health, Inc.
COMMUNIT Bayside Care Center and Casa de Flores

FORM 1-1
RESIDENT POPULATION

| <u>Line</u> | <u>Continuing Care Residents</u> | <u>TOTAL</u> |
|----------------------|---|--------------|
| [1] | Number at beginning of fiscal year | 52 |
| [2] | Number at end of fiscal year | 48 |
| [3] | Total Lines 1 and 2 | 100 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 50 |
| All Residents | | |
| [6] | Number at beginning of fiscal year | 144 |
| [7] | Number at end of fiscal year | 98 |
| [8] | Total Lines 6 and 7 | 242 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of <i>all</i> residents | 121 |
| [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). | 0.41 |

FORM 1-2
ANNUAL PROVIDER FEE

| <u>Line</u> | <u>TOTAL</u> |
|--|-------------------|
| [1] Total Operating Expenses (including depreciation and debt service - interest only) | \$11,760,400 |
| [a] Depreciation | \$81,946 |
| [b] Debt Service (Interest Only) | \$0 |
| [2] Subtotal (add Line 1a and 1b) | \$81,946 |
| [3] Subtract Line 2 from Line 1 and enter result. | \$11,678,454 |
| [4] Percentage allocated to continuing care residents (Form 1-1, Line 11) | 41% |
| [5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | \$4,825,807 |
| [6] Total Amount Due (multiply Line 5 by .001) | x .001 \$4,826 |

PROVIDER | Compass Health, Inc.

COMMUNITY | Arroyo Grande Care Center and Wyndham Residence

**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 | 03/01/12 | \$149,602 | \$44,700 | \$0 | \$194,302 |
| 2 | | | | | \$0 |
| 3 | | | | | \$0 |
| 4 | | | | | \$0 |
| 5 | | | | | \$0 |
| 6 | | | | | \$0 |
| 7 | | | | | \$0 |
| 8 | | | | | \$0 |
| TOTAL: | | | \$44,700 | \$0 | \$194,302 |

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

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

PROVIDER: Compass Health, Inc.

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

| | (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)) |
|------------------------------|----------------------|--|---|---|--|
| Long-Term Debt Obligation | | | | | |
| 1 | N/A | | | | \$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: Compass Health, Inc.

FORM 5-3

CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

| Line | | TOTAL |
|-------------|--|--------------------|
| 1 | Total from Form 5-1 bottom of Column (e) | \$194,302 |
| 2 | Total from Form 5-2 bottom of Column (e) | \$0 |
| 3 | Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance) | \$3,167,055 |
| 4 | TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: | \$3,361,357 |

PROVIDER: Compass Health, Inc.

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

| Line | Amounts | TOTAL |
|------|---|--------------|
| 1 | Total operating expenses from financial statements | \$12,907,200 |
| 2 | Deductions: | |
| | a. Interest paid on long-term debt (see instructions) | \$0 |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | \$0 |
| | c. Depreciation | \$209,975 |
| | d. Amortization | \$0 |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | \$11,105,507 |
| | f. Extraordinary expenses approved by the Department | \$0 |
| 3 | Total Deductions | \$11,315,482 |
| 4 | Net Operating Expenses | \$1,591,718 |
| 5 | Divide Line 4 by 365 and enter the result. | \$4,361 |
| 6 | Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. | \$327,075 |

PROVIDER: Compass Health, Inc.

COMMUNITY: Bayside Care Center and Casa de Flores

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

| Line | Amounts | TOTAL |
|------|---|-------------------------|
| 1 | Total operating expenses from financial statements | <u>\$11,760,400</u> |
| 2 | Deductions: | |
| | a. Interest paid on long-term debt (see instructions) | <u>\$0</u> |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | <u>\$0</u> |
| | c. Depreciation | <u>\$81,946</u> |
| | d. Amortization | <u>\$0</u> |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | <u>\$11,040,168</u> |
| | f. Extraordinary expenses approved by the Department | <u>\$0</u> |
| 3 | Total Deductions | <u>\$11,122,115</u> |
| 4 | Net Operating Expenses | <u>\$638,285</u> |
| 5 | Divide Line 4 by 365 and enter the result. | <u>\$1,749</u> |
| 6 | Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. | <u><u>\$131,175</u></u> |

PROVIDER: Compass Health, Inc.

COMMUNITY: Arroyo Grande Care Center and Wyndham Residence

Provider Name: COMPASS HEALTH, INC.
Fiscal Year End: 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 | \$23,106,900 |
| Line of Credit | |
| Other | \$0 |
| Less Funds Reserved for Specific Designations | \$0 |
| Total Qualifying Assets as Filed | <u><u>\$23,106,900</u></u> |

Provider: COMPASS HEALTH, INC.
Community: BAYSIDE CARE CENTER & CASA DE FLORES

Per Capita Cost of Operations Operating Expenses
(Form 5-4 (1) line #1) 12,907,200

Mean # of All Residents (Form 1-1 line #10) 175

Per Capita Cost of Operations 73,755

** No funds have been set aside for capital improvements or any other reserves outside of the CCRC Liquid Reserve Requirement

Provider Name: COMPASS HEALTH, INC.
Fiscal Year End: 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 | \$23,106,900 |
| Line of Credit | |
| Other | \$0 |
| Less Funds Reserved for Specific Designations | \$0 |
| Total Qualifying Assets as Filed | <u><u>\$23,106,900</u></u> |

Provider: COMPASS HEALTH, INC.
ARROYO GRANDE CARE CENTER &
Community: WYNDHAM RESIDENCE

Per Capita Cost of Operations Operating
Expenses (Form 5-4 (2) line #1) 11,760,400

Mean # of All Residents (Form 1-1 (2) line #10) 121

Per Capita Cost of Operations 97,193

** No funds have been set aside for capital improvements or any other reserves outside of the CCRC Liquid Reserve Requirement

Reconciliation to Audited Financial Statements

Form 1-2, Line 1a - Reconciliation

| Account Detail | BCC | CDF | |
|---|------------------|----------------|---|
| SNF - General & Admin | 1,634,011 | | |
| RCF General & Admin | | 308,928 | |
| SNF Depreciation & Amortization | 108,276 | | |
| RCF Depreciation & Amortization | | 101,699 | |
| SNF - Leases & Rentals | 413,871 | | |
| RCF - Leases & Rentals | | 471,678 | |
| SNF - Property Taxes | 78,180 | | |
| RCF - Property Taxes | | 63,972 | |
| SNF - Property Insurance | 66,021 | | |
| RCF - Property Insurance | | 39,144 | |
| SNF - Misc | - | | |
| RCF - Misc | | (3,231) | |
| Patient Supplies | 70 | | |
| Priv Other Ancillaries 7300.45 | 11,028 | | |
| Mcare Other Ancillaries 7300.46 | 75 | | |
| Mcal Other Ancillaries 7300.47 | 26,368 | | |
| Total General & Administrative Costs | 2,337,900 | 982,190 | Ties to Audited FS pg. 24 line 11 under BCC & CDF respectively |
| From Audited FS pg 24 | | | |
| SNF Depreciation & Amortization | 108,276 | | |
| RCF Depreciation & Amortization | 101,699 | | |
| Total Depreciation from FS | 209,975 | | Ties to Form 1-2 Line 1a. |

Form 5-1 Reconciliation

| Account Detail | VHHC | |
|--|---------|--|
| Principal Paid During Fiscal Year | 149,602 | Form 5-1 Line 1b May 2020 amendment deferred principal payments for three months, resulting in an altered current portion since the 2019 audit was completed. \$149,602 ties to the difference between \$751,600 and \$901,200 found on 2020 Audited, pg. 18, Note 8- Long Term Debt. |
| Interest Expense related to long term debt | 44,700 | Form 5-1 Line 1c |
| Accounts Payable Finance Charges | 44,700 | Ties to Audited FS pg. 24, line 12 under VHHC |

Form 5-3 Line 3 - Reconciliation

| Account Detail | Consolidated | |
|--|-------------------|---|
| SNF - General & Admin | 14,185,345 | |
| RCF General & Admin | 757,620 | |
| SNF Depreciation & Amortization | 549,230 | |
| RCF Depreciation & Amortization | 101,699 | |
| SNF - Leases & Rentals | 2,723,801 | |
| RCF - Leases & Rentals | 1,034,206 | |
| SNF - Property Taxes | 313,118 | |
| RCF - Property Taxes | 63,972 | |
| SNF - Property Insurance | 409,226 | |
| RCF - Property Insurance | 60,893 | |
| SNF - Misc | - | |
| RCF - Misc | 15,675 | |
| Patient Supplies | 46,010 | |
| Priv Other Ancillaries | 40,866 | |
| Mcare Other Ancillaries | 15,254 | |
| Mcal Other Ancillaries | 146,193 | |
| Total General & Administrative Costs | 20,463,108 | Ties to Audited FS pg. 24 line 11 under Total |
| SNF - Leases & Rentals | | |
| Lease - Buildings | 2,616,395 | |
| Lease - Equipment | 8,567 | |
| Lease - Auto | 98,839 | |
| | 2,723,801 | Ties to SNF Leases & Rentals Above |
| RCFE - Leases & Rentals | | |
| Lease - Buildings | 1,033,683 | |
| Lease - Equipment | 523 | |
| Lease - Auto | - | |
| | 1,034,206 | Ties to RCF Leases & Rentals Above |
| SNF Leases - Buildings | | |
| AGCC | 582,164 | |
| ALTC | - | |
| BCC | 410,243 | |
| CHI | 169,029 | |
| MVHC | 698,794 | |
| SLPA | 470,391 | |
| SLTC | 285,774 | |
| | 2,616,395 | |
| RCFE Leases - Buildings | | |
| CDF | 471,155 | |
| Wynd | 562,528 | |
| | 1,033,683 | |
| SNF Leases - Buildings | 2,616,395 | |
| RCFE Leases - Buildings | 1,033,683 | |
| Total SNF & RCF Building Leases | 3,650,078 | |
| Deferred Rent | 915,960 | |
| | 4,566,038 | |
| Less Portion Paid to Related Parties (Not applicable to long-term debt) | (1,398,983) | |
| Facility Leasehold/Rental Payments | 3,167,055 | Ties to Form 5-3 line 3 |

COMPASS HEALTH, INC.
BAYSIDE CARE CENTER & CASA DE FLORES

Form 5-4 (1) Lines 1 2(c) & 2(e) - Reconciliation

| | | |
|---|-------------------|--|
| Total Operating Expense (BCC & CDF) | 12,907,200 | Form 5-4 (1) Line 1 |
| BCC Total Expenses | 9,655,800 | Audited FS pg. 24, line 17 under BCC |
| CDF Total Expenses | 3,251,400 | Audited FS pg. 24, line 17 under CDF |
| | 12,907,200 | Ties to Form 5-4 (1) Line 1 |
| Variance | - | |
| Depreciation | 209,975 | Form 5-4 (1) Line 2c See Form 5-1 Reconciliation Above. Ties to Audited FS pg. 24, line 11 |
| <hr/> <hr/> | | |
| Revenue from Persons not under CCRC Contract | | |
| <hr/> <hr/> | | |
| See separate reconciliation to Consolidated Statement of Cash Flows (Direct Method) | | |

COMPASS HEALTH, INC.
ARROYO GRANDE CARE CENTER & WYNDHAM RESIDENCE

Reconciliation to Audited Financial Statements

Form 1-2, Line 1a - Reconciliation

| Account Detail | AGCC | WYND | |
|---|------------------|------------------|---|
| SNF - General & Admin | 1,491,101 | | |
| RCF General & Admin | | 441,618 | |
| SNF Depreciation & Amortization | 81,946 | | |
| RCF Depreciation & Amortization | | - | |
| SNF - Leases & Rentals | 582,549 | | |
| RCF - Leases & Rentals | | 562,528 | |
| SNF - Property Taxes | 41,315 | | |
| RCF - Property Taxes | | - | |
| SNF - Property Insurance | 54,771 | | |
| RCF - Property Insurance | | 21,749 | |
| SNF - Misc | - | | |
| RCF - Misc | | 18,958 | |
| Patient Supplies | 4,030 | | |
| Priv Other Ancillaries 7300.45 | 12,865 | | |
| Mcare Other Ancillaries 7300.46 | 10,788 | | |
| Mcal Other Ancillaries 7300.47 | 19,782 | | |
| Total General & Administrative Costs | 2,299,147 | 1,044,853 | Ties to Audited FS pg. 24 line 11 under AGCC & Wynd respectively |
| From Audited FS pg 22 | | | |
| SNF Depreciation & Amortization | 81,946 | | |
| RCF Depreciation & Amortization | | - | |
| Total Depreciation from FS | 81,946 | | Ties to Form 1-2 Line 1a. |

Form 5-4 (2) Lines 1, 2(c) & 2(e) - Reconciliation

| | | |
|---|-------------------|--|
| Total Operating Expense (AGCC & WYND) | 11,760,400 | Form 5-4 (2) Line 1 |
| AGCC Total Expenses | 8,995,600 | Audited FS pg. 24, line 17 under AGCC |
| WYND Total Expenses | <u>2,764,800</u> | Audited FS pg. 24, line 17 under Wynd |
| | 11,760,400 | Ties to Form 5-4 (2) Line 1 |
| Variance | - | |
| Depreciation | 81,946 | Form 5-4 (2) Line 2c See Form 5-1 Reconciliation Above. Ties to Audited FS pg. 24, line 12 |
| <hr/> <hr/> | | |
| AGCC Revenue from Persons not under CCRC Contract | | |
| <hr/> <hr/> | | |
| See separate reconciliation to Consolidated Statement of Cash Flows (Direct Method) | | |

Reconciliation of Revenue to Consolidated Statement of Cash Flows

| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">11,040,168.20</td> <td>AGCC/WYD non-CCRC Revenue (A7 + A26)</td> </tr> <tr> <td colspan="2" style="text-align: center;">Ties to Form 5-4 (2) line 2 (e)</td> </tr> <tr> <td style="text-align: right;">211,186.80</td> <td>AGCC CCRC Revenue</td> </tr> <tr> <td style="text-align: right;">11,039,930.20</td> <td>AGCC Non-CCRC Revenue</td> </tr> <tr> <td style="text-align: right;">11,251,117.00</td> <td>AGCC Room & Board Revenue</td> </tr> <tr> <td style="text-align: right;">11,251,117.00</td> <td>AGCC Room & Board</td> </tr> <tr> <td style="text-align: right;">443,105.00</td> <td>AGCC Other Rev + Contractual Adj.</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">11,694,222.00</td> <td>AGCC Revenue</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td style="text-align: right;">2,731,785.00</td> <td>WYN CCRC Revenue</td> </tr> <tr> <td style="text-align: right;">238.00</td> <td>Non-CCRC</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">2,732,023.00</td> <td>WYND Room & Board Revenue</td> </tr> </table> | 11,040,168.20 | AGCC/WYD non-CCRC Revenue (A7 + A26) | Ties to Form 5-4 (2) line 2 (e) | | 211,186.80 | AGCC CCRC Revenue | 11,039,930.20 | AGCC Non-CCRC Revenue | 11,251,117.00 | AGCC Room & Board Revenue | 11,251,117.00 | AGCC Room & Board | 443,105.00 | AGCC Other Rev + Contractual Adj. | 11,694,222.00 | AGCC Revenue | | | 2,731,785.00 | WYN CCRC Revenue | 238.00 | Non-CCRC | 2,732,023.00 | WYND Room & Board Revenue | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">11,105,507.17</td> <td>BCC/CDF non-CCRC Revenue (H19 + H26)</td> </tr> <tr> <td colspan="2" style="text-align: center;">Ties to Form 5-4 (1) line 2 (e)</td> </tr> <tr> <td style="text-align: right;">205,363.14</td> <td>BCC CCRC Revenue</td> </tr> <tr> <td style="text-align: right;">11,067,128.58</td> <td>BCC Non-CCRC Revenue</td> </tr> <tr> <td style="text-align: right;">11,272,491.72</td> <td>BCC Room & Board Revenue</td> </tr> <tr> <td style="text-align: right;">11,272,491.72</td> <td>BCC Room & Board</td> </tr> <tr> <td style="text-align: right;">74,280.28</td> <td>BCC Other Rev + Contractual Adj.</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">11,346,772.00</td> <td>BCC Revenue</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td style="text-align: right;">2,994,007.41</td> <td>CCRC</td> </tr> <tr> <td style="text-align: right;">38,378.59</td> <td>Non-CCRC</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">3,032,386.00</td> <td>CDF Room & Board Revenue</td> </tr> </table> | 11,105,507.17 | BCC/CDF non-CCRC Revenue (H19 + H26) | Ties to Form 5-4 (1) line 2 (e) | | 205,363.14 | BCC CCRC Revenue | 11,067,128.58 | BCC Non-CCRC Revenue | 11,272,491.72 | BCC Room & Board Revenue | 11,272,491.72 | BCC Room & Board | 74,280.28 | BCC Other Rev + Contractual Adj. | 11,346,772.00 | BCC Revenue | | | 2,994,007.41 | CCRC | 38,378.59 | Non-CCRC | 3,032,386.00 | CDF Room & Board Revenue | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">11,346,772.00</td> <td>BCC Revenue</td> </tr> <tr> <td style="text-align: right;">11,694,222.00</td> <td>AGCC Revenue</td> </tr> <tr> <td style="text-align: right;">46,027,903.00</td> <td>Other SNFS</td> </tr> <tr> <td style="text-align: right;">69,068,897.00</td> <td>SNF Revenues</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td style="text-align: right;">3,032,386.00</td> <td>CDF Revenue</td> </tr> <tr> <td style="text-align: right;">2,732,023.00</td> <td>WYND Revenue</td> </tr> <tr> <td style="text-align: right;">5,764,409.00</td> <td>RESIDENTIAL & BOARD & CARE</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td style="text-align: right;">35,056.00</td> <td>RESIDENTIAL & BOARD & CARE</td> </tr> <tr> <td style="text-align: right;">5,729,353.00</td> <td>SSI REVENUES</td> </tr> <tr> <td style="text-align: right;">5,764,409.00</td> <td></td> </tr> <tr> <td style="text-align: right;">225.00</td> <td>MEALS-GUESTS & EMPLOYEES</td> </tr> <tr> <td style="text-align: right;">20,369.00</td> <td>BARBER & BEAUTICIAN</td> </tr> <tr> <td style="text-align: right;">7,441.00</td> <td>MEAL TRAY</td> </tr> <tr> <td style="text-align: right;">6,865.00</td> <td>PAY TELEPHONE</td> </tr> <tr> <td style="text-align: right;">38,500.00</td> <td>ADMIT. PROCESSING FEE</td> </tr> <tr> <td style="text-align: right;">1,115.00</td> <td>OTHER REVENUE</td> </tr> <tr> <td style="text-align: right;">5,838,924.00</td> <td>RCFE Revenues</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td style="text-align: right;">69,068,897.00</td> <td>SNF Revenues</td> </tr> <tr> <td style="text-align: right;">5,838,924.00</td> <td>RCFE Revenues</td> </tr> <tr> <td style="text-align: right;">(4,014,657.00)</td> <td>Less Therapy Revenues</td> </tr> <tr> <td style="text-align: right;">70,893,164.00</td> <td>2020 Revenues</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td style="text-align: right;">70,893,164.00</td> <td>2020 SNF + RCFE Revenues + Therapy Revenues</td> </tr> <tr> <td style="text-align: right;">9,218,641.00</td> <td>2019 Ending AR</td> </tr> <tr> <td style="text-align: right;">(9,116,480.00)</td> <td>Less 2020 AR</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">70,995,325.00</td> <td>Ties to Cash Received from patients and third-party payers from Statement of Cash Flows - Direct Method (page 25 audited FS)</td> </tr> </table> | 11,346,772.00 | BCC Revenue | 11,694,222.00 | AGCC Revenue | 46,027,903.00 | Other SNFS | 69,068,897.00 | SNF Revenues | | | 3,032,386.00 | CDF Revenue | 2,732,023.00 | WYND Revenue | 5,764,409.00 | RESIDENTIAL & BOARD & CARE | | | 35,056.00 | RESIDENTIAL & BOARD & CARE | 5,729,353.00 | SSI REVENUES | 5,764,409.00 | | 225.00 | MEALS-GUESTS & EMPLOYEES | 20,369.00 | BARBER & BEAUTICIAN | 7,441.00 | MEAL TRAY | 6,865.00 | PAY TELEPHONE | 38,500.00 | ADMIT. PROCESSING FEE | 1,115.00 | OTHER REVENUE | 5,838,924.00 | RCFE Revenues | | | 69,068,897.00 | SNF Revenues | 5,838,924.00 | RCFE Revenues | (4,014,657.00) | Less Therapy Revenues | 70,893,164.00 | 2020 Revenues | | | 70,893,164.00 | 2020 SNF + RCFE Revenues + Therapy Revenues | 9,218,641.00 | 2019 Ending AR | (9,116,480.00) | Less 2020 AR | 70,995,325.00 | Ties to Cash Received from patients and third-party payers from Statement of Cash Flows - Direct Method (page 25 audited FS) |
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| 11,040,168.20 | AGCC/WYD non-CCRC Revenue (A7 + A26) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ties to Form 5-4 (2) line 2 (e) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 211,186.80 | AGCC CCRC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,039,930.20 | AGCC Non-CCRC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,251,117.00 | AGCC Room & Board Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,251,117.00 | AGCC Room & Board | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 443,105.00 | AGCC Other Rev + Contractual Adj. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,694,222.00 | AGCC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 2,731,785.00 | WYN CCRC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 238.00 | Non-CCRC | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2,732,023.00 | WYND Room & Board Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,105,507.17 | BCC/CDF non-CCRC Revenue (H19 + H26) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ties to Form 5-4 (1) line 2 (e) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 205,363.14 | BCC CCRC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,067,128.58 | BCC Non-CCRC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,272,491.72 | BCC Room & Board Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,272,491.72 | BCC Room & Board | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 74,280.28 | BCC Other Rev + Contractual Adj. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,346,772.00 | BCC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 2,994,007.41 | CCRC | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 38,378.59 | Non-CCRC | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3,032,386.00 | CDF Room & Board Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,346,772.00 | BCC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11,694,222.00 | AGCC Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 46,027,903.00 | Other SNFS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 69,068,897.00 | SNF Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 3,032,386.00 | CDF Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2,732,023.00 | WYND Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5,764,409.00 | RESIDENTIAL & BOARD & CARE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 35,056.00 | RESIDENTIAL & BOARD & CARE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5,729,353.00 | SSI REVENUES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5,764,409.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 225.00 | MEALS-GUESTS & EMPLOYEES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20,369.00 | BARBER & BEAUTICIAN | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7,441.00 | MEAL TRAY | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6,865.00 | PAY TELEPHONE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 38,500.00 | ADMIT. PROCESSING FEE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1,115.00 | OTHER REVENUE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5,838,924.00 | RCFE Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 69,068,897.00 | SNF Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5,838,924.00 | RCFE Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (4,014,657.00) | Less Therapy Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 70,893,164.00 | 2020 Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 70,893,164.00 | 2020 SNF + RCFE Revenues + Therapy Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9,218,641.00 | 2019 Ending AR | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (9,116,480.00) | Less 2020 AR | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 70,995,325.00 | Ties to Cash Received from patients and third-party payers from Statement of Cash Flows - Direct Method (page 25 audited FS) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**Continuing Care Retirement Community
Disclosure Statement**

Date Prepared: 4/21/21 _____

FACILITY NAME: Compass Health Inc., dba Bayside Care Center and Casa de Flores
 ADDRESS: 1405 Teresa Dr., Morro Bay CA ZIP CODE: 93442 PHONE: (805) 772-2237
 PROVIDER NAME: Compass Health Inc FACILITY OPERATOR: Compass Health, Inc.
 RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: None
 YEAR _____ # OF _____ SINGLE MULTI- _____ MILES TO SHOPPING CTR: 1
 OPENED: 1995 ACRES: 5.4 STORY _____ STORY _____ OTHER: Both _____ MILES TO HOSPITAL: 20

NUMBER OF UNITS:

| | |
|--------------------------------------|---|
| RESIDENTIAL LIVING | HEALTH CARE |
| APARTMENTS — STUDIO: _____ | ASSISTED LIVING: <u>90</u> |
| APARTMENTS — 1 BDRM: _____ | SKILLED NURSING: <u>145</u> |
| APARTMENTS — 2 BDRM: _____ | SPECIAL CARE: _____ |
| COTTAGES/HOUSES: _____ | DESCRIPTION: > _____ |
| RLU OCCUPANCY (%) AT YEAR END: _____ | OVERALL CCRC 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)* Refundable Repayable 90% 75% 50% OTHER: _____

RANGE OF ENTRANCE FEES: \$ 0 - \$ 0 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: _____

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD: > Resident council President meets with representative > quarterly to offer resident's perspective on any changes in the facility. Representative provides materials about board meetings to the President.

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

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Arroyo Grande Care Center/Wyndham Residence

Arroyo Grande, CA 93420

(805) 489-8137, (805) 474-7260

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

Danish Care Center

Atascadero CA

(805) 466-9254

Mission View Health Center

San Luis Obispo CA

(805) 543-0210

San Luis Transitional Care

San Luis Obispo CA

(805) 545-7575

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

Vineyard Hills Health Center

Templeton CA

(805) 434-3035

San Luis Post Acute Center

San Luis Obispo CA

(805) 544-5100

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

PROVIDER NAME: Compass Health Inc.

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|------------------|------------------|------------------|-------------------|
| INCOME FROM ONGOING OPERATIONS | | | | |
| OPERATING INCOME (Excluding amortization of entrance fee income) | 75,144,600 | 74,882,200 | 75,831,000 | 76,599,700 |
| LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest) | 67,372,500 | 66,054,400 | 67,360,700 | 64,104,200 |
| NET INCOME FROM OPERATIONS | <u>7,772,100</u> | <u>8,827,800</u> | <u>8,470,300</u> | <u>12,495,500</u> |
| LESS INTEREST EXPENSE | 87,800 | 64,100 | 57,400 | 43,200 |
| PLUS CONTRIBUTIONS | | | | |
| PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items) | | | | |
| NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION | <u>7,684,300</u> | <u>8,763,700</u> | <u>8,412,900</u> | <u>12,452,300</u> |
| NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

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

| <u>LENDER</u> | <u>OUTSTANDING BALANCE</u> | <u>INTEREST RATE</u> | <u>DATE OF ORIGATION</u> | <u>DATE OF MATURITY</u> | <u>AMORTIZATION PERIOD</u> |
|----------------------------|----------------------------|----------------------|--------------------------|-------------------------|----------------------------|
| Symetra Life Insurance Co. | 751,625 | 5.35 | 4/1/2012 | 3/1/2024 | 11 yrs 11 mos. |
| | | | | | |

FINANCIAL RATIOS (see next page for ratio formulas)

| | 2017 CCAC Medians 50th Percentile (optional) | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|------------------------------------|--|-------------|-------------|-------------|
| DEBT TO ASSET RATIO | | .0352 | .0281 | .0133 |
| OPERATING RATIO | | .8829 | .8794 | .8374 |
| DEBT SERVICE COVERAGE RATIO | | 40.27 | 41.82 | 55.16 |
| DAYS CASH ON HAND RATIO | | 105.84 | 104.79 | 197.24 |

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

| | <u>2017</u> | <u>%</u> | <u>2018</u> | <u>%</u> | <u>2019</u> | <u>%</u> | <u>2020</u> | <u>%</u> |
|-----------------|-------------|----------|-------------|----------|-------------|----------|--------------|----------|
| STUDIO | | | | | | | | |
| ONE BEDROOM | | | | | | | | |
| TWO BEDROOM | | | | | | | | |
| COTTAGE/HOUSE | | | | | | | | |
| ASSISTED LIVING | 2945-4,775 | 5% | 3,033-5,014 | 0% | 3,033-5,014 | 0% | 3,033-5,014 | 0% |
| SKILLED NURSING | 6,665-7,905 | 7% | 7,440-8,525 | 7% | 7,440-8,525 | 0% | 8,700-12,000 | 17% |
| SPECIAL CARE | | | | | | | | |

COMMENTS FROM PROVIDER: > Private SNF rates increased significantly from 2019 to 2020 due to the COVID-19 increase in the Medi-Cal

> daily rates, 10%.

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

**Continuing Care Retirement Community
Disclosure Statement**

Date Prepared: 4/21/21 _____

FACILITY NAME: Compass Health Inc., dba Arroyo Grande Care Center & Wyndham Residence
 ADDRESS: 1212 Farroll Ave and 222 S Elm Street, Arroyo Grande, CA ZIP CODE: 93420 PHONE: (805) 474-7260
 PROVIDER NAME: Compass Health Inc. FACILITY OPERATOR: Compass Health, Inc.
 RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: None
 YEAR _____ # OF _____ SINGLE MULTI- _____ MILES TO SHOPPING CTR: 1
 OPENED: 1995 ACRES: 5.58 STORY _____ STORY _____ OTHER: Both _____ MILES TO HOSPITAL: 20

NUMBER OF UNITS:

| | |
|--------------------------------------|---|
| RESIDENTIAL LIVING | HEALTH CARE |
| APARTMENTS — STUDIO: _____ | ASSISTED LIVING: <u>57</u> |
| APARTMENTS — 1 BDRM: _____ | SKILLED NURSING: <u>99</u> |
| APARTMENTS — 2 BDRM: _____ | SPECIAL CARE: _____ |
| COTTAGES/HOUSES: _____ | DESCRIPTION: > _____ |
| RLU OCCUPANCY (%) AT YEAR END: _____ | OVERALL CCRC 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)* Refundable Repayable 90% 75% 50% OTHER: _____

RANGE OF ENTRANCE FEES: \$ 0 - \$ 0 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: _____

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD: > Resident council President meets with representative > quarterly to offer resident's perspective on any changes in the facility. Representative provides materials about board meetings to the President.

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

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Bayside Care Center/Casa De Flores

Morro Bay, CA

(805)-772-2237, (805)-772-7372

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

Danish Care Center

Atascadero CA

(805) 466-9254

Mission View Health Center

San Luis Obispo CA

(805) 543-0210

San Luis Transitional Care

San Luis Obispo CA

(805) 545-7575

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

Vineyard Hills Health Center

Templeton CA

(805) 434-3035

San Luis Post Acute Center

San Luis Obispo CA

(805) 544-5100

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

PROVIDER NAME: Compass Health Inc.

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|------------------|------------------|------------------|-------------------|
| INCOME FROM ONGOING OPERATIONS | | | | |
| OPERATING INCOME (Excluding amortization of entrance fee income) | 75,144,600 | 74,882,200 | 75,831,000 | 76,599,700 |
| LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest) | 67,372,500 | 66,054,400 | 67,360,700 | 64,104,200 |
| NET INCOME FROM OPERATIONS | <u>7,772,100</u> | <u>8,827,800</u> | <u>8,470,300</u> | <u>12,495,500</u> |
| LESS INTEREST EXPENSE | 87,800 | 64,100 | 57,400 | 43,200 |
| PLUS CONTRIBUTIONS | | | | |
| PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items) | | | | |
| NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION | <u>7,684,300</u> | <u>8,763,700</u> | <u>8,412,900</u> | <u>12,452,300</u> |
| NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

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

| <u>LENDER</u> | <u>OUTSTANDING BALANCE</u> | <u>INTEREST RATE</u> | <u>DATE OF ORIGINATION</u> | <u>DATE OF MATURITY</u> | <u>AMORTIZATION PERIOD</u> |
|----------------------------|----------------------------|----------------------|----------------------------|-------------------------|----------------------------|
| Symetra Life Insurance Co. | 751,625 | 5.35 | 4/1/2012 | 3/1/2024 | 11 yrs 11 mos. |
| | | | | | |
| | | | | | |

FINANCIAL RATIOS (see next page for ratio formulas)

| | <u>2017 CCAC Medians 50th Percentile (optional)</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|------------------------------------|--|-------------|-------------|-------------|
| DEBT TO ASSET RATIO | | .0352 | .0281 | .0133 |
| OPERATING RATIO | | .8829 | .8794 | .8374 |
| DEBT SERVICE COVERAGE RATIO | | 40.27 | 41.82 | 55.16 |
| DAYS CASH ON HAND RATIO | | 105.84 | 104.79 | 197.24 |

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

| | <u>2017</u> | <u>%</u> | <u>2018</u> | <u>%</u> | <u>2019</u> | <u>%</u> | <u>2020</u> | <u>%</u> |
|-----------------|-------------|----------|-------------|----------|-------------|----------|--------------|----------|
| STUDIO | | | | | | | | |
| ONE BEDROOM | | | | | | | | |
| TWO BEDROOM | | | | | | | | |
| COTTAGE/HOUSE | | | | | | | | |
| ASSISTED LIVING | 2945-4,775 | 5% | 3,033-5,014 | 0% | 3,033-5,014 | 0% | 3,033-5,014 | 0% |
| SKILLED NURSING | 6,665-7,905 | 7% | 7,440-8,525 | 7% | 7,440-8,525 | 0% | 8,700-12,000 | 17% |
| SPECIAL CARE | | | | | | | | |

COMMENTS FROM PROVIDER: > Private SNF rates increased significantly from 2019 to 2020 due to the COVID-19 increase in the Medi-Cal
 > daily rates, 10%.
 >

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

| | <u>RESIDENTIAL LIVING</u> | <u>ASSISTED LIVING</u> | <u>SKILLED NURSING</u> |
|--|-------------------------------|----------------------------|---|
| [1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | N/A | \$3,033 - \$5,014 | \$7,440 - \$8,525 |
| [2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | N/A | N/A | 17% Eff. 8/1/2020 \$8,700 - \$12,000 |

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: August 1, 2020 for the Skilled Nursing (If more than 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:** 6/1/2020 **Method of Notice:** Letter
- 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:** 7/1/2020, virtual phone 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:** 6/1/2020
- 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:** 6/1/2020 **Location of Posting:** Announcement Board

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Compass Health, Inc.

COMMUNITY: Bayside Care Center and Casa de Flores

Compass Health, Inc. dba Bayside Care Center and Casa de Flores

Form 7-1 Attachment

Increase in Monthly Serve Fee

Attachment to Item [5]:

Rate increases on monthly fees for the following levels of care were approved by the Board based on projected operating costs of the continuing care retirement community, projected per capita costs and economic indicators:

| | Rate Increase | Range of Monthly Fees |
|----------------------|---------------|-----------------------|
| Assisted Living | 0% | \$3,033 to \$5,014 |
| Skilled Nursing Care | 17% | \$8,700 to \$12,000 |

Assisted Living

Not applicable.

Skilled Nursing Care

The monthly care fees were evaluated by Management to meet expectations of the modified COVID-19 budget, as well as to comply with State and Federal requirements for additional staffing, personal protective equipment reserves and align private pay rates with updated Medi-Cal rates.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

| | <u>RESIDENTIAL LIVING</u> | <u>ASSISTED LIVING</u> | <u>SKILLED NURSING</u> |
|--|-------------------------------|----------------------------|---|
| [1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | N/A | \$3,033 - \$5,014 | \$7,440 - \$8,525 |
| [2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | N/A | N/A | 17% Eff. 8/1/2020 \$8,700 - \$12,000 |

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: August 1, 2020 for the Skilled Nursing (If more than 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:** 6/1/2020 **Method of Notice:** Letter
- 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:** 7/2/2020, virtual phone 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:** 6/1/2020
- 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:** 6/1/2020 **Location of Posting:** Announcement Board

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Compass Health, Inc.

COMMUNITY: Arroyo Grande Care Center and Wyndham Residence

Compass Health, Inc. dba Arroyo Grande Care Center and Wyndham Residence

Form 7-1 Attachment

Increase in Monthly Serve Fee

Attachment to Item [5]:

Rate increases on monthly fees for the following levels of care were approved by the Board based on projected operating costs of the continuing care retirement community, projected per capita costs and economic indicators:

| | Rate Increase | Range of Monthly Fees |
|----------------------|---------------|-----------------------|
| Assisted Living | 0% | \$3,033 to \$5,014 |
| Skilled Nursing Care | 17% | \$8,700 to \$12,000 |

Assisted Living

Not applicable.

Skilled Nursing Care

The monthly care fees were evaluated by Management to meet expectations of the modified COVID-19 budget, as well as to comply with State and Federal requirements for additional staffing, personal protective equipment reserves and align private pay rates with updated Medi-Cal rates.

97430

Continuing Care Provider Fee

509 WYNDHAM RESIDENCE

04/28/21

097430

INV DATE INVOICE NUMBER

P.O.#

INVOICE AMOUNT

DISCOUNT

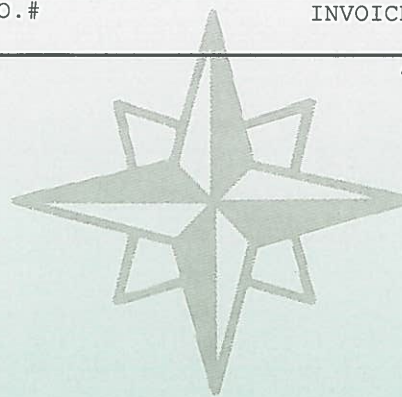
NET AMOUNT

04/26/21 2020 CCRC

4,826.00

0.00

4,826.00



STUB TOTAL

4,826.00

ORIGINAL DOCUMENT PRINTED ON CHEMICAL REACTIVE PAPER WITH MICROPRINTED BORDER

**WYNDHAM RESIDENCE**222 SOUTH ELM STREET
ARROYO GRANDE, CA 93420
(805) 474-7260MECHANICS BANK
75 SANTA ROSA ST.
SAN LUIS OBISPO, CA 93405

90-3842/1222

97430

REGISTER
NO.

DATE

AMOUNT

097430 04/28/21 ***4,826.00

PAY:

FOUR THOUSAND EIGHT HUNDRED TWENTY-SIX AND XX / 100 DOLLARS

VOID AFTER 6 MONTHS

TO THE
ORDER
OFContinuing Care Provider Fee
744 P Street, M.S. 10-90
Sacramento, CA 95814SECURED BY
EZSHIELD

BY



THIS DOCUMENT CONTAINS HEAT SENSITIVE INK. TOUCH OR PRESS HERE - RED IMAGE DISAPPEARS WITH HEAT.

⑈097430⑈ ⑆122238420⑆ 0727921311⑈

ORIGINAL DOCUMENT PRINTED ON CHEMICAL REACTIVE PAPER WITH MICROPRINTED BORDER

**CASA DE FLORES**1405 TERESA DRIVE
MORRO BAY, CA 93442
(805) 772-7372MECHANICS BANK
75 SANTA ROSA ST.
SAN LUIS OBISPO, CA 93405

90-3842/1222

81243

REGISTER
NO.

DATE

AMOUNT

081243 04/28/21 ***5,006.00

PAY:

FIVE THOUSAND SIX AND XX / 100 DOLLARS

VOID 6 MONTHS FROM DATE OF ISSUE

TO THE
ORDER
OFCONTINUING CARE PROVIDER FEE FUND
CALIF. DEPT OF SOCIAL SERVICES
744 P STREET, M.S. 10-90
SACRAMENTO, CA 95814

Shield

BY



THIS DOCUMENT CONTAINS HEAT SENSITIVE INK. TOUCH OR PRESS HERE - RED IMAGE DISAPPEARS WITH HEAT.

⑈081243⑈ ⑆122238420⑆ 0727920511⑈